



Notice of Public Meeting

The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, November 5, 2024, at 10:00 A.M.**

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

1. Call to Order, Roll Call and Miscellaneous Business

- 1.1 Swearing in of New Trustee

2. Oral Communications

- 2.1 Oral Communications from the Board
- 2.2 Oral Communications from the Public

3. Approval of the Minutes

- 3.1 Approval of Board Meeting Minutes from August 27, 2024
Approval of Board Meeting Minutes from September 24, 2024

4. Approval of the Consent Agenda*

- | | |
|--------------------------------|---|
| 4.1 Disability Retirements (1) | 4.5 Deferred Retirements |
| • Szeto | 4.6 Member Account Refunds |
| 4.2 Survivor Death Benefits | 4.7 Member Account Rollovers |
| 4.3 Service Retirements | 4.8 Member Account Redeposits |
| 4.4 Continuances | 4.9 Acceptance of Trustees' Reports of Educational 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 for the Period Ended September 30, 2024
- 6.2 Report on Inflation Hedge Manager Annual Reviews
- 6.3 Report on Opportunistic Credit Manager Annual Review
- 6.4 Report on Absolute Return Manager Annual Review
- 6.5 Presentation on China Market Exposure Within SamCERA's International Equity Program
- 6.6 Approval of Securities Lending Implementation Plan to New Guidelines
- 6.7 Approval of Cash Flow-Matching Replenishment Recommendation and Asset Allocation

7. Board & Management Support

- 7.1 Presentation by Brown Armstrong of 2024 Financial Audit Reports
- 7.2 Approval of SamCERA's 2024 Annual Comprehensive Financial Report (ACFR)
- 7.3 Approval of Voting Delegates and direction to delegates for Fall 2024 SACRS Business Meeting

Notice of Public Meeting

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8. Management Reports

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

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

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

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

| | | |
|------------------|--------------------|-------------------------|
| Solis, Blanca | August 28, 2024 | Courts |
| Buscher, Karin | September 17, 2024 | San Mateo County Health |
| Flavetta, Elaine | September 20, 2024 | Public Works |
| Casey, James | September 23, 2024 | Probation |
| Kang, Andrew | October 10, 2024 | ISD |
| Molinari, Andrew | October 2, 2024 | Assessor's Office |
| Montero, Raisa | October 2, 2024 | Aging & Adult Services |
| Carter, Raul | October 3, 2024 | Mental Health |
| Bise, Eugene | October 11, 2024 | San Mateo County Health |



Scott Hood, Chief Executive Officer

Posted: October 30, 2024

(* 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 REGULAR AGENDA MAY BE TRANSFERRED TO THE CONSENT 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 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 a.m. – 6 p.m.*

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

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

Agenda Item 1.1

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer



SUBJECT: Administration of the Oath of Office to Newly Appointed Trustee

In this agenda item, the Oath of Office will be given to Trustee Rachel Perkel, who was appointed by the Board of Supervisors to the Sixth Seat on the Board of Retirement on September 24, 2024.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AUGUST 27, 2024 – REGULAR BOARD MEETING MINUTES**

2408.1 Call to Order, Roll Call and Miscellaneous Business

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

Roll Call:

Present: Sandie Arnott, Al David, April DeCarsky (for Robert Raw) Kurt Hoefer, Kimathi Marangu, Katherine O'Malley, Elaine Orr, and Alma Salas.

Absent: Mark Battey and Robert Raw.

Alternates: Nicole McKay.

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

Consultants and speakers: Joe Abdou, John Nicolini, and Faraz Shooshani (Verus).

- 2408.1.1 Administration of the Oath of Office to Reelected and Reappointed Trustees:** Ms. Arnott administered the Oath of Office to Trustee O'Malley, who was reelected, and Trustee Orr, who was reappointed to the Board.

- 2408.1.2 Announcement of Appointment of Board Committees:** Mr. Hood announced the committee appointments Ms. Salas made at the August meeting and noted that Mr. David would be unable to serve on the Audit committee, due to his pending retirement.

- 2408.2.1 Oral Communications from the Board:** Mr. David announced his retirement from the County of San Mateo.

This item was heard before Item 1.1.

- 2408.2.2 Oral Communications from the Public:** None.

- 2408.3.1 Approval of Board Meeting Minutes from July 23, 2024:** Ms. Salas asked if there were any changes or corrections, or objections, to the minutes from the regular meeting held on July 23, 2024. Mr. Hood presented one correction to the Board regarding the incorrect list of deceased members.

Action: Mr. David moved to approve the minutes from the July 23, 2024 regular Board meeting. The motion was seconded by Ms. Arnott and carried with a vote of 6-0-2, with trustees Arnott, David, DeCarsky (for Raw), Hoefer, Marangu, and Salas all in favor; none opposed; trustees O'Malley and Orr abstained.

- 2408.4.0 Approval of the Consent Agenda:** Nuria Arceo's disability application was removed from Item 4.1. Ms. Salas asked if there were any items to be removed for discussion from the Consent Agenda. Ms. Lenguyen informed the Board that Applicant Hemal Mehta was requesting that her application be removed from the Consent Agenda so that she could address the Board in Open Session with her husband present. Ms. Arnott requested that Items 4.11 and 4.12 be removed for discussion.

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

2408.4.1 Disability Retirements:

- a) The Board found that **Christopher Goeking** (1) is not permanently incapacitated from substantially performing his usual and customary duties as a Sheriff's Correctional Officer and (2) denied his application for a service-connected disability retirement.
- b) The Board found that **Romel Horace** (1) is permanently incapacitated from the performance of her usual and customary duties as a Therapy Aide, (2) found that her disability was not the result of an injury/illness arising out of and in the course of her employment, (3) denied her application for a service-connected disability and (4) granted her a non-service-connected disability retirement.
- c) The Board terminated the disability retirement application submitted by the San Mateo Medical Center on behalf of **Ana Quintanilla-Recinos** per Article VI, sections 6.5 and 6.6 of the Board Regulations regarding Disability Retirement.

2408.4.2 Survivor Death Benefits: None.

2408.4.3 Service Retirements:

| Name | Effective Retirement Date | Department |
|---------------------|---------------------------|---------------------------|
| Bergman, Lisa | June 22, 2024 | Superior Court |
| Bollinger, Vilma | June 22, 2024 | San Mateo County Health |
| Cassano, Irma | June 8, 2024 | Human Services Agency |
| Chan, Sandy | July 1, 2024 | Deferred - Emergency Mgmt |
| Curlee, Maria | June 29, 2024 | San Mateo County Health |
| Farfan, Daniel | June 29, 2024 | Public Health |
| Giampaoli, Mitchell | June 30, 2024 | Sheriff's Office |
| Gomez, Lucia | June 18, 2024 | Assessor's office |
| Joseph, Susan | June 29, 2024 | San Mateo County Health |
| Louie, Harry | June 15, 2024 | Family Health |
| Lugo, Ana | June 17, 2024 | Human Services Agency |
| Pisani, Karen | June 29, 2024 | First 5 |
| Rodas, Carmen | June 30, 2024 | Deferred - Family Health |
| Rojas, Regina | June 9, 2024 | Sheriff's Office |

2408.4.4 Continuances:

| Survivor's Name | Beneficiary of: |
|------------------|-------------------|
| Lim, Nancy | Lim, Jose Paquito |
| Mendelson, Harry | Mendelson, Diane |
| Murphy, Kevin | Murphy, Deanna |

2408.4.5 Deferred Retirements:

| Name | Retirement Plan Type |
|--------------------|------------------------------------|
| Alcazar, Sonia | G4, Vested - Reciprocity |
| Bokharey, Saba | G7, Vested Auto Defer – Code 31700 |
| Burdick, Sarah | G4, Vested - Reciprocity |
| Caballero, Lynette | G7, Non-Vested - Reciprocity |
| Dimanlig, Emillie | G7, Vested - Reciprocity |
| Kath, Chantha | G7, Non-Vested - Reciprocity |

Kau, Linda
Lam, Ka Ming
Lum, Anthony
Martinez, Adrianna
Mosley, Tyesha
Rubert, Aidan
Valenzuela, Erika
Villarreal, Claudia
Wong, Kimberly

G7, Non-Vested - Reciprocity
G7, Vested Auto Defer – Code 31700
G5, Vested - Reciprocity
G7, Non-Vested - Reciprocity
G7, Vested Auto Defer – Code 31700
G7, Non-Vested - Reciprocity
G7, Vested - Reciprocity
G7, Vested Auto Defer – Code 31700
G5, Vested - Reciprocity

2408.4.6 Member Account Refunds:

| Name | Retirement Plan Type |
|--|-----------------------------|
| Ahern, Erin | G7, Non-vested |
| Banning, Monica | G7, Vested |
| Borghi, Gabriel (FBO: Borghi, Christopher) | G2, Vested |
| Caballero, Jessica | S4, Vested |
| Choudhrie, Sanjay | G7, Non-vested |
| Cooper, Carol | G4, Non-vested |
| Gonzalez, Michelle (FBO: Ayon, Celina) | G7, Non-vested |
| Rusniak, Kassidee | G7, Non-vested |

2408.4.7 Member Account Rollovers:

| Name | Retirement Plan Type |
|--|-----------------------------|
| Borghi, Gabriel (FBO: Borghi, Christopher) | G2, Vested |
| Carlos, Jessica | G7, Vested |
| Hufana, Annabell | G7, Non-vested |
| Sankaran, Lalitha | G7, Non-vested |

2408.4.8 Member Account Redeposits: None

2408.4.9 Approval to Issue Retirement Check:

| Name | Effective Date |
|-------------|-----------------------|
| Susan Botti | September 1, 2024 |

2408.4.10 Acceptance of Trustees' Reports of Educational Activities: The Board accepted the submitted report for educational activities attended by Mr. David.

2408.4.11 Acceptance of Semi-Annual Compliance Certification Statements for Period Ended June 30, 2024: This item was discussed in Open Session following the approval of the Consent Agenda. Ms. Arnott informed the Board of her questions regarding this item. Following discussion, the Board requested additional information from staff regarding situations where investment managers declined to provide certain information in connection with their reviews on the grounds that such information is material non-public information. Staff will discuss potential clarifications to reports concerning these matters and will follow up with the Board at a later date.

2408.4.12 Report on SamCERA's Securities Lending Program: This item was discussed in Open Session following the approval of the Consent Agenda. Ms. Arnott informed the Board of her questions regarding this item. Following discussion, Staff proposed scheduling an educational session for the Board, possibly at its March 2025 retreat, to review additional details regarding the Board's Securities Lending Program.

Action: Mr. David moved to accept the Semi-Annual Compliance Certification Statements for SamCERA's non-alternative investment managers, as of June 30, 2024 (Item 4.11) and accept the report on SamCERA's Securities Lending Program as of June 30, 2024 (Item 4.12). The motion was seconded by Mr. Marnagu and carried with a vote of 8-0-0, with trustees Arnott, David, DeCarsky (for Raw), Hoefer, Marangu, O'Malley, Orr, and Salas all in favor; none opposed; none abstained.

2408.4.13 **Report on Preliminary Financial Statements for the Fiscal Year Ended June 30, 2024:** The Board accepted the Preliminary Financial Statements for the Fiscal Year Ended June 30, 2024.

2408.4.14 **Report on Budget-to-Actual for the Fiscal Year Ended June 30, 2024:** The Board accepted the Preliminary Report on Budget-to-Actual for the fiscal year ended June 30, 2024.

2408.4.15 **Reaffirm Error Correction Policy:** The Board reaffirmed the Board of Retirement's Policy and Procedure for Correcting Inaccuracies Relating to Member Contributions, Withdrawals, and the Payment of Benefits.

2408.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:**

Dr. Mehta addressed the Board in Open Session regarding her Disability Retirement application. Following discussion, there was a motion and a second to refer this matter to a hearing officer.

Action: Ms. Arnott moved to refer this matter to a hearing officer. The motion was seconded by Mr. David and carried with a vote of 8-0-0, with trustees Arnott, David, DeCarsky (for Raw), Hoefer, Marangu, O'Malley, Orr, and Salas all in favor; none opposed; none abstained.

2408.6.1 **Report on Preliminary Monthly Portfolio Performance for the Period Ended July 31, 2024:** Mr. Coultrip reported that SamCERA's preliminary return for July was 1.6%, bringing the preliminary trailing twelve-month net return ending July to 9.1%, which is below our benchmark return of 10.9% but above our assumed earnings rate of 6.25%. SamCERA's estimated market value as of July was \$6.65 billion, while the actuarial funded ratio as of June 30, 2023 was 88.3%.

2408.6.2 **Report on Quarterly Investment Performance Report for Period Ended June 30, 2024:** Mr. Coultrip reported that the 2nd quarter net total return for the SamCERA portfolio was 1.7%, which was 50 bps lower than the 2.2% policy benchmark return. Joe Abdou, John Nicolini, and Faraz Shooshani from Verus presented the Verus Quarterly Performance Report Ending June 30, 2024, to the Board. This item was informational and for discussion only, no action was taken.

2408.6.3 **Report on Defensive Fixed Income Manager Annual Reviews:** Ms. Ng reported that on June 18, SamCERA staff and consultant held annual review meetings with defensive fixed income bond managers, DoubleLine, NISA Investment Advisors and FIAM. Each meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook. Ms. Ng reviewed the meetings, stated there were no significant concerns and answered questions from the Board. This item was informational and for discussion only, no action was taken.

Mr. Hoefer stepped out of the boardroom at 11:05 a.m. until 11:09 a.m.

2408.6.4 **Report on Opportunistic Credit Manager Annual Reviews:** Ms. Ng reported that SamCERA staff and consultant held annual review meetings with opportunistic credit bond managers, PIMCO and Beach Point, on July 11, and with White Oak Global Advisors and One William Street on August 1. Each meeting lasted approximately 1.5-2 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook. Ms. Ng

reviewed the meetings, stated there were no significant concerns and answered questions from the Board. This item was informational and for discussion only, no action was taken.

2408.6.5 **Approval of Proposed Purchase of Alternative Investments (Confidential Under Gov. Codes §54956.81 and §7928.710, to be heard in Closed Session, C2):** This item was heard in Closed Session at 11:25 a.m. and Open Session was reconvened at 12:00 p.m. See Closed Session report under C2.

2408.7.1 **Approval of Resolution Amending Board Regulations:** Mr. Hood reviewed proposed revisions certain sections to the Board of Retirement Regulations under Elections, Membership Duties and Rights, and Disability Retirements.

Action: Ms. Arnott moved to approve the resolution amending Board regulations. The motion was seconded by Mr. David and carried with a vote of 8-0-0, with trustees Arnott, David, DeCarsky (for Raw), Hoefer, Marangu, O'Malley, Orr, and Salas all in favor; none opposed; none abstained.

2408.8.1 **Chief Executive Officer's Report:** Mr. Hood reported to the Board that with Mr. David's retirement and based on the election amendments to the Board regulations, the Elections Office will likely have the elections the first or second week of January for the period remaining on Mr. David's current term through June 30, 2025, and the following 3-year term beginning July 1, 2025. Until the election, and accordance with the CERL, Ms. DeCarsky will vote in light of the Third Member seat vacancy. Mr. Hood updated the Board regarding the vacancy left by Mr. Battey. The Board of Supervisors will conduct interviews of the four candidates on September 12th. The Board of Supervisors have asked SamCERA to sit in on the interviews. Ms. Smith will represent SamCERA during the interviews. Mr. Hood reported to the Board that he attended the NCPERS Funding Forum last week in Boston. Mr. Hood stated that it was a decent forum with a mix of attendees. Mr. Hood reported that he had discussions with the County's Chief Financial Officer who indicated that the County is interested in looking into stabilizing future employer contribution rates. Mr. Hood reported to the Board that at next month's meeting, topics will include the annual valuation, contribution rates, the 2025 Board meeting schedule, review error correction policies, and an update on the disability statistics.

Lastly, Mr. Hood extended his congratulations and thanks to Mr. David for being an elected Trustee for 16+ years. Mr. Hood presented Mr. David with a pin and framed commemorative Resolution detailing Mr. David's service to the Board, which Mr. Marangu read aloud.

2408.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported to the Board that SamCERA has filled the Retirement Technology Officer position. Diane Webster will be joining SamCERA effective September 16. Ms. Webster is currently the Technology Manager for San Mateo County Human Resources Department. Ms. Lukan reported to the Board on upcoming education opportunities including CALAPRS Trustees In-Person Round Table on October 11 in San Jose and SACRS in Monterey in November and she will send an email with the information. Ms. Lukan also gave the Board a heads up regarding CALAPRS General Assembly in March 2025 in Napa. Ms. Smith wished Mr. David all the best in his retirement.

2408.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported to the Board that staff will be bringing to the Board in the next month or two, the recommendation for the asset allocation review. Typically, this is brought after the valuation. Mr. Coultrip also extended his thanks to Mr. David.

2408.8.4 **Chief Legal Counsel's Report:** Mr. Okada did not present a legal report to the Board, but he did extend his thanks to Mr. David for his service.

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

C2 Approval of Proposed Purchase of Alternative Investments (Confidential Under Gov. Code §54956.81 and §7928.710, see item 6.5):

The Board entered Closed Session at 11:25 a.m.

The Board met in Closed Session for the approval of proposed alternative investments:

Regarding a \$60 million commitment to GoldenTree Asset Management Master Fund Select Strategy, as part of SamCERA's Opportunistic Credit portfolio with the Growth category, there was a motion and a second to approve such commitment.

Ayes: Arnott (Secretary), David, Decarsky (for Raw), Hoefer, Marangu (Vice Chair), O'Malley, Orr, and Salas (Chair)
Nos: None
Abstain: None
Absent: None
Motion carried 8-0-0

Regarding a \$20 million re-up commitment to Summit Partners Growth Equity Fund XII, L.P. as part of SamCERA's Venture Capital portfolio within Private Equity under the Growth category, there was a motion and second to approve such commitment.

Ayes: Arnott (Secretary), David, Decarsky (for Raw), Hoefer, Marangu (Vice Chair), O'Malley, Orr, and Salas (Chair)
Nos: None
Abstain: None
Absent: None
Motion carried 8-0-0

No other matters were heard in Closed Session and the Board exited Closed Session at 12:00 p.m.

2408.9.0 Reports on Actions Taken in Closed Session: Mr. Okada reported on Item C2 above. There were no additional closed session items.

2408.10 Adjournment: Ms. Salas adjourned the meeting at 12:18 p.m. in memory of the deceased members listed below.

| | | |
|--------------------|----------------|----------------------------|
| Berg, Michael | March 27, 2024 | Mental Health |
| Martinez, Harry | May 13, 2024 | Public Health |
| Bell, Gloria | June 26, 2024 | Courts |
| Myers, Karen | July 2, 2024 | San Mateo County Health |
| Andrews, Shirley | July 9, 2024 | Health Services |
| Riley, Marsha | July 18, 2024 | Human Services |
| Bundalian, Clarita | July 21, 2024 | San Mateo County Health |
| Benedict, Kathleen | July 22, 2024 | General Services |
| Marin, Ruth | July 23, 2024 | Probation |
| Yoshida, Hisaye | July 24, 2024 | District Attorney's Office |
| Merkh, Ralph | July 24, 2024 | Sheriff's Office |
| Bresler, Lucy | July 28, 2024 | Environmental Health |
| Murray, Thomas | July 29, 2024 | General Services |

Taiby, Hussain
Mitchell, Raymond
Coudray, Peter

July 31, 2024
August 1, 2024
August 8, 2024

San Mateo County Health
Probation
Public Works

Alma Salas
Board Chair

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SEPTEMBER 24, 2024 – REGULAR BOARD MEETING MINUTES**

2409.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Alma Salas, Chair, called the Regular Meeting of the Board of Retirement to order at 9:59 a.m.

Roll Call:

Present: Sandie Arnott, April DeCarsky, Katherine O'Malley, Robert Raw, and Alma Salas.

Absent: Mark Battey, Kurt Hoefer, Kimathi Marangu, and Elaine Orr.

Alternates: Nicole McKay.

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

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

2409.2.1 Oral Communications from the Board: None.

2409.2.2 Oral Communications from the Public: Ms. Smith introduced the Board to SamCERA's new Retirement Technology Office, Diane Webster.

2409.3.1 Approval of Board Meeting Minutes from August 27, 2024: Due to the shortage of necessary voting members who attended the August meeting in attendance today, this item was moved to the November Regular Meeting.

2409.4.0 Approval of the Consent Agenda: Ms. Salas asked if there were any items to be removed for discussion from the Consent Agenda. No items were removed.

Action: Ms. Arnott moved to approve the items on the Consent Agenda. The motion was seconded by Ms. DeCarsky and carried with a vote of 5-0-0, with trustees Arnott, DeCarsky, O'Malley, Raw, and Salas all in favor; none opposed; none abstained.

2409.4.1 Disability Retirements: None.

2409.4.2 Survivor Death Benefits: None.

2409.4.3 Service Retirements:

| Name | Effective Retirement Date | Department |
|--------------------|---------------------------|----------------------------------|
| Alarcon, Cecilia | June 29, 2024 | Deferred - Human Services Agency |
| Avery, Doreen | July 6, 2024 | Mental Health |
| Borba, Christine | July 16, 2024 | Probation |
| Brown, Jeanette | August 1, 2024 | Probation |
| Charles, Christine | July 20, 2024 | Probation |
| Clifford, Marcus | July 9, 2024 | Probation |
| Cortez, Yolanda | July 27, 2024 | San Mateo County Health |
| Dormandy, Douglas | July 23, 2024 | Probation |
| Epler, Frances | July 16, 2024 | Def'd - San Mateo County Health |
| Flores, Sandra | August 1, 2024 | Human Services Agency |
| Forrester, Eric | July 31, 2024 | Sheriff's Office |
| Gloria, Luis | July 6, 2024 | Sheriff's Office |
| Gomez, Jose | July 6, 2024 | County Executive's Office |

| | | |
|-----------------|----------------|-------------------------|
| Grivas, Gidion | July 27, 2024 | San Mateo County Health |
| Heindel, Steven | July 4, 2024 | Sheriff's Office |
| Keating, Ron | July 13, 2024 | San Mateo County Health |
| Luis, Angela | July 6, 2024 | Library |
| Mosely, Denise | July 13, 2024 | Behavioral Health |
| Shipp, Glenn | August 1, 2024 | San Mateo County Health |
| Torio, Cristina | August 1, 2024 | Assessor's Office |

2409.4.4 Continuances:

Survivor's Name

Beaumont, Josephina
Bell, Donald
Berg, Sima
Grant, Ardenah
Myers, Michael

Beneficiary of:

Beaumont, Graham
Bell, Gloria
Berg, Michael
Grant, Vernon
Myers, Karen

2409.4.5 Deferred Retirements:

Name

Amadi, Victor
Branch, Camille
Calderon, Yesska
Ceja, Luis
Dunn, Travis
Gurley, Kristin
Hendrickson, Matthew
Jung, Anna
Latu, Lucianne
Oakley, Sharla
Pryor, Russell
Robinson, Shacoya
Sharma, Neha
Tinoco, Eric
Vallecillo, Saradilia
White, Andrew

Retirement Plan Type

S7/P7, Vested Auto Defer – Code 31700
G7, Vested Auto Defer – Code 31700
G5, Vested Auto Defer – Code 31700
S7, Vested Auto Defer – Code 31700
G7, Vested Auto Defer – Code 31700
G7, Vested Auto Defer – Code 31700
G5, Vested Auto Defer – Code 31700
G7, Vested Auto Defer – Code 31700
G4, Vested Auto Defer – Code 31700
P5, Vested – Reciprocity
P4, Vested Auto Defer – Code 31700
G7, Vested Auto Defer – Code 31700
P4, Vested Auto Defer – Code 31700
S7, Vested Auto Defer – Code 31700
G7, Vested
G7, Vested Auto Defer – Code 31700

2408.4.6 Member Account Refunds:

Name

Dinh, Emily
Esquivel, Svetlana
Fang, Allison
Knopp, Steven
Koska, Sarah
Langford, Lenaya
Ramirez Barajas, Saul
Sloan, Ivan
Yeagly, Charles

Retirement Plan Type

G7, Non-vested
G4, Vested
G7, Vested
G7, Non-vested
P7, Vested
G7, Non-vested
G7, Non-vested
G7, Non-vested
S7, Non-vested

2409.4.7 **Member Account Rollovers:**

| Name | Retirement Plan Type |
|--------------------------|-----------------------------|
| Bissada, Phillip | G4, Vested |
| Chan, Navin | G7, Non-vested |
| Fang, Allison | G7, Vested |
| Fong, Mackenzie | G7, Non-vested |
| Gonzales, Jordan Anthony | G7, Non-vested |
| Scarlata, Karim | G7, Non-vested |

2409.4.8 **Member Account Redeposits:** None.

2409.4.9 **Acceptance of Trustees' Reports of Educational Activities:** None.

2409.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.

2409.5.2 **Presentation of the June 30, 2024, Actuarial Valuation Report:** Mr. Collier and Mr. Glyde, of Milliman, Inc. presented the results and recommendations of SamCERA's Actuarial Valuation Report as of June 30, 2024. The results included: a decrease in the Employer Statutory Contribution rate from 26.64% (effective July 1, 2024) to 26.50% (effective July 1, 2025); virtually no change in member contribution rates for all plans (effective July 1, 2025); a decrease in the funded ratio of the system from 88.3% as of June 30, 2023, to 87.6% as of June 30, 2024. This item was informational and for discussion only, no action was taken.

2409.5.3 **Approval of Resolution Accepting the 2025-2026 Employer and Employee Contribution Rates:** Ms. Salas called for a motion on the recommendations made for Fiscal Year 2025-2026 employer and member contribution rates.

Action: Ms. DeCarsky moved to approve a resolution accepting the 2025-2026 employer and employee contribution rates. The motion was seconded by Ms. O'Malley and carried with a vote of 5-0-0, with trustees Arnott, DeCarsky, O'Malley, Raw, and Salas all in favor; none opposed; none abstained.

2409.6.1 **Report on Preliminary Monthly Portfolio Performance for the Period Ended August 31, 2024:** Mr. Coultrip reported that SamCERA's preliminary return for August was 1.4%, bringing the preliminary trailing twelve-month net return ending August to 11.8%, which is below our benchmark return of 14.6% but above our assumed earnings rate of 6.25%. SamCERA's estimated market value as of August was \$6.73 billion, while the actuarial funded ratio as of June 30, 2024 was 87.6%.

2409.6.2 **Report on Opportunistic Credit Manager Annual Reviews:** Ms. Ng reported that SamCERA staff and consultant held an annual review meeting with opportunistic credit bond manager, BlackRock, on August 13th. The meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook. Ms. Ng reviewed the meeting, stated there were no significant concerns and answered questions from the Board. This item was informational and for discussion only, no action was taken.

2409.7.1 **Approval of Resolution Moving the October 29th Board of Retirement Meeting to November 5, 2024:** Mr. Hood reviewed the proposed change of date for the meeting.

Action: Mr. Raw moved to approve the resolution changing the October 29 Board Meeting to November 5. The motion was seconded by Ms. O'Malley and carried with a vote of 5-0-0, with trustees Arnott, DeCarsky, O'Malley, Raw, and Salas all in favor; none opposed; none abstained.

2409.7.2 **Approval of Resolution Setting the Board Meeting Schedule for 2025:** Ms. Smith reviewed the proposed Board meeting schedule for 2025 with the Board.

Action: Ms. Arnott moved to approve the resolution setting the Board of Retirement's regular meeting schedule for calendar year 2025. The motion was seconded by Ms. DeCarsky and carried with a vote of 5-0-0, with trustees Arnott, DeCarsky, O'Malley, Raw, and Salas all in favor; none opposed; none abstained.

2409.8.1 **Chief Executive Officer's Report:** Mr. Hood reported to the Board that staff received a letter from a member's family thanking staff for the assistance they've received. Mr. Hood read the letter aloud to the Board. Mr. Hood reported to the Board that the next Audit Committee Meeting will be held October 3 and will be an organizational meeting that will include an update on the status of the audit. Mr. Hood reported to the Board that he will be attending the CALAPRS Administrators Institute in Carmel, September 25-27. Mr. Hood reported to the Board that he will be in and out of the office before the next Board meeting and will away on vacation for a portion of that time. Lastly, Mr. Hood reported to the Board that at the next Board meeting, topics will include the swearing in of new Board Trustee Rachel Perkel, the Annual Comprehensive Financial Report, and SACRS voting delegate.

2409.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported to the Board that she will be sending out to the Board and staff the annual performance survey for Milliman. Ms. Smith also reported that staff will be bringing the disability statistics to the Board in December. Ms. Lukan reported to the Board on upcoming education opportunities including CALAPRS Trustees In-Person Round Table on October 11 in San Jose and SACRS in Monterey in November. Ms. Lukan also gave the Board a heads-up regarding changes in IFEBP education opportunities for next year and the upcoming IFEBP education opportunities in February 2025 and she will send an email with all the information mentioned.

2409.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported to the Board that staff will be bringing to the Board in the next month or two, the recommendation for the cash flow matching portfolio with three different options for the Board to consider. Mr. Coultrip also reported that at the next meeting staff will be bringing an item regarding the securities lending guidelines to the Board. Mr. Coultrip reported to the Board that based on comments from last meeting, staff has set up a meeting with Northern Trust to set up an educational session for the Board in either December or January. Lastly, Mr. Coultrip reported to the Board that staff is still working with Pimco regarding the compliance statements, and they will give another update.

2409.8.4 **Chief Legal Counsel's Report:** Mr. Okada gave an update to the Board on two in-state litigation matters that he is closely tracking – LACERA v. County of Los Angeles and Fresno Police & Fire Retirement System v. City of Fresno. In the LACERA case, the appeal to the Supreme Court has been fully briefed and he expects that the Supreme Court will determine if they take this case by mid-November. Mr. Okada should have an update on this case in December. The Fresno Police & Fire litigation is currently in the Superior Court and will work its way through the system. Mr. Okada will continue to track both cases and make reports to the Board.

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

C2 **Conference with Legal Counsel – Anticipated Litigation**
Initiation of Litigation pursuant to California Government Code Section 54956.9(d)(4)
One Case:

The Board entered Closed Session at 11:08 a.m.

The Board met in closed session.

Regarding the potential initiation of litigation, upon the motion of Arnott, seconded by DeCarsky, the Board approved such action and the particulars of the case will be disclosed to any person upon inquiry once the action has been formally commenced unless doing so would jeopardize SamCERA's ability to effectuate service of process or jeopardize SamCERA's ability to conclude any settlement negotiations.

The Motion was approved 5 ayes - 0 nos – 0 abstentions.

No other matters were heard in Closed Session and the Board exited Closed Session at 11:20 a.m.

2409.9.0 **Reports on Actions Taken in Closed Session:** Mr. Okada reported on Item C2 above. There were no additional closed session items.

2409.10 **Adjournment:** Ms. Salas adjourned the meeting at 11:21 a.m. in memory of the deceased members listed below.

| | | |
|------------------|-------------------|------------------------|
| Monroe, Cheryl | August 6, 2024 | Probation |
| Gerke, Carol | August 11, 2024 | Behavioral Health |
| Savoca, Laury | August 14, 2024 | Human Services |
| Dabney, John | August 17, 2024 | Mental Health |
| Wuest, Laura | August 18, 2024 | Sheriff's Office |
| Lira, Lillian | August 24, 2024 | Aging & Adult Services |
| Acacio, Barbara | August 29, 2024 | County Clerk's Office |
| Moore, Clifford | August 19, 2024 | Public Works |
| Magett, Patricia | September 1, 2024 | Courts |
| Analla, Gregg | September 2, 2024 | Sheriff's Office |

Alma Salas
Board Chair

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

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 **Joan Szeto** (1) is permanently incapacitated from the performance of her usual and customary duties as a Benefits Analyst II, (2) find that her disability was not the result of an illness arising out of and in the course of her employment and (3) grant her application for a non-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 |
|-------------------------|---------------------------|---------------------------------|
| Addison, Tito | August 7, 2024 | Deferred - Probation |
| Ali, Tariq | August 6, 2024 | Deferred - SamCERA |
| Argonza, Marie | August 12, 2024 | San Mateo County Health |
| Atienza, Zorina | August 29, 2024 | Human Services Agency |
| Clayton, Kenneth | August 3, 2024 | Sheriff's Office |
| Cooper, Ondray | August 31, 2024 | Probation |
| David, Al | August 31, 2024 | Information Services |
| Espinoza Rogers, Regina | August 31, 2024 | Probation |
| Gallagher, Sean | August 10, 2024 | District Attorney's Office |
| Jones, Lawrence | June 27, 2024 | Def'd - San Mateo County Health |
| Linares, Leticia | August 30, 2024 | Human Services Agency |
| Maghami, Payman | August 31, 2024 | Information Services |
| Marty, Michael | August 7, 2024 | Deferred - Sheriff's Office |
| Modena, David | August 24, 2024 | Public Works |
| Stebbins, Samuel | August 11, 2024 | Deferred - Public Health |

| | | |
|-------------------|----------------|----------------------------------|
| Weber, Paul | August 2, 2024 | Mosquito & Vector Control |
| Zobell, Elizabeth | August 7, 2024 | Deferred - Human Services Agency |

4.4 Continuances

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

| Survivor's Name | Beneficiary of: |
|------------------------|------------------------|
| Bundalian, Ismael | Bundalian, Clarita |
| Coudray, Gail | Coudray, Peter |
| Merkh, Victoria | Merkh, Ralph |
| Taiby, Farida | Taiby, Hussain |

4.5 Deferred Retirements

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

| Name | Retirement Plan Type |
|----------------------------|---------------------------------------|
| Bagtas, Zander | G7, Vested Auto Defer – Code 31700 |
| Camano, Aimee | G5, Vested |
| Cobillas, Daniel | G7, Non-Vested - Reciprocity |
| Chin, Gregory | G7, Vested Auto Defer – Code 31700 |
| Cortez, Jessica | S7/G7, Vested Auto Defer – Code 31700 |
| Fernandez, Edwin | G4, Vested |
| Fisher, Mina | G4, Vested |
| Ghiassy, Fatma | G7, Vested Auto Defer – Code 31700 |
| Higa, Sheryl | G7, Non-Vested – Reciprocity |
| Hyde, Angela | G7, Vested |
| Jia, Bei | G7, Vested – Reciprocity |
| Quan, Jennifer | G4, Vested - Reciprocity |
| Pothisamutyothin, Kanokwan | G7, Non-Vested – Reciprocity |
| Robb, Flor | G7, Vested - Reciprocity |
| Rodriguez, Juan | G7, Vested Auto Defer – Code 31700 |
| Tubig, Ezra | G7, Vested |
| Vagts, Michael | G5/G3, Vested |

4.6 Member Account Refunds

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

| Name | Retirement Plan Type |
|-------------------------------|-----------------------------|
| Bor, Valerie | G4, Vested |
| Corral, Lilia | G7, Non-vested |
| Davies, Van | G4, Non-vested |
| Her, Daniel | G7, Non-vested |
| Medina, Rey Allen C | G7, Vested |
| Obedoza, Elvie | G7, Vested |
| Osazuwa, Chuksy | G7, Non-vested |
| Rupp, Matthew | G7, Non-vested |
| Santos, Anna Kristina Calleja | G7, Non-vested |

4.7 Member Account Rollovers

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

| Name | Retirement Plan Type |
|----------------------------|-----------------------------|
| Basler-Cameron, Jennifer | G7, Non-vested |
| Beard, Billie | G7, Non-vested |
| Clifford, Jonathan Michael | G7, Non-vested |
| Dang, Chi Vy | G7, Non-vested |
| Lam, Wayne (4127824) | G7, Non-vested |
| Mollura, Kelsey | G7, Non-vested |

4.8 Member Account Redeposits

None.

4.9 Acceptance of Trustees' Reports of Educational Activities

None.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

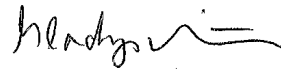
Board of Retirement

November 5, 2024

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 survey was completed by 7 Board members whose overall average rating was 4.76 while staff's average rating of Milliman was 5. Both ratings demonstrate the opinion that Milliman continues to provide excellent service to SamCERA. The average self-assessment rating by Milliman was 4.4. 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

milliman.com

October 9, 2024

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 Milliman's Employee Benefits Consulting 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 550 Principals. No Principal owns 5% or more of the firm.

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

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

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

Within the Employee Benefits practice, there has been a change in the structure. The practice has moved from a regional to a national basis. In practice, there should be no impact on SamCERA as the core team servicing SamCERA will remain the same.

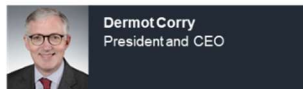
(b) The Employee Benefits Consulting practice has not had any significant losses in clients over the past 18 months. We have added BART (an employer in CalPERS) and a number of public actuarial audit clients.

(c) Below is an organizational chart of Milliman. There are no changes since last year.

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 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.

Board of directors



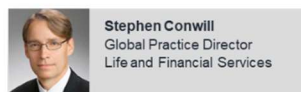
Practice areas



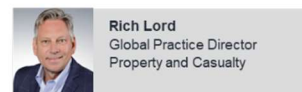
Local practices



Local practices

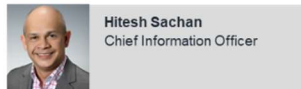
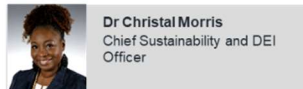
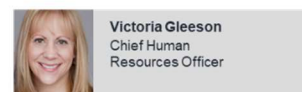


Local practices



Local practices

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. Our 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. To respond to any RFP situations, we are continually hiring new actuarial analysts – at the rate of about 5 to 10 per year in the Employee Benefits Consulting practice and growing from within. 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.

The core SamCERA team (Nick Collier, Craig Glyde, John Talbot and Julie Smith) has remained the same. We added an actuarial analyst (Eli Weissend) to replace the prior analyst who is no longer with the firm.

Nick (30+ years with Milliman) and Craig (20+ years with Milliman plus additional experience with a prior firm) have extensive experience with public sector retirement systems, including CERL systems. John (10 years with Milliman) and Eli (1 year with Milliman plus additional experience with a prior firm) perform most of the valuation calculations and provide support to Nick and Craig. Julie (15 years with Milliman) provides peer review and additional support as needed. Nick, Craig and John have been together on the SamCERA team for about 9 years.

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

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

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

No. None of our work with SamCERA is outsourced.

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

The following client(s) from our practice have had actuarial audits performed within the past 4 years (auditing firm in parentheses): California State Teachers' Retirement System (Segal), 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. We don't anticipate any significant changes to ProVal in the next year.

- 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. Milliman's process are overseen by our Chief Information Security Officer. Penetration audits are conducted annually and most recently completed in 2023. No exceptions were noted. We can provide a copy of the most recent SOC-2 report to SamCERA if requested.

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). 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 and only the keycards of Milliman employees and security personnel allow access to a Milliman floor. Milliman suites on each floor are also secured with the same keycards. 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. Only members of the SamCERA team have access to SamCERA data. 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. It is updated within a day of newly published threat patterns-being identified. 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 software 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 previously reported to SamCERA.

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 member with a current or future benefit entitlement, 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, disability 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 projection 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 (currently, Julie Smith). 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 were effective for the June 30, 2023 funding valuation and included 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 and disclosed in SamCERA's 2023 funding valuation was a much higher number than the Actuarial Accrued Liability. Essentially all public retirement systems are going through this process. As we have communicated to SamCERA, this is only a disclosure requirement and does not have a direct impact on system funding.

- Actuarially Determined Contribution – In addition to liability disclosures discussed above, recent updates to Actuarial Standard of Practice #4 included a requirement to disclose an actuarially determined contribution along with additional discussion of the implications of the system's funding. Most systems already had an actuarially determined contribution rate (like SamCERA) or were calculating and disclosing a reasonable rate, so for most systems this change has been fairly seamless.

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. 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 right now. We like SamCERA's current position after the changes recently adopted as part of the triennial process. In particular, we are looking forward to seeing if these changes can result in more stable employer contribution rates and progress toward 100% funding. As we have discussed, the future impact of the credits associated with the County Supplemental Contribution Account dropping off when they become fully amortized and any projected contribution rate volatility should be monitored, but no action should be needed for a few years.

We will continue to annually monitor assumptions. Of particular interest is the salary increase assumptions, as we may see upward pressure on wages in response to high inflation over the prior few years.

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 in general paused in adopting lower return assumptions in 2024. Driven by a significant recent increase in interest rates (which have recently moderated or declined), long-term expected returns are now greater than the investment return assumption for many systems. This could result in some systems raising their return assumption or moving to a more conservative investment asset allocation, although we have not seen movement at this point.
- **CPI and Wage Growth Assumptions** – Given recent high levels of inflation, interest rates and bond yields, systems may look to increase their price inflation and related assumptions, similar to what SamCERA did in 2023. For CERL systems, the impact on the COLA will need to be closely monitored.
- **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 how to address negative cash flow (benefit payments exceeding contributions), which is likely to occur next year.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

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, 2024

Recommendation

Accept the preliminary performance report dated September 30, 2024.

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 fund's preliminary return for September was 1.6%, bringing the preliminary trailing twelve-month net return ending September 30 to 15.8%. SamCERA's estimated market value as of September was \$6.81 billion, while the actuarial funded ratio as of June 30, 2024 was 87.6%.

Discussion

Most assets were higher in September. Amidst moderating inflation and weaker job growth, the U.S. Federal Reserve cut rates for the first time this cycle with a jumbo-sized rate cut of 50 basis points. This surprised the market, in which consensus had formed around a 25-basis point cut.

The U.S. equity market (as measured by the S&P 500 Index) was up 2.1% while the equal-weight index was up 2.3%, and small-capitalization stocks were up 0.7%. Developed international equity (as measured by MSCI EAFE) was up 0.9%, while emerging markets were up 6.7%.

U.S. economic activity was mixed in September. U.S. manufacturing continued being weak in September. Conversely, the labor market outperformed expectations by adding 254,000 jobs in September, which was higher than August and expectations. The headline unemployment rate inched down to 4.1% from 4.2%. Inflation (as measured by the Consumer Price Index - All Urban Consumers) increased 2.4% for the 12-months ending September, which was in-line with expectations and lower than August levels.

The general U.S. fixed income market was up 1.3% in September as interest rates fell across the yield curve. The 10-year U.S. Treasury yield was lower by 12 basis points during the month and ended at 3.78% by month-end. Commodities were up 4.9% in September.

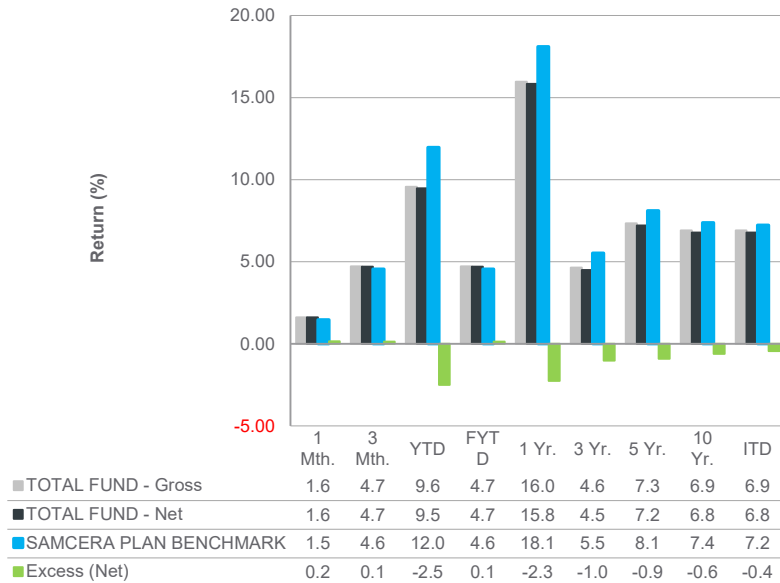
Attachments

Northern Trust Monthly Preliminary Performance Report
Verus Capital Market Update

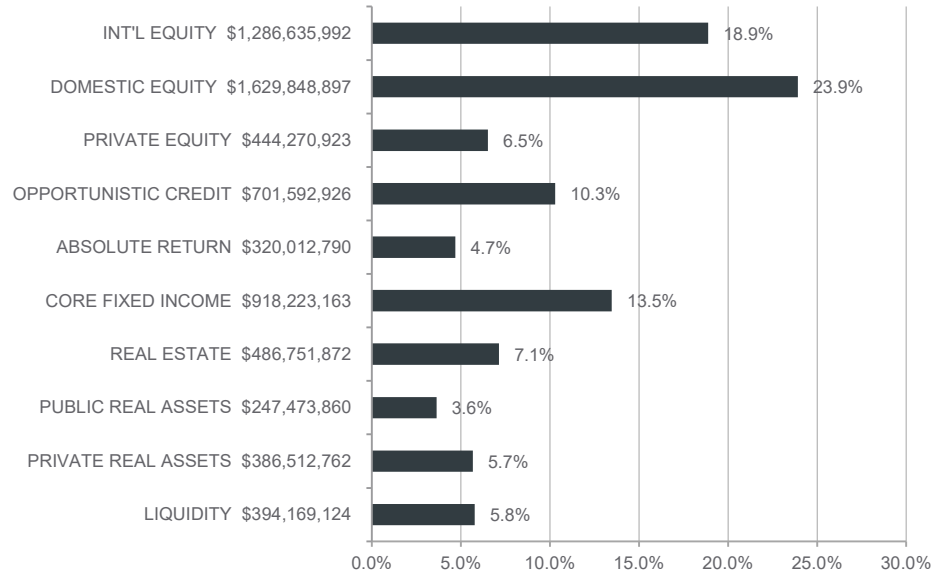
San Mateo County Composite Return Summary September 30, 2024



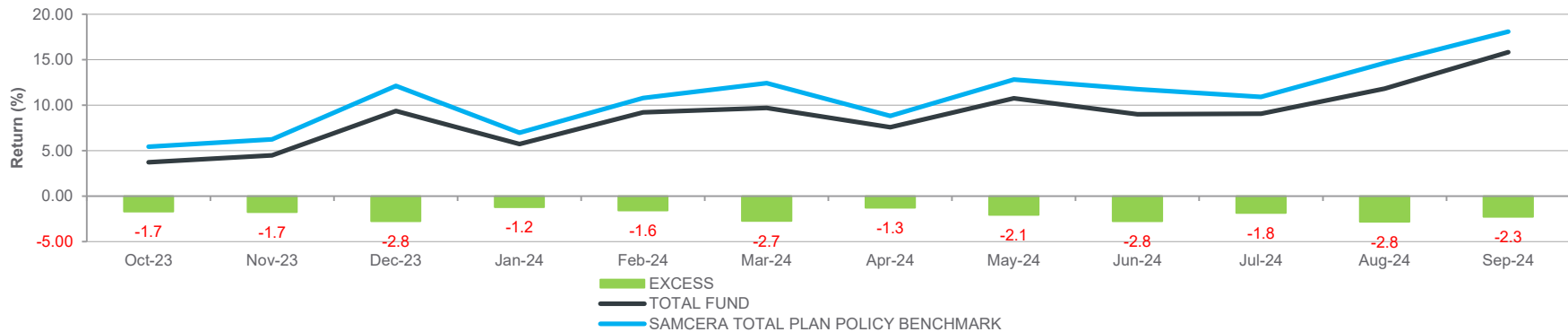
Total Fund Performance



Asset Allocation

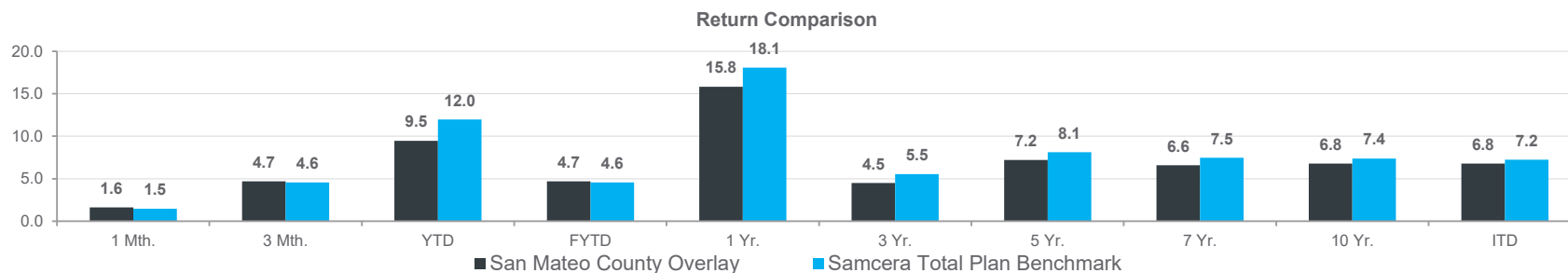


Rolling Month End Annual Returns



San Mateo County Composite Return Summary

September 30,2024



| Composite Returns (Net of Manager Fees) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|---|-------------------|--------|--------|------|------|-------|-------|-------|-------|--------|------|
| San Mateo County Overlay | 6,815,492,310 | 1.6 | 4.7 | 9.5 | 4.7 | 15.8 | 4.5 | 7.2 | 6.6 | 6.8 | 6.8 |
| SamCera Total Plan Benchmark | | 1.5 | 4.6 | 12.0 | 4.6 | 18.1 | 5.5 | 8.1 | 7.5 | 7.4 | 7.2 |
| Excess | | 0.2 | 0.1 | -2.5 | 0.1 | -2.3 | -1.0 | -0.9 | -0.9 | -0.6 | -0.4 |
| San Mateo Ex-Clifton Overlay | 6,799,742,234 | 1.6 | 4.6 | 9.4 | 4.6 | 15.7 | 4.5 | 7.2 | 6.5 | 6.7 | 6.7 |
| SamCera Total Plan Benchmark | | 1.5 | 4.6 | 12.0 | 4.6 | 18.1 | 5.5 | 8.1 | 7.5 | 7.4 | 7.2 |
| Excess | | 0.2 | 0.1 | -2.6 | 0.1 | -2.4 | -1.1 | -0.9 | -0.9 | -0.7 | -0.5 |
| Growth | 4,062,348,738 | 2.0 | 6.2 | 14.4 | 6.2 | 23.4 | -- | -- | -- | -- | 16.2 |
| SamCera Growth Portfolio BM | | 2.1 | 5.5 | 17.4 | 5.5 | 26.8 | -- | -- | -- | -- | 20.4 |
| Excess | | -0.2 | 0.7 | -3.0 | 0.7 | -3.4 | -- | -- | -- | -- | -4.2 |
| Diversifying | 1,238,235,953 | 1.8 | 3.5 | 4.2 | 3.5 | 9.3 | -- | -- | -- | -- | 6.3 |
| SamCera Diversifying Port BM | | 1.3 | 4.7 | 5.0 | 4.7 | 11.7 | -- | -- | -- | -- | 6.7 |
| Excess | | 0.5 | -1.2 | -0.8 | -1.2 | -2.4 | -- | -- | -- | -- | -0.4 |
| Inflation Hedge | 1,120,738,494 | 0.5 | 1.5 | 0.1 | 1.5 | 1.1 | 4.2 | 3.9 | 3.7 | -- | 4.9 |
| SamCERA Inflation Hedge Index | | -0.4 | 1.7 | 3.9 | 1.7 | 0.5 | 3.3 | 5.4 | 5.3 | -- | -- |
| Excess | | 0.9 | -0.2 | -3.7 | -0.2 | 0.7 | 1.0 | -1.5 | -1.6 | -- | -- |
| Liquidity | 394,169,124 | 0.7 | 2.1 | 4.4 | 2.1 | 6.7 | 3.9 | -- | -- | -- | 2.7 |
| Liquidity Composite Benchmark | | 0.8 | 2.7 | 4.3 | 2.7 | 6.9 | -- | -- | -- | -- | -- |
| Excess | | -0.1 | -0.6 | 0.1 | -0.6 | -0.1 | -- | -- | -- | -- | -- |



San Mateo County

Composite Return Summary

September 30, 2024



| Composite Returns (NET) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|-------------------------------------|-------------------|--------|--------|------|------|-------|-------|-------|-------|--------|------|
| Public Equity | 2,916,484,889 | 2.5 | 7.7 | 17.8 | 7.7 | 29.5 | 7.7 | 11.3 | 9.6 | 9.5 | 8.3 |
| Samcera Total Equity BM | | 2.1 | 6.1 | 18.0 | 6.1 | 30.1 | 8.4 | 12.4 | 10.5 | 10.4 | 9.0 |
| Excess | | 0.3 | 1.6 | -0.2 | 1.6 | -0.6 | -0.7 | -1.1 | -0.8 | -1.0 | -0.7 |
| Domestic Equity | 1,629,848,897 | 2.0 | 7.5 | 20.8 | 7.5 | 34.1 | 11.1 | 14.0 | 12.7 | 12.2 | 9.6 |
| Samcera Dom. Equity Benchmark | | 2.1 | 6.2 | 20.6 | 6.2 | 35.2 | 10.3 | 15.3 | 13.7 | 12.8 | 10.1 |
| Excess | | -0.0 | 1.3 | 0.1 | 1.3 | -1.0 | 0.8 | -1.3 | -1.0 | -0.7 | -0.5 |
| Large Cap Equity | 1,487,681,717 | 2.2 | 7.3 | 21.5 | 7.3 | 34.8 | 11.3 | 14.1 | 13.1 | 12.6 | 10.2 |
| Russell 1000 | | 2.1 | 6.1 | 21.2 | 6.1 | 35.7 | 10.8 | 15.6 | 14.2 | 13.1 | 10.7 |
| Excess | | 0.0 | 1.2 | 0.4 | 1.2 | -0.9 | 0.5 | -1.6 | -1.1 | -0.5 | -0.5 |
| Blackrock Russell 1000 | 953,703,271 | 2.1 | 6.1 | 21.2 | 6.1 | 35.7 | 10.9 | 15.8 | 14.3 | -- | 14.7 |
| Russell 1000 | | 2.1 | 6.1 | 21.2 | 6.1 | 35.7 | 10.8 | 15.6 | 14.2 | -- | 14.5 |
| Excess | | -0.0 | 0.0 | -0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | -- | 0.1 |
| DE Shaw Commingled Fund | 258,800,046 | 3.5 | 8.9 | 28.7 | 8.9 | 41.3 | 12.9 | 15.6 | 13.7 | -- | 13.3 |
| Russell 1000 | | 2.1 | 6.1 | 21.2 | 6.1 | 35.7 | 10.8 | 15.6 | 14.2 | -- | 12.9 |
| Excess | | 1.4 | 2.8 | 7.5 | 2.8 | 5.6 | 2.0 | -0.0 | -0.5 | -- | 0.4 |
| Panagora Defuseq -SL | 275,178,400 | 0.9 | 9.8 | 16.6 | 9.8 | 25.6 | 8.8 | 9.1 | -- | -- | 12.5 |
| Russell 1000 | | 2.1 | 6.1 | 21.2 | 6.1 | 35.7 | 10.8 | 15.6 | -- | -- | 17.3 |
| Excess | | -1.2 | 3.8 | -4.6 | 3.8 | -10.1 | -2.0 | -6.5 | -- | -- | -4.8 |
| Small Cap Equity | 134,356,192 | 1.1 | 9.7 | 12.2 | 9.7 | 26.4 | 7.6 | 11.0 | 7.7 | 7.8 | 6.9 |
| Russell 2000 | | 0.7 | 9.3 | 11.2 | 9.3 | 26.8 | 1.8 | 9.4 | 7.4 | 8.8 | 7.9 |
| Excess | | 0.4 | 0.4 | 1.0 | 0.4 | -0.4 | 5.7 | 1.6 | 0.3 | -0.9 | -1.0 |
| QMA US Small Cap | 134,356,192 | 1.1 | 9.7 | 12.2 | 9.7 | 26.4 | 7.6 | 11.0 | 7.7 | -- | 9.5 |
| Russell 2000 | | 0.7 | 9.3 | 11.2 | 9.3 | 26.8 | 1.8 | 9.4 | 7.4 | -- | 9.0 |
| Excess | | 0.4 | 0.4 | 1.0 | 0.4 | -0.4 | 5.7 | 1.6 | 0.3 | -- | 0.5 |
| Domestic Equity Overlay | 7,810,988 | -1.5 | 15.0 | 29.0 | 15.0 | 48.8 | 67.8 | -- | -- | -- | 82.4 |
| ICE BofAML US 3-Month Treasury Bill | | 0.4 | 1.4 | 4.0 | 1.4 | 5.5 | 3.5 | -- | -- | -- | 2.4 |
| Excess | | -1.9 | 13.6 | 24.9 | 13.6 | 43.3 | 64.3 | -- | -- | -- | 80.0 |
| International Equity | 1,286,635,992 | 3.1 | 8.0 | 14.0 | 8.0 | 23.7 | 3.8 | 8.2 | 6.1 | 6.0 | 5.8 |
| SamCERA Custom Hedge Intl | | 2.2 | 5.9 | 14.6 | 5.9 | 23.7 | 5.9 | 8.9 | 6.5 | 6.1 | 5.6 |
| Excess | | 0.8 | 2.1 | -0.6 | 2.1 | -0.0 | -2.1 | -0.6 | -0.4 | -0.1 | 0.2 |



San Mateo County

Composite Return Summary

September 30, 2024



| Composite Returns (NET) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|-------------------------------------|-------------------|--------|--------|-------|------|-------|-------|-------|-------|--------|-------|
| Developed Markets Equity | 1,285,966,562 | 3.1 | 8.0 | 14.0 | 8.0 | 23.6 | 2.3 | 7.8 | 5.9 | 5.9 | 5.0 |
| Dev Mrkts Equity Curr Hedge | 5,673,324 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Dev Mrkts Equity Ex Curr Hedge | 1,291,639,886 | 3.3 | 9.2 | 14.0 | 9.2 | 25.2 | 2.1 | 7.7 | 5.8 | 5.9 | 5.0 |
| MS AC WldxUS IMI Nt | | 2.7 | 8.2 | 13.9 | 8.2 | 25.1 | 3.7 | 7.7 | 5.4 | 5.3 | 5.2 |
| Excess | | 0.5 | 1.0 | 0.1 | 1.0 | 0.2 | -1.7 | -0.0 | 0.4 | 0.6 | -0.3 |
| Baillie Gifford | 318,710,768 | 4.6 | 9.7 | 13.0 | 9.7 | 25.8 | -4.7 | 6.0 | 4.8 | 5.8 | 6.7 |
| MSCI ACWI ex USA Growth | | 2.6 | 7.0 | 14.3 | 7.0 | 27.1 | 1.1 | 7.4 | 6.1 | 6.3 | -- |
| Excess | | 2.0 | 2.7 | -1.3 | 2.7 | -1.3 | -5.8 | -1.4 | -1.3 | -0.5 | -- |
| Blackrock MSCI ACWI ex US IMI | 652,093,586 | 2.7 | 8.0 | 13.9 | 8.0 | 24.9 | 3.9 | -- | -- | -- | 9.0 |
| MS AC WldxUS IMI Nt | | 2.7 | 8.2 | 13.9 | 8.2 | 25.1 | 3.7 | -- | -- | -- | 8.9 |
| Excess | | -0.1 | -0.2 | -0.0 | -0.2 | -0.2 | 0.2 | -- | -- | -- | 0.1 |
| Mondrian Investment Partners | 320,835,532 | 3.2 | 11.2 | 15.1 | 11.2 | 25.5 | 6.2 | 7.2 | 4.9 | 4.6 | 5.5 |
| MSCI ACWI xUSA Value | | 2.9 | 9.4 | 15.1 | 9.4 | 24.9 | 8.2 | 8.5 | 5.5 | 4.9 | 5.7 |
| Excess | | 0.3 | 1.8 | -0.0 | 1.8 | 0.6 | -2.0 | -1.3 | -0.7 | -0.4 | -0.2 |
| Int'l Equity Overlay | 669,430 | -4.2 | 10.7 | 16.2 | 10.7 | 32.5 | -- | -- | -- | -- | -- |
| ICE BofAML US 3-Month Treasury Bill | | 0.4 | 1.4 | 4.0 | 1.4 | 5.5 | -- | -- | -- | -- | 5.5 |
| Excess | | -4.6 | 9.3 | 12.2 | 9.3 | 27.1 | -- | -- | -- | -- | -- |
| Private Equity | 444,270,923 | -0.2 | 1.3 | 6.3 | 1.3 | 8.3 | -0.8 | 16.5 | 17.4 | 16.5 | -4.5 |
| Samcera PE Benchmark | | 3.2 | 3.8 | 29.5 | 3.8 | 26.1 | 11.1 | 17.2 | 15.7 | 15.2 | 16.5 |
| Excess | | -3.4 | -2.4 | -23.2 | -2.4 | -17.9 | -11.9 | -0.7 | 1.6 | 1.3 | -21.0 |
| Opportunistic Credit | 701,592,926 | 1.1 | 3.2 | 6.5 | 3.2 | 11.0 | 3.2 | 4.7 | 4.6 | 5.2 | 7.4 |
| Samcera Opp Credit Bench | | 1.3 | 4.4 | 7.9 | 4.4 | 14.5 | 3.2 | 4.6 | 4.7 | 5.1 | 6.4 |
| Excess | | -0.1 | -1.1 | -1.4 | -1.1 | -3.5 | -0.0 | 0.1 | -0.1 | 0.2 | 1.0 |
| Public Credit | 502,192,407 | 1.6 | 4.2 | 7.0 | 4.2 | 12.5 | -- | -- | -- | -- | 10.7 |
| BBG US Corp High Yield | | 1.6 | 5.3 | 8.0 | 5.3 | 15.7 | -- | -- | -- | -- | 12.8 |
| Excess | | -0.0 | -1.1 | -1.0 | -1.1 | -3.3 | -- | -- | -- | -- | -2.1 |
| Beach Point Select Fund | 118,131,603 | 1.5 | 3.8 | 7.1 | 3.8 | 11.9 | 5.6 | 8.5 | 7.6 | -- | 8.1 |
| BBG US Corp High Yield | | 1.6 | 5.3 | 8.0 | 5.3 | 15.7 | 3.1 | 4.7 | 4.7 | -- | 5.3 |
| Excess | | -0.1 | -1.5 | -0.9 | -1.5 | -3.9 | 2.5 | 3.8 | 2.9 | -- | 2.9 |



San Mateo County

Composite Return Summary

September 30, 2024



| Composite Returns (NET) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|--------------------------------|-------------------|--------|--------|------|------|-------|-------|-------|-------|--------|------|
| Brigade Cap Mngmt | 115,717,668 | 2.4 | 6.0 | 8.9 | 6.0 | 12.2 | 3.1 | 5.9 | 4.8 | 4.9 | 6.0 |
| BBG US Corp High Yield | | 1.6 | 5.3 | 8.0 | 5.3 | 15.7 | 3.1 | 4.7 | 4.7 | 5.0 | 6.2 |
| Excess | | 0.7 | 0.8 | 0.9 | 0.8 | -3.5 | 0.0 | 1.1 | 0.1 | -0.2 | -0.2 |
| Eaton Vance EM | 63,000,855 | 1.2 | 2.1 | -- | 2.1 | -- | -- | -- | -- | -- | 5.0 |
| BBG US Corp High Yield | | 1.6 | 5.3 | -- | 5.3 | -- | -- | -- | -- | -- | 8.0 |
| Excess | | -0.4 | -3.1 | -- | -3.1 | -- | -- | -- | -- | -- | -3.0 |
| One William Street | 67,971,930 | 0.7 | 2.2 | 8.0 | 2.2 | 10.6 | -- | -- | -- | -- | -- |
| BBG US Corp High Yield | | 1.6 | 5.3 | 8.0 | 5.3 | 15.7 | -- | -- | -- | -- | 11.8 |
| Excess | | -0.9 | -3.1 | -0.0 | -3.1 | -5.2 | -- | -- | -- | -- | -- |
| PIMCO Div. Income Fund | 137,370,349 | 1.6 | 5.1 | 7.0 | 5.1 | 15.3 | 0.6 | 2.0 | 2.9 | -- | 3.0 |
| BBG US Corp High Yield | | 1.6 | 5.3 | 8.0 | 5.3 | 15.7 | 3.1 | 4.7 | 4.7 | -- | 4.7 |
| Excess | | -0.1 | -0.2 | -1.0 | -0.2 | -0.4 | -2.5 | -2.7 | -1.8 | -- | -1.7 |
| Private Credit | 199,400,520 | -0.1 | 0.7 | 5.1 | 0.7 | 6.7 | -- | -- | -- | -- | 6.4 |
| Credit Suisse Lev Loan 1 QTR L | | 0.3 | 1.9 | 7.4 | 1.9 | 11.0 | -- | -- | -- | -- | 11.4 |
| Excess | | -0.3 | -1.1 | -2.4 | -1.1 | -4.4 | -- | -- | -- | -- | -5.1 |
| AG CREDIT SOL FU LP | 6,267,371 | 0.0 | 0.2 | 7.9 | 0.2 | 11.0 | 5.5 | -- | -- | -- | 13.4 |
| Credit Suisse Lev Loan 1 QTR L | | 0.3 | 1.9 | 7.4 | 1.9 | 11.0 | -- | -- | -- | -- | -- |
| Excess | | -0.3 | -1.7 | 0.4 | -1.7 | -0.0 | -- | -- | -- | -- | -- |
| AG CSF ADF II | 3,449,125 | 0.1 | -2.4 | 7.9 | -2.4 | 10.4 | -- | -- | -- | -- | -- |
| Credit Suisse Lev Loan 1 QTR L | | 0.3 | 1.9 | 7.4 | 1.9 | 11.0 | -- | -- | -- | -- | -- |
| Excess | | -0.2 | -4.3 | 0.5 | -4.3 | -0.6 | -- | -- | -- | -- | -- |
| AG CSF II | 23,118,729 | 0.0 | 1.4 | 9.7 | 1.4 | 13.4 | -- | -- | -- | -- | 6.5 |
| Credit Suisse Lev Loan 1 QTR L | | 0.3 | 1.9 | 7.4 | 1.9 | 11.0 | -- | -- | -- | -- | -- |
| Excess | | -0.3 | -0.5 | 2.3 | -0.5 | 2.4 | -- | -- | -- | -- | -- |
| Blackrock Direct Lending Feede | 38,963,155 | -0.3 | 0.0 | 3.8 | 0.0 | 6.4 | 5.9 | 4.5 | -- | -- | 4.3 |
| Credit Suisse Lev Loan 1 QTR L | | 0.3 | 1.9 | 7.4 | 1.9 | 11.0 | -- | -- | -- | -- | -- |
| Excess | | -0.6 | -1.8 | -3.7 | -1.8 | -4.7 | -- | -- | -- | -- | -- |
| Comvest Credit Partners VII | 6,447,560 | -1.3 | -7.5 | -- | -7.5 | -- | -- | -- | -- | -- | -7.5 |
| Credit Suisse Lev Loan 1 QTR L | | 0.3 | 1.9 | -- | 1.9 | -- | -- | -- | -- | -- | -- |
| Excess | | -1.6 | -9.4 | -- | -9.4 | -- | -- | -- | -- | -- | -- |



San Mateo County

Composite Return Summary

September 30, 2024



| Composite Returns (NET) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|--------------------------------|-------------------|--------|--------|------|-------|-------|-------|-------|-------|--------|------|
| Pimco Private Income | 49,710,901 | 0.0 | 1.3 | 5.2 | 1.3 | 7.0 | 4.8 | 7.6 | -- | -- | 7.0 |
| Credit Suisse Lev Loan 1 QTR L | | 0.3 | 1.9 | 7.4 | 1.9 | 11.0 | -- | -- | -- | -- | -- |
| Excess | | -0.3 | -0.6 | -2.2 | -0.6 | -4.0 | -- | -- | -- | -- | -- |
| TCP Direct Lending VIII | 9,713,356 | 0.7 | 2.0 | 3.6 | 2.0 | 6.3 | 5.3 | 5.8 | 5.8 | -- | -- |
| Credit Suisse Lev Loan 1 QTR L | | 0.3 | 1.9 | 7.4 | 1.9 | 11.0 | -- | -- | -- | -- | -- |
| Excess | | 0.4 | 0.1 | -3.8 | 0.1 | -4.8 | -- | -- | -- | -- | -- |
| White Oak Yield Spec | 29,812,350 | -0.0 | 1.9 | 5.3 | 1.9 | 5.9 | 4.8 | 5.3 | 6.3 | -- | -- |
| Credit Suisse Lev Loan 1 QTR L | | 0.3 | 1.9 | 7.4 | 1.9 | 11.0 | -- | -- | -- | -- | -- |
| Excess | | -0.3 | 0.1 | -2.1 | 0.1 | -5.2 | -- | -- | -- | -- | -- |
| White Oak YSF V | 31,917,973 | -0.1 | -0.1 | 1.7 | -0.1 | 2.2 | 1.7 | -- | -- | -- | 1.3 |
| Credit Suisse Lev Loan 1 QTR L | | 0.3 | 1.9 | 7.4 | 1.9 | 11.0 | -- | -- | -- | -- | -- |
| Excess | | -0.3 | -1.9 | -5.7 | -1.9 | -8.8 | -- | -- | -- | -- | -- |
| Absolute Return | 320,012,790 | 2.8 | -2.2 | 2.9 | -2.2 | 0.3 | 3.6 | 0.7 | -1.3 | 1.1 | 1.7 |
| Samcera SOFR + 4% | | 0.7 | 2.3 | 7.1 | 2.3 | 9.5 | 7.7 | 6.4 | 6.3 | 5.8 | 5.4 |
| Excess | | 2.0 | -4.5 | -4.2 | -4.5 | -9.3 | -4.1 | -5.8 | -7.6 | -4.7 | -3.7 |
| CFM SYS Global Macro Fund | 113,684,834 | 6.6 | 4.0 | 3.9 | 4.0 | 9.3 | 5.1 | -- | -- | -- | 8.0 |
| Samcera SOFR +4% | | 0.8 | 2.4 | 7.2 | 2.4 | 9.7 | 7.8 | -- | -- | -- | 6.8 |
| Excess | | 5.8 | 1.6 | -3.3 | 1.6 | -0.4 | -2.7 | -- | -- | -- | 1.2 |
| Graham Global Investment | 97,481,049 | 1.6 | -10.1 | 2.7 | -10.1 | -5.9 | 5.8 | -- | -- | -- | 4.5 |
| Samcera SOFR +4% | | 0.7 | 2.1 | 6.6 | 2.1 | 8.9 | 7.4 | -- | -- | -- | 6.3 |
| Excess | | 0.9 | -12.2 | -3.9 | -12.2 | -14.8 | -1.5 | -- | -- | -- | -1.8 |
| PIMCO MAARS Fund L.P. | 108,846,908 | 0.1 | -0.5 | 7.8 | -0.5 | 6.3 | 10.9 | -- | -- | -- | 9.0 |
| Samcera SOFR +4% | | 0.8 | 2.4 | 7.2 | 2.4 | 9.7 | 7.8 | -- | -- | -- | 6.6 |
| Excess | | -0.6 | -2.8 | 0.6 | -2.8 | -3.5 | 3.1 | -- | -- | -- | 2.4 |
| Core Fixed Income | 918,223,163 | 1.4 | 5.7 | 4.3 | 5.7 | 13.1 | -1.4 | 0.7 | 1.5 | 2.1 | 4.4 |
| BBG US Aggregate | | 1.3 | 5.2 | 4.4 | 5.2 | 11.6 | -1.4 | 0.3 | 1.5 | 1.8 | 4.0 |
| Excess | | 0.1 | 0.5 | -0.2 | 0.5 | 1.5 | 0.0 | 0.3 | 0.0 | 0.3 | 0.3 |
| Core Fixed Income ex Overlay | 905,231,765 | 1.4 | 5.7 | 4.3 | 5.7 | 13.2 | -1.3 | 0.7 | 1.6 | 2.2 | 4.4 |
| BBG US Aggregate | | 1.3 | 5.2 | 4.4 | 5.2 | 11.6 | -1.4 | 0.3 | 1.5 | 1.8 | 4.0 |
| Excess | | 0.1 | 0.5 | -0.1 | 0.5 | 1.6 | 0.1 | 0.4 | 0.1 | 0.3 | 0.3 |



San Mateo County

Composite Return Summary

September 30, 2024



| Composite Returns (NET) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|-------------------------------------|-------------------|--------|--------|-------|------|-------|-------|-------|-------|--------|-------|
| DoubleLine | 274,670,494 | 1.3 | 5.4 | 5.9 | 5.4 | 12.9 | -1.1 | -- | -- | -- | 0.3 |
| BBG US Aggregate | | 1.3 | 5.2 | 4.4 | 5.2 | 11.6 | -1.4 | -- | -- | -- | -0.5 |
| Excess | | 0.0 | 0.2 | 1.5 | 0.2 | 1.3 | 0.2 | -- | -- | -- | 0.8 |
| FIAM B Core Bond | 194,283,357 | 1.3 | 5.2 | 4.9 | 5.2 | 12.2 | -1.1 | 1.2 | 2.1 | -- | 2.6 |
| BBG US Aggregate | | 1.3 | 5.2 | 4.4 | 5.2 | 11.6 | -1.4 | 0.3 | 1.5 | -- | 1.7 |
| Excess | | -0.0 | 0.0 | 0.5 | 0.0 | 0.6 | 0.3 | 0.9 | 0.7 | -- | 0.9 |
| NISA Core Bond | 296,032,763 | 1.3 | 5.2 | 4.6 | 5.2 | 11.7 | -1.1 | -- | -- | -- | -0.4 |
| BBG US Aggregate | | 1.3 | 5.2 | 4.4 | 5.2 | 11.6 | -1.4 | -- | -- | -- | -0.8 |
| Excess | | -0.0 | 0.0 | 0.2 | 0.0 | 0.2 | 0.3 | -- | -- | -- | 0.4 |
| NISA Long Treasury | 140,245,151 | 2.0 | 7.8 | 2.3 | 7.8 | 15.5 | -- | -- | -- | -- | 1.3 |
| Bloomberg US Long Tsy | | 2.0 | 7.8 | 2.4 | 7.8 | 15.4 | -- | -- | -- | -- | 1.3 |
| Excess | | -0.0 | -0.1 | -0.1 | -0.1 | 0.1 | -- | -- | -- | -- | 0.0 |
| Core Fixed Income Overlay | 12,991,398 | 1.1 | 3.6 | -2.5 | 3.6 | 0.8 | -- | -- | -- | -- | -- |
| ICE BofAML US 3-Month Treasury Bill | | 0.4 | 1.4 | 4.0 | 1.4 | 5.5 | 3.5 | -- | -- | -- | 2.4 |
| Excess | | 0.7 | 2.2 | -6.5 | 2.2 | -4.6 | -- | -- | -- | -- | -- |
| Real Estate | 486,751,872 | -0.1 | -0.8 | -7.9 | -0.8 | -9.4 | 1.3 | 2.8 | 4.0 | -- | 4.8 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | -2.8 | 0.0 | -7.5 | -0.3 | 2.9 | 4.1 | -- | 4.8 |
| Excess | | -0.1 | -0.8 | -5.1 | -0.8 | -1.9 | 1.6 | -0.1 | -0.1 | -- | 0.1 |
| Beach Point Cap | 19,074,477 | -5.0 | -- | -- | -- | -- | -- | -- | -- | -- | -5.0 |
| Samcera NCREIF ODCE (gross) | | 0.0 | -- | -- | -- | -- | -- | -- | -- | -- | 0.0 |
| Excess | | -5.0 | -- | -- | -- | -- | -- | -- | -- | -- | -5.0 |
| Harrison Street Core Property | 89,643,114 | 0.0 | -1.1 | -5.6 | -1.1 | -7.0 | 2.1 | -- | -- | -- | 2.8 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | -2.8 | 0.0 | -7.5 | -0.3 | -- | -- | -- | 2.7 |
| Excess | | 0.0 | -1.1 | -2.8 | -1.1 | 0.5 | 2.3 | -- | -- | -- | 0.1 |
| Invesco Core Real Estate | 224,972,833 | 0.0 | -0.1 | -9.5 | -0.1 | -11.0 | 0.5 | 1.9 | 3.5 | 5.8 | 6.3 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | -2.8 | 0.0 | -7.5 | -0.3 | 2.9 | 4.1 | 6.1 | 6.6 |
| Excess | | 0.0 | -0.1 | -6.7 | -0.1 | -3.5 | 0.7 | -0.9 | -0.6 | -0.3 | -0.4 |
| Invesco US Val IV | 99,763 | 0.0 | -6.4 | -31.5 | -6.4 | -50.7 | -40.4 | -24.2 | -15.3 | -- | -10.3 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | -2.8 | 0.0 | -7.5 | -0.3 | 2.9 | 4.1 | -- | 5.2 |
| Excess | | 0.0 | -6.4 | -28.7 | -6.4 | -43.2 | -40.2 | -27.1 | -19.3 | -- | -15.6 |



San Mateo County

Composite Return Summary

September 30, 2024



| Composite Returns (NET) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|--------------------------------|-------------------|--------|--------|-------|------|-------|-------|-------|-------|--------|-------|
| Invesco US VAL V | 23,126,386 | 0.0 | -1.5 | -25.7 | -1.5 | -28.5 | -7.2 | -0.4 | -- | -- | -0.2 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | -2.8 | 0.0 | -7.5 | -0.3 | 2.9 | -- | -- | -- |
| Excess | | 0.0 | -1.5 | -22.9 | -1.5 | -21.0 | -6.9 | -3.3 | -- | -- | -- |
| Invesco Value-Add Fund | 24,355,357 | 0.0 | -2.1 | -11.8 | -2.1 | -14.2 | -- | -- | -- | -- | -8.1 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | -2.8 | 0.0 | -7.5 | -- | -- | -- | -- | -9.2 |
| Excess | | 0.0 | -2.1 | -9.0 | -2.1 | -6.7 | -- | -- | -- | -- | 1.1 |
| PGIM Real Estate US Debt Fund | 72,600,812 | 0.6 | 1.3 | 4.5 | 1.3 | 5.8 | 6.3 | 6.0 | 5.7 | -- | 5.5 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | -2.8 | 0.0 | -7.5 | -0.3 | 2.9 | 4.1 | -- | 4.2 |
| Excess | | 0.6 | 1.3 | 7.3 | 1.3 | 13.3 | 6.5 | 3.1 | 1.6 | -- | 1.3 |
| Stockbridge VAL FD V | 6,670,812 | 0.0 | -7.6 | -- | -7.6 | -- | -- | -- | -- | -- | -7.6 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | -2.8 | 0.0 | -7.5 | -0.3 | 2.9 | 4.1 | -- | 4.2 |
| Excess | | 0.0 | -7.6 | -- | -7.6 | -- | -- | -- | -- | -- | -11.8 |
| Stockbridge Value IV | 26,208,318 | -0.0 | -3.8 | -3.6 | -3.8 | -8.8 | 8.3 | -- | -- | -- | 3.7 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | -2.8 | 0.0 | -7.5 | -0.3 | -- | -- | -- | 2.8 |
| Excess | | -0.0 | -3.8 | -0.8 | -3.8 | -1.3 | 8.6 | -- | -- | -- | 0.9 |
| Public Real Assets | 247,473,860 | 3.3 | 5.9 | 9.0 | 5.9 | 11.9 | 5.6 | 3.3 | 2.4 | -- | -- |
| SamCera Liquid Real Asset Inde | | 3.1 | 5.7 | 8.7 | 5.7 | 12.0 | 5.5 | 6.2 | 4.7 | -- | 6.3 |
| Excess | | 0.1 | 0.2 | 0.3 | 0.2 | -0.1 | 0.1 | -2.9 | -2.3 | -- | -- |
| SSGA CST REAL ASSET NL | 247,473,860 | 3.3 | 5.9 | 9.0 | 5.9 | 11.9 | 5.6 | 6.1 | 4.7 | -- | -- |
| SamCera Liquid Real Asset Inde | | 3.1 | 5.7 | 8.7 | 5.7 | 12.0 | 5.5 | 6.2 | 4.7 | -- | 5.6 |
| Excess | | 0.1 | 0.2 | 0.3 | 0.2 | -0.1 | 0.1 | -0.0 | -0.0 | -- | -- |
| Private Real Assets | 386,512,762 | -0.4 | 1.8 | 6.5 | 1.8 | 11.0 | 7.7 | 10.8 | 5.8 | -- | 9.6 |
| SamCERA Private Real Asset Idx | | -3.1 | 2.3 | 12.9 | 2.3 | 7.9 | 7.4 | 6.8 | 7.9 | -- | 10.0 |
| Excess | | 2.7 | -0.4 | -6.4 | -0.4 | 3.1 | 0.3 | 4.0 | -2.1 | -- | -0.4 |
| Liquidity | 394,169,124 | 0.7 | 2.1 | 4.4 | 2.1 | 6.7 | 3.9 | -- | -- | -- | 2.7 |
| Liquidity Composite Benchmark | | 0.8 | 2.7 | 4.3 | 2.7 | 6.9 | -- | -- | -- | -- | -- |
| Excess | | -0.1 | -0.6 | 0.1 | -0.6 | -0.1 | -- | -- | -- | -- | -- |
| Cash Flow - Match Liquidity | 300,620,132 | 0.6 | 2.2 | 4.2 | 2.2 | 6.7 | -- | -- | -- | -- | 4.4 |
| BBG US Agg Govt Credit 1-3 | | 0.8 | 3.0 | 4.4 | 3.0 | 7.2 | -- | -- | -- | -- | 3.7 |
| Excess | | -0.2 | -0.7 | -0.2 | -0.7 | -0.5 | -- | -- | -- | -- | 0.7 |



San Mateo County

Composite Return Summary

September 30, 2024



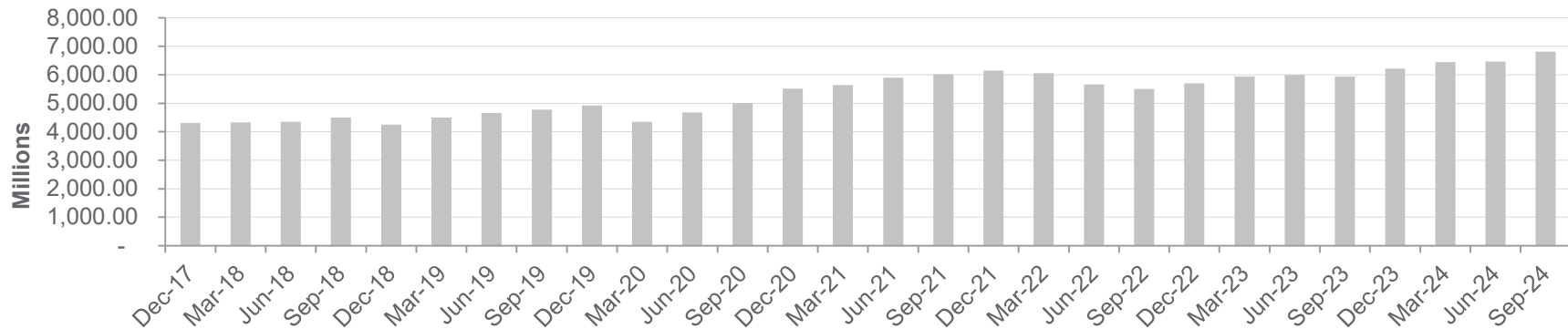
| Composite Returns (NET) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|-------------------------------------|-------------------|--------|--------|------|------|-------|-------|-------|-------|--------|------|
| County Treasury Pool | 14,715,131 | 0.0 | 0.3 | 2.1 | 0.3 | 3.1 | 2.5 | 2.1 | 2.0 | 1.6 | 2.6 |
| 91 Day T-Bill | | 0.4 | 1.4 | 4.0 | 1.4 | 5.5 | 3.5 | 2.3 | 2.2 | -- | -- |
| Excess | | -0.4 | -1.0 | -1.9 | -1.0 | -2.3 | -1.0 | -0.2 | -0.2 | -- | -- |
| Insight Investment | 285,905,001 | 0.7 | 2.3 | 4.3 | 2.3 | 6.9 | -- | -- | -- | -- | 4.2 |
| BBG US Credit 1-3 Yrs | | 0.9 | 3.1 | 5.0 | 3.1 | 8.1 | -- | -- | -- | -- | 4.5 |
| Excess | | -0.2 | -0.8 | -0.6 | -0.8 | -1.2 | -- | -- | -- | -- | -0.3 |
| Cash & Cash Overlay | 115,020,808 | 0.5 | 1.4 | 4.2 | 1.4 | 5.6 | -- | -- | -- | -- | -- |
| 91 Day T-Bill | | 0.4 | 1.4 | 4.0 | 1.4 | 5.5 | 3.5 | 2.3 | 2.2 | -- | -- |
| Excess | | 0.0 | 0.0 | 0.1 | 0.0 | 0.2 | -- | -- | -- | -- | -- |
| Cash Overlay | 15,750,076 | 0.5 | 1.4 | 4.1 | 1.4 | 5.6 | 3.2 | -- | -- | -- | 2.2 |
| ICE BofAML US 3-Month Treasury Bill | | 0.4 | 1.4 | 4.0 | 1.4 | 5.5 | 3.5 | -- | -- | -- | 2.4 |
| Excess | | 0.1 | 0.0 | 0.1 | 0.0 | 0.2 | -0.3 | -- | -- | -- | -0.2 |
| General Account | 99,270,731 | 0.5 | 1.4 | 4.2 | 1.4 | 5.6 | 3.7 | 2.4 | 2.3 | 1.8 | 2.1 |
| Transition Account | 0 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Futures Offsets | 21,471,816 | -0.0 | 0.0 | 0.0 | 0.0 | 0.1 | -0.1 | -- | -- | -- | -0.0 |
| ICE BofAML US 3-Month Treasury Bill | | 0.4 | 1.4 | 4.0 | 1.4 | 5.5 | 3.5 | -- | -- | -- | 2.4 |
| Excess | | -0.5 | -1.3 | -4.0 | -1.3 | -5.3 | -3.6 | -- | -- | -- | -2.4 |



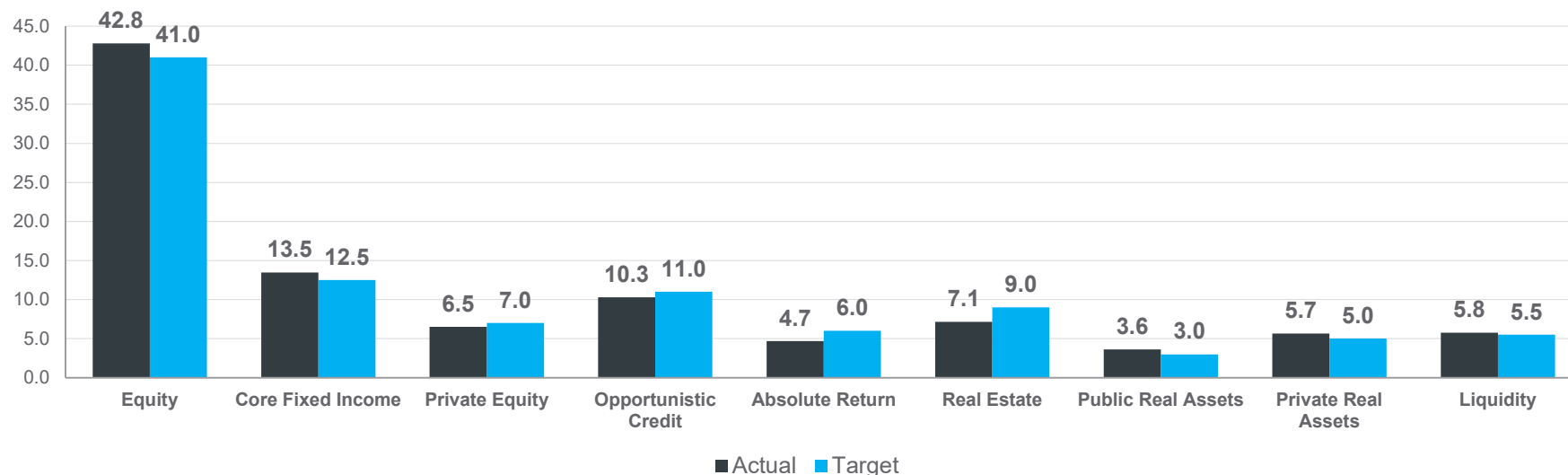
Record of Asset Growth

| | Three Months | One Year |
|------------------------|---------------|---------------|
| TOTAL FUND | | |
| Beginning Market Value | 6,470,344,416 | 5,935,795,397 |
| Contributions | 121,625,634 | 264,544,833 |
| Withdrawals | -86,151,094 | -327,516,401 |
| Income Received | 28,561,520 | 128,325,805 |
| Gain/Loss | 281,176,153 | 814,667,984 |
| Ending Market Value | 6,815,492,310 | 6,815,492,310 |

Net Asset Values Over Time (\$000)

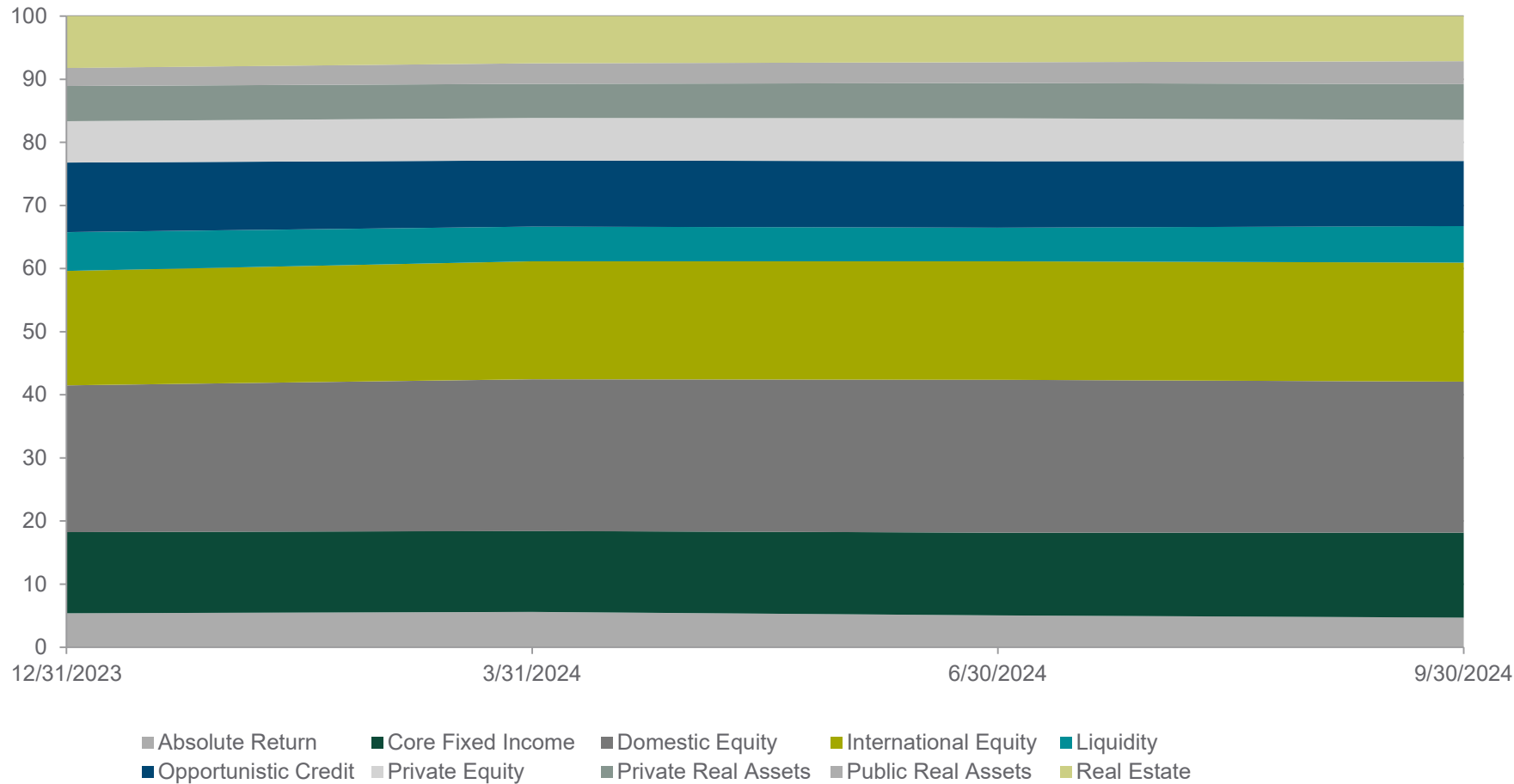


Actual vs Target Weights



| | Min | Actual | Target | Deviation | Max |
|----------------------|------|--------|--------|-----------|------|
| Equity | 38.0 | 42.8 | 41.0 | 1.8 | 44.0 |
| Core Fixed Income | 10.5 | 13.5 | 12.5 | 1.0 | 14.5 |
| Private Equity | 5.0 | 6.5 | 7.0 | -0.5 | 9.0 |
| Opportunistic Credit | 9.0 | 10.3 | 11.0 | -0.7 | 13.0 |
| Absolute Return | 4.0 | 4.7 | 6.0 | -1.3 | 8.0 |
| Real Estate | 7.0 | 7.1 | 9.0 | -1.9 | 11.0 |
| Public Real Assets | 1.0 | 3.6 | 3.0 | 0.6 | 5.0 |
| Private Real Assets | 3.0 | 5.7 | 5.0 | 0.7 | 7.0 |
| Liquidity | | 5.8 | 5.5 | 0.3 | |

Asset Allocation over Time



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A large, semi-transparent geometric pattern of interconnected triangles in shades of blue and green covers the left side of the image. A small white triangle is positioned to the left of the main title text.

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

SEPTEMBER 2024
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Inflation data continues to move in a favorable direction – towards the Fed's 2% target – though investors remain focused on labor market developments and any signs of potential weakness. Labor weakness could lead the Fed to cut rates more quickly, while continued economic and labor stability could lead to more restraint.
- September nonfarm payrolls came in at 254,000, significantly above estimates of 150,000. The surprise print helped ease concerns that the Fed might be acting more aggressively due to some sort of developments not yet clear to the overall market.
- The ISM Manufacturing Survey remained flat at 47.2, in contractionary territory for the sixth month. The underlying sub-indexes suggest input price pressures are easing, which is supportive for disinflation, though demand and hiring remain soft.

U.S. EQUITIES

- The surprise Federal Reserve 50 bps rate cut, and downward trending weekly initial and continuing unemployment figures, likely helped reignite the equity rally that had slowed in the first week of September. The S&P 500 gained +2.1% over the month and hit new all-time highs above 5,760.
- Mega cap stocks continue to have significant influence over the index, but gains were broadly positive across sizes and styles as economic data continued to support the *soft landing* narrative.
- Concerns of a slowing U.S. economy contributed to volatility early in the month with the VIX Index spiking from 15 to 25 before settling down ahead of the FOMC meeting. Volatility picked up again as geopolitical tensions in the middle east created uncertainty and put upward pressure on energy prices.

U.S. FIXED INCOME

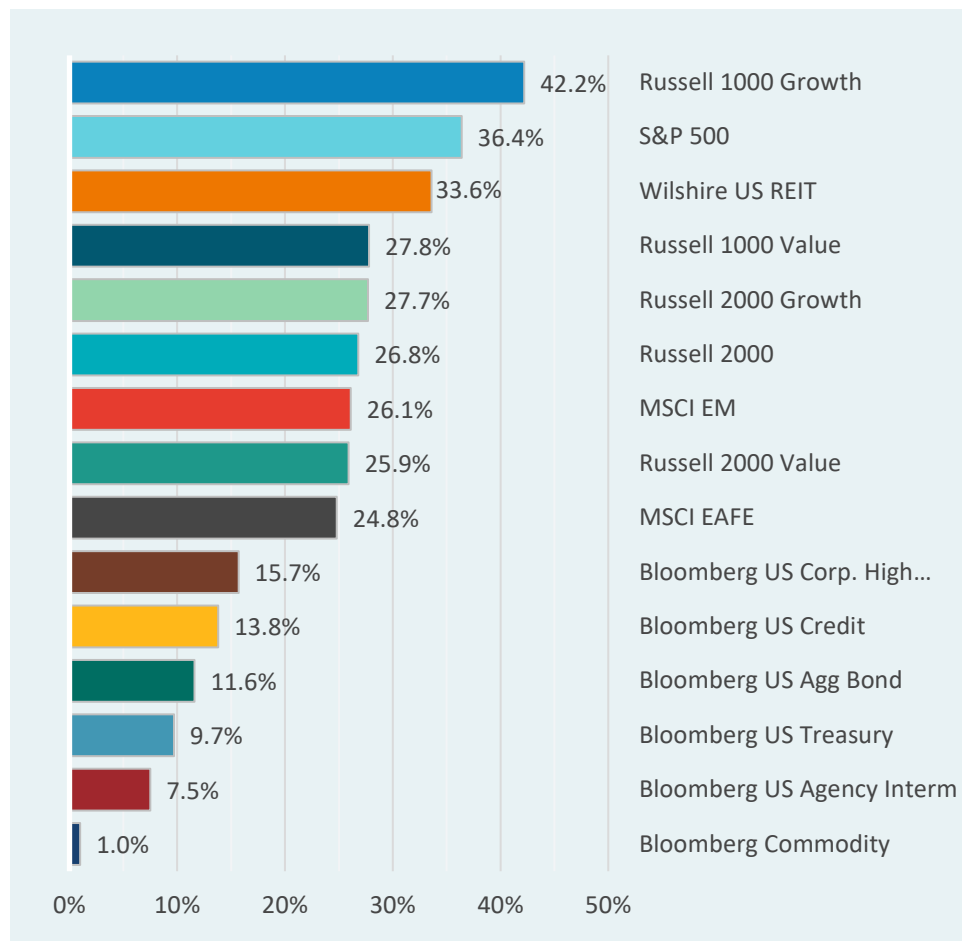
- Fixed income performance was generally positive as treasury yields fell in anticipation of a 50 bps rate cut, combined with investor expectations that rate cuts might come faster than previously believed. Yields jumped after the FOMC meeting but still finished lower month-over-month.
- The September FOMC meeting was of particular focus for investors due to its significance in marking the official pivot towards lower rates. Longer dated bonds benefitted most, with the Bloomberg U.S. Treasury long index rising +2.0%, while shorter dated treasury bonds (1-3 year) lagged, rising just +0.8%.
- The spread between the 10-year treasury and the 2-year treasury yield returned to positive territory – peaking intramonth at +26 bps. The 10-year treasury yield ended the month +15 bps above the 2-year treasury, for the first time in over 2 years.

INTERNATIONAL MARKETS

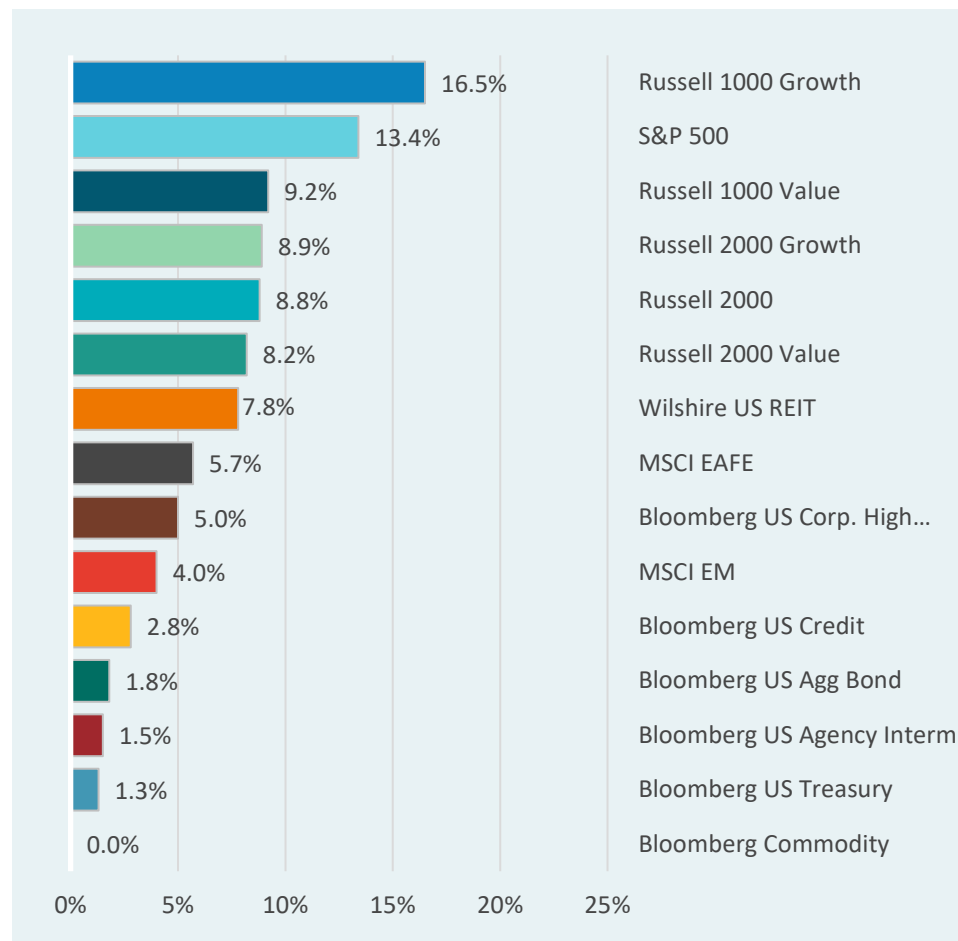
- Global central banks lined up for a slew of rate decisions in the days following the FOMC meeting. The bank of England, Bank of Japan, and the People's Bank of China all announced they would keep rates unchanged. While the decisions were widely expected, individual economic backdrops will likely guide differing monetary policies in the future.
- Eurozone economic data and developments continue to paint a bleak picture, especially within Germany – the eurozone's largest economy – which has struggling with languishing activity. Some investors are forecasting a decline in Q3 German GDP which would mark a second consecutive quarter of declines. Estimates were also recently revised downward to -0.2% year-over-year for calendar year 2024.

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 9/30/24

Source: Morningstar, as of 9/30/24

U.S. large cap equities

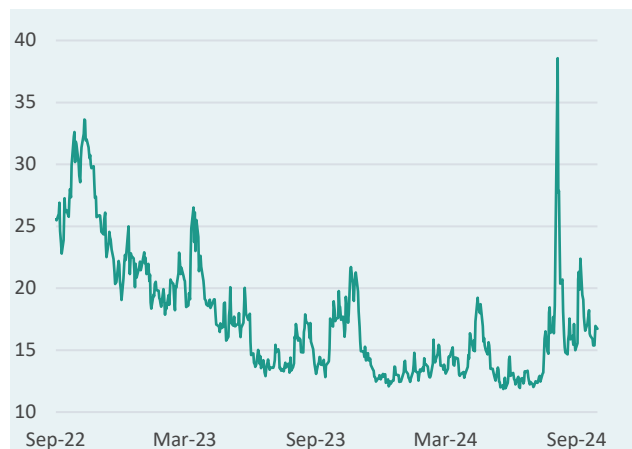
- The S&P 500 delivered a bumpy ride in September but ended the month +2.1%, and +5.9% for the third quarter. The index started the month down -4.3% before recovering as investors' concerns appeared to be quelled by a strong labor market, good inflation data, and a 50 bps Federal Reserve rate cut.
- The difference in performance between the S&P 500 cap-weighted index and the S&P 500 equal-weighted index continued to expand. By month end, year-to-date returns for the cap-weighted index were +21.7% compared to +14.7% for the equal-weighted index.
- S&P sector performance was broadly positive as 8 of 11 sectors ended in the green. Consumer Discretionary (+7.1%) more than made up for August losses while Utilities (+6.6%) posted strong positive gains for the third month. Energy (-2.7%) and Health Care (-1.7%) were among the worst performing sectors.
- As a group, the Magnificent 7 reversed course from August, recouping losses and returning +6.5% in September compared to +2.1% for the S&P 500. The Seven have gained +44.4% year-to-date while the S&P 500 has gained +22.1%.

S&P 500 PRICE INDEX



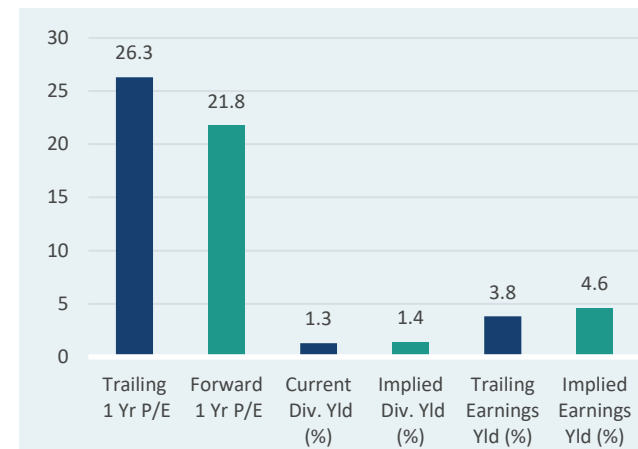
Source: S&P, as of 9/30/24

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, based on closing price as of 9/30/24

S&P 500 VALUATION SNAPSHOT

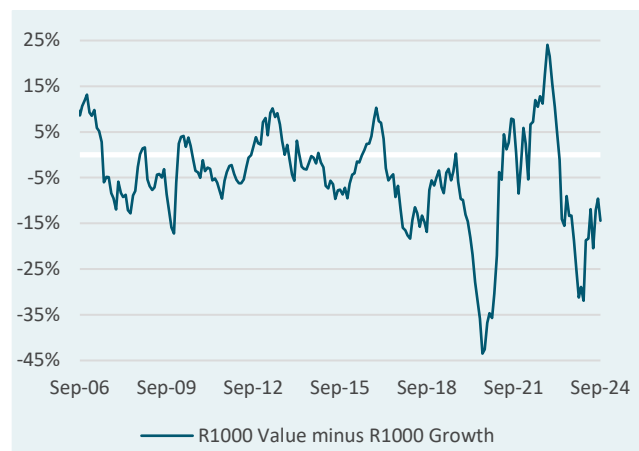


Source: S&P, as of 9/30/24

Domestic equity size and style

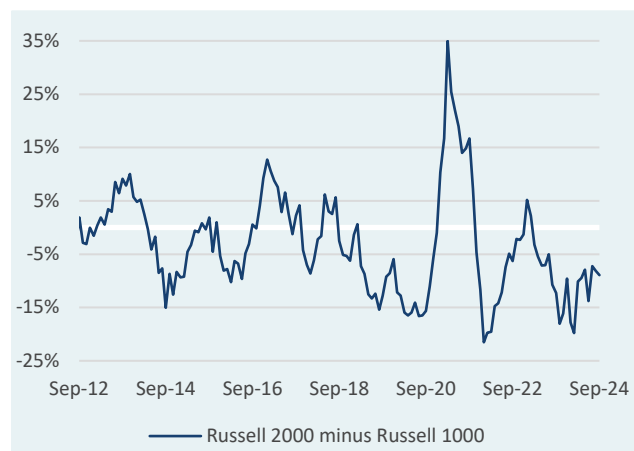
- Large cap indexes (Russell 1000 +2.1%) outperformed small caps (Russell 2000 +0.7%) in September, but for the full quarter, small cap indexes (+9.3%) outperformed large cap indexes (+6.1%). Small caps, often considered to be more interest-rate sensitive, likely benefited from growing expectations around interest rate cuts throughout the third quarter.
- In a reversal from last month, large growth indexes (Russell 1000 Growth +2.8%) outperformed large value indexes (Russell 1000 Value +1.4), primarily driven by the Magnificent 7.
- Small cap value (Russell 2000 Value +0.1%) was the worst performing index in September and also year-to-date (+9.2%). Quarter-to-date, small cap value was the best performer among sizes and styles (+10.2%).
- Large cap valuations expanded in September while small cap valuations remained flat. The S&P 500 forward earnings multiple rose to 21.6x, and the premium to the 10-year average P/E grew to 20%. The Russell 2000 ended the month flat, trading at 24.8x forward earnings.

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Russell, as of 9/30/24

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Russell, as of 9/30/24

1-YEAR SIZE & STYLE PERFORMANCE

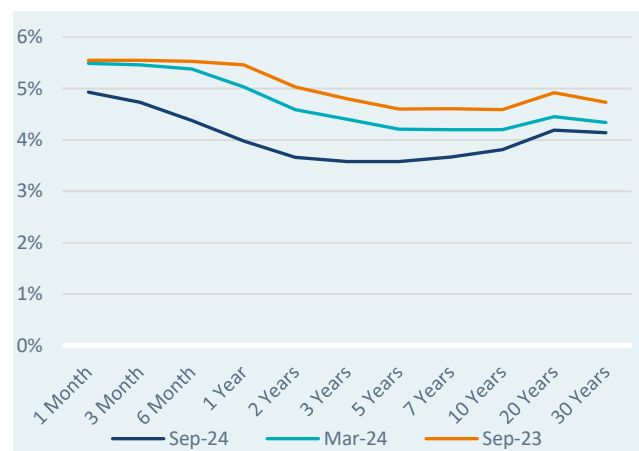
| | Value | Core | Growth |
|-----------|-------|-------|--------|
| Large Cap | 27.8% | 35.7% | 42.2% |
| Mid Cap | 29.0% | 29.3% | 29.3% |
| Small Cap | 25.9% | 26.8% | 27.7% |

Source: FTSE, Russell, as of 9/30/24

Fixed income

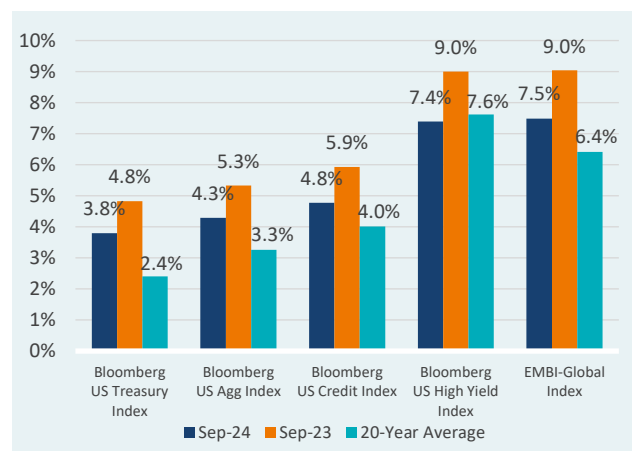
- U.S. core bonds (Bloomberg U.S. Aggregate Index +1.3%) gained in September given the environment of rate cuts, strong employment data, and cooling inflation.
- The Bloomberg U.S. Long Index (+2.0%) was the top U.S. fixed income performer over the month, benefiting from a greater sensitivity to rates (higher duration) relative to shorter tenor treasuries (Bloomberg U.S. Treasury 1-3 Year +0.8%). Local-currency debt (JPM GBI-EM Global Diversified +3.4%) gained the most overall in September, boosted by foreign currency exposure as the dollar grew weaker following the Federal Reserve's pivot.
- Yields for 2- and 10-year treasuries fell. The 2-year moved -25 bps lower to 3.66% and the 10-year fell -10 bps to 3.81%. The U.S. yield curve has now *uninverted*, as represented by the 10/2 yield curve.
- Option-adjusted spreads remain very compressed for high yield and corporate fixed income instruments relative to the 10-year average. High yield bond spreads ended the month only +2 bps above the 10-year low and -102 bps below the 10-year median of 405 bps. Corporate debt spreads finished the month at 89 bps, which was -31 bps below the 10-year median.

U.S. TREASURY YIELD CURVE



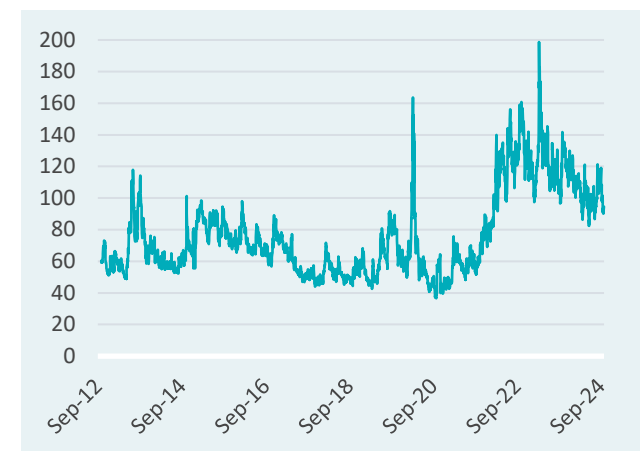
Source: U.S DoT, as of 9/30/24

NOMINAL YIELDS



Source: Morningstar, as of 9/30/24

U.S. TREASURY IMPLIED VOL ("MOVE" INDEX)

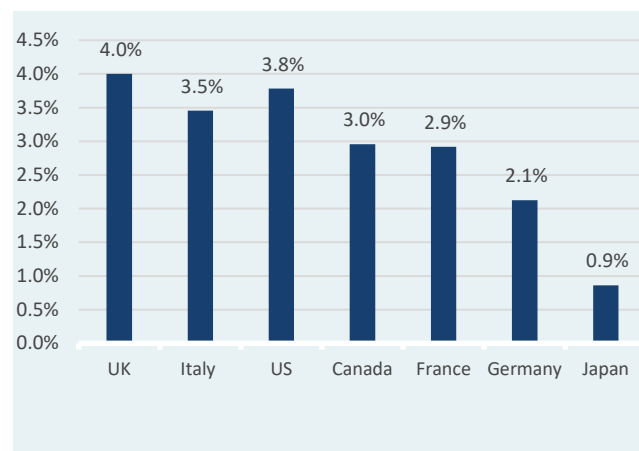


Source: BofA, as of 9/30/24

Global markets

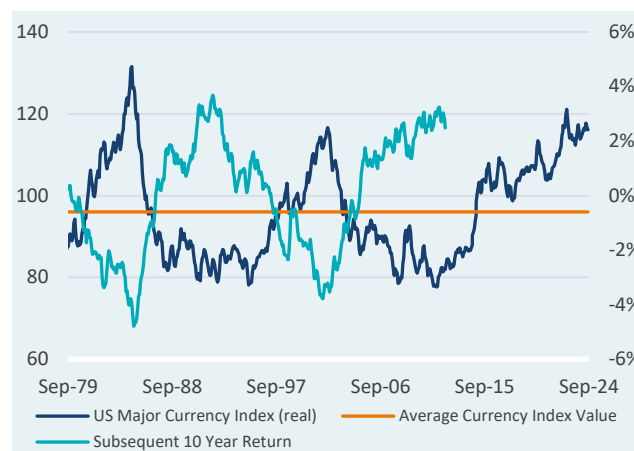
- International equities outperformed U.S. equities by +0.4% (MSCI ACWI ex-US +2.8%) during the month. Steady outperformance brought the full third quarter return for the ACWI ex-US to +8.1%, compared to +5.9% from the S&P 500.
- The MSCI Japan moderately lagged the MSCI EAFE Index, down -0.6%. Although the BOJ held rates steady, the yen (+1.8%) strengthened over the month which likely helped add pressure to Japan's export reliant economy - a reversal after the weakening yen had contributed in part to the Japanese equity rally.
- The MSCI EM Asia index rallied +8.0%. Although constituents generally performed well, China accounted for a significant portion of the rise, given its 34.5% weight in the index and its late month rally which propelled the MSCI China index to a +24% return.
- On September 24th, the People's Bank of China (PBOC) announced an economic stimulus package intended to help counter the nation's broader economic slowdown and boost consumer confidence. The proposed measures included monetary easing, equity market stimulus, and support for the still struggling property sector.

GLOBAL SOVEREIGN 10-YEAR YIELDS



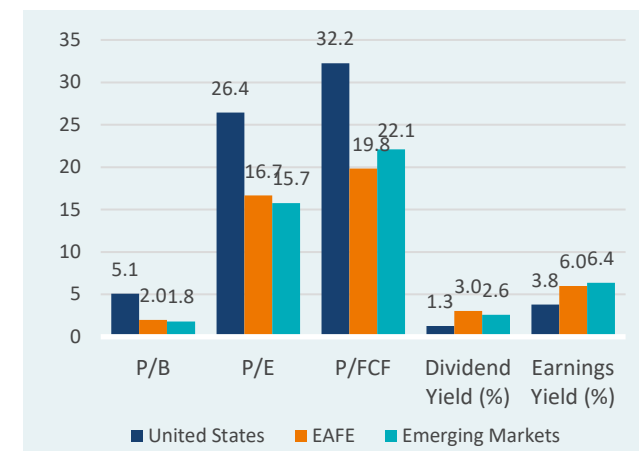
Source: Bloomberg, as of 9/30/24

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 9/30/24

MSCI VALUATION METRICS (3-MONTH AVG)



Source: MSCI, as of 9/30/24

Appendix

Periodic table of returns

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | YTD | 5-Year | 10-Year |
|-------------------------|------|------|------|------|-------|-------|------|-------|------|------|-------|-------|------|------|-------|------|------|------|-------|------|------|--------|---------|
| Large Cap Growth | 26.0 | 34.5 | 32.6 | 39.8 | 5.2 | 79.0 | 29.1 | 14.3 | 18.6 | 43.3 | 13.5 | 13.3 | 31.7 | 37.3 | 6.7 | 36.4 | 38.5 | 28.3 | 16.1 | 42.7 | 24.5 | 19.7 | 16.5 |
| Large Cap Equity | 22.2 | 21.4 | 26.9 | 16.2 | 1.4 | 37.2 | 26.9 | 7.8 | 18.1 | 38.8 | 13.2 | 5.7 | 21.3 | 30.2 | 1.9 | 31.4 | 34.6 | 27.6 | 9.4 | 26.5 | 21.2 | 15.6 | 13.1 |
| Emerging Markets Equity | 20.7 | 20.1 | 23.5 | 15.8 | -6.5 | 34.5 | 24.5 | 2.6 | 17.9 | 34.5 | 13.0 | 0.9 | 17.3 | 25.0 | 0.0 | 28.5 | 21.0 | 27.1 | 1.5 | 18.7 | 16.9 | 10.7 | 9.2 |
| Large Cap Value | 18.3 | 14.0 | 22.2 | 11.8 | -21.4 | 32.5 | 19.2 | 1.5 | 17.5 | 33.5 | 11.8 | 0.6 | 12.1 | 22.2 | -1.5 | 26.5 | 20.0 | 26.5 | -4.7 | 18.2 | 16.7 | 7.8 | 8.9 |
| Small Cap Growth | 16.5 | 7.5 | 18.4 | 11.6 | -25.9 | 28.4 | 16.8 | 0.4 | 16.4 | 33.1 | 6.0 | 0.0 | 11.8 | 21.7 | -3.5 | 25.5 | 18.3 | 25.2 | -7.5 | 16.9 | 13.2 | 9.3 | 8.8 |
| International Equity | 14.5 | 7.1 | 16.6 | 10.9 | -28.9 | 27.2 | 16.7 | 0.1 | 16.3 | 32.5 | 5.6 | -0.4 | 11.3 | 17.1 | -4.8 | 22.4 | 14.0 | 17.7 | -13.0 | 15.4 | 13.0 | 9.4 | 6.4 |
| 60/40 Global Portfolio | 14.3 | 6.3 | 15.5 | 10.3 | -33.8 | 23.3 | 16.1 | -2.1 | 15.3 | 23.3 | 4.9 | -0.8 | 11.2 | 14.6 | -6.0 | 22.0 | 10.3 | 14.8 | -14.5 | 14.6 | 12.5 | 8.2 | 8.2 |
| Small Cap Equity | 12.9 | 5.3 | 15.1 | 7.0 | -35.6 | 20.6 | 15.5 | -2.9 | 14.6 | 12.1 | 4.2 | -1.4 | 8.0 | 13.7 | -8.3 | 18.6 | 7.8 | 11.3 | -14.5 | 11.5 | 11.2 | 8.8 | 5.0 |
| Small Cap Value | 11.4 | 4.7 | 13.3 | 7.0 | -36.8 | 19.7 | 13.1 | -4.2 | 11.5 | 11.0 | 3.4 | -2.5 | 7.1 | 7.8 | -9.3 | 18.4 | 7.5 | 8.9 | -17.3 | 9.8 | 9.2 | 5.7 | 5.7 |
| Hedge Funds of Funds | 9.1 | 4.6 | 10.4 | 5.8 | -37.6 | 18.9 | 10.2 | -5.5 | 10.5 | 9.0 | 2.8 | -3.8 | 5.7 | 7.7 | -11.0 | 8.7 | 4.6 | 6.5 | -19.1 | 6.3 | 6.0 | 5.3 | 3.6 |
| Commodities | 6.9 | 4.6 | 9.1 | 4.4 | -38.4 | 11.5 | 8.2 | -5.7 | 4.8 | 0.1 | 0.0 | -4.4 | 2.6 | 7.0 | -11.2 | 7.8 | 2.8 | 2.8 | -20.1 | 5.5 | 5.9 | 3.8 | 4.0 |
| US Bonds | 6.3 | 4.2 | 4.8 | -0.2 | -38.5 | 5.9 | 6.5 | -11.7 | 4.2 | -2.0 | -1.8 | -7.5 | 1.0 | 3.5 | -12.9 | 7.7 | 0.5 | 0.0 | -20.4 | 5.0 | 4.4 | 5.7 | 1.5 |
| Cash | 4.3 | 3.2 | 4.3 | -1.6 | -43.1 | 0.2 | 5.7 | -13.3 | 0.1 | -2.3 | -4.5 | -14.9 | 0.5 | 1.7 | -13.8 | 6.4 | 0.5 | -1.5 | -26.4 | -7.9 | 4.0 | 2.1 | 1.8 |
| Real Estate | 1.4 | 2.4 | 2.1 | -9.8 | -53.2 | -16.9 | 0.1 | -18.2 | -1.1 | -9.5 | -17.0 | -24.7 | 0.3 | 0.9 | -14.6 | 2.1 | -3.1 | -2.5 | -29.1 | -7.9 | -1.2 | 0.3 | 0.0 |

Large Cap Equity

Large Cap Value

Large Cap Growth

Small Cap Equity

Small Cap Value

Small Cap Growth

International Equity

Emerging Markets Equity

US Bonds

Cash

Commodities

Real Estate

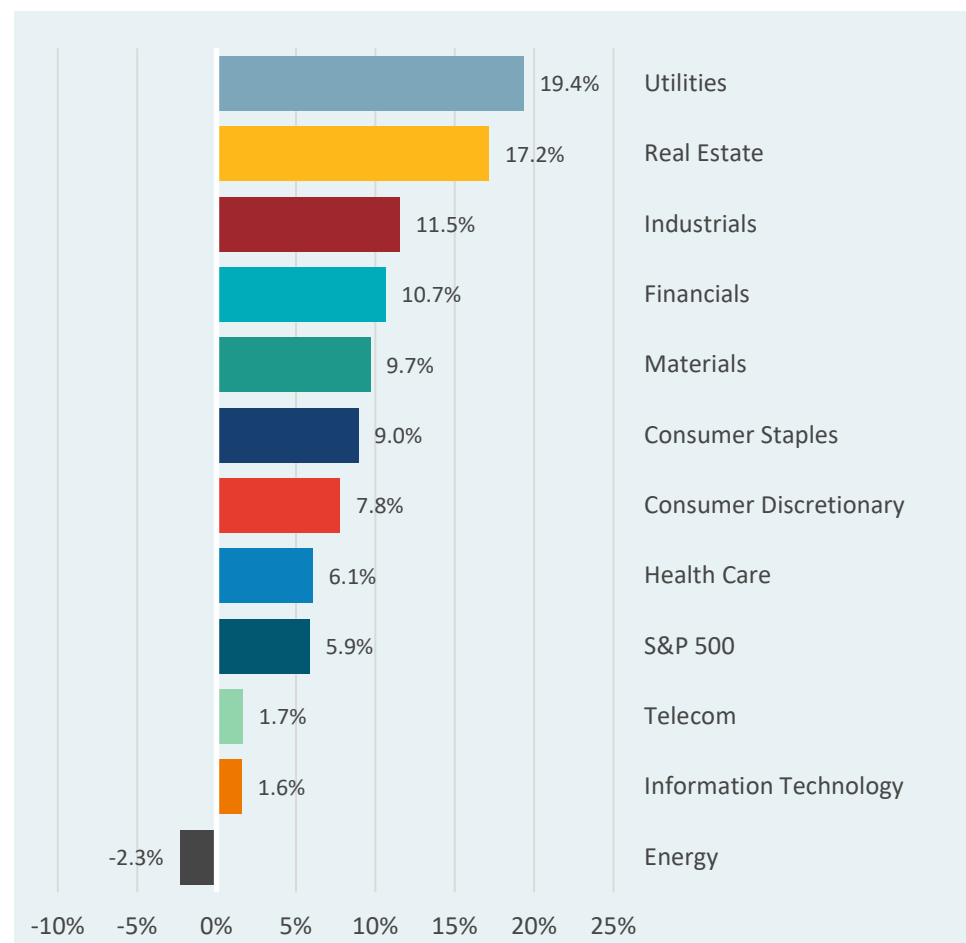
Hedge Funds of Funds

60% MSCI ACWI/40% Bloomberg Global Bond

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 6/30/24.

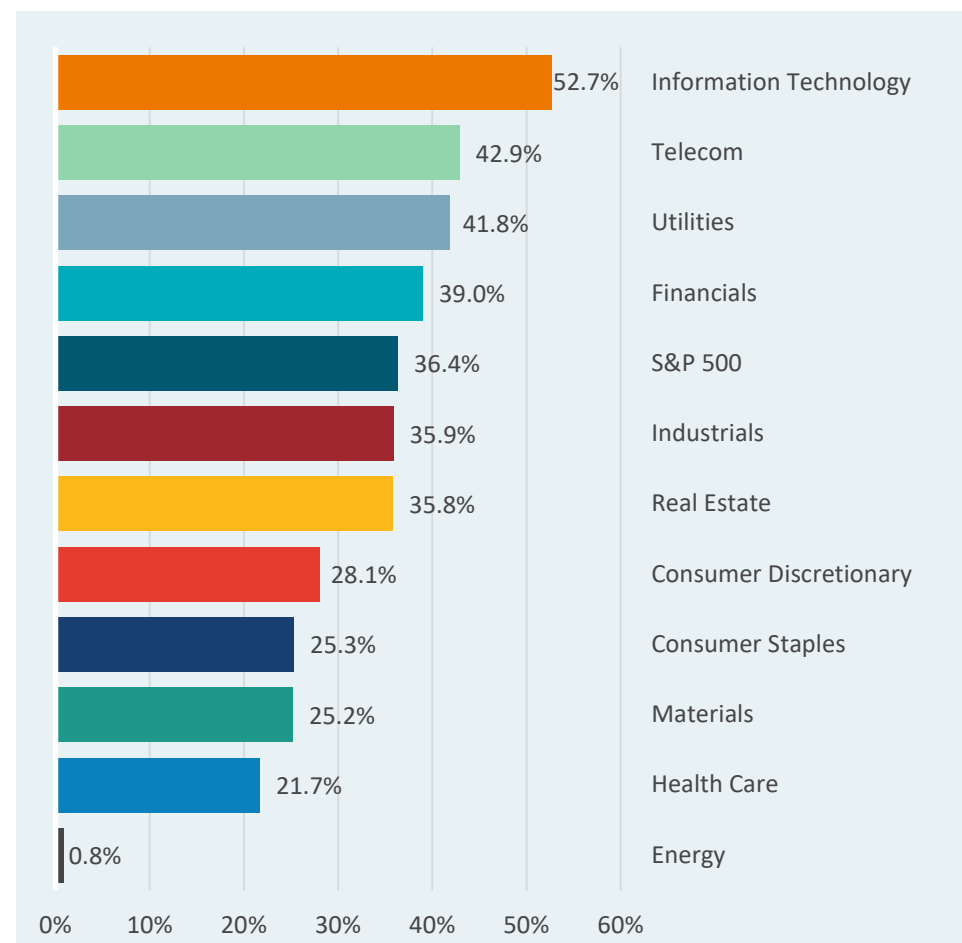
S&P 500 sector returns

QTD



Source: Morningstar, as of 9/30/24

ONE YEAR ENDING AUGUST



Source: Morningstar, as of 9/30/24

Detailed index returns

DOMESTIC EQUITY

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|------------------------|-------|------|------|--------|--------|--------|---------|
| Core Index | | | | | | | |
| S&P 500 | 2.1 | 5.9 | 22.1 | 36.4 | 11.9 | 16.0 | 13.4 |
| S&P 500 Equal Weighted | 2.3 | 9.6 | 15.2 | 28.8 | 8.2 | 12.8 | 11.1 |
| DJ Industrial Average | 2.0 | 8.7 | 13.9 | 28.8 | 10.0 | 11.8 | 12.0 |
| Russell Top 200 | 2.1 | 5.2 | 23.3 | 37.7 | 12.6 | 17.2 | 14.1 |
| Russell 1000 | 2.1 | 6.1 | 21.2 | 35.7 | 10.8 | 15.6 | 13.1 |
| Russell 2000 | 0.7 | 9.3 | 11.2 | 26.8 | 1.8 | 9.4 | 8.8 |
| Russell 3000 | 2.1 | 6.2 | 20.6 | 35.2 | 10.3 | 15.3 | 12.8 |
| Russell Mid Cap | 2.2 | 9.2 | 14.6 | 29.3 | 5.8 | 11.3 | 10.2 |
| Style Index | | | | | | | |
| Russell 1000 Growth | 2.8 | 3.2 | 24.5 | 42.2 | 12.0 | 19.7 | 16.5 |
| Russell 1000 Value | 1.4 | 9.4 | 16.7 | 27.8 | 9.0 | 10.7 | 9.2 |
| Russell 2000 Growth | 1.3 | 8.4 | 13.2 | 27.7 | (0.4) | 8.8 | 8.9 |
| Russell 2000 Value | 0.1 | 10.2 | 9.2 | 25.9 | 3.8 | 9.3 | 8.2 |

INTERNATIONAL EQUITY

| | | | | | | | |
|------------------------|-------|------|--------|------|-------|------|-----|
| Broad Index | | | | | | | |
| MSCI ACWI | 2.3 | 6.6 | 18.7 | 31.8 | 8.1 | 12.2 | 9.4 |
| MSCI ACWI ex US | 2.7 | 8.1 | 14.2 | 25.4 | 4.1 | 7.6 | 5.2 |
| MSCI EAFE | 0.9 | 7.3 | 13.0 | 24.8 | 5.5 | 8.2 | 5.7 |
| MSCI EM | 6.7 | 8.7 | 16.9 | 26.1 | 0.4 | 5.7 | 4.0 |
| MSCI EAFE Small Cap | 2.6 | 10.5 | 11.1 | 23.5 | (0.4) | 6.4 | 6.2 |
| Style Index | | | | | | | |
| MSCI EAFE Growth | 0.4 | 5.7 | 12.3 | 26.5 | 1.9 | 7.7 | 6.6 |
| MSCI EAFE Value | 1.4 | 8.9 | 13.8 | 23.1 | 8.9 | 8.3 | 4.6 |
| Regional Index | | | | | | | |
| MSCI UK | 0.3 | 7.9 | 15.4 | 23.3 | 9.8 | 7.9 | 4.1 |
| MSCI Japan | (0.6) | 5.7 | 12.4 | 21.6 | 2.7 | 7.1 | 6.4 |
| MSCI Euro | 1.8 | 6.9 | 12.8 | 27.3 | 6.7 | 9.1 | 5.7 |
| MSCI EM Asia | 8.0 | 9.5 | 21.6 | 29.7 | 0.8 | 7.2 | 5.6 |
| MSCI EM Latin American | 0.1 | 3.7 | (12.5) | 2.8 | 7.2 | 2.1 | 0.6 |

FIXED INCOME

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|-------------------------------|-------|-----|-----|--------|--------|--------|---------|
| Broad Index | | | | | | | |
| Bloomberg US TIPS | 1.5 | 4.1 | 4.9 | 9.8 | (0.6) | 2.6 | 2.5 |
| Bloomberg US Treasury Bills | 0.5 | 1.4 | 4.1 | 5.6 | 3.5 | 2.3 | 1.7 |
| Bloomberg US Agg Bond | 1.3 | 5.2 | 4.4 | 11.6 | (1.4) | 0.3 | 1.8 |
| Bloomberg US Universal | 1.4 | 5.2 | 4.9 | 12.1 | (1.1) | 0.7 | 2.2 |
| Duration | | | | | | | |
| Bloomberg US Treasury 1-3 Yr | 0.8 | 2.9 | 4.1 | 6.8 | 1.3 | 1.5 | 1.4 |
| Bloomberg US Treasury Long | 2.0 | 7.8 | 2.4 | 15.4 | (8.4) | (4.3) | 1.1 |
| Bloomberg US Treasury | 1.2 | 4.7 | 3.8 | 9.7 | (1.8) | (0.2) | 1.3 |
| Issuer | | | | | | | |
| Bloomberg US MBS | 1.2 | 5.5 | 4.5 | 12.3 | (1.2) | 0.0 | 1.4 |
| Bloomberg US Corp. High Yield | 1.6 | 5.3 | 8.0 | 15.7 | 3.1 | 4.7 | 5.0 |
| Bloomberg US Agency Interm | 0.9 | 3.1 | 4.2 | 7.5 | 0.5 | 1.1 | 1.5 |
| Bloomberg US Credit | 1.7 | 5.7 | 5.2 | 13.8 | (1.1) | 1.1 | 2.8 |

OTHER

| | | | | | | | |
|---------------------------|-------|------|-------|------|-------|-------|-------|
| Index | | | | | | | |
| Bloomberg Commodity | 4.9 | 0.7 | 5.9 | 1.0 | 3.7 | 7.8 | 0.0 |
| Wilshire US REIT | 2.6 | 15.2 | 14.9 | 33.6 | 4.6 | 5.4 | 7.8 |
| CS Leveraged Loans | 0.7 | 2.1 | 6.6 | 9.7 | 6.3 | 5.6 | 4.9 |
| S&P Global Infrastructure | 3.8 | 13.4 | 18.0 | 30.9 | 9.6 | 6.9 | 6.3 |
| Alerian MLP | (0.4) | 0.7 | 20.0 | 23.6 | 25.3 | 12.5 | 1.6 |
| Regional Index | | | | | | | |
| JPM EMBI Global Div | 1.8 | 6.2 | 8.6 | 18.6 | (0.4) | 0.9 | 3.3 |
| JPM GBI-EM Global Div | 3.4 | 9.0 | 4.9 | 13.4 | 0.6 | 0.6 | 0.6 |
| Hedge Funds | | | | | | | |
| HFRI Composite | 0.3 | 1.3 | 6.2 | 10.7 | 3.4 | 7.0 | 4.9 |
| HFRI FOF Composite | 0.2 | 1.1 | 6.0 | 9.3 | 2.3 | 5.3 | 3.6 |
| Currency (Spot) | | | | | | | |
| Euro | 0.8 | 4.1 | 1.0 | 5.4 | (1.3) | 0.5 | (1.2) |
| Pound Sterling | 2.1 | 6.1 | 5.2 | 9.9 | (0.2) | 1.7 | (1.9) |
| Yen | 1.8 | 12.5 | (1.4) | 4.3 | (8.0) | (5.5) | (2.6) |

Source: Morningstar, HFRI, as of 9/30/24

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 | 2.7 | 7.4 | 14.9 | 12.4 |
| <i>MSCI World Index (PME)</i> | 25.2 | 9.0 | 12.4 | 9.1 |
| Global Private Equity Direct Funds ¹ | 4.9 | 6.9 | 15.3 | 14.0 |
| <i>MSCI World Index (PME)</i> | 25.1 | 9.2 | 12.4 | 9.6 |
| U.S. Private Equity Direct Funds ¹ | 6.2 | 8.3 | 17.0 | 15.3 |
| <i>Russell 3000 Index (PME)</i> | 29.2 | 10.4 | 14.6 | 12.5 |
| Europe Private Equity Direct Funds ¹ | 4.3 | 8.2 | 14.8 | 12.5 |
| <i>MSCI Europe Index (PME)</i> | 14.4 | 7.0 | 8.6 | 4.8 |
| Asia Private Equity Direct Funds ^{1,4} | (1.1) | (0.7) | 8.2 | 11.1 |
| <i>MSCI AC Asia Pacific Index (PME)</i> | 11.7 | (1.9) | 4.4 | 4.9 |

| Private Credit Pooled IRRs | 1 Year | 3 Year | 5 Year | 10 Year |
|---|--------|--------|--------|---------|
| U.S. All Private Debt ^{2,4} | 8.0 | 12.1 | 12.2 | 10.8 |
| <i>Morningstar LSTA U.S. Leveraged Loan 100 Index (PME)</i> | 12.1 | 5.9 | 5.6 | 4.8 |

| Private Real Estate Pooled IRRs | 1 Year | 3 Year | 5 Year | 10 Year |
|--|--------|--------|--------|---------|
| U.S. All Private Real Estate | (4.0) | 8.4 | 7.6 | 10.3 |
| <i>FTSE NAREIT Equity REIT Index (PME)</i> | 10.8 | 5.2 | 5.0 | 7.6 |

| Private Real Assets Pooled IRRs | 1 Year | 3 Year | 5 Year | 10 Year |
|---|--------|--------|--------|---------|
| Global Natural Resources ^{3,4} | 6.6 | 17.9 | 6.1 | 3.4 |
| <i>S&P Global Natural Resources Index (PME)</i> | 4.6 | 9.1 | 8.5 | 5.7 |
| Global Infrastructure ⁴ | 8.2 | 10.3 | 10.2 | 10.2 |
| <i>S&P Global Infrastructure Index (PME)</i> | 3.5 | 4.6 | 4.3 | 4.6 |

Source: Pooled IRRs and Public Market Equivalents (PMEs) are both from Refinitiv C/A, as of March 31st, 2024. All returns in U.S. dollars.

1. Includes Buyout, Growth Equity and Venture Capital.

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

3. Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

4. Due to limited history of the PME, only the funds with the same vintage years as PMEs are included.

Notices & disclosures

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

Agenda Item 6.2

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on Inflation Hedge Manager Annual Reviews

Recommendation

Accept the reports on the annual reviews of SamCERA's real assets investment managers, Brookfield Asset Management, KKR and State Street Global Advisors (SSgA), which are part of the inflation hedge risk bucket.

Background

SamCERA staff and consultant conducted annual review meetings with Brookfield Asset Management and KKR on September 5th, 2024, and with SSgA on September 25th, 2024.

Each meeting lasted approximately 1 hour and consisted of a firm/organizational update, an investment process review, performance review and attribution, and current positioning/market outlook.

Discussion

On September 5th, we reviewed the Brookfield Supercore Infrastructure Fund, which is an open-end, core infrastructure strategy that seeks to invest in highly stable, long-term contracted or regulated assets across the utilities, energy, power, social, and transportation sectors.

Next, we reviewed the KKR Diversified Core Infrastructure Fund, which is an open-end, core infrastructure strategy that seeks to invest in critical infrastructure assets with high visibility for cash flows through regulated or long-term contracted revenues across various infrastructure sectors.

On September 25th, the SSgA custom real asset strategy, which is a passive account for SamCERA that seeks to replicate exposure to four underlying indices in approximately equal weights (1/4 S&P Global LargeMidCap Commodity and Resources Index, 1/4 S&P Global Infrastructure Index, 1/4 Bloomberg Roll Select Commodity Index and 1/4 U.S. Barclays TIPS), was reviewed. The firm noted a retirement on the team.

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

Brookfield Annual Review Meeting Notes (Confidential)
KKR Annual Review Meeting Notes (Confidential)
SSGA Annual Review Meeting Notes

Research Meeting Notes

| | |
|---------------------------------|--|
| Investment Organization | State Street Global Advisors ("SSgA") |
| Business Type | Publicly Traded |
| Firm Inception Date | 1978 |
| Firm \$AUM | \$4.4T |
| Investment Org Attendees | Sonya Park, Michael Martel, Michael Narkiewicz, Tyhesha Harrington |
| Verus Attendees | Matt Foppiano |
| SamCERA Attendees | Michael Coultrip, Doris Ng |
| Interview Date(s) | 9/25/2024 |
| Meeting Type | Virtual |
| Meeting Purpose | Update |
| Strategy Name | SSgA Liquid Real Assets |
| Strategy Inception Date | 2016 |
| Asset Class (Style) | Real Assets |
| Strategy \$AUM | \$7.0B |
| | |

Firm:

SSgA is a wholly-owned subsidiary of State Street Bank and Trust Company, a wholly-owned subsidiary of State Street Corporation, a publicly traded company. SSgA manages over \$4.4 trillion in assets, making it one of the largest asset managers globally. SSgA manages capital across the risk spectrum in equity, fixed income, multi-asset, and alternatives.

Team/People:

The Investment Solutions Group (ISG) oversees the SamCERA liquid real assets portfolio and manages \$351 billion in AUM across several strategies. Dan Farley serves as the ISG team's CIO and heads all investment-related decisions. Mike Martel is the head of portfolio management. Two portfolio managers, Mike Narkiewicz and Tyhesha Harrington, directly oversee the SamCERA portfolio, with Dan Farley and Mike Martel giving final approval. Tyhesha Harrington is new to the SamCERA relationship, replacing Robert Guiliano, who retired in September of this year. Tyhesha has 29 years of experience in the industry and 17 years at States Street in portfolio management and risk. Tyhesha and Mike Narkiewicz have been working together and co-managing since 2016. Mike Martel has been managing the Real Asset strategy since 2010. The portfolio SSgA runs for SamCERA is a custom allocation of three products that Rob and Mike managed within their more diversified SSgA Real Asset product since its creation in 2010.

Process/Philosophy

The SamCERA liquid real asset portfolio is a customized account managed by SSgA, and it 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 enhances 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. The US comprises around 40% of the index on a country-weighted basis, 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 allocate, rebalance, and trade the four index products to minimize tracking errors to the policy index. SSgA will rebalance the portfolio semi-annually to return it to target. SSgA manages the portfolio for an all-in fee of 19 bps.

Performance


SSgA seeks to provide beta exposure within the SamCERA custom account with slight active management tilts within the commodity strategy. In a normal market environment, we'd expect SSgA to closely match its benchmark, with some modest excess return coming from rebalancing and the unique roll features within the Bloomberg Commodity strategy. Since the product's inception at SamCERA (October 2016), the Custom Liquid Real Assets product has returned 5.07%, net of fees, while the benchmark has returned 4.98%. The most excess return comes from the semi-annual rebalancing feature, which differs from the benchmark that adheres to a quarterly rebalancing schedule.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

Agenda Item 6.3

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on Opportunistic Credit Manager Annual Review

Recommendation

Accept the report on the annual reviews of SamCERA's opportunistic credit bond managers, Brigade Capital Management and TPG Angelo Gordon.

Background

SamCERA staff and consultant held annual review meetings with our opportunistic credit bond managers, Brigade Capital Management on September 5th and TPG Angelo Gordon on September 10th.

Each meeting lasted approximately 1.5-2 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

Discussion

On September 5th, we reviewed Brigade Capital Management's Opportunistic Credit product, which is a fundamental, bottom-up strategy focused on high yield corporate bonds and bank loans with tactical allocations to structured securities, convertibles and other sectors of the bond markets.

On September 10th, we reviewed TPG Angelo Gordon's Credit Solutions Fund (CSF), CSF II, CSF II Annex Dislocation Fund and CSF III. 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 reviews. Attached you will find meeting notes from Verus summarizing the findings from the annual reviews.

Attachments


Brigade Annual Review Meeting Notes (Confidential)
TPG Angelo Gordon Review Meeting Notes (Confidential)

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

Agenda Item 6.4

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on Absolute Return Manager Annual Review

Recommendation

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

Background

SamCERA staff and consultant held annual review meetings with Graham Capital Management on September 10th and with CFM and PIMCO on October 10th.

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 10th, Graham Capital Management's Quantitative Macro (GQM) strategy was reviewed. GQM is a systematic, long/short, multi-strategy that targets absolute returns with low correlation to traditional markets.

On October 10th, 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 MAARS strategy is a systematic, alternative risk premia strategy that invests across multiple, dynamic strategies and markets with low correlation to traditional market factors.

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 Annual Review Meeting Notes (confidential)
CFM SGM Annual Review Meeting Notes (confidential)
PIMCO MAARS Annual Review Meeting Notes (confidential)

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

Agenda Item 6.5

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer 

SUBJECT: Educational Presentation on China Market Exposure Within SamCERA's International Equity Program

Recommendation

Review the educational presentation on SamCERA's China exposure and provide direction to staff as needed.

Background

Recently the merits of hyper globalization have been questioned, which further accelerated since the COVID-19 outbreak. There seems to be a new bi-polar world developing that consists of Western democracies on one side and authoritarian regimes on the other, and an added emphasis on 'friend-shoring' supply chains. Recent news and events, such as export controls on high-end chips to China, sanctions on Chinese officials, and news that several states have passed divestiture laws on Chinese companies for public pension plans in their respective states, have further eroded the attractiveness of the China story. That said, China represents the 2nd largest economy in the world and has strong economic ties to most of the world.

Discussion

Joe Abdou from Verus will present the China exposure education. He will review the current institutional investor landscape around China exposure in international equity portfolios, summarize the characteristics of China/ex-China emerging market indices, review historical performance & risk of China/ex-China indices, and finally summarize SamCERA's exposure to China within the international equity portfolio.

Attachment

Verus Educational Presentation on China Exposure



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



NOVEMBER 2024

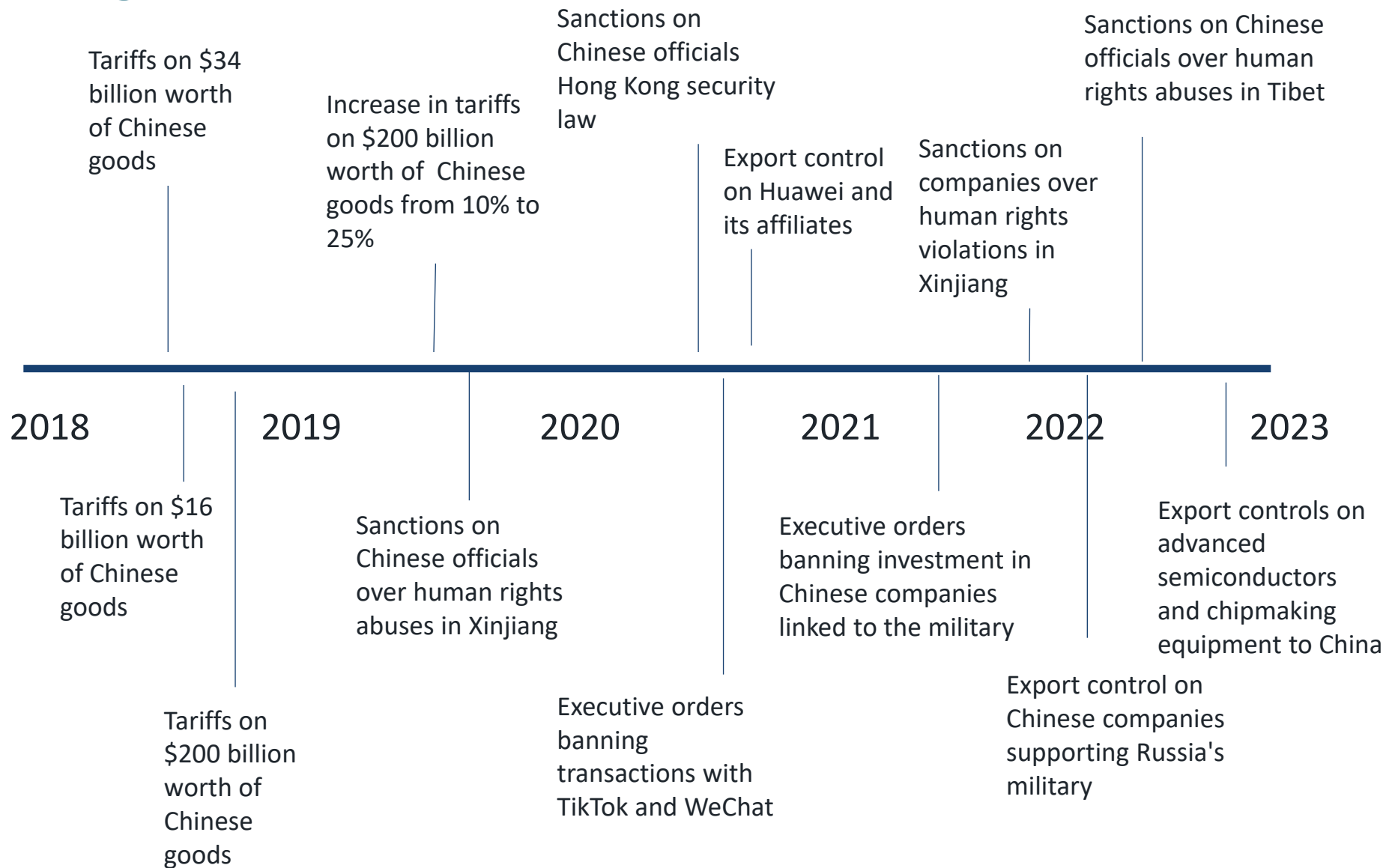
China Market Analysis

SamCERA

Background

- In response to headlines and movement by a group of institutional investors to limit their exposure to China in equity and debt markets, we have put together an educational deck outlining the broader markets exposure to Chinese equities and SamCERA's exposure, in general.
- This presentation illustrates the exposures and risk and return profile of the MSCI Emerging Markets Index relative to the MSCI Emerging Markets ex-China Index.
- This presentation also examines the impact of emerging markets exposure with and without China at the total portfolio level.

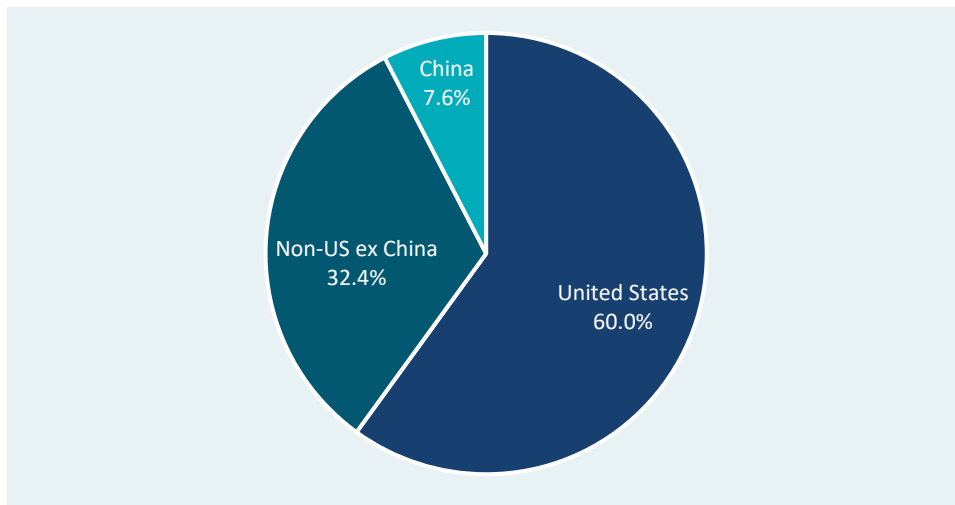
Background



How is China defined?

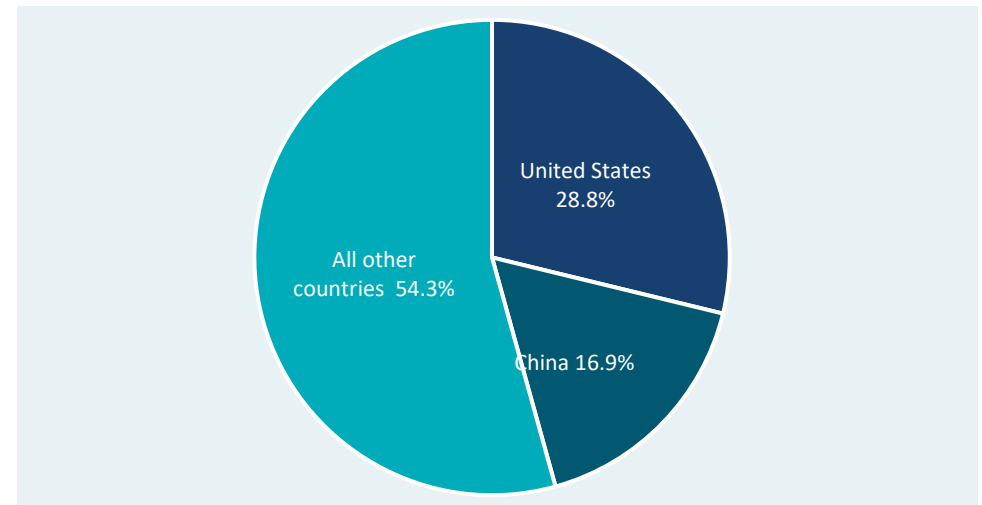
- The answer can be complex, and the scope of China's impact around the world is immeasurable.
 - Index providers that have constructed ex-China mandates have sought to exclude Chinese shares trading on major indices and foreign listings, including China A Shares, H Shares, B Shares, Red Chips, P Chips, and ADRs.
 - Excluding Chinese equities will not eliminate the impact the country has on the global economy, nor institutional portfolios.

S&P 500 REVENUE EXPOSURE



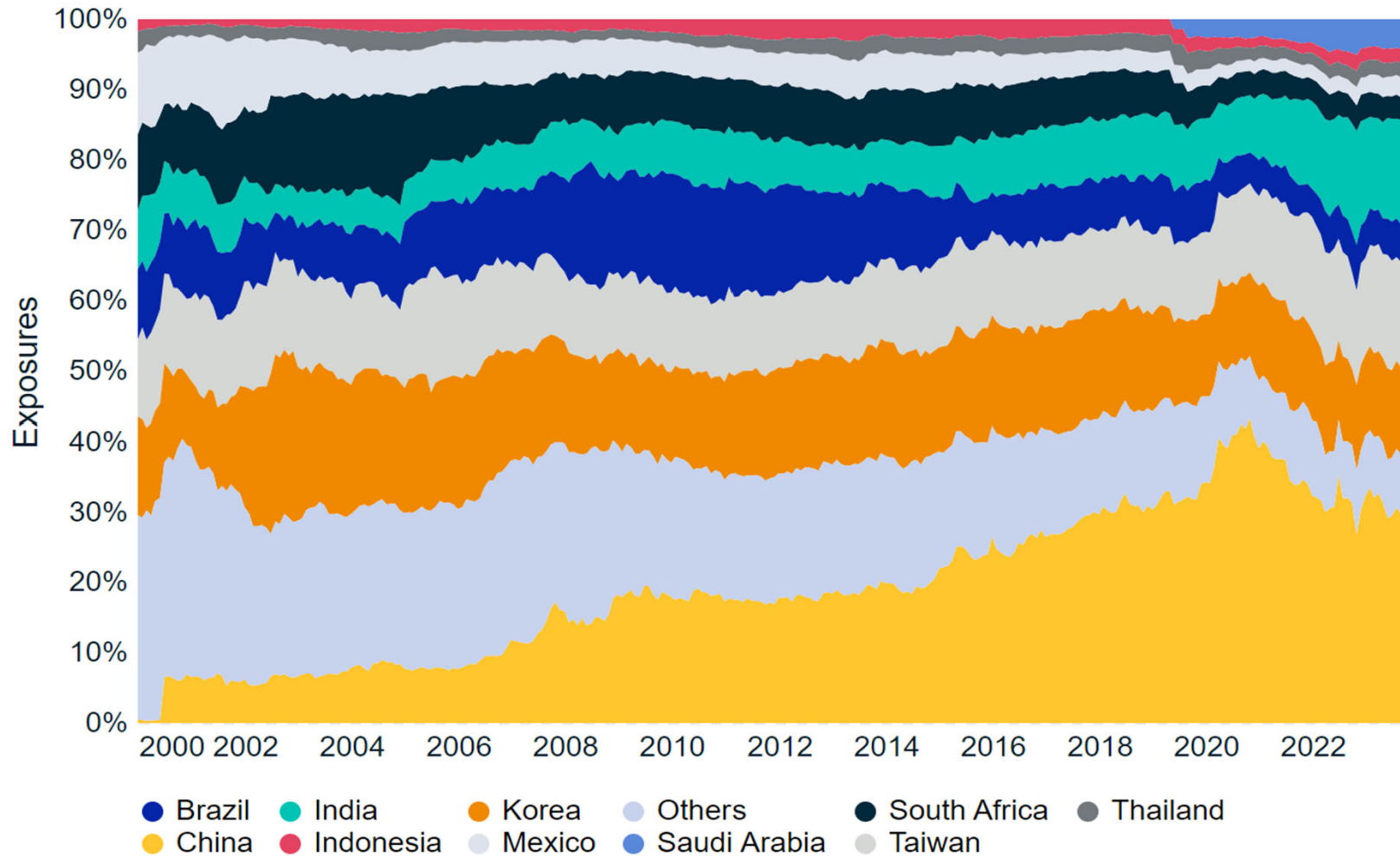
Source: FactSet

LARGEST CONTRIBUTORS TO WORLD GDP



Source: IMF April 2024

MSCI EM inclusion of China

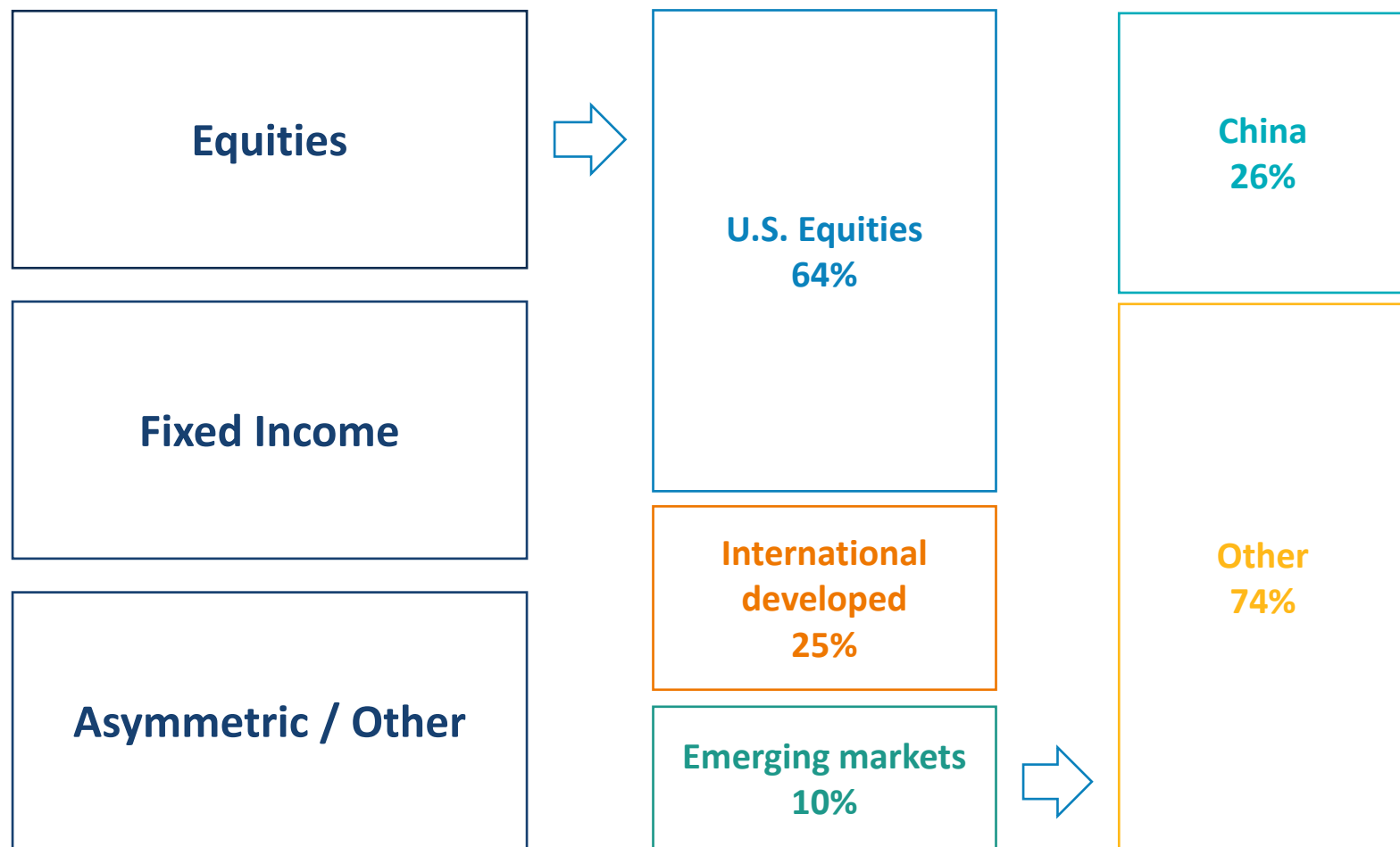


MSCI started a phased inclusion of China A shares in May and August of 2018

In 2020 China reached 40% of the MSCI EM Index

Source: MSCI

Broader portfolio consideration



For diversified investors, exposure to Chinese equities as part of the broader emerging markets complex is marginal.

Practically, investors continue to have indirect exposure to China through the revenues of multinational corporations.

Source: Weighting based off MSCI ACWI Index weights

Overview of current pressures

Geopolitical pressure

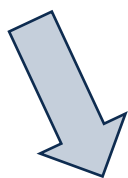
Building tensions between the U.S. and China have hurt investor sentiment

Economic woes

Reopening momentum has been much weaker than expected, as consumption comes in below expectations

Financial stress

Large property developers and local government financing vehicles have shown significant signs of stress



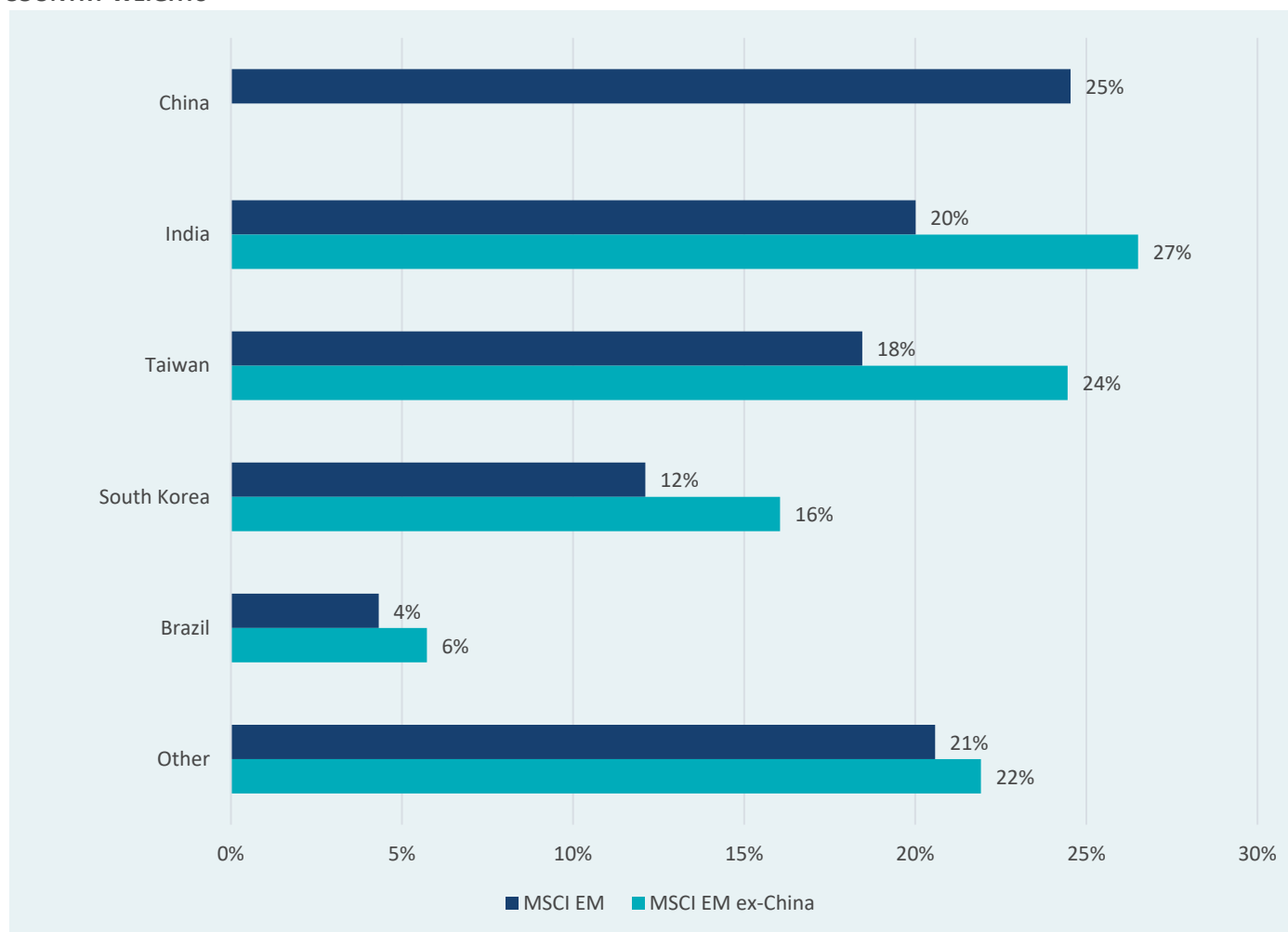
Chinese assets

Chinese assets have been under pressure from numerous fronts

Long-term demographic factors including an aging working class, expectations for a quickly declining population, and high youth unemployment have also weighed on sentiment

Country weights: EM vs. EM ex-China

COUNTRY WEIGHTS



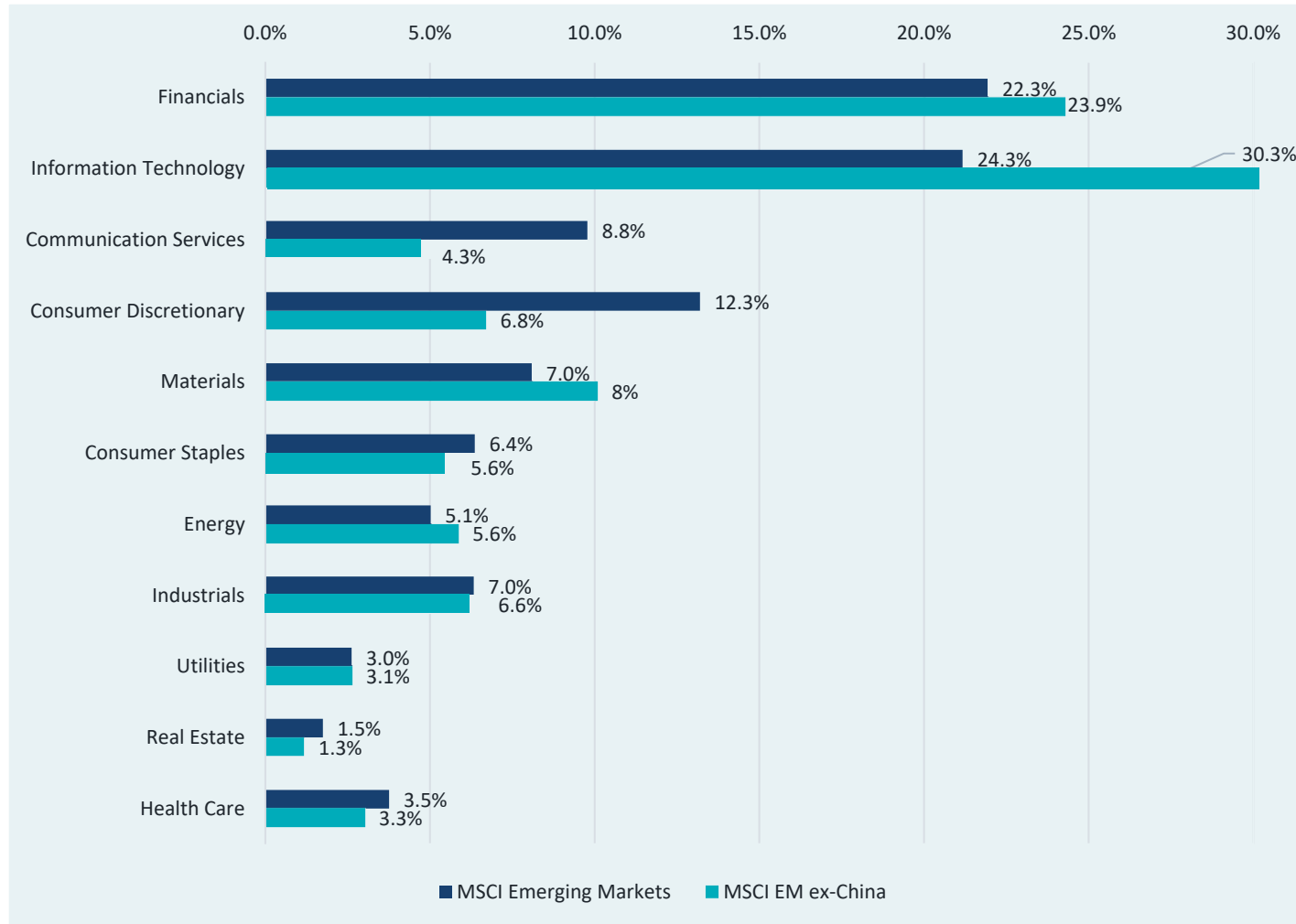
This chart reflects country exposures within both MSCI EM Index and MSCI EM ex-China Index

When China is removed from EM index, the remaining countries are scaled up to create MSCI EM ex-China Index

As of 7/31/2024

Sector weights: EM vs. EM ex-China

SECTOR WEIGHTS



Largest sector changes when comparing broad Emerging Market Index vs. ex-China index are within:

- IT
- Consumer Discretionary
- Communication Services
- Financials

As of 7/31/2024

Additional risk statistics

- Relative to the broad emerging markets index, beta (a measure of the volatility or systematic risk in comparison to the market as a whole) for the ex-China index increases moderately.
- Tracking error relative to the broad emerging markets index increases when China is excluded.
- Excluding China from the emerging markets opportunity set increases the correlation to U.S. and International Developed market equities.

| | MSCI EM | MSCI EM ex-China |
|--|---------|------------------|
| Beta (MSCI All Country World Index) | 0.85 | 0.87 |
| Tracking Error (MSCI Emerging Markets Index) | -- | 7.17 |
| Correlation to MSCI EAFE Index | 0.83 | 0.86 |
| Correlation to MSCI All Country World Index | 0.76 | 0.85 |
| Correlation to Russell 3000 Index | 0.70 | 0.76 |

Source: MSCI BarraOne

Largest holdings: EM vs. EM ex-China

MSCI EMERGING MARKETS

| Name | Country | Weight (%) | Sector |
|--------------------------------------|-------------|--------------|------------------------|
| TAIWAN SEMICONDUCTOR MANUFACT CO LTD | Taiwan | 9.8% | Information Technology |
| TENCENT HOLDINGS LTD | China | 4.1% | Communication Services |
| SAMSUNG ELECTRONICS CO LTD | South Korea | 3.9% | Information Technology |
| ALIBABA GROUP HOLDING LTD | China | 2.0% | Consumer Discretionary |
| RELIANCE INDUSTRIES LTD | India | 1.5% | Energy |
| SK HYNIX INC | South Korea | 1.0% | Information Technology |
| PDD HOLDINGS | China | 1.0% | Consumer Discretionary |
| ICICI BANK LTD | India | 1.0% | Financials |
| HON HAI PRECISION INDUSTRY CO LTD | Taiwan | 1.0% | Information Technology |
| INFOSYS LTD | India | 1.0% | Information Technology |
| Total | | 25.7% | |

MSCI EMERGING MARKETS EX-CHINA

| Name | Country | Weight (%) | Sector |
|--------------------------------------|-------------|--------------|------------------------|
| TAIWAN SEMICONDUCTOR MANUFACT CO LTD | Taiwan | 12.3% | Information Technology |
| SAMSUNG ELECTRONICS CO LTD | South Korea | 5.1% | Information Technology |
| RELIANCE INDUSTRIES LTD | India | 1.9% | Energy |
| SK HYNIX INC | South Korea | 1.4% | Information Technology |
| ICICI BANK LTD | India | 1.3% | Financials |
| HON HAI PRECISION INDUSTRY CO LTD | Taiwan | 1.3% | Information Technology |
| INFOSYS | India | 1.3% | Information Technology |
| MEDIATEK | Taiwan | 1.0% | Information Technology |
| HDFC Bank | India | 1.0% | Financials |
| TATA CONSULTANCY | India | 0.8% | Information Technology |
| Total | | 27.4% | |

Top 10 holdings comprise over 25% of each index

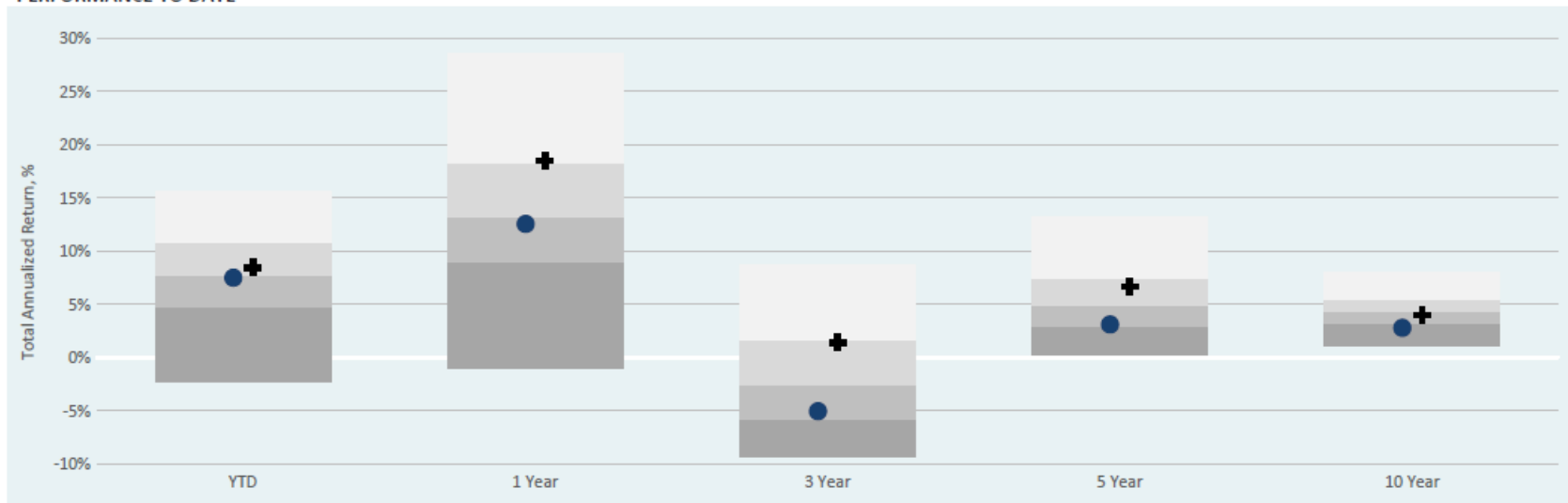
- Largest holding in index increases to 12.3% for MSCI ex-China Index

As of 7/31/2024

Performance comparison – as of 6/30/2024

● MSCI EM NR USD + MSCI EM ex China NR USD

PERFORMANCE TO DATE



TOTAL ANNUALIZED RETURN TO DATE, %

| | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|-------------------------|-----|--------|--------|--------|---------|
| MSCI EM NR USD | 7.5 | 12.5 | -5.1 | 3.1 | 2.8 |
| MSCI EM ex China NR USD | 8.4 | 18.5 | 1.4 | 6.7 | 3.9 |

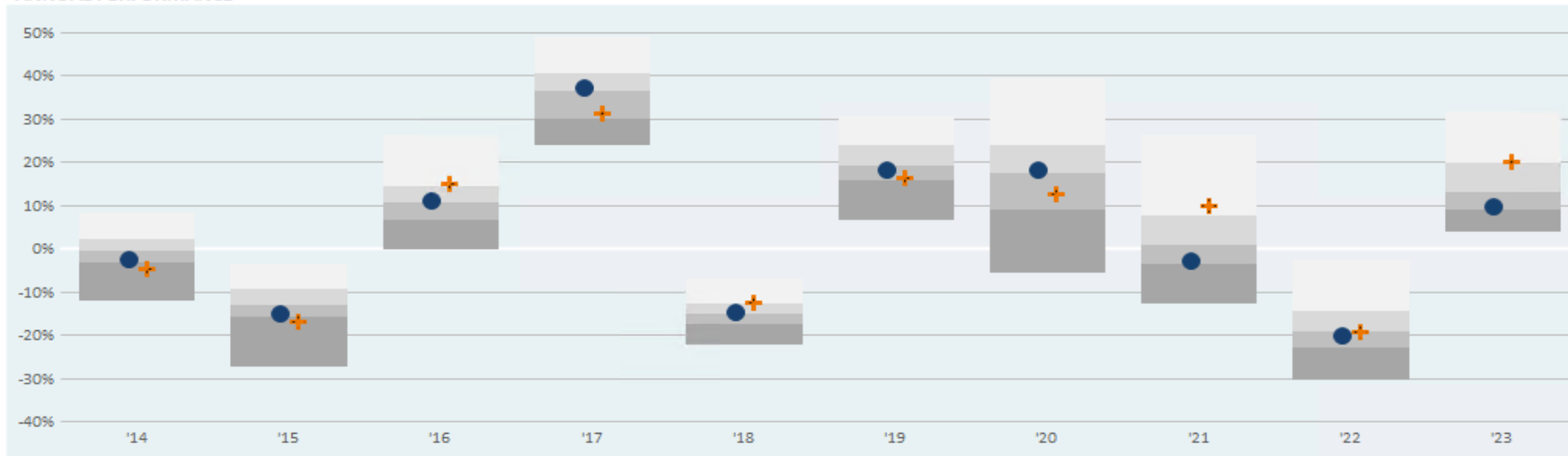
Source: eVestment/Morningstar

Universe: eA Emerging Markets Equity Data as of 6/30/2024

Calendar year performance

● MSCI EM + MSCI EM ex China

ANNUAL PERFORMANCE



| ANNUAL PERFORMANCE + RANKING | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------------|-------|------|------|-------|------|------|------|-------|------|
| MSCI EM | -14.9 | 11.2 | 37.3 | -14.6 | 18.4 | 18.3 | -2.5 | -20.1 | 9.8 |
| Rank | 69 | 47 | 44 | 45 | 59 | 46 | 70 | 57 | 70 |
| MSCI EM ex China | -16.9 | 15.0 | 31.2 | -12.4 | 16.2 | 12.5 | 10.0 | -19.3 | 20.0 |
| Rank | 83 | 24 | 72 | 25 | 73 | 67 | 22 | 51 | 25 |

Risk/return comparison – as of 6/30/2024

● MSCI EM NR USD + MSCI EM ex China NR USD

36 MONTH ROLLING RISK



36 MONTH ROLLING PERFORMANCE

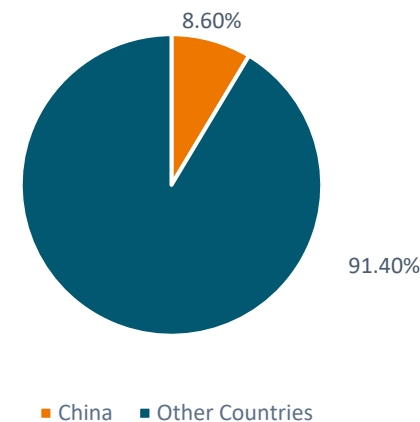
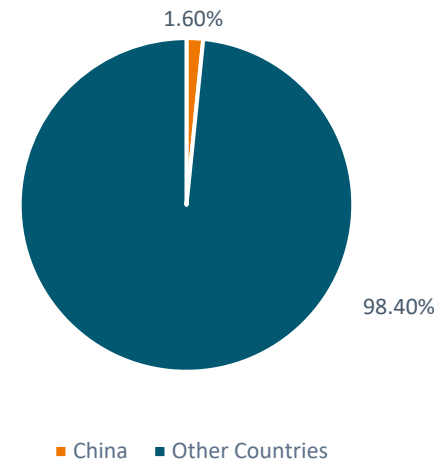
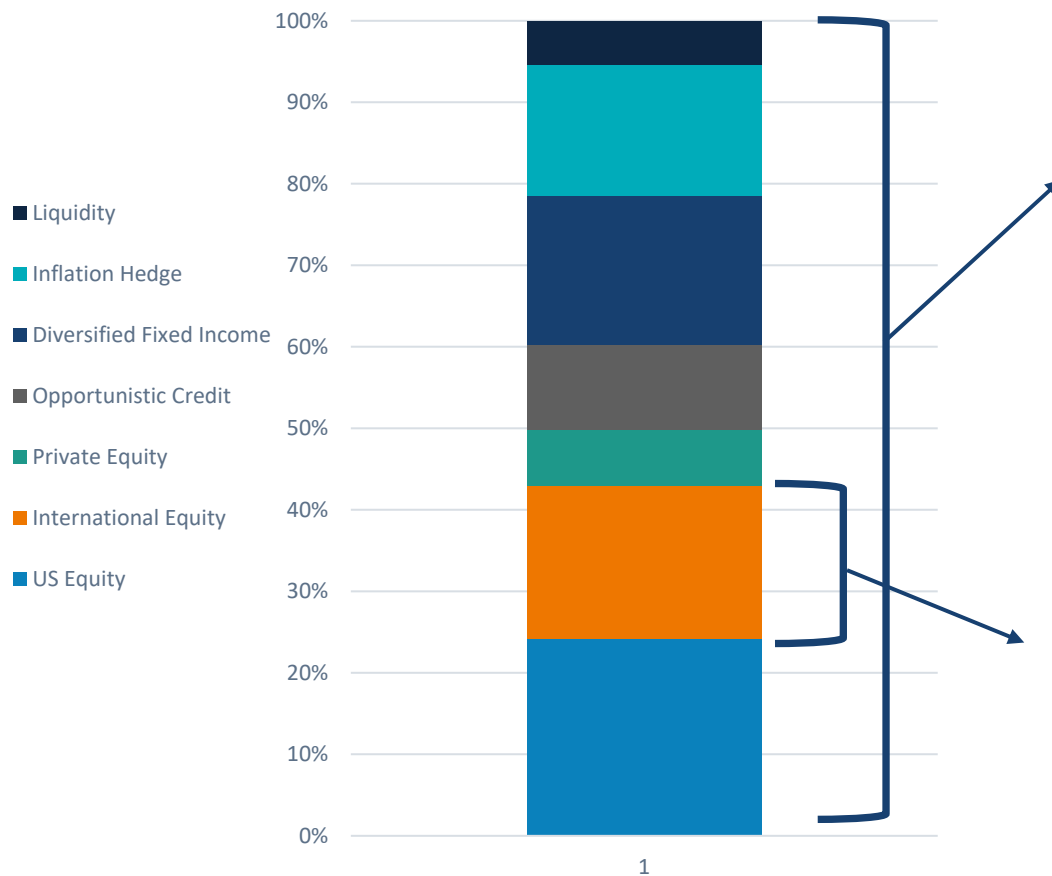


Source: eVestment/Morningstar

Universe: eA Emerging Markets Equity Data as of 6/30/2024

SamCERA exposure to China in International Equity Composite

SamCERA Asset Allocation



Total portfolio allocation to China within the International Equity composite is \$104 million or approximately 1.6% of the total plan as of 6/30/24

Allocations to China:

- Mondrian 9.3%
- Baillie Gifford 10.7%
- BlackRock 7.5%

Notices & disclosures

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

Agenda Item 6.6

TO: Board of Retirement

FROM: Lili Dames, Investment Analyst *Lilibeth Dames*

SUBJECT: Approval of Securities Lending Implementation Plan to New Guidelines

Recommendation

Approve a temporary replacement of SamCERA's 20% securities lending borrower limit with a \$100 million dollar-limit for a one-month period as SamCERA implements its new guidelines.

Background

In April 2024, the Board approved changes to the Investment Policy to update SamCERA's securities lending guidelines. In connection with the Request for Proposal process for global custody and security lending services, staff identified that to increase the income potential of the securities lending program, additional flexibility within the program was needed. The Board approved the following guidelines, which effectively replaced a stringent \$10 million program cap and a \$3 million borrow cap with more lenient percentage limits.

Sections 16(C)(iii), 16(C)(v), and 16(C)(vi) of the Investment Policy Statement were replaced in their entirety with the following:

- (iii) Acceptable collateral shall be in the form of cash or obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities, as well as highly-rated OECD Debt (rated AA – or better).
- (v) The maximum allowable amount of assets on loan to any single borrower shall not be greater than 20% of the program assets on loan.
- (vi) The maximum total amount of program assets on loan shall not be greater than 50% of the total lendable assets.

The changes took effect on July 23, 2024, following the complete execution of the Securities Lending Agreement.

The ramp up from the previous stringent guidelines (which included a \$10 million program cap and a \$3 million borrower cap) to the updated limits has been slower than anticipated. Although there has been a slight uptick in income, SamCERA's 20% borrower limit is dramatically hampering the program's growth. Since the borrower limit guideline is a major hindrance in expanding loan volume, it is preventing the total program assets on loan to gain scale from the prior low levels.

Discussion

After discussions with Northern Trust, staff recommends a temporary suspension of the 20% borrower limit for a one-month ramp-up period to allow the program usage to scale higher more quickly. In its place, staff recommends temporarily incorporating a \$100 million dollar limit during this period, which is conservatively below 20% of the policy max available to loan. Once the ramp-up period concludes, then the 20% borrower limit will be enforced per the Investment Policy Statement. Staff believes this temporary change is still within the spirit of the new guidelines approved in April.

As of September 30, 2024

| | |
|--|------------------|
| Available To Loan | \$ 1,388,825,758 |
| Policy Max Available To Loan (guideline vi) | \$ 694,412,879 |
| Actual Market Value On Loan | \$ 123,375,853 |
| % On Loan (Utilization) | 9% |
| Policy Max Per Borrower (guideline v) | \$ 24,675,171 |
| Largest Borrower Exposure | \$ 24,164,958 |
| Recommended Max Per Borrower (~20% of guideline vi) | \$ 100,000,000 |

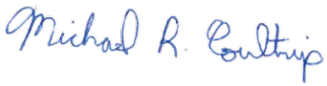
This implementation plan aims to relieve the bottleneck experienced during the ramp-up phase from the previous stricter guidelines and expedite the program's growth while keeping the guidelines intact once the program gains scale. According to Northern's securities lending trading team, SamCERA's U.S. treasuries could serve as a significant source of securities lending income. By alleviating the bottleneck, the program could achieve its full potential.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

Agenda Item 6.7

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer 

SUBJECT: Approval of Cash Flow-Matching Replenishment Recommendation and Asset Allocation

Recommendation

Approve the partial replenishment (of \$35 million) for the cash flow match pool along with the resulting asset allocation. The replenishment includes funding approximately half of the expected net cash flows for the 2028 fiscal year, resulting in pre-funding the expected net benefit payments for the next three and a half years (for fiscal years 2025, 2026, 2027, and partially for 2028).

Background

In the years in which a full asset-liability analysis is not performed (which is typically analyzed every three years), the Board evaluates any smaller annual asset allocation tweaks to the target policy portfolio as part of the annual cash flow replenishment process. After SamCERA's actuarial valuation is completed for the most recent fiscal year-end, this evaluation takes place during the 4th quarter.

In July 2022, \$90 million was initially invested (or approximately 1.5% of plan assets) in SamCERA's cash flow-matched account with Insight Investment, to cover the next three years' worth of expected net benefit payments (for fiscal years 2022, 2023, and 2024).

In 2022, SamCERA replenished the cash flow-matched account to include fiscal year 2025's net cash flows, resulting in adding \$170 million to the cash-flow matched account, funded from defensive fixed income (to minimize the expected return drag on the portfolio). As a result, the cash-flow matched account was replenished to meet the expected net cash flows for fiscal years 2023, 2024, and 2025, resulting in a 4.5% target allocation.

In 2023, SamCERA changed its funding policy to help stabilize the expected contribution rate, resulting in higher-than-expected future contributions. As a result, cash flow forecasts indicated lower cash needs were required to pre-fund expected net benefit payments due to these higher contributions. Consequently, the Board approved replenishing two additional fiscal years' expected net cash flows (2026 and 2027) to lock in attractive rate levels (covering the next four years' worth of expected net benefit payments).

Discussion

This fiscal year, Insight Investment estimates that no replenishment will be needed to maintain three years' worth of net benefit payments. To maintain four years of net benefit payments, Insight estimates needing to add \$75 million (and \$177 million to add a fifth year of net benefit payments). Considering current and expected yield levels from the cash flow-matched account, expected performance from the rest of the portfolio, and the realized recent total fund performance, staff recommends replenishing half of a years' worth of net benefit payments. This will necessitate contributing \$35 million to the Insight cash flow-matched account, which is expected to meet the net benefit payments for fiscal years 2025, 2026, 2027, and partially for 2028. Importantly this will require no change to the cash-flow match target allocation as we are currently below target.

As for the remainder of the asset allocation review, there are no recommended allocation changes at the primary performance driver composite level (Growth, Diversifying, Inflation Hedge, and Liquidity). However, within the Growth category, there are two proposed sub-allocation changes. First, we are recommending removing the low volatility target allocation, and second, adjusting the U.S. equity/International equity split so that U.S. Equity comprises 60% of total public equity (up from the current 55%).

Attachment

Verus Asset Allocation Review 2024



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



NOVEMBER 5, 2024

Asset Allocation Review

San Mateo County Employees Retirement Association

Table of contents



[VERUSINVESTMENTS.COM](https://verusinvestments.com)

SEATTLE 206.622.3700

LOS ANGELES 310.297.1777

SAN FRANCISCO 415.362.3484

PITTSBURGH 412.784.6678

CHICAGO 312.815.5228

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Introduction

Current discussion

Historically:

- Strategic direction of the Fund is set during the Asset Liability/ Enterprise Risk Tolerance assessment every 3 years
- Verus and staff conduct an asset allocation review in February and provide minor tweaks to the policy
- October/November Verus and staff discuss adding to the CDI portfolio, thus potentially changing the policy a second time

Going forward:

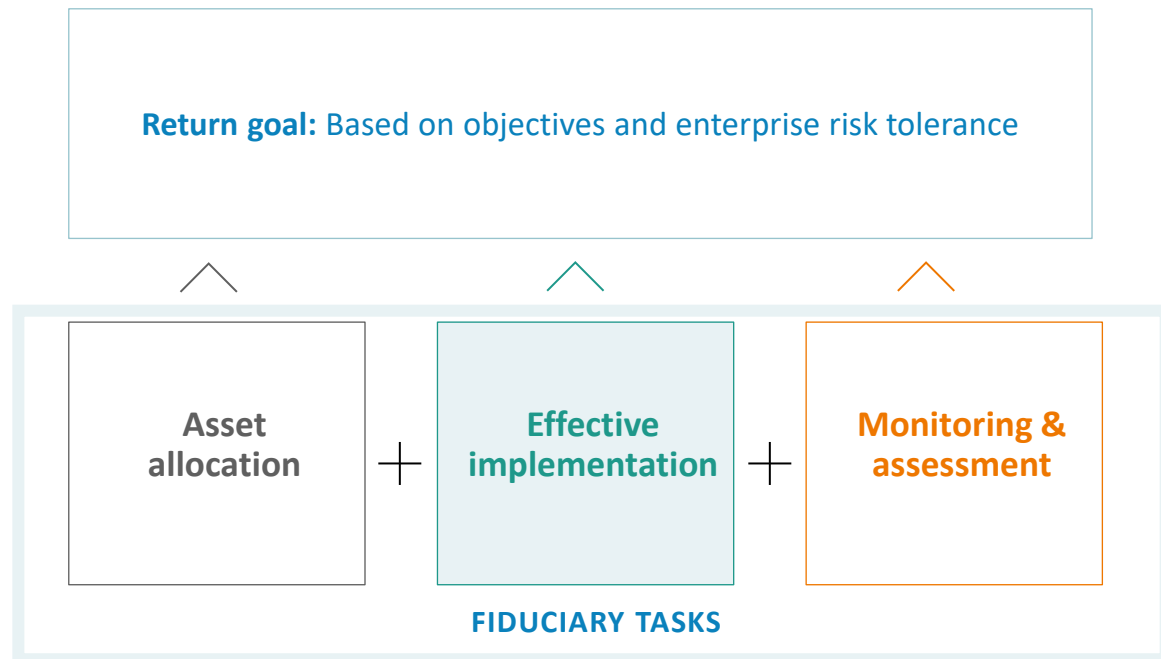
- Formally change the Investment Policy Statement following the CDI discussion at the end of the year
- February asset allocation meeting is conducted, and the Board is made aware of portfolio tilts

Currently, there are two potential policy revisions a year, which seems excessive.

Proposing a single policy review each year, alongside the triannual ALM studies.

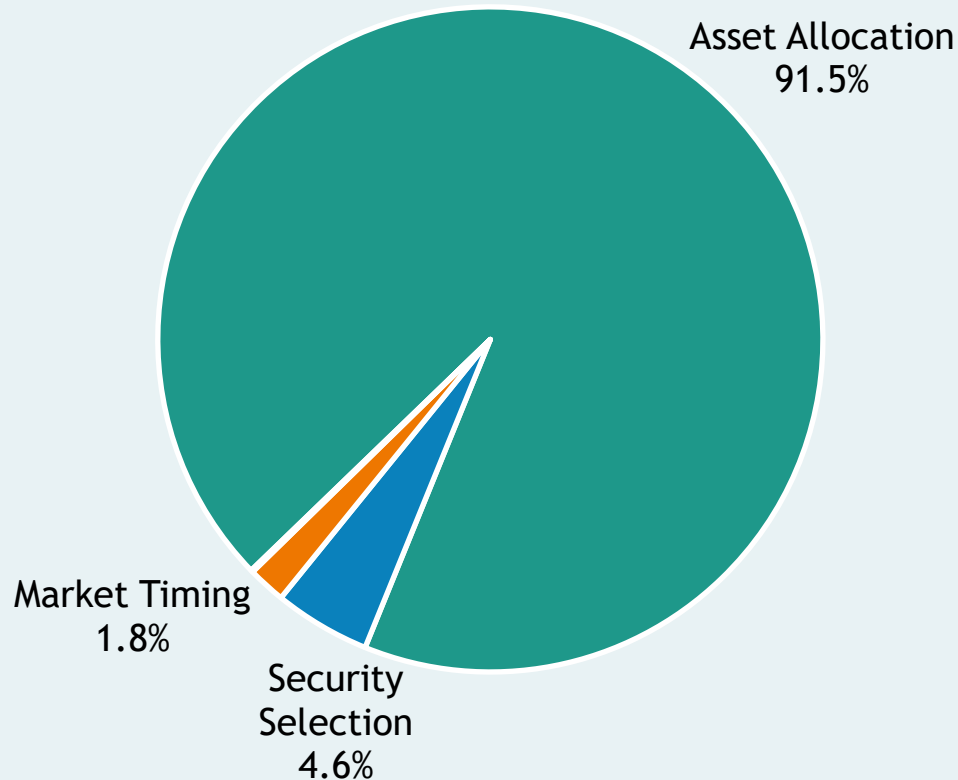
Overview of fiduciary goals and tasks

- Develop thoughtful **strategic asset allocation** based on SamCERA investment objectives and risk tolerance
- Implementation** through effective combination of active investment managers, low-cost passive exposures, and **appropriate support for internal operations**
- Regularly **monitor and assess** Total Fund results to determine if portfolio and asset class goals are being achieved.



Asset allocation is a critical decision

PERCENT OF VARIATION EXPLAINED



Asset allocation drives bulk of variation in portfolio returns over time.

Asset allocation is usually the most important decision we make as investors.

Source: Brinson, Singer & Beebower: Determinants of Portfolio Performance II: An Update

SamCERA's investment objectives

Investment Objectives

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies as stipulated in Sections 4.0 and 5.0, respectively, to meet the primary goal of ensuring liquidity is available to provide for the required monthly benefit payments in a timely manner. In addition, the following secondary objectives will be considered:

- A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0) on a net-of-fee basis over five-year rolling periods.
- B. Achieve long-term real growth while minimizing the funded status volatility.
- 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

Source: SamCERA Investment Policy Statement – July 2023

2024 Capital Market Assumptions

10-year return & risk assumptions

| Asset Class | Index Proxy | Ten Year Return Forecast | | Standard Deviation | Sharpe Ratio Forecast | Sharpe Ratio Forecast |
|---|--|--------------------------|------------|--------------------|-----------------------|-----------------------|
| | | Geometric | Arithmetic | Forecast | (g) | (a) |
| Equities | | | | | | |
| U.S. Large | S&P 500 | 5.3% | 6.4% | 15.5% | 0.08 | 0.15 |
| U.S. Small | Russell 2000 | 6.4% | 8.4% | 21.4% | 0.11 | 0.21 |
| International Developed | MSCI EAFE | 7.4% | 8.8% | 17.6% | 0.19 | 0.27 |
| International Small | MSCI EAFE Small Cap | 8.5% | 10.6% | 21.7% | 0.21 | 0.30 |
| Emerging Markets | MSCI EM | 7.8% | 10.4% | 24.6% | 0.15 | 0.26 |
| Global Equity | MSCI ACWI | 6.3% | 7.6% | 16.7% | 0.14 | 0.22 |
| Global Equity ex USA | MSCI ACWI ex USA | 7.7% | 9.4% | 19.5% | 0.19 | 0.28 |
| Private Equity* | CA Private Equity | 8.0% | 10.9% | 25.6% | 0.16 | 0.27 |
| Private Equity Direct | CA Private Equity | 9.0% | 11.8% | 25.6% | 0.20 | 0.30 |
| Private Equity (FoF) | CA Private Equity | 7.0% | 9.9% | 25.6% | 0.12 | 0.23 |
| Fixed Income | | | | | | |
| Cash | 30 Day T-Bills | 4.0% | 4.0% | 1.1% | - | - |
| U.S. TIPS | Bloomberg U.S. TIPS 5-10 | 4.3% | 4.4% | 5.5% | 0.05 | 0.07 |
| Non-U.S. Inflation Linked Bonds | Bloomberg World Government Inflation Linked Bond ex U.S. | 3.3% | 3.6% | 7.4% | (0.09) | (0.05) |
| U.S. Treasury | Bloomberg Treasury 7-10 Year | 4.2% | 4.4% | 7.1% | 0.03 | 0.06 |
| Long U.S. Treasury | Bloomberg Treasury 20+ Year | 4.3% | 5.1% | 13.2% | 0.02 | 0.08 |
| Global Sovereign ex U.S. | Bloomberg Global Treasury ex U.S. | 2.3% | 2.8% | 9.9% | (0.17) | (0.12) |
| Global Aggregate | Bloomberg Global Aggregate | 3.6% | 3.8% | 6.6% | (0.06) | (0.03) |
| Core Fixed Income | Bloomberg U.S. Aggregate Bond | 4.6% | 4.7% | 4.8% | 0.13 | 0.15 |
| Core Plus Fixed Income | Bloomberg U.S. Universal | 4.7% | 4.8% | 4.5% | 0.16 | 0.18 |
| Investment Grade Corp. Credit | Bloomberg U.S. Corporate Investment Grade | 5.0% | 5.3% | 8.4% | 0.12 | 0.15 |
| Short-Term Gov't/Credit | Bloomberg U.S. Gov't/Credit 1-3 Year | 4.3% | 4.4% | 3.6% | 0.08 | 0.11 |
| Short-Term Credit | Bloomberg Credit 1-3 Year | 4.6% | 4.7% | 3.6% | 0.17 | 0.19 |
| Long-Term Credit | Bloomberg Long U.S. Credit | 5.1% | 5.7% | 10.9% | 0.10 | 0.16 |
| High Yield Corp. Credit | Bloomberg U.S. Corporate High Yield | 6.0% | 6.6% | 11.0% | 0.18 | 0.24 |
| Bank Loans | Morningstar LSTA Leveraged Loan | 7.7% | 8.1% | 9.0% | 0.41 | 0.46 |
| Global Credit | Bloomberg Global Credit | 4.7% | 5.0% | 7.7% | 0.09 | 0.13 |
| Emerging Markets Debt (Hard) | JPM EMBI Global Diversified | 7.9% | 8.4% | 10.6% | 0.37 | 0.42 |
| Emerging Markets Debt (Local) | JPM GBI-EM Global Diversified | 6.0% | 6.7% | 12.2% | 0.16 | 0.22 |
| Private Credit | Morningstar LSTA Leveraged Loan Index | 9.0% | 9.6% | 11.9% | 0.42 | 0.47 |
| Private Credit (Direct Lending - Unlevered) | Morningstar LSTA Leveraged Loan Index | 7.8% | 8.2% | 9.0% | 0.42 | 0.47 |
| Private Credit (Direct Lending - Levered) | Morningstar LSTA Leveraged Loan Index | 9.3% | 10.0% | 12.6% | 0.42 | 0.48 |
| Private Credit (Credit Opportunities) | Morningstar LSTA Leveraged Loan Index | 9.5% | 10.2% | 12.8% | 0.43 | 0.48 |
| Private Credit (Junior Capital / Mezzanine) | Morningstar LSTA Leveraged Loan Index | 9.0% | 9.6% | 11.4% | 0.44 | 0.49 |
| Private Credit (Distressed) | Morningstar LSTA Leveraged Loan Index | 9.1% | 12.7% | 29.1% | 0.18 | 0.30 |

Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach, but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

10-year return & risk assumptions

| Asset Class | Index Proxy | Ten Year Return Forecast | | Standard Deviation Forecast | Sharpe Ratio Forecast (g) | Sharpe Ratio Forecast (a) |
|--------------------------------|-------------------------------|--------------------------|------------|-----------------------------|---------------------------|---------------------------|
| | | Geometric | Arithmetic | | | |
| Other | | | | | | |
| Commodities | Bloomberg Commodity | 6.4% | 7.6% | 16.1% | 0.15 | 0.22 |
| Hedge Funds | HFRI Fund Weighted Composite | 4.1% | 4.4% | 7.5% | 0.01 | 0.05 |
| Hedge Fund of Funds | HFRI Fund of Funds Composite | 3.1% | 3.4% | 7.5% | (0.12) | (0.08) |
| Hedge Funds (Equity Style) | Custom HFRI Benchmark Mix* | 6.7% | 7.6% | 14.1% | 0.19 | 0.26 |
| Hedge Funds (Credit Style) | Custom HFRI Benchmark Mix* | 7.0% | 7.4% | 9.4% | 0.32 | 0.36 |
| Hedge Funds (Asymmetric Style) | Custom HFRI Benchmark Mix* | 5.0% | 5.2% | 6.4% | 0.16 | 0.19 |
| Real Estate Debt | Bloomberg CMBS IG | 7.4% | 7.7% | 7.5% | 0.45 | 0.49 |
| Core Real Estate | NCREIF Property | 7.2% | 7.9% | 12.5% | 0.26 | 0.31 |
| Value-Add Real Estate | NCREIF Property + 200bps | 9.2% | 10.3% | 15.4% | 0.34 | 0.41 |
| Opportunistic Real Estate | NCREIF Property + 300bps | 10.2% | 12.1% | 21.1% | 0.29 | 0.38 |
| REITs | Wilshire REIT | 7.2% | 8.9% | 19.2% | 0.17 | 0.26 |
| Global Infrastructure | S&P Global Infrastructure | 8.3% | 9.6% | 16.9% | 0.25 | 0.33 |
| Risk Parity** | S&P Risk Parity 10% Vol Index | 6.6% | 7.2% | 10.0% | 0.26 | 0.32 |
| Currency Beta | MSCI Currency Factor Index | 2.1% | 2.2% | 3.4% | (0.55) | (0.52) |
| Inflation | | 2.4% | - | - | - | - |

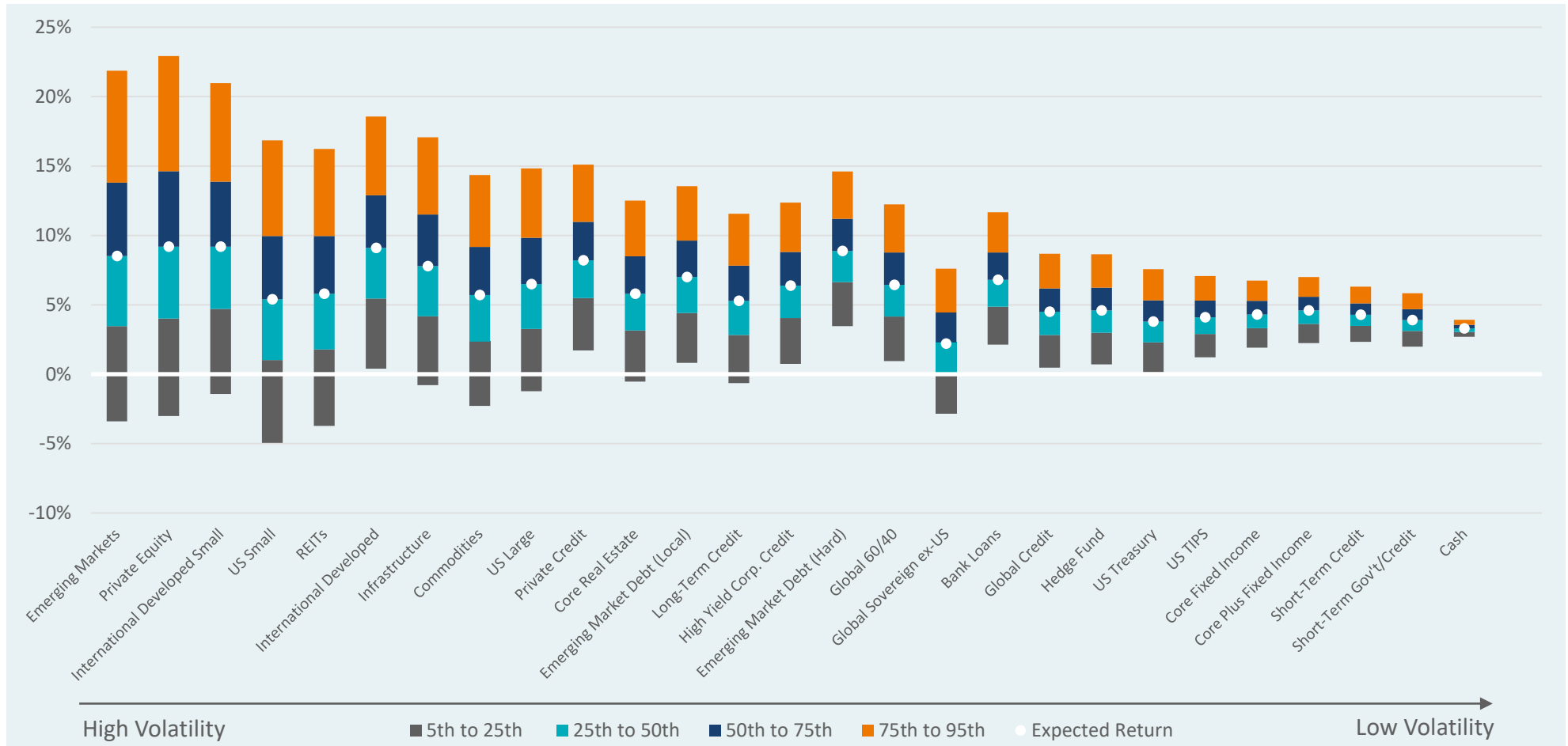
Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach, but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

*To represent hedge fund styles, we use a combination of HFRI benchmarks: Equity Style = 33% HFRI Fundamental Growth, 33% HFRI Fundamental Value, 33% HFRI Activist. Credit Style = 20% HFRI Distressed/Restructuring, 20% HFRI Credit Arbitrage, 20% HFRI Fixed Income-Corporate, 20% HFRI Fixed Income-Convertible Arbitrage, 20% HFRI Fixed Income-Asset Backed. Asymmetric Style = 50% HFRI Relative Value, 50% HFRI Macro

**The Risk Parity forecast shown here assumes a 10% target volatility strategy. We recommend customizing this forecast to the target volatility specifications of the risk parity strategy that an investor wishes to model. Please speak with your Verus consultant for customization needs.

Range of likely 10-year outcomes

10-YEAR RETURN 90% CONFIDENCE INTERVAL

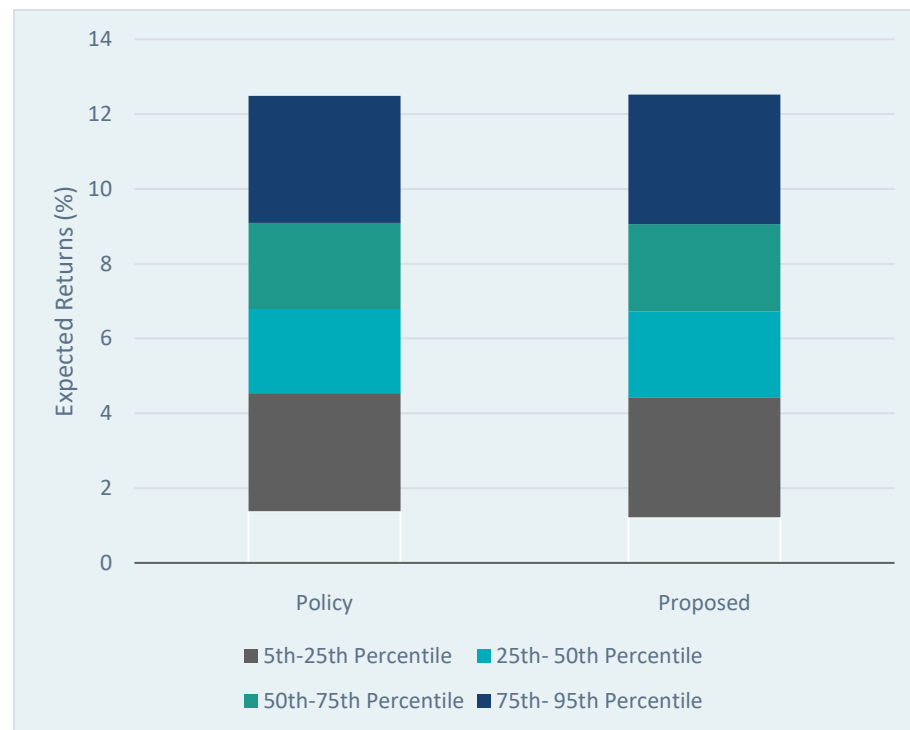


Source: Verus, MPI

SAA annual policy review

SAA annual policy review

| | Policy | Proposed |
|----------------------------------|------------|------------|
| US Large | 16 | 22 |
| Low Vol | 4 | 0 |
| US Small | 2 | 2 |
| International Developed | 7 | 6 |
| Intl Developed Hedged | 7 | 6 |
| Emerging Markets | 4 | 4 |
| Opportunistic Credit | 11 | 11 |
| Private Equity | 8 | 8 |
| Total Growth Assets | 59 | 59 |
| US Long Treasury | 3 | 3 |
| Core Fixed Income | 9.5 | 9.5 |
| Liquidity/CDI | 4.5 | 4.5 |
| Hedge Fund (Asymmetric Style) | 6 | 6 |
| Cash | 1 | 1 |
| Total Diversifying Assets | 24 | 24 |
| Public Real Assets | 3 | 3 |
| Core Real Estate | 9 | 9 |
| Private Real Assets | 5 | 5 |
| Total Inflation Hedge | 17 | 17 |
| Total | 100 | 100 |



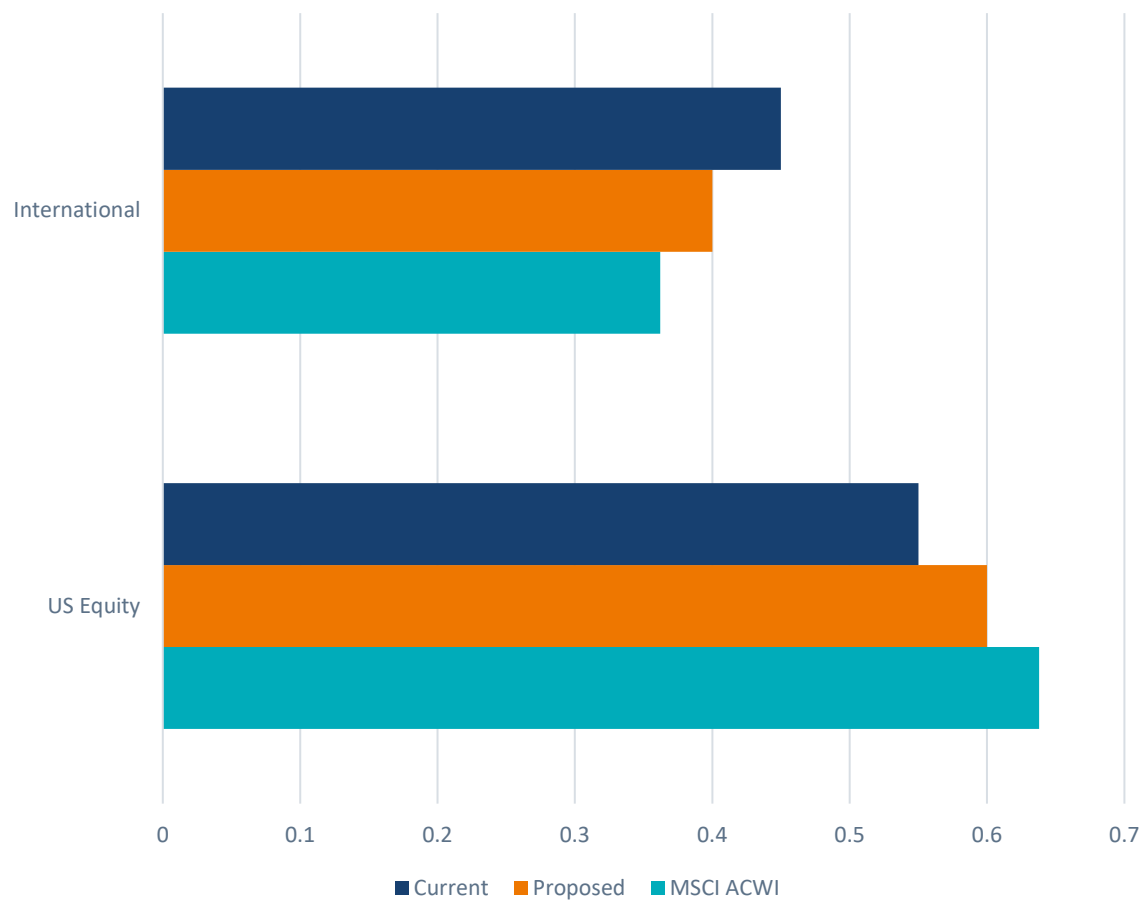
| | Policy Mid Year 2024 | Proposed | Policy 2024 |
|-----------------------------------|-------------------------|--------------|----------------|
| Mean Variance Analysis | | | |
| <i>Forecast 10 Year Return</i> | 6.8 | 6.7 | 7.1 |
| Standard Deviation | 10.6 | 10.9 | 10.5 |
| <i>Return/Std. Deviation</i> | 0.6 | 0.6 | 0.7 |
| <i>1st percentile ret. 1 year</i> | -15.1 | -15.8 | -14.6 |
| Sharpe Ratio | 0.3 | 0.3 | 0.3 |

MSCI ACWI weights

MSCI ACWI IMI Sub-Index weights

| Sub-index | 10.20.24 |
|---------------------------------|----------|
| USA LARGE CAP | 50.42% |
| USA MID CAP | 7.60% |
| USA SMALL CAP | 5.79% |
| WORLD ex USA LARGE CAP | 17.51% |
| WORLD ex USA MID CAP | 4.36% |
| WORLD ex USA SMALL CAP | 3.51% |
| EM (EMERGING MARKETS) LARGE CAP | 7.36% |
| EM (EMERGING MARKETS) MID CAP | 1.90% |
| EM (EMERGING MARKETS) SMALL CAP | 1.55% |
| ACWI IMI | 100.00% |

Equity Allocation



Implementation

Implementation decision

| | Bear | Base | Bull | Overall |
|------------------------|--|------|------|---------|
| | 20% | 65% | 15% | |
| | Hard Landing/Deeper Recession Than Consensus - | | | |
| | Soft Landing | | | |
| | No Landing/Faster Than Consensus Growth | | | |
| Growth | - | + | + | + |
| US Equity | - | | + | |
| Intl Equity | | | + | |
| Opp Credit | | | + | |
| Diversifying | + | | - | |
| Core Fixed | + | + | | + |
| Long Treas | ++, then - | - | - | - |
| Abs Return | + | - | | |
| Inflation Hedge | | | + | |
| RE | | | | |
| Commodity | - | | ++ | |
| Cash | + | | - | |

Base Case:

Economic growth slows. Below trend. Soft Landing
 Disinflationary impulse continues (slowly). CPI trends down to 2.5-3% levels.
 Chippy markets late 2024. Income from FI drives good returns.

Bear Case:

Credit conditions bite harder than expected. Lagged effects from Fed rate hikes take hold. Labor market rolls over.
 Rates come down as Fed reacts to recession.
 Big question is what comes after recession. Deficits and debt (already high) could become untenable, causing larger issues (Rates higher, USD lower, inflation higher, etc.)

Bull Case:

Some softness but then reacceleration in business activity and employment.
 AI and other developments drive productivity gains. Risk markets generally higher.
 Inflation hotter but higher growth as well.

Implementation decision

- Maintain the current CDI allocation at 4.5% which would require a ~\$35 million contribution to the portfolio. This would provide coverage for 3.5 years of negative cash flows
- Due to the conservative strategic asset allocation and the inclusion of the CDI portfolio. The portfolio currently has other downside protection levers, we are recommending removal of the Low Vol strategy.

| | Market Value | % of Portfolio | 3 Mo Rank | YTD | Fiscal YTD | 1 Yr Rank | 2 Yrs Rank | 3 Yrs Rank | 5 Yrs Rank |
|------------------------------------|--------------|----------------|-----------|-----------|------------|-----------|------------|------------|------------|
| PanAgora Defuseq | 275,176,857 | | 9.9 (3) | 16.6 (77) | 9.9 (3) | 25.7 (88) | 16.4 (99) | 8.8 (77) | 9.0 (97) |
| Russell 1000 Index | | | 6.1 (40) | 21.2 (43) | 6.1 (40) | 35.7 (38) | 28.2 (33) | 10.8 (46) | 15.6 (29) |
| eV US Large Cap Core Equity Median | | | 5.7 | 20.3 | 5.7 | 34.0 | 26.5 | 10.5 | 14.4 |

- The universe weightings between US and International markets have moved significantly since the US market rallies post COVID, we recommend lowering the international allocation in favor of US due to the shift in the MSCI ACWI weights.

Appendix

CMA Methodology

CORE INPUTS

- We use a fundamental building block approach based on several inputs, including historical data and academic research to create asset class return forecasts.
- For most asset classes, we use the long-term historical volatility after adjusting for autocorrelation.
- Correlations between asset classes are calculated based on the last 10 years. For illiquid assets, such as private equity and private real estate, we use BarraOne correlation estimates.

| Asset | Return Methodology | Volatility Methodology* |
|---------------------------|--|--|
| Inflation | 25% weight to the University of Michigan Survey 5-10 year ahead inflation expectation and the Survey of Professional Forecasters (Fed Survey), and the remaining 50% to the market's expectation for inflation as observed through the 10-year TIPS breakeven rate | - |
| Cash | $1/3 * \text{current federal funds rate} + 1/3 * \text{U.S. 10-year Treasury yield} + 1/3 * \text{Federal Reserve long-term interest rate target}$ | Long-term volatility |
| Bonds | Nominal bonds: current yield; Real bonds: real yield + inflation forecast | Long-term volatility |
| International Bonds | Current yield | Long-term volatility |
| Credit | Current option-adjusted spread + U.S. 10-year Treasury – effective default rate | Long-term volatility |
| International Credit | Current option-adjusted spread + foreign 10-year Treasury – effective default rate | Long-term volatility |
| Private Credit | Levered gross return (SOFR + spread + original issuance discounts) – management fees – carried interest | Estimated volatility |
| Equity | Current yield + real earnings growth (historical average) + inflation on earnings (inflation forecast) + expected P/E change | Long-term volatility |
| Intl Developed Equity | Current yield + real earnings growth (historical average) + inflation on earnings (intl. inflation forecast) + expected P/E change | Long-term volatility |
| Private Equity** | US large cap domestic equity forecast * 1.85 beta adjustment | 1.2 * Long-term volatility of U.S. small cap |
| Commodities | Collateral return (cash) + spot return (inflation forecast) + roll return (assumed to be zero) | Long-term volatility |
| Hedge Funds | Return coming from traditional betas + 15-year historical idiosyncratic return | Long-term volatility |
| Core Real Estate | Cap rate + real income growth – capex + inflation forecast | 65% of REIT volatility |
| REITs | Core real estate | Long-term volatility |
| Value-Add Real Estate | Core real estate + 2% | Volatility to produce Sharpe Ratio (g) equal to core real estate |
| Opportunistic Real Estate | Core real estate + 3% | Volatility to produce Sharpe Ratio (g) equal to core real estate |
| Infrastructure | Current yield + real income growth + inflation on earnings (inflation forecast) | Long-term volatility |
| Risk Parity | Modeled as the 10-year return expectations of a <i>representative selection of Risk Parity strategies</i> | Target volatility |

*Long-term historical volatility data is adjusted for autocorrelation (see Appendix)

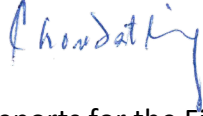
**Private Equity is modeled assuming an 8.0% floor for expected return, and a 3% return premium ceiling over U.S. Large Cap Equity. These adjustments are in place to recognize that higher interest rates (cost of leverage) act as a drag on expected Private Equity returns but that this drag has had limits historically, and to recognize that future Private Equity total universe performance is likely to be more anchored to public equity performance than in past times, given a more competitive market environment

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

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, 2024

Recommendation

Accept the Financial Audit Reports from Brown Armstrong Accountancy Corporation (Brown Armstrong) for the fiscal year ended June 30, 2024.

Discussion

Brown Armstrong has issued three audit reports in connection with the financial audit for the fiscal year ended June 30, 2024. Mrs. Ashley Green from Brown Armstrong will discuss these three audit reports in detail:

- 1) 1st report - *Independent Auditor's Report*. This report contains a "clean" opinion from our auditor that SamCERA's basic financial statements and other information are fairly presented in all material aspects in accordance with accounting principles generally accepted in the United States of America.
- 2) 2nd report - *Required Communication to the Members of the Board of Retirement and Audit Committee in Accordance with Professional Standards (SAS 114)*. 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) 3rd report - *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 the auditor (1) did not identify any material weaknesses in SamCERA's internal control over financial reporting and (2) did not identify any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Attachments:

- Audit Report #1 - Independent Auditor's Report
- Audit Report #2 - Required Communication to the Members of the Board of Retirement and Audit Committee in Accordance with Professional Standards (SAS 114)
- 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, 2024; 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, 2024, listed as other information in the table of contents.

In our opinion, the basic financial statements and other information referred to above present fairly, in all material respects, the fiduciary net position of SamCERA as of June 30, 2024; 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, 2024, 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 and Other Information 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 and other information 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 and other information that are free from material misstatement, whether due to fraud or error.

In preparing the basic financial statements and other information, 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 and other information 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 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 and other information, 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 and other information.
- 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 and other information.
- 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 and other information, 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 and other information 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 information, and other knowledge we obtained during our audit of the basic financial statements and other information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements and other information that collectively comprise SamCERA's basic financial statements and other information. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements and other information. 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 and other information. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other information and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements and other information or to the basic financial statements and other information themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements and other information 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 other information and our auditor's report thereon. Our opinions on the basic financial statements and other information 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 and other information, our responsibility is to read the additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements and other information, 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 additional information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited SamCERA's June 30, 2023, basic financial statements and other information, and our report dated October 18, 2023, expressed an unmodified opinion on those audited basic financial statements and other information. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2023, 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, 2024, 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, 2024

**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, 2024, and have issued our report thereon dated October 17, 2024. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 18, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SamCERA are described in Note 2, Summary of Significant Accounting Policies, to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2024. 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 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. We did not identify any misstatements as a result of our audit procedures.

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, 2024.

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, 2024

**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, 2024, 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, 2024.

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 or significant deficiencies may exist that were not 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*

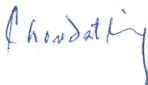
Stockton, California
October 17, 2024

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

Agenda Item 7.2

TO: Board of Retirement

FROM: Tat-Ling Chow, Finance Officer 

SUBJECT: Approval of SamCERA's 2024 Annual Comprehensive Financial Report

Recommendation

Approve SamCERA's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024.

Discussion

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

1. Introductory Section – introduces SamCERA's organizational structure and includes a letter of transmittal from the Chief Executive Officer.
2. Financial Section – includes the independent auditor's report, management's discussion and analysis, basic financial statements, notes to the basic financial statements, and other financial information.
3. Investment Section - includes the Chief Investment Officer's Report, Investment Consultant's Report, asset allocation, portfolio returns, and other investment-related information.
4. Actuarial Section - includes the 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 – contains the auditor's report on internal controls over financial reporting and on compliance and other matters.

The discussion below is focused on three areas of the Retirement Fund: the net position at fiscal year-end, the operating results for the fiscal year then ended, and the funding status as of June 30, 2024.

Over the fiscal year, the financial position of SamCERA has improved by 8%. Below are the key indicators of SamCERA's overall performance this fiscal year as opposed to last fiscal year.

- The net position (total assets minus total liabilities) of SamCERA was about \$6.5 billion at fiscal year-end, reflecting an increase of \$476.6 million. This amount is exclusively

restricted for the ongoing benefit obligations to retirees and eligible beneficiaries.

- Total additions to the pension plan were \$808.6 million, compared to \$667.9 million last fiscal year. The increase was mainly from investment income due to a good return on investment.
- Total deductions from the pension plan were \$331.9 million, an increase of \$19.4 million or 6% from a year ago. The increase was anticipated, due mainly to the annual cost-of-living adjustment to pension benefits and the continued growth in the number of retired members.

In June 2024, the Board reaffirmed the assumptions that were used for the 2023 valuation. Below are the key results from the 2024 valuation:

- The funded ratio of the pension plan decreased slightly by 0.7% to 87.6% from 88.3% a year ago. The decrease was due primarily to two factors:
 - Demographic changes.
 - Recognition of prior year investment losses being less than expected by the assumptions.
- As of June 30, 2024, the actuarial value of plan assets was \$6.5 billion, and the actuarial accrued liability was \$7.4 billion. As a result, the unfunded actuarial accrued liability (the difference between these two figures) amounted to \$919.3 million, which will be entirely financed through employer contributions in the years to come.

Attachment

2024 Annual Comprehensive Financial Report



2024 Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2024

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

yesterday. today. tomorrow.

yesterday.
today.
tomorrow.

CELEBRATING 80 YEARS: 1944–2024

SamCERA provides retirement, disability, and survivor benefits to employees of San Mateo County, San Mateo County Superior Court, and San Mateo County Mosquito and Vector Control District. For the past 80 years, SamCERA has strived to provide security and peace of mind to all of its members and their families. As we move forward in this milestone year, we will take time to reflect on the past, show gratitude for the present, and continue to lay a strong foundation for the future.



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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2024

Issued by: Scott Hood, Chief Executive Officer

Prepared by: SamCERA's Finance and Investment Divisions

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

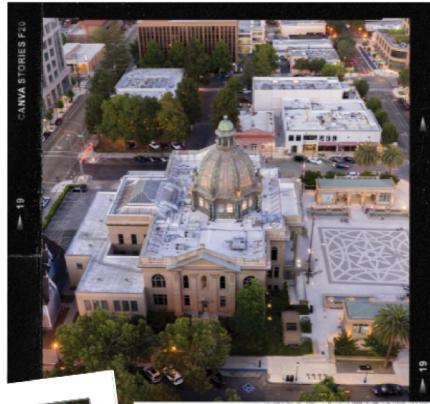


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Introductory Section

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1946

1945

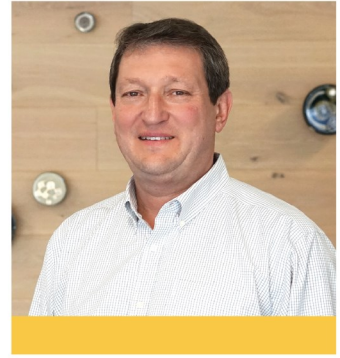
1947

San Mateo County
Board of Supervisors
established SamCERA
pension for full time
permanent employees.

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Letter of Transmittal

Address: 100 Marine Parkway, Suite 125, Redwood City, CA 94065
Phone: (650) 599-1234
Web: www.samcera.org
Email: samcera@samcera.org



Scott Hood

Chief Executive Officer

To: SamCERA's Members, Benefit Recipients, Employers, and Board 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, 2024. This report is intended to provide an overview of SamCERA's financial, investment, and actuarial status as of that date.

Under Government Code 31593, SamCERA is required to conduct an audit every 12 months and report upon its financial condition. The financial audit performed by Brown Armstrong Accountancy Corporation denotes 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 29-31.

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 material errors. Management's Discussion and Analysis (MD&A) is presented on pages 32-41, 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 (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 a fiduciary for all SamCERA members and their beneficiaries under the California Constitution, Article XVI, Section 17 and the CERL, is responsible for administering the retirement 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 retirement system.

The Board consists of nine Trustees. Four positions are appointed by the County 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, who serves a term of four years. In addition, there are two alternates: one elected Safety Member Alternate and one elected Retired Member Alternate. Board Officers for fiscal year 2023-24 were Mark Battey, Chair; Alma Salas, Vice Chair; and Elaine Orr, Secretary. Other members of the Board were: Sandie Arnott, Al David, Kurt Hoefer, Kimathi Marangu, Katherine O'Malley, and Robert Raw. Alternate Trustees were April DeCarsky and Nicole McKay.

The Board has adopted the Regulations of the Board of Retirement, and among these policies, its Mission & Goals, Investment Policy Statement, Conflict of Interest Code, and Code of Conduct; all of 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 29. A breakdown of the budget allotment versus actual expenses is presented on pages 72-76. In addition, the Board has authorized the execution of contracts for the professional services of an actuary, an investment consultant, investment managers, a global custodian, a financial auditor, and a medical advisor to help the Board fulfill its duties. The Board's primary professional consultants are highlighted in the organizational chart on page 25.

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 is responsible for meeting the needs of its members (including beneficiaries), participating employers, and the Board in accordance with the high standards set forth in SamCERA's Mission & Goals statements. SamCERA's staff are sworn to carry out their fiduciary duties in accordance with the governing law and SamCERA's regulations and policies.

Employers participating in the retirement system include the County, the Superior Court of the County of San Mateo (the Court), and the San Mateo County Mosquito and Vector Control District (the District). SamCERA's members include all active, permanent employees of the participating employers, inactive members, retirees, and beneficiaries. About 89% of SamCERA's active members are 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. During the audit, internal controls are reviewed to ensure that SamCERA has adequate controls in place to ensure reliable financial reporting and to safeguard its assets. This year we received a clean opinion again from our auditor, reflecting that our financial statements are fairly presented in all material aspects in accordance with GAAP. The auditor's report is presented on pages 29-31. 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 contributions are due. Benefits and refunds are recognized when due and payable in accordance with plan terms. Investments are reported at fair value.

Investments

SamCERA's portfolio fair value was \$6.5 billion as of June 30, 2024, with an increase of \$476.6 million, mostly from portfolio appreciation.

The portfolio returned 9.2% net of investment management fees for the fiscal year ended June 30, 2024, and underperformed SamCERA's policy benchmark return of 11.7% by 2.5%. Despite this underperformance, the net return of 9.2% exceeded the assumed rate of 6.25% by 2.95%.

Actuarial

SamCERA continues to be a statewide leader in funding assumptions and is pleased to be ranked the 2nd most actuarially conservative among California retirement systems in an April 2024 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 is due mainly to its relatively low assumed rate of return of 6.25% and its funding method, similar to the June 30, 2008 Unfunded Actuarial Accrued Liability (UAAL) that was amortized over a 15-year fixed period. Effective with the June 30, 2023 valuation all outstanding UAAL layers were consolidated into a single layer and amortized over a 15-year period beginning July 1, 2024.

SamCERA engages an independent actuarial consulting firm, Milliman, Inc. (Milliman), to conduct the annual actuarial valuation of its pension plan. The purpose of this valuation is to assess the magnitude of the benefit commitments, compare that with the assets expected to be available to support those commitments, determine the funding ratio, and establish employer and employee contribution rates for the upcoming fiscal year.

Triennially, the plan's actuary conducts an actuarial experience study so that appropriate assumptions can be adopted for valuing the plan's assets and liabilities. The most recent triennial experience study was completed for the period ended April 30, 2023.

SamCERA also triennially engages an independent actuarial consulting firm to conduct an audit of the triennial experience study and the annual actuarial valuation of its pension plan. The purpose of the actuarial audit is to confirm that the results reported by Milliman can be relied upon and that their actuarial methods comply with the Actuarial Standards of Practice. The last triennial audits were completed in 2023.

Plan Funding Status

SamCERA strives to fund the system's liabilities while maintaining employer contributions, as a percentage of pay, as level as possible. The funding ratio serves as a good indicator of whether the plan is financially sound and able to fulfill its liabilities on an ongoing basis.

Milliman's 2024 valuation determined that the plan's funding ratio decreased slightly to 87.6% as of June 30, 2024, from 88.3% a year ago. The decrease was primarily due to demographic changes and the recognition of investment returns from prior years that were less than expected by the assumptions. As a result of the 2023 Investigation of Experience study, the Board adopted changes in the UAAL amortization funding method. Under this method, as mentioned earlier, all outstanding UAAL layers are combined into a single layer and reamortized over a 15-year period (fresh-start method) beginning July 1, 2024. New layers will be established in future years to amortize newly emerging gains and losses over their own 15-year closed period. This method also incorporates a minimum contribution rate for employers (the "Minimum Rate"), requiring all employers to pay the greater of the Minimum Rate or the Statutory Contribution Rate (the "SCR"). The aggregate minimum UAAL rate (based on UAAL rates from the 2022 valuation) was greater than the 15-year layered amortization for both the prior and current valuation, so the 15-year layered amortization did not apply this year, and these factors (outside of the Supplementary Contribution Account funding) did not ultimately affect the SCR.

The employer statutory contribution rate, which is comprised of the Employer Normal Cost rate and a separate component to amortize the UAAL, decreases slightly by 0.14% to 26.5% of pay for the fiscal year beginning July 1, 2025. The employer normal cost rate for all plans combined decreased slightly to 11.61% of pay for fiscal year 2024-25, from 11.75% for fiscal year 2023-24, and the employer contribution portion of the rate that funds the UAAL remains the same as fiscal year 2023-24 at 14.89%.

Supplemental Contributions

In 2013, a Memorandum of Understanding (MOU) was established between the County and SamCERA in which the County committed to accelerate the pay down of its UAAL by making supplemental contributions, which is separately accounted for in the County's Supplementary Contribution Account (CSCA). Along with the earnings, the balance in the CSCA has grown to \$213.7 million as of June 30, 2024. In September of 2015, the District also entered into an MOU with SamCERA to make supplemental contributions, which is deposited in the District's Supplementary Contribution Account (DSCA), to pay down its UAAL. The DSCA balance amounted to \$4,187 as of June 30, 2024.

Cost-of-Living Adjustment

The Board of Retirement approved a Cost-of-Living Adjustment (COLA) effective April 1, 2024, for SamCERA retirees and beneficiaries. The COLA was between 2.0% and 4.0%, dependent on the COLA limit of each plan.

- The COLA for Plan 1 General and Safety members was 4.0%, which included 3.5% based on the Consumer Price Index and 0.5% from their COLA bank.
- Plan 1 Probation members received a 3.0% COLA with 0.5% being deposited in their COLA bank.
- The COLA for Plan 2 members was 3.0%.
- The COLA for Plans 4, 5, 6, and 7 members was 2.0%.
- Plan 3 does not provide a COLA.

Strategic Planning

SamCERA's strategic plan continues to evolve as our organizational needs change. In 2023, the Board along with staff updated its strategic plan with what the Board envisioned should be the direction, goals, and focus priorities of the organization so that a more deliberate, thoughtful approach can be developed to achieve the newly adopted goals and objectives. SamCERA continues to pursue its major goals and focus priorities described below; all of which are derived from and consistent with SamCERA's mission and vision statements.

MISSION STATEMENT

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

VISION STATEMENT

To be a well-governed and financially sound public retirement system through effective management, prudent investment, and efficient administration of benefits.

GOALS

- Provide high quality services and information to members and other stakeholders.
- Manage assets prudently and cost-effectively to assure the retirement system is adequately funded and all earned benefits are paid timely.
- Improve operating efficiency and effectiveness to minimize cost.

FOCUS PRIORITIES

- Manage the complexities of the investment program by balancing liabilities against expected returns and inherent market risks.
- Prepare for and effectively navigate periods when cash outflows exceed contributions.
- Enhance risk management measures regarding cybersecurity and data recovery capabilities, the investment program, and financial accounting.

- Align SamCERA's resources and organizational capabilities with its operational, administrative, and logistical needs through workforce planning and office space management.
- Strengthen and improve the Board governance model to ensure continued positive development towards a strategic focus.
- Enhance the member experience.

Notable accomplishments in fiscal year 2023-24

Over the past year, SamCERA implemented notable enhancements to our technology and services to better serve our membership.

- To enhance cybersecurity across the office, the IT team collaborated with San Mateo County's Information Services Department to implement Cortex XDR, effectively countering emerging external threats.
- To address potential issues from internet outages, staff established a backup internet connection.
- To enhance the member experience, we are in the process of redesigning our website to work seamlessly with our newly developed member portal and mobile app. Together, these three platforms will provide effective messaging and resources to SamCERA members and stakeholders.

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, 2023. This was the twenty-seventh consecutive year that SamCERA has achieved this prestigious award. 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 fiscal year ended June 30, 2023, and has received this honor for the past twenty-one years. The certificate is reproduced on page 19.

Additionally, the Public Pension Coordinating Council (the Council) presented SamCERA with its Public Pension Standards Award for 2023. 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 20.

These three 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 ACFR, in a timely manner, reflects the combined efforts of SamCERA's management and staff under the leadership, dedication, and support of the Board.

Acknowledgments

As we reflect on the journey of our retirement system through the lens of "Yesterday, Today, Tomorrow," we are reminded of the profound impact of our collective efforts and the enduring value of our mission.

Yesterday has laid the foundation for our current successes and challenges. The legacy of prudent decisions and strategic planning has set the stage for the secure, resilient system we manage today. We honor this legacy by acknowledging past achievements and learning from historical experiences.

Today, we are at a pivotal moment. Our present actions, guided by diligence and foresight, shape the immediate landscape of our retirement system. We are committed to maintaining transparency, safeguarding assets, and adapting to changes to ensure that our system remains strong and sustainable.

Tomorrow beckons with both opportunities and uncertainties. As we look forward, our focus remains on innovation and long-term stability. We are dedicated to preparing for future needs, embracing advancements, and continuing our mission to secure a reliable foundation for all members and their beneficiaries.

In closing, we extend our gratitude to our stakeholders for their unwavering support and dedication. Thank you to the staff and management team at SamCERA for their efforts in crafting this year's ACFR. I would also like to extend my sincere appreciation to the Board of Retirement and to our esteemed consultants, Brown Armstrong Accountancy Corporation and Milliman, Inc., whose support, professionalism, and efficiency have been instrumental in bringing this report to fruition. Together, we will continue to forge ahead, honoring yesterday, navigating today, and preparing for a tomorrow that promises continued success and security for generations to come.

Respectfully submitted,



Scott Hood
Chief Executive Officer
October 17, 2024

GFOA CERTIFICATE OF ACHIEVEMENT (ACFR)



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, 2023

Christopher P. Morrill

Executive Director/CEO

GFOA CERTIFICATE OF ACHIEVEMENT (PAFR)



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, 2023

Christopher P. Morill

Executive Director/CEO

PPCC PUBLIC PENSION STANDARDS AWARD



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2023***

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 dark ink, reading 'Alan H. Winkie'.

Alan H. Winkie
Program Administrator

Mission & Goals

Mission

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

Goals

- Provide high quality services and information to members and other stakeholders.
- Manage assets prudently and cost-effectively to assure the retirement system is adequately funded and all earned benefits are paid timely.
- Improve operating efficiency and effectiveness to minimize cost.



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Board of Retirement

The Board of Retirement at SamCERA is comprised of 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 has a variety of responsibilities including management, administration, and investments of the retirement fund.

Board of Retirement (June 30, 2024)



Mark Battey
Chair

Appointed by the
Board of Supervisors
Sixth Member



Alma Salas
Vice Chair

Elected by the
Retired Members
Eighth Member



Elaine Orr
Secretary

Appointed by the
Board of Supervisors
Fourth Member



Sandie Arnott
Board Member

Ex. Officio per
the 1937 Act
First Member



Katherine O'Malley
Board Member

Elected by the
General Members
Second Member



Al David
Board Member

Elected by the
General Members
Third Member



Kimathi Marangu
Board Member

Appointed by the
Board of Supervisors
Fifth Member



Robert Raw
Board Member

Elected by the
Safety Members
Seventh Member



Kurt Hoefer
Board Member

Appointed by the
Board of Supervisors
Ninth Member



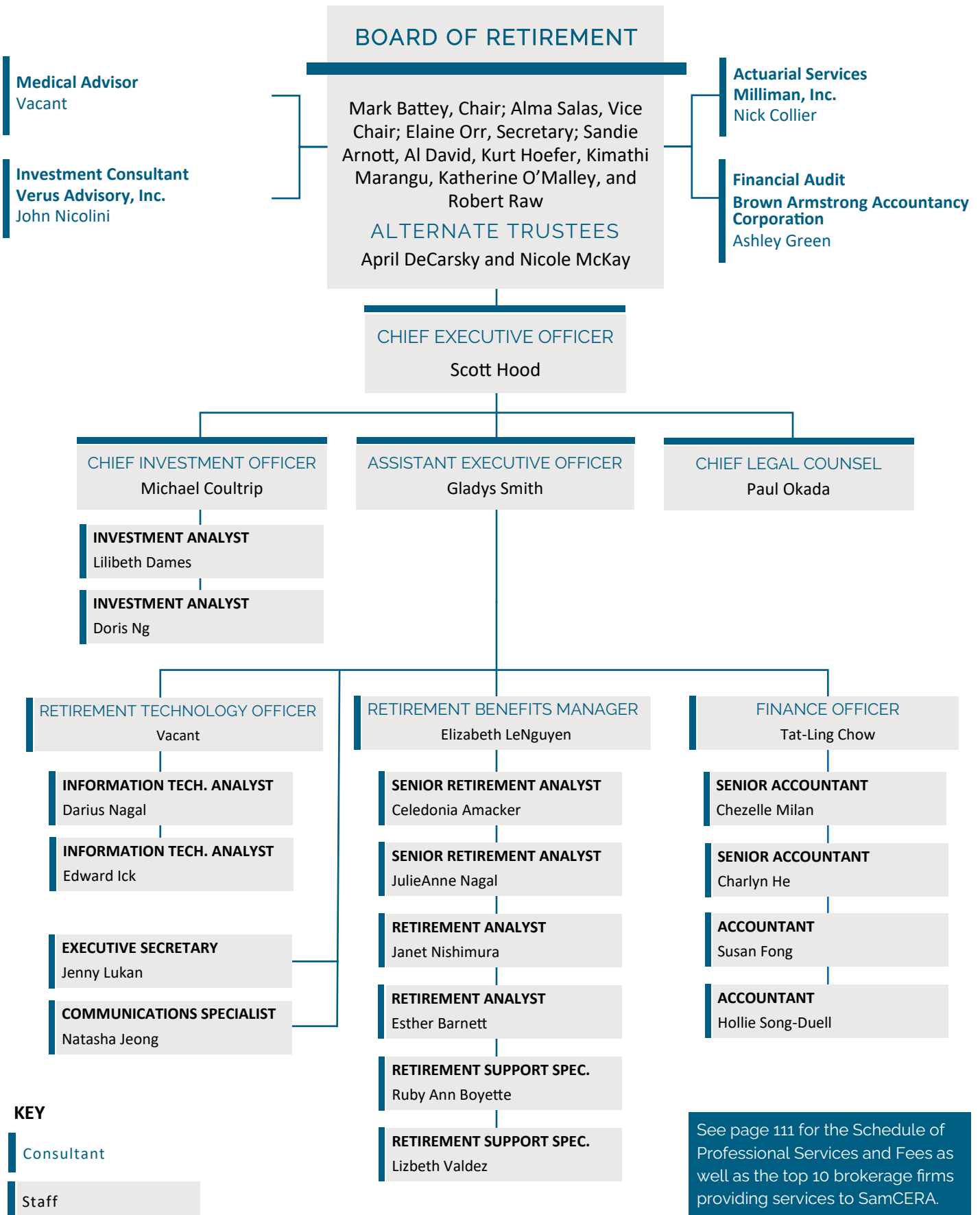
Nicole McKay
Board Member

Elected by the
Retired Members
Retiree Alternate



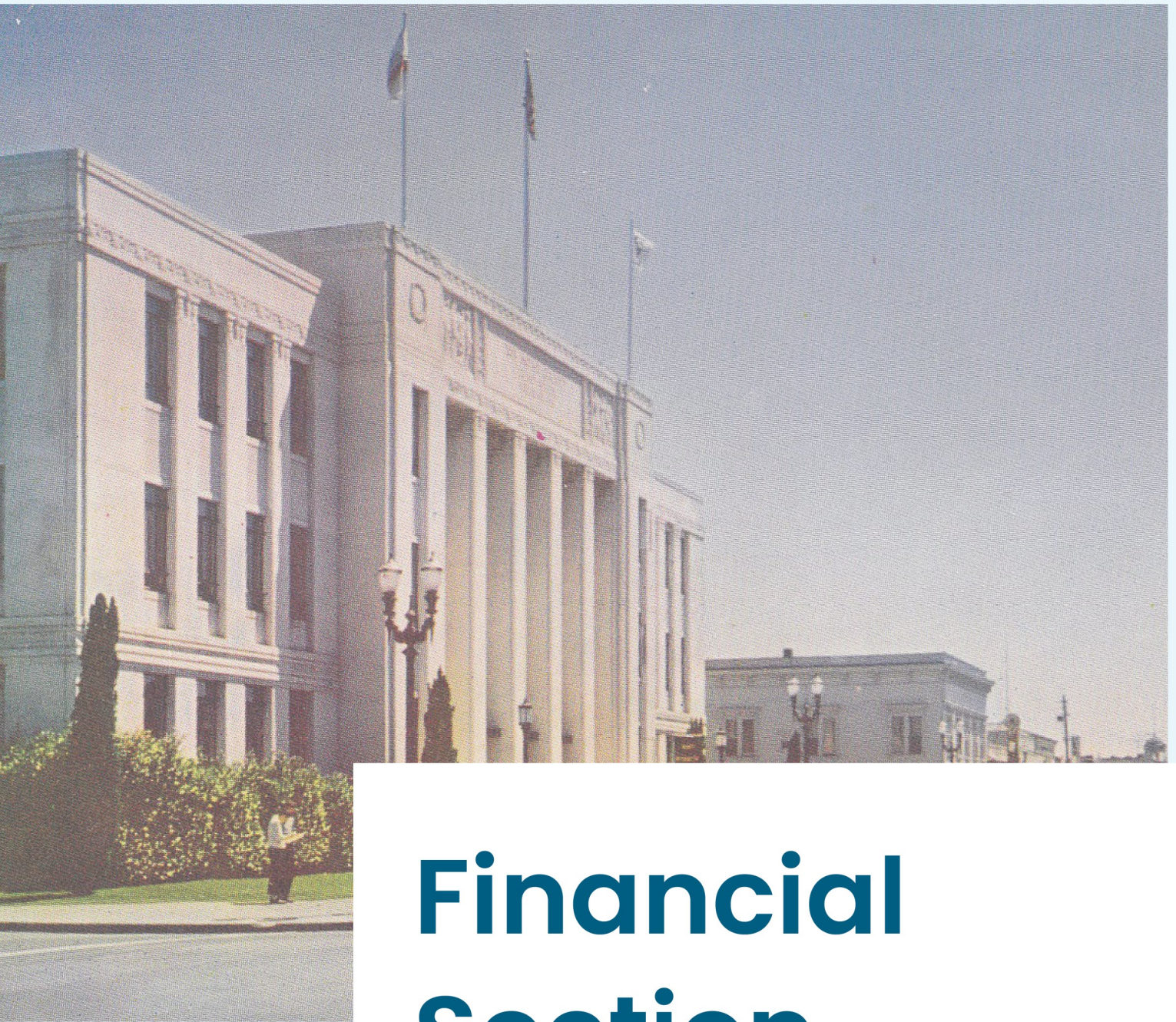
April DeCarsky
Board Member

Elected by the
Safety Members
Safety Alternate



LIST OF PROFESSIONAL CONSULTANTS (OTHER THAN INVESTMENT MANAGERS)

| Professional Service | Consultant |
|---|--|
| Auditor | Brown Armstrong Accountancy Corporation |
| Commercial Banking | U.S. Bank |
| Consulting Actuary | Milliman, Inc. |
| Custodian | Northern Trust Corporation |
| Disability Counsel | Byers/Richardson |
| India Tax Agent | BSR & Co. LLP |
| Investment Consultant | Verus Advisory, Inc. |
| Investment Software | eVestment Alliance, LLC |
| Securities Litigation Class Action Services | ISS Governance |
| Pension Administration System Software | Vitech |
| Portfolio Analytics | Venn by Two Sigma |
| Securities Litigation Monitoring Counsel | Berman Tabacco Bernstein Litowitz Berger and Grossman Grant and Elsenhofer LLP |
| Stock Distribution Broker | Merrill Lynch, Pierce, Fenner & Smith Inc. |
| Tax Counsel | Buchalter, P.C. Wellington Gregory LLP |
| Trade Cost Analysis Consultant | Zeno AN Solutions |



Financial Section

1965

1967

1966

1968

San Mateo County
Board of Supervisors
implemented \$31676.1
defined benefit formula
provisions of the
Retirement Law.

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INDEPENDENT AUDITOR'S REPORT



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, 2024; 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, 2024, listed as other information in the table of contents.

In our opinion, the basic financial statements and other information referred to above present fairly, in all material respects, the fiduciary net position of SamCERA as of June 30, 2024; 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, 2024, 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 and Other Information 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 and other information 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 and other information 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 95207
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 and other information, 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 and other information 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 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 and other information, 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 and other information.
- 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 and other information.
- 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 and other information, 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 and other information 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 information, and other knowledge we obtained during our audit of the basic financial statements and other information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements and other information that collectively comprise SamCERA's basic financial statements and other information. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements and other information. 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 and other information. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other information and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements and other information or to the basic financial statements and other information themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements and other information 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 other information and our auditor's report thereon. Our opinions on the basic financial statements and other information 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 and other information, our responsibility is to read the additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements and other information, 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 additional information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited SamCERA's June 30, 2023, basic financial statements and other information, and our report dated October 18, 2023, expressed an unmodified opinion on those audited basic financial statements and other information. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2023, 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, 2024, 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, 2024

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2023-24

This section of the San Mateo County Employees' Retirement Association's (SamCERA or the Retirement Fund) Annual Comprehensive Financial Report (ACFR) provides a narrative overview and analysis of SamCERA's financial position as of June 30, 2024, and financial activities for the fiscal year then ended. We encourage readers to read the information presented here, in conjunction with the Notes to the Basic Financial Statements beginning on page 44.

Financial Highlights

- SamCERA's prime objective is to meet long-term benefit obligations through investment income and contributions. The fiscal strength of the Retirement Fund improved modestly over the year as market conditions continued to thrive.
- As of June 30, 2024, SamCERA's net position held in trust for pension benefits (total assets minus total liabilities) reached \$6.5 billion, an increase of \$0.5 billion or 8% 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 \$808.6 million, denoting a 21% increase from a year ago. Although the statutory employer contribution fell significantly after the June 30, 2009 amortization layer fully retired in June 2023, from 38.33% of pay last year to 26.19% this year, its financial impact was entirely offset by a fairly good return on investment.
- The time-weighted net return on investments was 9.2% versus 5.1% a year ago as the inflation picture ameliorated. Strong performance was seen in global equities, domestic stocks, and fixed income securities.
- In June 2024, the County of San Mateo (the County) contributed \$10 million in excess of the statutory required contribution to accelerate the payoff of its unfunded actuarial accrued liability. The supplemental contribution is discretionary.
- Total deductions from the Retirement Fund were \$331.9 million, reflecting a 6% increase from a year ago. The increase was mainly triggered by the annual cost-of-living adjustment (COLA) to pension benefits and the continued growth in the number of retired members.
- The Retirement Fund was 87.6% funded as of June 30, 2024, posting a slight decrease of 0.7% from 88.3% a year ago. The decrease in funded ratio was due mostly to demographic changes and the recognition of prior year investment losses (which were partially offset by this year's investment gains).
- As of June 30, 2024, the actuarial accrued asset and actuarial accrued liability of the Retirement Fund amounted to \$6.5 billion and \$7.4 billion, respectively. Their difference of \$919.3 million represented the unfunded actuarial accrued liability that will be fully funded through employer contributions in years to come.

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 accounting principles and reporting standards prescribed by the Governmental Accounting Standards Board (GASB).

Basic Financial Statements

Basic financial statements are prepared using the accrual basis of accounting that 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, 2024. 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 42 of this report.

The *Statement of Changes in Fiduciary Net Position* provides information about financial activities during the reporting period that have 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 earnings are recognized when earned, and expenses are recognized when incurred. The net appreciation (or depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. This statement can be found on page 43 of this report.

Notes to the Basic Financial Statements

Notes to the Basic Financial Statements are an integral part of the basic financial statements, supplying additional information that is essential to better understand the data presented on the basic financial statements. Notes also include detailed information about key policies and activities that occurred during the reporting period. Notes to the Basic Financial Statements can be found on pages 44-77 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. Required Supplementary Information consists of three distinct schedules and note disclosures listed on the following page and can be found on pages 79-84.

- *Schedule of Changes in Net Pension Liability and Related Ratios of Participating Employers* reports 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 “money-weighted” rates of return of the investment portfolio over a period of time.
- *Notes to the Required Supplementary Information* disclose additional details in relation to the required supplementary information.

Supplementary Information

Supplementary Information includes several schedules reflecting administrative, information technology, and investment expenses in conjunction with payments to consultants (for fees paid to outside professionals other than investment advisors). *Supplementary Information* and the accompanying notes can be found on pages 85-87 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*. These two schedules are 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 the Net Pension Liability on the balance sheets and changes in Net Pension Liability on the operating statements as pension expenses, deferred inflows of resources, and deferred outflows of resources. Other Information can be found on pages 88-90 of this report.

Financial Analysis

Increases and decreases in the 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 strength.

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, 2024, approximated to \$6.5 billion, an increase of \$0.5 billion or 8% over the reporting period.

Statement of Fiduciary Net Position

June 30

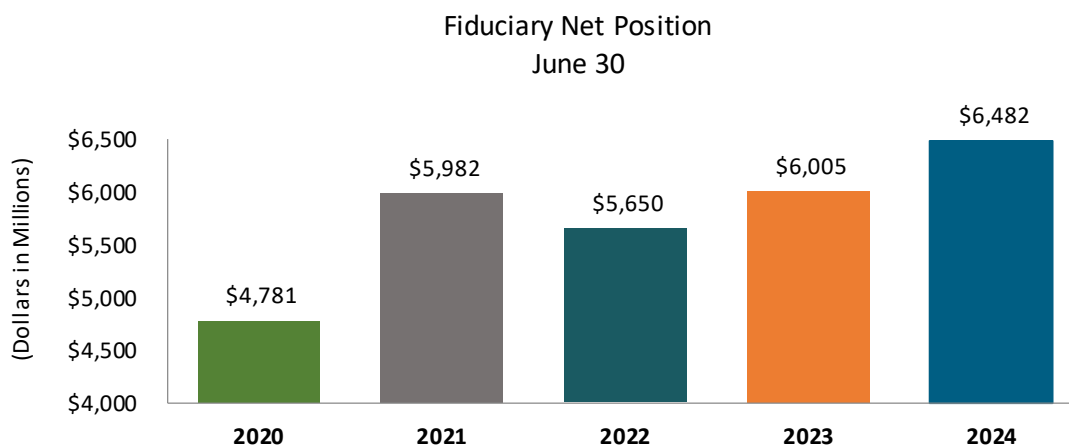
Dollars in Thousands

| | | | Increase (Decrease) | |
|--|--------------------|--------------------|---------------------|-------------|
| | 2024 | 2023 | Amount | Percentage |
| Assets | | | | |
| Cash and cash equivalents | \$ 168,837 | \$ 210,121 | \$ (41,284) | -20% |
| Cash management overlay | 12,191 | 19,989 | (7,798) | -39% |
| Securities lending cash collateral | 4,401 | 3,737 | 664 | 18% |
| Receivables | 67,191 | 150,102 | (82,911) | -55% |
| Prepaid expenses | 325 | 215 | 110 | 51% |
| Investments at fair value | 6,314,790 | 5,827,906 | 486,884 | 8% |
| Capital assets, net | 4,155 | 5,473 | (1,318) | -24% |
| Total assets | 6,571,890 | 6,217,543 | 354,347 | 6% |
| Liabilities | | | | |
| Investment management fees payable | 2,297 | 2,038 | 259 | 13% |
| Due to broker for investments purchased | 75,644 | 202,435 | (126,791) | -63% |
| Securities lending collateral due to borrowers | 4,401 | 3,737 | 664 | 18% |
| Lease liability | 1,965 | 2,444 | (479) | -20% |
| Other | 5,891 | 1,846 | 4,045 | 219% |
| Total liabilities | 90,198 | 212,500 | (122,302) | -58% |
| Net position restricted for pensions | \$6,481,692 | \$6,005,043 | \$476,649 | 8% |

Assets. SamCERA's total assets increased by \$354.3 million or 6% from a year ago. Significant changes include the following:

- *Cash and cash equivalents* decreased by \$41.3 million. In early July 2023, \$30.0 million was withdrawn from the custodian general cash account to fund a new fixed income manager. Additionally, a total of \$28.0 million was pulled out from the liquidity-match account to finance the retiree payroll. The aggregated cash outflow was partially offset by the County supplemental contribution of \$10.0 million made in June 2024 and other investment income received.
- *Cash management overlay* decreased by \$7.8 million. The cash overlay program uses derivative instruments to enhance returns, manage risks, and increase efficiency. To minimize excess variation margin, \$10 million was transferred from the cash overlay account to the general cash account to meet other needs.
- *Securities lending cash collateral* increased by \$0.7 million. Although the fair value of securities on loan decreased modestly by \$1.5 million, from \$9.7 million in June 2023 to \$8.2 million in June 2024, the cash collateral received outweighed the non-cash collateral.

- *Receivables* overall decreased by \$82.9 million. Multiple sizeable trades that had been executed in June 2023 were not settled until July 2023.
- *Investment at fair value* increased by \$486.9 million, primarily due to the following factors:
 - Public Equity increased by \$308.0 million. Of this amount, \$305.0 million was triggered by appreciation as the markets flourished, with \$221.0 million in the passive indexed accounts, \$55.0 million in active domestic equity, and \$29.0 million in active international equity.
 - Fixed Income increased by \$140.9 million. During the fiscal year, about \$77.0 million of new capital was added into fixed income due to portfolio balancing. The remaining increase was mainly attributable to market appreciation with \$29.0 million in opportunistic credit and \$32.0 million in core fixed income.
 - Alternatives increased by \$38.2 million, partly due to \$9.5 million increased valuations in private equity and partly attributable to \$29.0 million market appreciation in absolute return.
 - Inflation Hedge increased by \$22.1 million. To rebalance its portfolio, SamCERA invested an additional \$31.0 million in public real assets, \$8.7 million in private real assets, and \$9.0 million in real estate. Despite the \$40.0 million market appreciation in private and public real assets, the value of this portfolio was diluted by \$66.5 million losses in real estate as investments in commercial properties continued to struggle.
 - Liquidity decreased by \$22.3 million. SamCERA redeemed a net \$27.0 million from the cash flow match account for benefit payments, which was offset by \$5.0 million in market appreciation.
- *Net Capital Assets* decreased by \$1.3 million, due primarily to the depreciation of capital assets.



Liabilities. SamCERA's total liabilities decreased by \$122.3 million or 58% from a year ago. Significant changes are discussed below:

- *Due to broker for investments purchased* decreased by \$126.8 million. The decrease was predominantly linked to a sizable payable of \$128.0 million from a fixed income manager that transpired in June 2023. The payable was subsequently settled in July 2023.
- *Securities lending cash collateral due to borrowers* increased by \$0.6 million. The increase in liability was triggered by and in parallel with the increase in securities lending cash collateral discussed earlier under the Assets section.
- *Lease liability* was \$2.0 million as of June 30, 2024, about \$0.5 million less than the prior fiscal year. The lease liability originated from an office space rental agreement and will gradually be depleted in accordance with lease payments over the lease term.

During the reporting period, the net position increased by \$476.6 million, due primarily to improved market conditions explained earlier. The table below shows condensed information about the changes in fiduciary net position (total additions minus total deductions) for the fiscal year ended June 30, with explanations for significant variances noted.

| Statement of Changes in Fiduciary Net Position | | | | |
|--|--------------------|--------------------|---------------------|------------|
| Fiscal Years Ended June 30 | | | | |
| Dollars in Thousands | | | | |
| | 2024 | 2023 | Increase (Decrease) | |
| | | | Amount | Percentage |
| Additions | | | | |
| Employer contributions | \$ 175,572 | \$ 238,938 | \$ (63,366) | -27% |
| Employer supplemental contributions | 10,000 | 10,000 | - | 0% |
| Member contributions | 82,331 | 77,666 | 4,665 | 6% |
| Net investment income | 540,652 | 341,246 | 199,406 | 58% |
| Total additions | 808,555 | 667,850 | 140,705 | 21% |
| Deductions | | | | |
| Service retirement benefits | 281,573 | 266,317 | 15,256 | 6% |
| Disability retirement benefits | 34,309 | 30,196 | 4,113 | 14% |
| Survivor, death, and other benefits | 1,350 | 1,371 | (21) | -2% |
| Refunds of member contributions | 5,277 | 4,944 | 333 | 7% |
| Administrative expenses | 7,765 | 7,836 | (71) | -1% |
| Information technology expenses | 1,632 | 1,817 | (185) | -10% |
| Total deductions | 331,906 | 312,481 | 19,425 | 6% |
| Net increase in net position | 476,649 | 355,369 | 121,280 | 34% |
| Net position restricted for pensions | | | | |
| Beginning of year | 6,005,043 | 5,649,674 | 355,369 | 6% |
| End of year | \$6,481,692 | \$6,005,043 | \$476,649 | 8% |

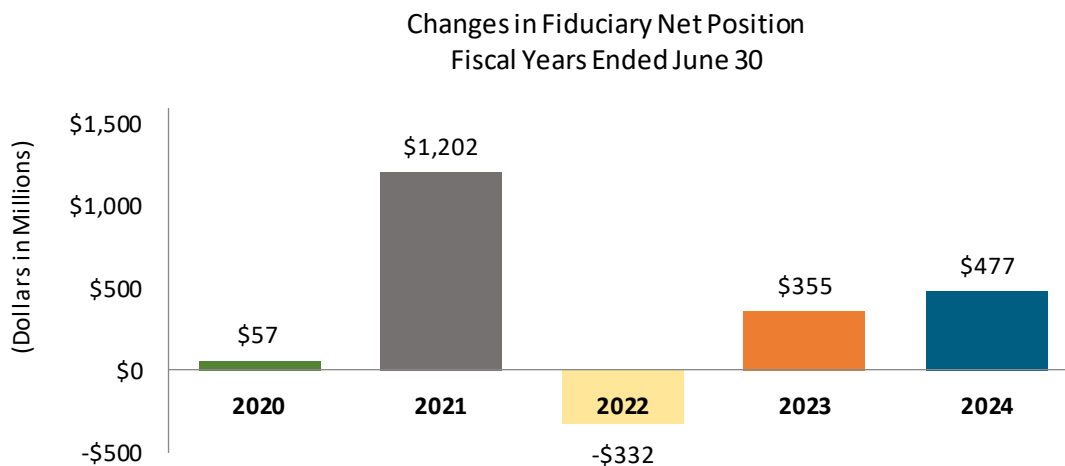
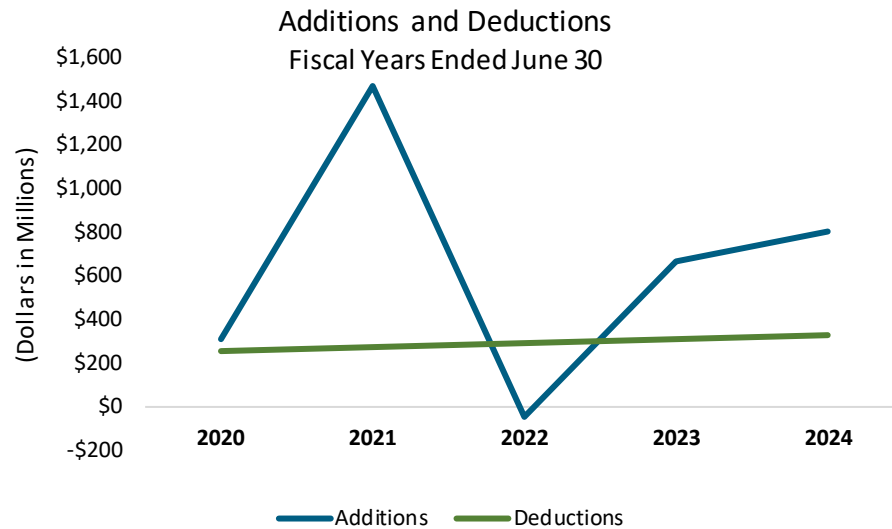
Additions. Total additions to the Retirement Fund were \$808.6 million, an increase of \$140.7 million or 21% over the year. Significant changes are discussed below.

- *Employer contributions* decreased by \$63.4 million. In June 2023, the unfunded liability layer from June 2009 was fully retired, causing a significant decline in employer contributions from 38.33% of the pay for fiscal year 2023 to 26.19% for fiscal year 2024.
- *Member contributions* increased by \$4.7 million. Despite the member contribution rate declining slightly from 12.49% of the pay for fiscal year 2023 to 12.27% for fiscal year 2024, the 4% scheduled salary increase in October 2023 triggered a \$45.7 million increase in overall pensionable income.
- *Net investment income* increased by \$199.4 million, which resulted from the following:
 - *Interest and dividends* combined increased by \$22.1 million. Two new fixed income managers brought in a total of \$12.0 million in interest income. Other contributors included a \$5.4 million increase in interest income from two of SamCERA's core fixed income managers, a \$2.4 million increase in dividend income from SamCERA's core infrastructure funds, and a \$2.0 million increase in other income from a new fixed income manager.
 - *Net appreciation in fair value of investments* was \$196.3 million over the fiscal year. The appreciation was driven mostly by strong performance in various areas: \$83.0 million in public equity, \$48.0 million in fixed income, \$50.0 million in alternative assets, \$28.0 million in public and private real assets, and \$6.0 million in liquid assets. The increase was partially offset by \$19.0 million market depreciation in real estate as the investments in commercial real estate continued to underperform.
 - *Investment expenses* increased by \$18.9 million. Striving to meet its long-term investment target asset allocation, SamCERA added three new managers to its fixed income portfolio, several new funds to inflation hedge assets, and private equity funds to the portfolio. These strategies altogether attributed to the increase in investment expenses.

Deductions. Total deductions from the Retirement Fund were \$331.9 million, an increase of \$19.4 million or 6% over the year. Significant changes are explained below:

- *Service retirement benefits* increased by \$15.3 million or 6%, mostly from the annual cost-of-living adjustment (between 2% to 4%) to pension benefits. Additionally, new retirees and beneficiaries were added to the payroll during the year.
- *Disability retirement benefits* rose by \$4.1 million or 14%. A new medical reviewer was hired to help improve the backlog in disability retirement determinations. Some of these disability cases spanned years and included hefty retroactive disability benefits, consequently leading to a large payroll in disability retirement.
- *Refunds of member contributions* increased by \$0.3 million or 7%, due mainly to a 23% increase in the number of refunds and rollovers, from 107 requests last fiscal year to 127 requests this fiscal year.

- *Information technology (IT) expenses* decreased by \$0.2 million or 10%. The Information Technology Manager position has been vacant since January 2024 and yet to be filled. Being short-staffed, a few IT projects were postponed to the next fiscal year.



Actuarial Valuation

SamCERA engages an independent actuarial firm, Milliman, Inc., to conduct an annual actuarial valuation that serves as an instrument to monitor its funding status and 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 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 growth at 3.00%, and payroll growth at 3.00%. In addition, the Board 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.

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 were as follows: investment return at 6.25%, inflation at 2.50%, wage growth at 3.00%, and payroll growth at 3.00%. The COLA assumption for Plans 1 and 2 was set in accordance with the inflation assumption, and the employer contribution rate increase was slated to phase in for the second year of the 3-year period.

In May 2023, while retaining the assumed investment return at 6.25%, the Board approved some changes to the economic assumptions, most notably a 0.25% increase to the price inflation to 2.75%, wage growth to 3.25%, and payroll growth to 3.25%.

In July 2023, the Board approved several changes to the demographic assumptions based on the results from the Triennial Investigation of Experience Study, which will be discussed in further details later. These changes, along with the economic assumptions approved in May 2023, caused a moderate increase in the Employer Statutory Required Rates and a slight increase in member contribution rates effective July 1, 2024. As the original unfunded liability layers were retired in June 2023, the Board adopted a new funding method to reset the current accrued unfunded liability to a new 15-year amortization period and layer subsequent unfunded liability over the succeeding fifteen years. This method also incorporates a minimum contribution rate for employers (the "Minimum Rate"), requiring all employers to pay the greater of the Minimum Rate or the Statutory Required Rate.

In June 2024, the Board adopted the actuary's recommendation to make no changes to the existing assumptions that were used for last year's valuation. The economic assumptions to be used for the 2024 valuation are investment return at 6.25%, local inflation at 2.75%, wage growth at 3.25%, and payroll growth at 3.25%.

Triennial Experience Study

The purpose of the Triennial Experience Study is to review assumptions and methods used in the actuarial valuation and recommend appropriate changes to reflect new information and knowledge, such as changing patterns of retirements, terminations, mortality, and so forth. In July 2023, the Board adopted several changes to demographic assumptions developed from the 2023 Experience Study. The new assumptions triggered a modest decline in the Funded Ratio as determined by the 2023 valuation. The assumptions will next be reviewed in details as part of the Experience Study in 2026.

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, 2024, the plan's funded ratio (actuarial value of assets to actuarial accrued liabilities) decreased slightly to 87.6% as of June 30, 2024, from 88.3% a year ago. The decrease was primarily due to demographic changes and the recognition of prior year investment returns less than expected by the assumptions. If future experience is exactly as assumed, SamCERA is projected to be 100% funded in June 2035.

As of June 30, 2024, the actuarial value of plan assets was \$6.5 billion, and the actuarial accrued liability was \$7.4 billion. The difference between these two amounts represents the unfunded actuarial accrued liability, which amounted to \$919.3 million (or 135.8% of the collective covered payroll of participating employers, totaling \$676.9 million for the fiscal year). The assets used in the calculation of the funded ratio include the values in the supplementary contribution accounts for the County of San Mateo and the San Mateo County Mosquito and Vector Control District.

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 in this report or requests for additional financial information should be addressed via email at samcera@samcera.org or to:

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

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2023)

| | 2024 | 2023 |
|---|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash and short-term investments: | | |
| Cash and cash equivalents | \$ 168,836,673 | \$ 210,121,124 |
| Cash management overlay | 12,191,411 | 19,989,496 |
| Securities lending cash collateral | 4,400,951 | 3,737,378 |
| Total cash and short-term investments | <u>185,429,035</u> | <u>233,847,998</u> |
| Receivables: | | |
| Contributions | 1,641,117 | 3,105,913 |
| Due from broker for investments sold | 49,663,417 | 131,151,929 |
| Investment income | 12,940,583 | 12,789,009 |
| Securities lending income | 3,273 | 35,260 |
| Other | 2,942,511 | 3,019,886 |
| Total receivables | <u>67,190,901</u> | <u>150,101,997</u> |
| Prepaid expenses | <u>325,024</u> | <u>214,663</u> |
| Investments at fair value: | | |
| Public equity | 2,743,032,845 | 2,435,036,194 |
| Fixed income | 1,498,942,052 | 1,358,012,682 |
| Alternatives | 780,416,525 | 742,188,710 |
| Inflation hedge | 1,044,637,006 | 1,022,566,835 |
| Liquidity | 247,762,006 | 270,101,574 |
| Total investments at fair value | <u>6,314,790,434</u> | <u>5,827,905,995</u> |
| Capital assets | 11,977,457 | 11,924,532 |
| Less: accumulated depreciation | <u>(7,822,714)</u> | <u>(6,451,799)</u> |
| Capital assets, net of accumulated depreciation | <u>4,154,743</u> | <u>5,472,733</u> |
| Total assets | <u>6,571,890,137</u> | <u>6,217,543,386</u> |
| LIABILITIES | | |
| Investment management fees payable | 2,297,138 | 2,037,842 |
| Due to broker for investments purchased | 75,643,694 | 202,435,351 |
| Securities lending collateral due to borrowers | 4,400,951 | 3,737,379 |
| Lease liability | 1,965,063 | 2,443,817 |
| Other | 5,891,024 | 1,846,497 |
| Total liabilities | <u>90,197,870</u> | <u>212,500,886</u> |
| NET POSITION RESTRICTED FOR PENSIONS | <u>\$ 6,481,692,267</u> | <u>\$ 6,005,042,500</u> |

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE AMOUNTS FOR FISCAL YEAR ENDED JUNE 30, 2023)

| | 2024 | 2023 |
|--|--------------------------------|--------------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$ 175,572,103 | \$ 238,938,203 |
| Employer supplemental | 10,000,000 | 10,000,000 |
| Member | 82,330,650 | 77,666,128 |
| Total contributions | <u>267,902,753</u> | <u>326,604,331</u> |
| Investment income: | | |
| Interest, dividends, and other investment income | 155,437,450 | 133,336,480 |
| Net increase in the fair value of investments | 449,369,405 | 253,087,820 |
| Securities lending income: | | |
| Gross earnings | 277,466 | 267,081 |
| Borrower rebates | 31,863 | 10,568 |
| Less: Management fees | (169,639) | (90,114) |
| Net securities lending income | <u>139,690</u> | <u>187,535</u> |
| Total investment income | 604,946,545 | 386,611,835 |
| Less: Investment expenses | (64,294,489) | (45,366,003) |
| Net investment income | <u>540,652,056</u> | <u>341,245,832</u> |
| Total additions | <u>808,554,809</u> | <u>667,850,163</u> |
| DEDUCTIONS | | |
| Benefits: | | |
| Service retirement benefits | 281,572,406 | 266,316,948 |
| Disability retirement benefits | 34,308,872 | 30,196,733 |
| Survivor, death, and other benefits | 1,349,422 | 1,371,878 |
| Total benefits | <u>317,230,700</u> | <u>297,885,559</u> |
| Refunds of member contributions: | | |
| Separation | 3,812,197 | 3,199,006 |
| Death | 1,465,301 | 1,745,043 |
| Total refunds | <u>5,277,498</u> | <u>4,944,049</u> |
| Administrative expenses | 7,765,358 | 7,835,470 |
| Information technology expenses | 1,631,486 | 1,817,031 |
| Total deductions | <u>331,905,042</u> | <u>312,482,109</u> |
| Net increase in net position | 476,649,767 | 355,368,054 |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| Beginning of year | 6,005,042,500 | 5,649,674,446 |
| End of year | <u>\$ 6,481,692,267</u> | <u>\$ 6,005,042,500</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

San Mateo County Employees' Retirement Association (SamCERA or the Retirement Fund) 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 (CERL - a component of the California Government Code); the California Public Employees' Pension Reform Act of 2013 (PEPRA); and 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 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 with 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.

| BENEFIT PLANS | | General Member | Probation Member | Safety Member |
|---------------|------------------------------------|--|--|--|
| 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 | Not applicable | Not applicable |
| | | (Plan 3 is a non-contributory plan. After five years of service, Plan 3 members can elect membership under the open contributory plan. Members currently working in a contributory plan with Plan 3 service may purchase an upgrade of their Plan 3 service. Plan 3 closed effective December 23, 2012.) | | |
| | | (If retirement occurs prior to age 65, benefit amount will be adjusted by an actuarial equivalent factor.) | | |
| | 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 General Plan 4.

Note 2: FAC stands for "Final Average Compensation."

| BENEFIT PLANS (CONTINUED) | | 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) |
| Plan 5 | 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. |
| | Hire Date | 8/7/11 - 12/31/12 | 7/10/11 - 12/31/12 | 1/8/12 - 12/31/12 |
| | Benefit Factor | 2% @61.25 | 3%@55 | 3%@55 |
| | Maximum COLA | 2% | 2% | 2% |
| Plan 6 | 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. |
| | Hire Date | Not applicable | 7/10/11 - 12/31/12 | 7/10/11 - 12/31/12 |
| | Benefit Factor | Not applicable | 2%@50 | 2%@50 |
| Plan 7 | 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. |
| | Hire Date | On or after 1/1/13 | On or after 1/1/13 | On or after 1/1/13 |
| Plan 7 | 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. |

Note 1: Plan 5 is available for all Safety and Probation members.

Note 2: Plan 6 is available for Safety Management and Probation members.

Note 3: FAC stands for "Final Average Compensation."

Pension Plan Membership

Plan membership as of June 30, 2024, is displayed in the table below.

| SamCERA Membership | | | | | | | | |
|---|--------------|--------------|------------|--------------|------------|----------|--------------|---------------|
| June 30, 2024 | | | | | | | | |
| Plan | One | Two | Three | Four | Five | Six | Seven | Total |
| Retirees and beneficiaries currently receiving benefits | | | | | | | | |
| General | 1,047 | 2,320 | 126 | 1,379 | 54 | | 78 | 5,004 |
| Safety | 245 | 272 | | 207 | 12 | | 13 | 749 |
| Probation | 84 | 123 | | 134 | | | 1 | 342 |
| Subtotal | 1,376 | 2,715 | 126 | 1,720 | 66 | | 92 | 6,095 |
| Inactive employees entitled to but not currently receiving benefits (Deferred) | | | | | | | | |
| General | 3 | 160 | 45 | 1,060 | 184 | | 1,366 | 2,818 |
| Safety | | 7 | | 41 | 15 | | 86 | 149 |
| Probation | | 9 | | 40 | 4 | 1 | 21 | 75 |
| Subtotal | 3 | 176 | 45 | 1,141 | 203 | 1 | 1,473 | 3,042 |
| Current employees, vested | | | | | | | | |
| General | 2 | 195 | 30 | 1,295 | 179 | | 1,317 | 3,018 |
| Safety | | 6 | | 119 | 53 | | 150 | 328 |
| Probation | | 1 | | 72 | 7 | | 36 | 116 |
| Current employees, non-vested | | | | | | | | |
| General | | 1 | 1 | 4 | 60 | | 1,844 | 1,910 |
| Safety | | | | | 17 | | 130 | 147 |
| Probation | | | | | | | 9 | 9 |
| Subtotal | 2 | 203 | 31 | 1,490 | 316 | - | 3,486 | 5,528 |
| Total Members | 1,381 | 3,094 | 202 | 4,351 | 585 | 1 | 5,051 | 14,665 |

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 General Plan 4.

Benefit Provisions

SamCERA provides basic service retirement, disability, survivor, and death benefits based on defined benefit formulas that 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, and each participating employer can make limited adjustments to their member benefits.

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 substantially performing the usual duties of their job because of injury or disease arising out of employment, the members are eligible for disability retirement benefits.

Active Member Survivor Benefits. Lifetime survivor benefits are for eligible beneficiaries of active members if the member's death is service connected or the deceased member has at least five years of service credits. Beneficiaries may instead opt for a one-time death benefit. All other active member death benefits are limited to a lump sum payment.

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 3 members with ten years of service, may elect a deferred retirement.

Cost-of-Living Adjustments (COLA). COLA increases are applied to all eligible retirement and survivor 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 San Francisco, Oakland, and Hayward. 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 what 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, SamCERA's assets in any investment allowed by statutes and deemed prudent in the informed opinion of the Board. SamCERA's Investment Policy seeks to optimize long-term returns within acceptable risk parameters. The Board periodically reviews the asset allocation in response to changing market conditions that may affect forward-looking expected returns of asset classes.

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

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 and members.

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 is determined to be five years for hardware and ten years for software. 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 including leases, net of accumulated depreciation,

approximated to \$4.2 million as of June 30, 2024. The liability from an office space lease is determined based on prevailing standards and depreciated over the lease term. Future lease payments are as follows:

| Lease Liability | | | |
|-----------------------|-------------|-----------|-------------|
| Fiscal Year (June 30) | Principal | Interest | Total |
| 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 | \$1,965,063 | \$256,239 | \$2,221,302 |

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 and Expenses

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

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.

Changes in Financial Presentation

Starting this fiscal year, net securities lending income is presented as part of the investment income rather than separately, and refunds of residual contributions from deceased retirees are reported under refunds of member contributions rather than benefits. Such changes are reflected on the comparative Statement of Changes in Fiduciary Net Position on page 43.

Note 3: Funding Policy

The funding objective of the pension plan is to establish employer and member contribution rates that, over time, will be sufficient to pay all expected future benefits not funded by the current assets. Participating employers are required by statutes 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 basic contribution obligations for employers and members to the pension plan. Contribution rates adopted by the Board are independently determined by the actuary in accordance with the membership type (General, Safety, and Probation) and the plan in which a member belongs. 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 separately discussed in the Required Supplementary Information and the Actuarial Section.

In July 2023, the Board adopted a new funding policy under which all participating employers are required to contribute at least 26.2% of the level payroll each year. This requirement not only increases the funding progress but also reduces the contribution rate volatility. The Board also accepted the actuary's recommendation effective with the June 30, 2023 valuation to consolidate all outstanding Unfunded Actuarial Accrued Liability (UAAL) layers into a single layer, which will be amortized over a 15-year period beginning July 1, 2024 (fresh-start method). Each year thereafter, new layers will be established to amortize emerging gains and losses over their own 15-year closed period. The UAAL is amortized as a level of the projected salaries of present and future members of SamCERA. The UAAL rate for each member class will be the greater of (1) the UAAL rate under the 15-year layered amortization approach and (2) the UAAL contribution rate in effect for the fiscal year beginning July 1, 2023, before reflecting any Supplementary Contribution Accounts. SamCERA will review the minimum rate once the funded ratio hits 100%.

The actuarial valuation of plan assets and liabilities is always performed after fiscal year-end. Contribution rates determined as of June 30, 2024, are subject to a "one year" deferral. Thus, the new contribution rates from the June 2024 valuation will become effective on July 1, 2025. The Retirement Fund was 87.6% funded as of June 30, 2024, reflecting a slight decrease from 88.3% a year ago. The decrease was mainly due to demographic changes and the recognition of prior year investment returns less than expected by the assumptions. The 2024 valuation revealed that the UAAL is \$919.3 million as of June 30, 2024.

Note 4: Member Contributions

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 closed to new members after December 22, 2012. For members who transferred from Plan 3 to another General Plan, the entry age is based on the transfer date. Member contributions consist of the following three categories:

- **Basic contributions** are required for all contributory members based on the entry age, the class of each member (except Plan 7 members), and the underlying assumptions. Plan 7 is governed by Section 7522.30 of the Government Code under which Plan 7 members are required to contribute 50% of the total normal cost rate. For General members who have joined SamCERA or a reciprocal system on or before March 7, 1973, the basic contributions cease after 30 years of consecutive service in a contributory plan. For both Safety and

Probation members (except Safety Plan 7 members), basic contributions cease after 30 years of consecutive service.

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

Member contribution rates effective July 1, 2023, are based on investment return assumption of 6.25% approved by the Board. The member contribution rate for all plans combined decreased slightly by 0.22% of pay to 12.27% for fiscal year 2024. Member contribution rates for all plans (except Plan 3 and Plan 7) vary based on a member's entry age and the underlying actuarial assumptions. Plan 3 is non-contributory. Plan 7 member contribution rates are required to be equal to 50% of the Gross Normal Cost Rate of respective 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. Under this method, the actuarial present value of the projected benefits of each member is allocated as a level percentage of the member's projected compensation between entry age and assumed exit (until maximum retirement age). The table below shows the changes in Employer Statutory Contribution Rate (SCR), after taking into account any offsets from the supplemental contributions discussed later.

| Employer Contribution Rates | | | |
|---|-----------------------|-----------------|-----------------|
| | Fiscal Year Beginning | | Increase |
| | July 1, 2023 | July 1, 2022 | (Decrease) |
| Gross Normal Cost | 23.64% | 24.04% | (0.40%) |
| 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 Rate | 27.41% | 40.76% | (13.35%) |
| Deferred Recognition of 2021 Assumptions | (1.22%) | (2.43%) | 1.21% |
| Total Employer Rate ⁽¹⁾ | 26.19% | 38.33% | (12.14%) |
| County Contribution Rate | 26.19% | 38.51% | (12.32%) |
| Court Contribution Rate | 26.02% | 35.73% | (9.71%) |
| District Contribution Rate | 25.06% | 12.10% | 12.96% |

⁽¹⁾ The total Employer Statutory Contribution Rate of 26.19% is the aggregate rate for all employers.

The employer SCR consists of two main components: (1) the normal cost that covers the value of benefits earned by active members during the year less member contributions and (2) the UAAL that denotes the excess of actuarial accrued liability over the actuarial value of the plan assets. After the June 30, 2009 amortization layer was fully amortized on June 30, 2023, the SCR decreased significantly by 12.14% of pay (which is a weighted average for all plans) from 38.33% for fiscal year 2023 to 26.19% for fiscal year 2024. The employer normal cost decreased marginally by 0.18% of pay to 11.37% for fiscal year 2024, and the employer UAAL decreased modestly by 13.17% of pay to 16.04% for fiscal year 2024.

In addition, the new assumptions adopted for the 2021 valuation triggered a 3.64% increase in the employer contribution rate. To smooth out the impact of this increase, the Board decided to defer the recognition of the increase in three equal installments, with 1.21% effective July 1, 2022; 1.21% effective July 1, 2023; and the final 1.22% effective July 1, 2024. Below is the schedule showing the employer contributions, including supplemental contributions, for the past ten fiscal years.

| Schedule of Employer Contributions | | | | | |
|------------------------------------|--|---|--|-----|---|
| Dollars in Thousands | | | | | |
| Fiscal Year Ended June 30 | (a) Actual Employer Contributions | (b) Actuarially Determined Contributions | (a) - (b) Supplemental Contributions | | Percentage of Actuarially Determined Contributions Received |
| 2015 | \$180,704 | \$169,814 | \$10,890 | (1) | 100% |
| 2016 | 191,094 | 170,046 | 21,048 | (2) | 100% |
| 2017 | 198,727 | 164,877 | 33,850 | (3) | 100% |
| 2018 | 207,257 | 179,627 | 27,630 | (4) | 100% |
| 2019 | 245,498 | 194,830 | 50,668 | (4) | 100% |
| 2020 | 198,583 | 198,583 | - | | 100% |
| 2021 | 265,002 | 225,302 | 39,700 | (4) | 100% |
| 2022 | 249,946 | 234,746 | 15,200 | (4) | 100% |
| 2023 | 248,938 | 238,938 | 10,000 | (5) | 100% |
| 2024 | 185,572 | 175,572 | 10,000 | (5) | 100% |

(1) The County contributed additional funding of \$10.9 million to accelerate the pay down of its UAAL.

(2) 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.

(3) 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.

(4) The County contributed additional funding of \$10.0 million plus the difference in the actuarially determined contribution rate and 37.14%.

(5) The County contributed additional funding of \$10.0 million to accelerate the pay down of its UAAL.

Supplemental 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 supplemental contribution of \$50.0 million in fiscal year 2014 with annual contributions of \$10.0 million for the next nine years through 2023. A new account, the County Supplementary Contribution Account (CSCA), was set up to separately account for the supplemental contributions.

Deposits that have been in the CSCA less than six months prior to the interest crediting date receive interest at the actual market investment return rate, net of fees and costs. Deposits held for more than six months prior to the interest crediting date will receive interest at the actuarially calculated return on the actuarial value of the CSCA's asset. In fiscal year 2024, total supplemental contributions to the CSCA amounted to \$10.0 million, which was made at the County's discretion. The CSCA had an aggregate account balance of \$213.7 million as of June 30, 2024. The resources in the CSCA are systematically recognized to provide an offset to the County's SCR. Without the recognition of the CSCA offset, the County's SCR would be higher.

The County paid its annual required contributions for fiscal year 2024 via two semi-annual prepayments (in July 2023 and in January 2024). 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. At 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.

Supplemental 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 SCR for fiscal year 2016. This amount was remitted to SamCERA in October 2015 and deposited into a new account, the District Supplementary Contribution Account (DSCA), to separately account for the District's supplemental contributions. In 2017, the District made its second supplemental contribution of \$0.25 million.

Deposits that have been in the DSCA less than six months prior to the interest crediting date receive interest at the actual market investment return rate, net of fees and costs. Deposits held for more than six months prior to the interest crediting date will receive interest at the actuarially calculated return on the actuarial value of the DSCA's asset. As of June 30, 2024, the DSCA had an aggregate account balance of \$4,187. 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 SCR. Without the recognition of the DSCA offset, the District's SCR 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, 2024, \$99.5 million of cash was held in a pooled short-term investment fund with the Northern Trust Corporation and \$22.9 million in the investment pool with the County Treasurer. Cash held by investment managers at year-end amounted to \$46.4 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 \$513,164 is uninsured and uncollateralized. Thus, this amount is subject to 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 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. SamCERA implemented a new interim policy effective July 1, 2023. No changes were made to the policy portfolio during the fiscal year. SamCERA's long-term strategic asset allocation policy includes a 1% increase to Private Equity (funded from public equity), which will take multiple quarters to reach the target.

Target Asset Allocation. As of June 30, 2024, SamCERA's target asset allocation consists of 59.0% in Growth assets, 18.5% in Diversifying assets, 17.0% in Inflation Hedge assets, and 5.5% in Liquidity. The actual asset allocation at fiscal year-end consisted of 58.7% in Growth assets, 18.2% in Diversifying assets, 16.4% in Inflation Hedge assets, and 6.7% in Liquidity. See the Investment Section for further details.

Long-Term Expected Real Rates 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 the projected geometric real rates of return for each major asset class that were used to determine the long-term expected investment rate of return assumption (after deducting inflation, but before deducting investment expenses).

| Long-Term Expected Real Rates of Return | | |
|---|-------------------|-----------------------------------|
| June 30, 2024 | | |
| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
| Growth | | |
| Public Equity | 41.0% | 6.9% |
| Private Equity | 7.0% | 9.0% |
| Opportunistic Credit | 11.0% | 6.6% |
| Diversifying | | |
| Defensive Fixed Income | 12.5% | 4.9% |
| Absolute Return | 6.0% | 5.4% |
| Inflation Hedge | | |
| Real Estate | 9.0% | 6.8% |
| Private Real Assets | 5.0% | 7.4% |
| Public Real Assets | 3.0% | 7.4% |
| Liquidity | | |
| Cash Flow Matched | 4.5% | 4.7% |
| Cash & Cash Overlay | 1.0% | 4.1% |
| Total | 100.0% | |

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 9.12% 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 9.2% 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.

Investment Risks

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. The 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 twelve external investment pools and four 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 fixed income portfolios is displayed on the following page.

Interest Rate Risk Analysis

June 30, 2024

| Commingled Fixed Income Portfolio | Fair Value | Weighted Average Maturity (Years) | Effective Duration (Years) |
|---|----------------|---|-------------------------------|
| Opportunistic Credit Funds ⁽¹⁾ | \$ 681,798,558 | 5.56 | 2.4 |

⁽¹⁾ This category consists of fourteen opportunistic Credit Funds managed by Angelo Gordon (three funds), Beach Point, Brigade Capital Management, Blackrock (two funds), Comvest, Eaton Vance, One Williams Street, PIMCO (two funds) and White Oak (two funds).

Interest Rate Risk Analysis (Continued)

June 30, 2024

| Investment Portfolio ⁽¹⁾ | Market Value | Weighted Average Maturity (Years) | Effective Duration (Years) |
|---------------------------------------|-----------------------|---|----------------------------------|
| Asset Backed Securities | \$ 64,251,590 | 14.1 | 2.5 |
| Commercial Mortgage-Backed | 38,859,441 | 22.5 | 2.4 |
| Corporate Bonds | 111,723,314 | 9.1 | 5.7 |
| Government Agencies | 6,485,116 | 9.2 | 5.2 |
| Government Bonds | 379,087,718 | 14.8 | 10.4 |
| Government Mortgage-Backed Securities | 200,205,119 | 25.1 | 8.1 |
| Government Commercial Mortgage-Backed | 6,733,689 | 22.8 | 4.7 |
| Municipal/Provincial Bonds | 3,522,272 | 13.1 | 7.2 |
| Non-government Backed CMOs | 6,275,235 | 35.4 | 5.6 |
| Total | \$ 817,143,494 | | |

⁽¹⁾ This category consists of four fixed income separate account managers: Fidelity Institutional Asset Management, National Investment Services of America (two funds), and DoubleLine.

Credit Risk. The 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, 2024, is summarized in the table on the right.

S&P Quality Breakdown for Investment in Bonds

June 30, 2024

| Credit Risk | Separately Managed Accounts | Commingled Management |
|--------------|-----------------------------------|--------------------------|
| AAA | 2.6% | 3.2% |
| AA | 1.0% | 2.1% |
| A | 5.5% | 1.8% |
| BBB | 9.3% | 5.1% |
| B | 0.2% | 31.1% |
| Not Rated | 81.4% | 56.7% |
| Total | 100.0% | 100.0% |

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, 2024, SamCERA had no investments that were exposed to custodial credit risk.

Concentration of Credit Risk. The concentration of credit 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, 2024, SamCERA does not have investments in a single issuer with five percent or more of SamCERA's fiduciary net position.

Foreign Currency Risk. The foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment or deposit. SamCERA's Investment Policy 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 | | | | | | | |
|-----------------------------------|----------------|-----------------|---------------|------------------|------------------|-------------------------|----------------|
| June 30, 2024 | | | | | | | |
| Foreign Currency | Common Stock | Preferred Stock | Partnerships | Foreign Currency | Variation Margin | Pending FX Transactions | Total |
| Australian Dollar | \$ 7,242,545 | | | \$ 84,658 | | \$ (9,157,168) | \$ (1,829,965) |
| Brazilian Real | 5,468,544 | | | | | | 5,468,544 |
| Canadian Dollar | 11,821,874 | | | | \$ 76,414 | (5,024,861) | 6,873,427 |
| Swiss Franc | 20,672,859 | | | | | (32,670,104) | (11,997,245) |
| HK Offshore Chinese Yuan Renminbi | 5,196,136 | | | (1,454,592) | | | 3,741,544 |
| Chinese Yuan Renminbi | | | | 1,461,558 | | | 1,461,558 |
| Danish Krone | 2,227,325 | | | 4 | | | 2,227,329 |
| Euro | 118,954,909 | \$ 2,602,501 | \$ 10,883,405 | | | (88,178,664) | 44,262,151 |
| British Pound Sterling | 101,962,581 | | | 201,228 | | (25,727,628) | 76,436,181 |
| Hong Kong Dollar | 20,584,724 | | | 14,199 | | | 20,598,923 |
| Indian Rupee | 6,856,322 | | | 3 | | | 6,856,325 |
| Japanese Yen | 97,778,629 | | | 206,115 | | (140,541,269) | (42,556,525) |
| Mexican Peso | 2,238,871 | | | | | | 2,238,871 |
| Swedish Krona | 23,100,017 | | | (10) | | (15,005,634) | 8,094,373 |
| Singapore Dollar | 12,794,730 | | | | | | 12,794,730 |
| New Taiwan Dollar | 1,965,261 | | | | | | 1,965,261 |
| Total | \$ 438,865,327 | \$ 2,602,501 | \$ 10,883,405 | \$ 513,163 | \$ 76,414 | \$ (316,305,328) | \$ 136,635,482 |

Derivatives

Derivatives are financial instruments that are connected to a specific financial instrument, indicator, or commodity 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, 2024, the derivatives held an aggregate notional amount of \$203.8 million. The fair value of derivatives totaling \$7.4 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 2024 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, 2024, is not material.

| Investment Derivatives | | |
|-----------------------------------|-----------------------|---------------------|
| June 30, 2024 | | |
| Type of Derivatives | Notional Value | Fair Value |
| Interest Rate Contract - Short | \$ (27,087,828) | \$ 115,921 |
| Interest Rate Contract - Long | 202,688,719 | (187,890) |
| Foreign Exchange Contracts - Long | 8,167,871 | 7,509,341 |
| Equity Contracts - Long | 20,023,558 | (45,157) |
| Total | \$ 203,792,320 | \$ 7,392,215 |

Interest Rate Risk – Derivatives. SamCERA's investments in interest rate derivatives are highly sensitive to changes in interest rates. The maturity for \$20.5 million of investments in derivatives is less than 3 months, \$182.5 million is 3 to 6 months, and \$803,170 is 6 to 12 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, 2024, SamCERA's derivatives were not subject to custodial credit risk. However, such derivatives were 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, 2024, 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. Additionally, 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:

- Acceptable collateral shall be in the form of cash or obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities, as well as highly-rated OECD Debt (rated AA – or better).
- The maximum allowable amount of assets on loan to any single borrower shall not be greater than 20% of the program assets on loan.
- The maximum total amount of program assets on loan shall not be greater than 50% of the total plan.

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, 2024, the fair value of securities on loan reported and the total collateral held amounted to \$8.2 million and \$8.5 million (with \$4.4 million in cash collateral and \$4.1 million in non-cash collateral), respectively. The amount of collateral exceeded the amount of securities on loan by \$332,834. 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 136 days as of June 30, 2024.

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) that 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, 2024, the Fund had an interest rate sensitivity of 17 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 page 65) is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

As of June 30, 2024, 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 | | | |
|--|------------------|--|--|
| June 30, 2024 | | | |
| Investments by Fair Value Level | June 30, 2024 | Fair Value Measurements Using | |
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs |
| | | (Level 1) | (Level 2) |
| DEBT SECURITIES | | | |
| Asset Backed Securities | \$ 84,935,239 | | \$ 84,935,239 |
| Collateralized Mortgage Obligations | 6,275,234 | | 6,275,234 |
| Commercial Mortgage-Backed | 38,859,441 | | 38,859,441 |
| Corporate Bonds | 255,479,969 | | 255,479,969 |
| Government Agencies | 6,485,116 | | 6,485,116 |
| Government Commercial Mortgage-Backed | 6,733,689 | | 6,733,689 |
| Government Mortgage-Backed Securities | 200,205,119 | | 200,205,119 |
| Municipal Bonds | 3,522,272 | | 3,522,272 |
| US Government Securities | 454,900,350 | | 454,900,350 |
| Total Debt Securities | 1,057,396,429 | | 1,057,396,429 |
| EQUITY SECURITIES ⁽¹⁾ | | | |
| Foreign Stocks | 441,467,835 | \$ 441,467,835 | |
| US Common & Preferred Stock | 427,192,934 | 427,192,934 | |
| Total Equity Securities | 868,660,769 | 868,660,769 | |
| COMMINGLED FUNDS | | | |
| Domestic Equity Funds | 932,835,400 | | 932,835,400 |
| International Equity Funds | 622,408,216 | | 622,408,216 |
| Domestic Bond Funds | 61,557,732 | | 61,557,732 |
| Public Real Asset Funds | 214,243,103 | | 214,243,103 |
| Total Commingled Funds | 1,831,044,451 | | 1,831,044,451 |
| DERIVATIVES ⁽²⁾ | | | |
| Foreign Exchange Contracts | 7,509,071 | | 7,509,071 |
| COLLATERAL FROM SECURITIES LENDING | | | |
| | 4,400,951 | 4,400,951 | |
| Total Investments by Fair Value Level | 3,769,011,671 | \$ 873,061,720 | \$ 2,895,949,951 |
| Investments Measured at the Net Asset Value (NAV) | | | |
| Domestic Bond Funds | 620,240,826 | | |
| Domestic Equity Funds | 237,593,939 | | |
| International Equity Funds | 81,534,521 | | |
| Real Estate Funds | 466,975,752 | | |
| Absolute Return Funds | 327,110,004 | | |
| Private Equity Funds | 453,306,521 | | |
| Private Real Asset Funds | 363,418,151 | | |
| Total Investments Measured at NAV | 2,550,179,714 | | |
| Total Investments | \$ 6,319,191,385 | | |
| Derivatives ⁽³⁾ | | | |
| Interest Rate Contract - Short | \$ 115,921 | | \$ 115,921 |
| Interest Rate Contract - Long | (187,890) | | (187,890) |
| Foreign Exchange Contracts - Long | 7,509,341 | | 7,509,341 |
| Equity Contracts - Long | (45,157) | | (45,157) |
| Total Derivatives | \$ 7,392,215 | | \$ 7,392,215 |

⁽¹⁾ The values of foreign stocks and securities reported above are denominated by U.S. currency.

⁽²⁾ These derivatives are reported under Liquidity on the Statement of Fiduciary Net Position.

⁽³⁾ Derivatives are reported under cash management overlay on the Statement of Fiduciary Net Position.

Investments Measured at Net Asset Value (NAV)

| Investments Measured at NAV | 6/30/2024 | Unfunded Commitments | Redemption Frequency (if currently eligible) | Redemption Notice Period |
|---|-------------------------|-----------------------|--|--------------------------|
| Opportunistic Credit Funds ⁽¹⁾ | \$ 620,240,826 | \$ 115,866,977 | Not Eligible | Not applicable |
| Domestic Equity Funds ⁽¹⁾ | 237,593,939 | | Monthly | 10 days |
| International Equity Funds ⁽¹⁾ | 81,534,521 | | Monthly | 10 days |
| Real Estate Funds ⁽²⁾ | 466,975,752 | 56,048,729 | Quarterly, Not Eligible | 45 days, Not applicable |
| Absolute Return ⁽³⁾ | 327,110,004 | | Monthly | 30 days |
| Private Equity Funds ⁽⁴⁾ | 453,306,521 | 327,448,190 | Not Eligible | Not applicable |
| Private Real Asset Funds ⁽⁴⁾ | 363,418,151 | 116,028,887 | Not Eligible | Not applicable |
| Total | \$ 2,550,179,714 | \$ 615,392,783 | | |

⁽¹⁾ **Bond and Equity Funds.** This type includes fourteen opportunistic credit funds, 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 seven 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 six are ineligible for redemption.

⁽³⁾ **Absolute Return.** This strategy consists of three 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 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 forty-six private equity funds, investing primarily in Buyout Funds, Venture Capital, and Debt/Special Situations. This type also includes eighteen 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, 2024. For financial reporting purposes, the net pension liability is measured as the total pension liability less the amount of the plan 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 and 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 cost-sharing between the employers and plan members to that point.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2024, 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

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 requirements prescribed by GASB Statement No. 67.

| Net Pension Liability | June 30, 2024 |
|---|-----------------------|
| Total pension liability | \$ 7,256,733,874 |
| Less: Plan fiduciary net position | (6,481,692,267) |
| Employers' net pension liability | \$ 775,041,607 |
| Plan fiduciary net position as a % of total pension liability | 89.32% |
| Covered payroll ⁽¹⁾ | \$676,865,990 |
| Employers' net pension liability as a % of covered payroll | 114.50% |

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% ⁽²⁾ |
| 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 used for funding, gross of administrative expenses.

| | |
|----------------------------|--|
| Valuation date | June 30, 2024 |
| Measurement date | June 30, 2024 |
| Key assumptions | |
| Investment rate of return | 6.42% ⁽²⁾ |
| Local CPI inflation | 2.75% |
| National CPI-U inflation | 2.50% |
| Mortality | Various rates based on mortality tables described in the June 30, 2024, actuarial valuation. |
| Actuarial experience study | July 1, 2020 to April 30, 2023 |
| 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) | The UAAL is amortized as a level percentage of the projected salaries of present and future members of SamCERA over a 15-year period beginning July 1, 2024. This is commonly referred to as a "closed amortization method." Actuarial gains and losses for periods after the June 30, 2023 valuation are amortized over their own closed 15-year periods from the respective dates the new contribution layers are effective. |
|--|--|

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

⁽²⁾ Differs from actuarial valuation due to addition of administrative expense load of 0.17%.

Sensitivity Analysis

Sensitivity analysis is a technique used to assess how changes in key assumptions may impact the financial position of a pension plan. This analysis usually focuses on critical actuarial assumptions, such as discount and inflation rates, that will significantly affect the plan's liabilities and funding status. The following table presents the employers' net pension liability changes with adjustments to the discount rate using the current discount rate of 6.42% and a discount rate that is one percent lower or one percent higher.

| Schedule of Sensitivity Analysis | | | |
|----------------------------------|-------------------------|--------------------------|------------------------|
| June 30, 2024 | | | |
| | 1% Decrease | Current Discount Rate | 1% Increase |
| | 5.42% | 6.42% | 7.42% |
| Total pension liability | \$ 8,295,557,498 | \$ 7,256,733,874 | \$ 6,411,396,627 |
| Less: Fiduciary net position | (6,481,692,267) | (6,481,692,267) | (6,481,692,267) |
| Net pension liability | \$ 1,813,865,231 | \$ 775,041,607 | \$ (70,295,640) |

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, 2024, are presented in the table below.

| Reserves Required for Reporting Purposes by the 1937 Act | |
|--|-------------------------|
| June 30, 2024 | |
| | June 30, 2024 |
| Valuation Reserves | |
| Member Reserve | \$ 1,015,973,379 |
| Employer Advance Reserve | 1,885,709,311 |
| Retiree Reserve | 1,637,099,123 |
| Cost-of-Living Adjustment Reserve | 1,902,566,856 |
| County Supplementary Contribution Account Reserve | 213,742,062 |
| District Supplementary Contribution Account Reserve | 4,187 |
| Undistributed Earnings/Losses Reserve | (160,491,610) |
| Total Valuation Reserves | 6,494,603,308 |
| Contingency Reserve | 65,646,350 |
| Market Stabilization Account | (78,557,391) |
| Total Reserves (Fair Value of Assets) | \$ 6,481,692,267 |

Valuation Reserves

Member Reserve represents funding provided by active and inactive members. Additions include member contributions and interest credited; deductions include refunds to members and transfers to the Retiree Reserve after a member retires.

Employer Advance Reserve represents funding provided by employers for future retirement payments to active 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 after 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 shortly after a member retires) and interest credited. Deductions include benefit payments to retired members and their beneficiaries.

Cost-of-Living Adjustment (COLA) Reserve represents employer contributions for future COLA under provisions of the CERL. Additions include COLA contributions from employers and interest credited; deductions include payments to retired members and their beneficiaries.

County Supplementary Contribution Account (CSCA) Reserve captures all "unused" supplemental contributions from the County in excess of statutory contributions plus interest credited since fiscal year 2014.

District Supplementary Contribution Account (DSCA) Reserve captures all "unused" supplemental contributions from the District in excess of 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 should 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 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 -\$78.6 million as of June 30, 2024.

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* that 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 respective employers.

The Member Reserve is credited semi-annually in an amount equal to the lesser of (1) one half of the assumed investment earnings rate or (2) the actuarial earnings rate for the prior six-month period immediately preceding the period in which interest is 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 one-half of the assumed investment earnings rate. When allocable earnings are insufficient to cover interest credited to the reserves specified, 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. Under Government Code Section 31580.2 of the CERL, 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. Information technology expenses are excluded from this limit, and SamCERA has a policy in place to monitor compliance with the Government Code.

The table below denotes that SamCERA's actual administrative expenses for the reporting period amounted to 0.12% of the accrued actuarial liability as of June 30, 2022, the latest information available when preparing the administrative budget for fiscal year 2024.

| Administrative Expenses for Fiscal Year Ended June 30, 2024 Compared to Actuarial Accrued Liability as of June 30, 2022 | | | | |
|--|--------------|------------|--------------|------------------|
| Dollars In Thousands | | | | |
| Actuarial accrued liability (AAL) as of June 30, 2022 | \$ 6,530,039 | (a) | | |
| Maximum allowed for administrative expenses (AAL*0.21%) | \$ 13,713 | (b) | | |
| Operating budget for administrative expenses | \$ 7,957 | (c) | | |
| Actual administrative expenses | \$ 7,732 | (d) | | |
| Excess of allowed over actual administrative expenses | \$ 5,981 | =(b) - (d) | | |
| Excess of budgeted over actual administrative expenses | \$ 225 | =(c) - (d) | | |
| Actual administrative expenses as a percentage of actuarial accrued liability as of June 30, 2022 | | | 0.12% | = (d)/(a) |

The budget-to-actual administrative expenses for fiscal year 2024, prepared using the budgetary basis of accounting, are presented below.

| Administrative Expenses (Budget vs. Actual) | | | | |
|---|--------------------|--------------------|------------------------|--------------------------|
| Fiscal Year Ended June 30, 2024 | | | | |
| Administrative Expenses | Budget | Actual | Under (Over) Budget | % of Budget Remaining |
| Salaries and benefits | \$5,952,017 | \$5,737,915 | \$ 214,102 | 4% |
| Services and supplies | 2,004,966 | 1,994,505 | 10,461 | 1% |
| Total expenses | \$7,956,983 | \$7,732,420 | \$ 224,563 | 3% |

| Administrative Expenses (Budget vs. Actual) | | | | |
|---|----------------------------|----------------------------|--------------------------|---------------------|
| Fiscal year ended June 30, 2024 | | | | |
| | Budget | Actual | Under (Over) Budget | % of Budget Used |
| Salaries and Benefits | | | | |
| Salaries | \$ 4,180,040 | \$ 3,955,775 | \$ 224,265 | 95% |
| Benefits | 1,771,977 | 1,782,140 | (10,163) | 101% |
| Total Salaries and Benefits | <u>5,952,017</u> | <u>5,737,915</u> | <u>214,102</u> | 96% |
| Services and Supplies | | | | |
| Board Expenses | 8,000 | 5,200 | 2,800 | 65% |
| Insurance | 110,000 | 143,620 | (33,620) | 131% |
| Medical Record and Hearing Services | 95,000 | 213,298 | (118,298) | 225% |
| Member Education | 68,000 | 61,845 | 6,155 | 91% |
| Education and Conference | 137,826 | 86,949 | 50,877 | 63% |
| Transportation and Lodging | 111,448 | 87,776 | 23,672 | 79% |
| Property and Equipment | 28,000 | 15,846 | 12,154 | 57% |
| General Office Supplies | 43,000 | 26,930 | 16,070 | 63% |
| Postage and Printing | 22,000 | 26,998 | (4,998) | 123% |
| Leased Facilities | 705,000 | 720,796 | (15,796) | 102% |
| County Services | 502,692 | 512,041 | (9,349) | 102% |
| Audit Services | 60,000 | 43,333 | 16,667 | 72% |
| Other Administration | 114,000 | 49,873 | 64,127 | 44% |
| Total Services and Supplies | <u>2,004,966</u> | <u>1,994,505</u> | <u>10,461</u> | 99% |
| Total | <u>\$ 7,956,983</u> | <u>\$ 7,732,420</u> | <u>\$ 224,563</u> | 97% |

Reconciliation of Administrative expenses between budgetary basis and accrual basis

| | |
|---|----------------------------|
| Total Administrative expenses (Budgetary Basis) | \$ 7,732,420 |
| Amortized lease expense | 32,938 ⁽¹⁾ |
| Total expenses (Accrual Basis) | <u>\$ 7,765,358</u> |

(1) GASB Statement No. 87 requires leases to be reported as lease asset and lease liability, wherever applicable, and both of which are amortized over the lease term. These standards resulted in a difference of \$32,938 between the above schedule and the Statement of Changes in Fiduciary Net Position.

Salaries and benefits. Actual expenses for salaries and benefits were \$5.7 million, slightly below projections by 4%.

- *Salaries* were slightly below budget by 5%. The Information Technology Manager position has been vacant for six months since January 2024, and recruitment was underway to fill the position.
- Benefits were marginally over budget by 1%, due primarily to the “Wellness Dividend Program” of \$11,500 that was not included in the adopted budget.

Services and Supplies. Total expenses were \$2.0 million, closely in alignment with the budget. Areas where actual expenses were either modestly or significantly lower than anticipated are discussed as follows:

- **Member Education.** The total number of classes delivered by Financial Knowledge Network (an entity hired to provide members' financial planning education) was less than anticipated. Additionally, payments from "no show" registrants slightly offset the expenses.
- **"Education and Conference" and "Transportation and Lodging".** Staff and trustees did not attend all seminars and conferences that were budgeted for, and that had domino effects on associated transportation and lodging outlays.
- **Property and Equipment.** Lease payments toward an advanced copier declined moderately as usage dwindled. Additionally, the plan to purchase ergonomic office equipment for staff was deferred to fiscal year 2024-25.
- **General Office Supplies.** The need to replenish office essentials fell short of expectations as the hybrid work schedules continued.
- **Audit Services.** Expenses reflected payment towards the 2023 final financial audit that was completed in October 2023. The remaining budget was designated for the 2024 interim audit that should have transpired in June 2024 but was postponed to July due to rescheduling. Audit services are usually carried out in two phases, with the interim audit before fiscal year-end and the final audit after fiscal year-end.
- **Other Administration.** This budget was predominantly reserved for external professional services concerning disability retirement and taxation. The aggregated number of complex tax issues as well as disability retirement hearings was substantially less than anticipated.

Areas where actual expenses significantly exceeded projections are discussed as follows:

- **Insurance.** In parallel with a 25% growth in SamCERA's portfolio over the last four fiscal years (from \$4.8 billion in 2020 to \$6.0 billion in 2023), Staff accepted the broker's recommendation to increase the liability coverage from \$10 million to \$20 million in aggregate.
- **Medical Record and Hearing Services.** A new medical reviewer was chosen to address the backlog in disability retirement determinations. This effort triggered a decent spike in independent medical examinations that were crucial to the final determinations.
- **Postage and Printing.** The cost of printing and mailing newsletters to members exceeded projections, due mainly to the price adjustment imposed by the vendor and the expanded distribution. In addition, the County acquired a new postage machine and asked departments, including SamCERA, to absorb the purchase cost based on usage.

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 following table shows the budget-to-actual analysis of technology expenses, prepared using the budgetary basis of accounting.

Information Technology Expenses (Budget vs. Actual)

Fiscal Year Ended June 30, 2024

| | Budget | Actual | Under (Over) Budget | % of Budget Remaining |
|--|---------------------|----------------------|------------------------|--------------------------|
| Computer equipment and software | \$ 25,000 | \$ 6,110 | \$ 18,890 | 76% |
| IT infrastructure - software license maintenance | 760,200 | 786,715 ^a | (26,515) | -3% |
| IT infrastructure - tools and equipment | 200,000 | 52,602 | 147,398 | 74% |
| IT infrastructure - contract IT services | 251,000 | 88,964 ^b | 162,036 | 65% |
| IT infrastructure - imaging | 25,000 | - | 25,000 | 100% |
| Technology research and development | 5,000 | 1,158 | 3,842 | 77% |
| IT subscription | 4,000 | - | 4,000 | 100% |
| Total expenses | \$ 1,270,200 | \$ 935,549 | \$ 334,651 | 26% |

Reconciliation of IT expenses between budgetary basis and accrual basis

| | |
|--|----------------------------|
| Total expenses (Budgetary Basis) | \$ 935,549 |
| Expenses reclassified to prepaid expenses | (15,167) ^{a (1)} |
| Expenses reclassified to prepaid expenses | (9,729) ^{a (2)} |
| Expenses reclassified to prepaid expenses | (80,506) ^{a (3)} |
| Expenses reclassified to prepaid expenses | (147,777) ^{a (4)} |
| Expenses reclassified to capital assets | (52,924) ^b |
| Depreciation | 859,222 ^c |
| Expenses reclassified from prior year prepaid expenses | 142,818 |
| Total expenses (Accrual Basis) | \$ 1,631,486 |

a The following are four key "software license maintenance" transactions, totaling \$436,670. Of this amount, \$183,491 was spent during the year, and the remaining \$253,179 was reported as prepaid expenses on the Statement of Fiduciary Net Position as of June 30, 2024.

- (1) \$22,751 to VMWare, a software offering a digital foundation for businesses to run an application on cloud, for three years of support and maintenance. Of this amount, \$15,167 remained intact as of June 30, 2024.
- (2) \$25,057 to Kofax, a software for business users to streamline document workflows. Of this amount, \$9,729 remained intact at fiscal year-end.
- (3) \$161,012 to Vitech for the maintenance support of the pension administration system software. Of this amount, \$80,506 remained intact at fiscal year-end.
- (4) \$227,850 to Vitech for system support service hours as the contract stipulated. Of this amount, \$147,777 remained intact at fiscal year-end.

b A total of \$52,924 was spent on various projects, including internet backup of \$5,394, audio/visual upgrade of \$12,530, web portal of \$15,000, and website redesign of \$20,000. The total was reported as capital assets on the Statement of Fiduciary Net Position as of June 30, 2024.

c Depreciation of \$859,222 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, 2024.

Areas where actual expenses were significantly under budget are as follows:

- **Computer Equipment and Software.** The budget for this category is to meet unforeseen needs of newly developed equipment and software, which were considerably lower than projected.
- **IT Infrastructure –Tools and Equipment.** The budget under this category was slated for two purposes: replacing staff laptops and upgrading SamCERA's WiFi network. New laptops (21 in aggregate) were acquired as planned, but the WiFi upgrade did not transpire as anticipated.
- **IT Infrastructure – Contract IT Services.** The initiative to conduct cyber security evaluations and implement constructive measures, with a total budget of \$150,000 for external consulting services, was put off to fiscal year 2024-25 due to being short-staffed.
- **IT Infrastructure – Imaging.** The project to convert paper documents to digital has been suspended as other projects took precedence.
- **Technology Research and Development (R&D).** The budget was not fully utilized as priorities were given to time-sensitive projects. The R&D budget provides staff with opportunities to explore new technologies that may enhance operational efficiency and member services.
- **IT Subscription.** Staff discontinued the subscription with Norex, an IT community where members can share and learn among peers through virtual and live events.

On the contrary, **IT Infrastructure – Software License Maintenance** encountered a budget overrun of \$26,515, due mainly to the combined effects of the following two events:

- To support ongoing enhancement of the pension administration system software (PASS), Staff purchased 713.5 additional service hours from Vitech at \$240 per hour totaling \$171,240. In contrast, the original budget was significantly lower with 400 service hours at \$250 per hour totaling \$100,000.
- The budget for hosting PASS on Amazon Web Services platform was overestimated by approximately \$42,200, offsetting nearly 60% of the budget overrun mentioned earlier.

Note 11: Risk Management

SamCERA is exposed to various risks of losses 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. Additionally, SamCERA purchased a separate general and an automobile liability of \$2 million per occurrence. The Retirement Board members and management 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 \$20 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: Treasurer, Controller, Procurement, Human Resources, Information Services, Public Works, Sheriff, and Elections. Payments for the services provided are on a cost-reimbursement basis.

Note 13: Commitments

As of June 30, 2024, SamCERA had a total “uncalled capital” of \$615.0 million with \$327.0 million in private equity investments, \$116.0 million in private real asset investments, \$56.0 million in real estate investments, and \$116.0 million in opportunistic 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.

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REQUIRED SUPPLEMENTARY INFORMATION

The schedule below displays the components of total pension liability, fiduciary net position, and net pension liability of all participating employers that were determined in conformity with requirements prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 67.

Schedule of Changes in Net Pension Liability and Related Ratios of Participating Employers

| Fiscal Years Ended June 30 | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|-------------------------|-------------------------|------------------------|------------------------|------------------------|
| Total Pension Liability | | | | | |
| Service cost | \$ 138,093,629 | \$ 127,087,071 | \$ 127,053,592 | \$ 120,103,792 | \$ 119,882,786 |
| Interest on total pension liability | 440,491,643 | 408,627,062 | 390,243,837 | 376,951,077 | 356,056,094 |
| Effect of assumption changes or inputs | - | 158,032,502 | - | 190,798,284 | 12,726,983 |
| Effect of economic/demographic gains | 118,764,020 | 104,095,708 | 60,711,252 | 3,782,768 | 78,235,977 |
| Benefit payments and refund of contributions | (322,508,198) | (302,829,608) | (280,909,528) | (262,151,934) | (245,821,142) |
| Net change in total pension liability | 374,841,094 | 495,012,735 | 297,099,153 | 429,483,987 | 321,080,698 |
| Total pension liability, beginning | 6,881,892,780 | 6,386,880,045 | 6,089,780,892 | 5,660,296,905 | 5,339,216,207 |
| Total pension liability, ending (a) | \$ 7,256,733,874 | \$ 6,881,892,780 | \$6,386,880,045 | \$6,089,780,892 | \$5,660,296,905 |
| Fiduciary Net Position | | | | | |
| Employer contributions | \$ 185,572,103 | \$ 248,938,203 | \$ 249,946,179 | \$ 265,002,472 | \$ 198,582,998 |
| Member contributions | 82,330,650 | 77,666,128 | 73,967,823 | 73,966,484 | 70,630,765 |
| Investment income (loss) net of investment expenses | 540,652,056 | 341,245,832 | (366,626,155) | 1,133,176,546 | 42,392,222 |
| Benefit payments and refund of contributions | (322,508,198) | (302,829,608) | (280,909,528) | (262,151,934) | (245,821,142) |
| Administrative and technology expenses | (9,396,844) | (9,652,501) | (8,789,823) | (8,409,931) | (8,392,465) |
| Net change in fiduciary net position | 476,649,767 | 355,368,054 | (332,411,504) | 1,201,583,637 | 57,392,378 |
| Fiduciary net position, beginning | 6,005,042,500 | 5,649,674,446 | 5,982,085,950 | 4,780,502,313 | 4,723,109,935 |
| Fiduciary net position, ending (b) | \$ 6,481,692,267 | \$ 6,005,042,500 | \$5,649,674,446 | \$5,982,085,950 | \$4,780,502,313 |
| Net pension liability, ending = (a) - (b) | \$ 775,041,607 | \$ 876,850,280 | \$ 737,205,599 | \$ 107,694,942 | \$ 879,794,592 |
| Fiduciary net position as a % of total pension liability | 89.32% | 87.26% | 88.46% | 98.23% | 84.46% |
| Covered payroll⁽¹⁾ | \$ 676,865,990 | \$ 631,144,281 | \$ 611,956,610 | \$ 600,368,542 | \$ 593,295,084 |
| Net pension liability as a % of covered payroll | 114.50% | 138.93% | 120.47% | 17.94% | 148.29% |

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

Note:

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.

In 2023, based on the results from the Triennial Experience Study, the Board adopted new demographic and economic assumptions for the valuation as of June 30, 2023.

In 2024, the Board adopted the actuary's recommendations to use the same assumptions adopted in 2023 for the valuation as of June 30, 2024.

Schedule of Changes in Net Pension Liability and Related Ratios of Participating Employers (Continued)

| Fiscal Years Ended June 30 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| Total Pension Liability | | | | | |
| Service cost | \$ 108,644,383 | \$ 107,738,142 | \$ 96,411,681 | \$ 96,308,679 | \$ 90,955,831 |
| Interest on total pension liability | 336,260,838 | 319,776,913 | 306,404,154 | 290,843,506 | 272,953,777 |
| Effect of assumption changes or inputs | 167,870,889 | - | 147,541,839 | 85,538,873 | - |
| Effect of economic/demographic gains | 91,316,336 | 27,753,956 | 4,834,605 | 17,875,272 | 50,655,233 |
| Benefit payments and refund of contributions | (227,185,123) | (209,054,603) | (193,240,280) | (182,863,698) | (171,466,218) |
| Net change in total pension liability | 476,907,323 | 246,214,408 | 361,951,999 | 307,702,632 | 243,098,623 |
| Total pension liability, beginning | 4,862,308,884 | 4,616,094,476 | 4,254,142,477 | 3,946,439,845 | 3,703,341,222 |
| Total pension liability, ending (a) | \$5,339,216,207 | \$4,862,308,884 | \$4,616,094,476 | \$4,254,142,477 | \$3,946,439,845 |
| Fiduciary Net Position | | | | | |
| Employer contributions | \$ 245,498,411 | \$ 207,256,713 | \$ 198,727,135 | \$ 191,094,488 | \$ 180,704,280 |
| Member contributions | 67,695,627 | 64,204,278 | 62,160,101 | 56,068,706 | 48,011,698 |
| Investment income (loss) net of investment expenses | 271,691,483 | 280,146,398 | 436,675,706 | 29,299,764 | 111,630,036 |
| Benefit payments and refund of contributions | (227,185,123) | (209,054,603) | (193,240,280) | (182,863,698) | (171,466,218) |
| Administrative and technology expenses | (8,551,977) | (7,293,262) | (7,009,169) | (6,687,091) | (6,097,422) |
| Net change in fiduciary net position | 349,148,421 | 335,259,524 | 497,313,493 | 86,912,169 | 162,782,374 |
| Fiduciary net position, beginning | 4,373,961,514 | 4,038,701,990 | 3,541,388,497 | 3,454,476,328 | 3,291,693,954 |
| Fiduciary net position, ending (b) | \$4,723,109,935 | \$4,373,961,514 | \$4,038,701,990 | \$3,541,388,497 | \$3,454,476,328 |
| Net pension liability, ending = (a) - (b) | \$ 616,106,272 | \$ 488,347,370 | \$ 577,392,486 | \$ 712,753,980 | \$ 491,963,517 |
| Fiduciary net position as a % of total pension liability | 88.46% | 89.96% | 87.49% | 83.25% | 87.53% |
| Covered payroll ⁽¹⁾ | \$ 554,734,196 | \$ 535,937,622 | \$ 510,132,014 | \$ 472,384,955 | \$ 439,017,764 |
| Net pension liability as a % of covered payroll | 111.06% | 91.12% | 113.18% | 150.88% | 112.06% |

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

Note:

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.

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

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

| Schedule of Employer Contributions | | | | | | | |
|------------------------------------|---|------------------------------------|--|---------------------------------|---|------------------------------------|------|
| 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 | |
| 2015 | \$ 169,814,170 | \$ 180,704,280 | \$(10,890,110) | \$ 439,017,764 | 38.68% | 41.16% | 2 |
| 2016 | 170,046,059 | 191,094,488 | (21,048,429) | 472,384,955 | 36.00% | 40.45% | 2, 3 |
| 2017 | 164,877,135 | 198,727,135 | (33,850,000) | 510,132,014 | 32.32% | 38.96% | 2, 3 |
| 2018 | 179,626,584 | 207,256,713 | (27,630,129) | 535,937,622 | 33.52% | 38.67% | 2 |
| 2019 | 194,830,054 | 245,498,411 | (50,668,357) | 554,734,196 | 35.12% | 44.26% | 2 |
| 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% | 2 |
| 2022 | 234,746,179 | 249,946,179 | (15,200,000) | 611,956,610 | 38.36% | 40.84% | 2 |
| 2023 | 238,938,203 | 248,938,203 | (10,000,000) | 631,144,281 | 37.86% | 39.44% | 4 |
| 2024 | 175,572,103 | 185,572,103 | (10,000,000) | 676,865,990 | 27.42% | 25.94% | 4 |

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

² The County contributed additional funding of \$10.0 million plus the difference in the actuarially determined contribution rate and 37.14%.

³ 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 its actuarially determined contribution, respectively.

⁴ The County contributed additional funding of \$10.0 million to accelerate the pay down of its UAAL.

The table below denotes the money-weighted rate of return that measures investment performance, net of investment manager expenses, adjusted for the changing amounts invested.

| Schedule of Investment Returns | | | | | |
|---|-------|-------|-------------------|-------------------|--------|
| Fiscal Years Ended June 30 | | | | | |
| | 2024 | 2023 | 2022 ³ | 2021 ² | 2020 |
| Annual money-weighted rate of return, net of investment manager expenses ¹ | 9.12% | 5.12% | -4.51% | 24.29% | -0.26% |
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Annual money-weighted rate of return, net of investment manager expenses ¹ | 5.26% | 6.53% | 12.48% | 0.49% | 3.37% |

Note : The time-weighted rate of return for fiscal year 2024 was 9.2%, which calculated 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% for fiscal year 2022 from 24.29% for fiscal year 2021, 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, 2024, are determined by the actuarial valuation as of June 30, 2022. Details of actuarial methods and assumptions selected for the 2022 valuation are summarized on page 84.

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 included 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%. In July 2014, the Board also approved several changes in demographic assumptions based on the 2014 Triennial Experience Study. The key changes included a slight reduction in retirement rate, an 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 reduced 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 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 employer contribution rate, small decreases in member contribution rates for Plan 7, and small increases in member contribution rates for all other plans.

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 reaffirmed the assumptions from 2021 for the June 30, 2022 valuation. The approved economic assumptions were as follows: investment return at 6.25%, inflation at 2.50%, wage growth 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 to be phased in for the second year of the 3-year period.

In May 2023, the Board approved some changes to economic assumptions, most notably a 0.25% increase to the inflation, wage growth, and payroll growth assumptions. In July 2023, as a result of the Triennial Experience Study, the Board adopted certain changes to demographic assumptions. The new assumptions resulted in a slight decrease in the funded status and a modest increase in the employer and employee contribution rates effective July 1, 2024.

In June 2024, the Board adopted Milliman's recommendation to make no changes to the existing assumptions that were used for last year's valuation. The economic assumptions to be used for the 2024 valuation were: investment return at 6.25%, local inflation at 2.75%, wage growth at 3.25%, and payroll growth at 3.25%.

Below is a summary of methodologies and assumptions employed for the 2022 valuation. The results from this valuation were used to determine contribution rates for participating employers and members effective from July 1, 2023.

| Actuarial Valuation as of June 30, 2022 (For Funding Purposes) | |
|--|---|
| Valuation Date | June 30, 2022 |
| 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 | 6.25%, net of plan investment and administrative expenses |
| 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, 2022 actuarial valuation report for details. |
| Retirement | See June 30, 2022 actuarial valuation report for details. |
| Disablement | See June 30, 2022 actuarial valuation report for details. |
| Mortality | See June 30, 2022 actuarial valuation report for details. |

SUPPLEMENTARY INFORMATION

The schedule below offers details on administrative expenses incurred by San Mateo County Employees' Retirement Association (SamCERA) during the reporting period.

Schedule of Administrative Expenses

Fiscal Year Ended June 30, 2024

Salaries and Benefits

| | |
|------------------------------------|-------------------------|
| Salaries | \$ 3,955,775 |
| Benefits | 1,782,140 |
| Total Salaries and Benefits | <u>5,737,915</u> |

Services and Supplies

| | |
|--------------------------------------|----------------------------|
| Board Expenses | 5,200 |
| Insurance | 143,620 |
| Medical Record and Hearing Services | 213,298 |
| Member Education | 61,845 |
| Education and Conference | 86,949 |
| Transportation and Lodging | 87,776 |
| Property and Equipment | 15,846 |
| General Office Supplies | 26,930 |
| Postage and Printing | 26,998 |
| Leased Facilities | 753,734 |
| County Services | 512,041 |
| Audit Services | 43,333 |
| Other Administration | 49,873 |
| Total Services and Supplies | <u>2,027,443</u> |
| Total Administrative Expenses | <u>\$ 7,765,358</u> |

The schedule below offers details on information technology expenses incurred by SamCERA during the reporting period.

Schedule of Information Technology Expenses

Fiscal Year Ended June 30, 2024

| | |
|--|----------------------------|
| Computer equipment and software | \$ 6,110 |
| IT infrastructure - software license maintenance | 676,354 |
| IT infrastructure - tools and equipment | 52,602 |
| IT infrastructure - contract IT services | 36,040 |
| Technology research and development | 1,158 |
| Depreciation | 859,222 |
| Total Information Technology Expenses | <u>\$ 1,631,486</u> |

The schedule below provides details on investment expenses incurred by SamCERA during the reporting period.

| Schedule of Investment Expenses | |
|--|-----------------------------|
| Fiscal Year Ended June 30, 2024 | |
| Investment Management Fees (by Asset Class) | |
| Public Equity | \$ 4,239,157 |
| Fixed Income | 12,451,416 |
| Alternatives | 14,172,257 |
| Inflation Hedge | 11,258,042 |
| Cash | 1,227,652 |
| Total Investment Management Fees | <u>43,348,524</u> |
| Other Investment Expenses | |
| Investment Consultant | 607,934 |
| Actuarial Consulting | 161,895 |
| Master Custodian | 344,675 |
| Other Professional Services | 129,915 |
| Total Other Investment Expenses | <u>1,244,419</u> |
| Other Investment Related Expense | <u>16,285,542</u> |
| Interest Paid on Prepaid Contributions | <u>3,416,004</u> |
| Total Investment Expenses | <u><u>\$ 64,294,489</u></u> |

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.

| Schedule of Payments to Consultants (Other Than Investment Advisors) | |
|---|--------------------------|
| Fiscal Year Ended June 30, 2024 | |
| Custodian Services | |
| Northern Trust Corporation | \$ 344,675 |
| Actuarial Consulting Services | |
| Milliman, Inc. | 161,895 |
| Audit Services ⁽¹⁾ | |
| Brown Armstrong Accountancy Corporation | 43,333 |
| Other Professional Services | <u>129,915</u> |
| Total Payments to Consultants | <u><u>\$ 679,818</u></u> |

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

NOTES TO THE SUPPLEMENTARY INFORMATION**Administrative Services Budget**

The passage of Assembly Bill 609 in October 2010 changed the County Employees' Retirement Law of 1937's (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 they 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, 2024

2024 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule of Cost-Sharing Employer Allocations

The Schedule of Cost-Sharing Employer Allocations shows how pension liabilities and related costs are distributed among participating employers.

| Schedule of Cost-Sharing Employer Allocations (GASB Statement No. 68) | | | | |
|---|-------------------------------------|--|---|-----------------------------|
| Fiscal Year Ended June 30, 2024 | | | | |
| Employer | Actual Employer Contributions | Actuarially Determined Contributions | Employer Proportionate Share ¹ | Net Pension Liability |
| County of San Mateo | \$177,607,312 | \$167,607,312 | 95.4635% | \$ 739,882,010 |
| San Mateo County Superior Court | 7,257,038 | 7,257,038 | 4.1334% | 32,035,308 |
| San Mateo County Mosquito & Vector Control District | 707,753 | 707,753 | 0.4031% | 3,124,289 |
| Total | \$185,572,103 | \$175,572,103 | 100.0000% | \$ 775,041,607 |

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, 2024, and (4) GASB Statement No. 68 Actuarial Valuation based on a June 30, 2024, Measurement Date for Employer Reporting as of June 30, 2024, 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, 2024, 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, 2023 (the beginning of the measurement period ended June 30, 2024).

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/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, 2024, is recognized over the average expected remaining service lives of all employees that are provided with pensions through the pension plan determined as of the beginning of the measurement period.

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



Investment Section

1987

1989

1986

1988

San Mateo County Board of Supervisors provided for the payment of member contributions on a pre-tax basis.

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Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

On behalf of SamCERA's investment team, I am pleased to report on the pension fund's investments and portfolio performance for the period ended June 30, 2024. 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 fair value increased to \$6.482 billion as of June 30, 2024, as the net combination of portfolio appreciation and contributions, less total deductions (i.e., benefits paid, administrative expense, etc.), added approximately \$477 million to the fund.

SamCERA's portfolio returned 9.2% net of investment management fees for the fiscal year ended June 30, 2024, underperforming SamCERA's policy benchmark return of 11.7% by 2.5%. This fiscal-year performance resulted in below median performance relative to SamCERA's peers, as defined by large (greater than \$1 billion in assets) public plans. Table One below shows net performance characteristics for the total fund over 1, 3, 5, and 10- year trailing periods ending June 30, 2024.

Table One: SamCERA Total Fund Net Performance Characteristics Ended June 30, 2024

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---------------------------------------|-------------|-------------|-------------|-------------|
| SamCERA Return | 9.2% | 3.2% | 6.4% | 6.1% |
| Benchmark Return | 11.7% | 4.4% | 7.4% | 6.7% |
| Excess Return | -2.5% | -1.2% | -1.0% | -0.6% |
| Peer Rank Return (Percentile) | 59th | 47th | 79th | 66th |
| SamCERA Risk (Standard Deviation) | 6.3 | 7.4 | 8.4 | 7.5 |
| Benchmark Risk (Standard Deviation) | 6.9 | 8.6 | 9.0 | 7.9 |
| Peer Median Risk (Standard Deviation) | 7.9 | 9.0 | 10.1 | 8.3 |
| SamCERA Sharpe Ratio | 0.6 | 0.1 | 0.5 | 0.6 |
| Benchmark Sharpe Ratio | 0.9 | 0.2 | 0.6 | 0.7 |
| Peer Median Sharpe Ratio | 0.6 | 0.1 | 0.5 | 0.6 |

SamCERA's portfolio had lower returns than its policy benchmark over all historical periods. However, consistent with its risk-based approach, SamCERA's portfolio also exhibited lower risk levels to its policy benchmark (and the median plan) over all historical periods. Taken together, the more significant underperformance over the past year impacted longer-term periods and resulted in lower risk-adjusted returns over all periods, while relative to the median plan, the portfolio matched the risk-adjusted returns over all periods.

Return/Risk Measure

As described in the Investment Objectives section of SamCERA's Investment Policy Statement, SamCERA focuses on "risk-adjusted" returns to compare how much return was generated given the risk (measured by standard deviation of returns) taken to achieve that return. This is typically measured as the Sharpe Ratio. The higher the ratio, the better, as it measures the return provided per unit of risk taken. For example, if a fund has a lower return than the benchmark but also a much lower risk level (as measured by standard deviation of returns), it may result in a higher risk-adjusted outcome. Conversely, if a fund has a higher return but also takes higher 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, 2024.

Table Two: SamCERA Composite Net Performance for Trailing Year Ended June 30, 2024

| Composite | Allocation (%) | Composite Return | Benchmark Return | Excess Return |
|------------------|-----------------------|-------------------------|-------------------------|----------------------|
| Growth | 58.7 | 13.6% | 19.5% | -5.9% |
| Diversifying | 18.2 | 4.2% | 3.6% | 0.6% |
| Inflation Hedge | 16.4 | 0.9% | -2.5% | 3.4% |
| Liquidity | 6.7 | 5.6% | 5.0% | 0.6% |

All four composites had positive returns for the fiscal year. Growth was the best performing composite and returned 13.6%, while Inflation Hedge returned 0.9% and was the lowest returning composite. Liquidity returned 5.6%, while Diversifying returned 4.2%.

Three of the composites had positive relative returns compared to their respective benchmark, with Inflation Hedge outperforming by 3.4% (even though it was our lowest returning composite on an absolute basis). Liquidity and Diversifying both outperformed by 0.6%, while Growth underperformed by 5.9%.

Market Review

The U.S. economy has continued to show impressive resiliency, especially the job market. This resulted in equity markets rallying aggressively, especially in the second half of the fiscal year. The breadth of the rally continued to be narrow and driven mostly by generative AI hype, as large technology stocks such as Nvidia, Meta, Alphabet, Microsoft, and Apple led the market higher. The market-capitalization weighted S&P 500 Index was up 15.3% during the six months ended June 2024. For comparison, the equal-weighted S&P 500 index was up only 5.1%, or one third as much as the market-weighted index (which has a much larger weighting to the big technology companies). For the full fiscal year, the S&P 500 Index was up 24.6%, while the equal weighted version was up less than half that at 11.8%.

The U.S. Federal Reserve last hiked short-term rates in July, and then paused for the remainder of the fiscal year to assess market conditions. As of the date of this writing, it is looking like the Fed will begin cutting rates starting in September. The current Fed Funds upper range is 5.5%, which is the highest rate in over 22 years.

The improvement on the fight against the rate of inflation stalled a bit during the year as shelter inflation proved to be stickier than expected, although the U.S. Federal Reserve has communicated (and the markets fully expect) it to begin cutting rates in September. The year-over-year percent change in the U.S. Consumer Price Index for All Urban Consumers (CPI-U) was 3.0% as of the end of the fiscal year, which is off substantially from the 9.1% increase seen in June 2022. However, this is still higher than the Fed's stated 2% inflation target.

The U.S. equity market (as measured by the Russell 3000 Index, a broad basket of U.S. stocks) returned 23.1%. Large-capitalization stocks in the U.S. (as measured by the Russell 1000 Index) were higher by 23.9%, while smaller-capitalization stocks (as measured by the Russell 2000 Index) were higher by 10.1%.

International equity markets also increased during the fiscal year. The developed international equity market, as measured by the MSCI EAFE, was up 11.5%, while emerging market equity, as measured by the MSCI Emerging Markets Index, returned 12.5%.

Turning to fixed income, there was substantial interest rate volatility during the fiscal year as market participants adjusted their expectations for rate cuts throughout the year. For example, the 10-year rate ended last fiscal year at 3.81%. It shot up to just under 4.6% by the end of September, before drifting back down to 3.9% by year end. Then it increased to 4.2% by the end of March before ending up at 4.36% by the end of June. While longer-term interest rates increased, shorter-term two-year rates fell. The two-year rate is most sensitive to expectations of U.S. Federal Reserve actions and reflects the markets' belief that rate cuts are imminent. The yield curve was still inverted during the year, which is when short-term rates are higher than longer-term rates. The inversion lessened towards the end of the year as market participants expect the Fed to begin its interest rate cut cycle in September. The 10-

year U.S. Treasury yield increased 0.55% during the fiscal year, ending at 4.36%, up from 3.81% at the beginning of the fiscal year.

The broad U.S. bond market (as measured by the Bloomberg Barclays U.S. Aggregate Index) returned 2.6% on the year. Even though interest rates rose during the year, core fixed income still had positive returns due in part to the higher yields prevalent in the market, which act as a cushion when rates increase. This feature makes fixed income more compelling than it has been in the past few years.

Portfolio Activities / Changes

In November, SamCERA approved replenishing the cash flow match pool to include fiscal year 2026's net cash flows, while also adding an additional year's worth (fiscal year 2027), resulting in pre-funding the next four years' worth of expected net benefit payments (for fiscal years 2024, 2025, 2026, and 2027). No additional new money is expected to be needed, due to higher expected contributions into the plan and higher fixed income yields. As a result, there were no changes to SamCERA's current asset allocation.

SamCERA evaluates potential cash flow match replenishment on an annual basis after its actuarial valuation is completed for the most recent fiscal year end. This annual evaluation is expected to take place during the 4th quarter.

In the Growth category, we continued building out and further diversifying our opportunistic credit portfolio. First, we added a new \$60 million dedicated securitized credit strategy funded from cash. In addition, we also added a new \$60 million dedicated emerging market debt strategy, funded via a combination of rebalancing from other opportunistic credit managers (\$20 million) and the balance from cash (\$40 million). SamCERA also made commitments worth \$111 million to five new private equity partnerships. SamCERA has \$847.5 million in total commitments in its private equity program across venture capital, buyouts, and special situations.

Within the Diversifying category, we restructured and downsized our absolute return portfolio. One of the strategies in the portfolio closed and returned money to investors. We took the opportunity to reallocate a portion of the proceeds to the remaining three strategies within absolute return, with the remainder going into defensive fixed income (also within Diversifying). The net result is we are slightly overweight to defensive fixed income and underweight to absolute return.

In the Inflation Hedge category, SamCERA made commitments worth \$80 million to three new infrastructure partnerships in its private real assets program, bringing total commitments to \$499.8 million within private real assets. In addition, SamCERA's board approved a \$35 million commitment to Beach Point Capital Real Estate Debt Fund for its real estate portfolio.

The table below summarizes the current interim policy (which was effective July 1, 2023). The long-term strategic asset allocation policy will include a 1% increase to Private Equity (funded from public equity), which will take multiple quarters to reach the target.

| SamCERA Interim Asset Allocation Policy | | |
|---|------------------------------|-------------------------|
| | Current Interim Policy | Long- Term Policy |
| Growth | 59.0% | 59.0% |
| Domestic Equity | 23.0% | 22.0% |
| International Equity | 18.0% | 18.0% |
| Private Equity | 7.0% | 8.0% |
| Opportunistic Credit | 11.0% | 11.0% |
| Diversifying | 18.5% | 18.5% |
| Defensive Fixed | 12.5% | 12.5% |
| Absolute Return | 6.0% | 6.0% |
| Inflation Hedge | 17.0% | 17.0% |
| Public Real Assets | 3.0% | 3.0% |
| Real Estate | 9.0% | 9.0% |
| Private Real Assets | 5.0% | 5.0% |
| Liquidity | 5.5% | 5.5% |
| Cash Flow Matched | 4.5% | 4.5% |
| Cash & Cash Equivalents | 1.0% | 1.0% |

Conclusion

SamCERA continues to maintain a primary emphasis on risk control and ensuring that it has sufficient liquidity available to meet its benefit payments. With the establishment of a dedicated cash-flow match strategy, SamCERA will be better able to opportunistically take advantage of return-seeking opportunities across the portfolio during market volatility. 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 9, 2024

INVESTMENT CONSULTANT'S REPORT ON INVESTMENT ACTIVITIES



September 13th, 2024

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

Dear Board Members:

2024 Summary

Risk assets have delivered strong performance over the past year, with the front half of 2024 acting as a continuation of 2023. Expectations for a recession fell by the wayside, as economic growth proved to be resilient. The "soft landing" narrative was strengthened, as inflation has slowed down, while the economy has continued to grow. In more recent months, some economic data has shown signs of cooling, specifically in the labor market. However, it appears that much of this slowdown may be a return to normalcy that reflects pre-pandemic conditions, instead of a labor market that would precede a coming recession. Expectations for interest rate cuts were far more ambitious a year ago, but markets have now solidified expectations that the Federal Reserve will begin cutting interest rates before the end of the year, providing a tailwind to both equities and fixed income.

Risk assets outside of the United States continued to lag the domestic market. Developed economies largely experienced stagnation, as the Eurozone saw very low GDP growth, the U.K. emerged from recession, and the Japanese economy contracted. Despite poor growth, falling inflation allowed the European Central Bank to cut interest rates in June, which provided a tailwind for risk assets. In emerging economies, China has remained a prominent story, with population decline and a tumbling housing market threatening its future growth prospects. Two main emerging market countries have outperformed most risk assets: Taiwan continues to benefit from its exposure to semiconductors amid growing AI investment, while India has delivered strong economic growth across its economy.

U.S. Equity

Domestic shares expanded upon the previous year's outperformance during the first half of 2024, beating both developed and emerging market equities. The S&P 500 index advanced +24.6% over the past year as U.S. equities prove to be the best performing asset class. Concerns have bubbled up over increasing absolute and relative valuations, leading to some fears of a correction. However, domestic stocks have climbed further as investment in artificial intelligence (AI) boosted earnings expectations, and lower inflation has led to expectations for a handful of interest rate cuts in the fall.

Index concentration remains an important story in U.S. equity markets, with the S&P 500 Equal Weighted Index significantly lagging the flagship index, returning just +11.8% over the last year. However, there appears to have been a split within the "Magnificent Seven", with some notable companies outperforming the rest. Nvidia is still the headline story of the AI investment boom, returning +192.1% over the last year, while delivering earnings growth of +629%. While none of the other companies have matched the success of Nvidia, Meta (+76.1%), Google (+52.3%), Amazon (+48.2%) and Microsoft (+32.3%) have all outperformed the index while delivering strong earnings growth. Apple (+9.2%) and Tesla (-24.4%) have both lagged after reporting revenue declines in Q1.

These Magnificent Seven movements have had substantial implications on size and style investing, which have both seen significantly widening gaps from the previous year. Over the last year, Growth has returned +33.5%, significantly outperforming the +13.1% gain from Value. Small cap (Russell 2000 Index)

has also failed to deliver excess returns, gaining just +10.1% over the last year, lagging the +23.9% gain posted by the large cap Russell 1000 Index.

Investors will be watching earnings closely, especially those of technology companies that have gained due to rosy expectations around artificial intelligence. With forward valuations hovering around one standard deviation above the 10-year average, markets are pricing in double-digit earnings growth over the next couple years. Markets are hoping for earnings to meet these expectations, and for companies involved in AI investment to start showing strong profitability across those products and services.

International Equity

International equities posted gains in the first half of 2024, although these markets were unable to match the remarkable performance of U.S. equities. Emerging markets barely outperformed international developed shares, which benefitted from higher exposure to semiconductor stocks, and a more growth-oriented set of companies. The MSCI EM Index has returned +12.5% over the last year, just over the +11.6% gain of the MSCI EAFE Index.

International developed shares performed well, despite some very material weaknesses in the macroeconomic picture. Japanese equities, the largest country weight in the MSCI EAFE index, saw the strongest performance, with the TOPIX returning +12.7% in unhedged currency terms, and +32.5% in hedged currency terms. The Japanese Yen has declined -10.2% relative to the dollar over the past six months, which played a part in boosting exports that become cheaper with a weakening currency. High earnings growth, as well as the end of negative interest rate policy and deflation, have provided a tailwind to Japanese equity markets over the last year. In Europe, falling inflation and an interest rate cut in June lifted an equity market that had otherwise been held back by very low growth. In the past year, the Euro Stoxx 50 returned +12.0% in unhedged currency terms, and +16.3% in hedged currency terms.

Emerging market equities narrowly outperformed international developed equities, while lagging the United States, returning +12.5% in unhedged currency terms, and +15.8% in hedged currency terms, over the last year. Technology exposure is responsible for much of the growth in emerging markets. Taiwan, the second-largest weight in the MSCI EM Index, holds a 70% weight in Information Technology. This provided a substantial tailwind, since the MSCI Taiwan Index returned +41.4% over the past year as TSMC (who alone makes up 50% of the MSCI Taiwan Index) is the world's largest manufacturer of semiconductors, producing chips for companies including Nvidia and Apple. India has also performed well, with the MSCI India Index posting a +34.9% gain. India's GDP has been growing on an average pace of 6-7% per year, with policies supportive of economic growth and strong positioning within global supply chains.

Fixed Income

Fed policy expectations continued to dominate risk asset behavior over the past year. One year ago, markets were expecting four interest rate cuts by the end of 2024. At the end of 2023, the market expected four rate cuts to occur in the first half of 2024, with two more in the second half of the year. Instead, there have been no rate cuts, with just two or three priced in before the end of 2024. Interest rates staying higher for longer has been a headwind for long-duration assets over the past year (Bloomberg U.S. Treasury Long -5.6%), as the two-year yield moved from 4.90% to 4.77%, and the ten-year yield moved from 3.84% to 4.40%.

As of June, it had been 11 months since the Federal Reserve implemented its final interest rate hike. Comments made by FOMC members have suggested that higher interest rates have had a material impact on economic activity and have been effective at slowing inflation. With inflation down to 3.0% for CPI and 2.6% for Core PCE (the Fed's preferred inflation gauge), and cooling labor market numbers, the Fed has signaled it is time to cut rates.

Core fixed income (Bloomberg U.S. Aggregate) has risen just +2.6% over the past year, as yield increases have outweighed the benefits of the higher rate environment. The shorter end of the curve fared much better than the long end, returning +4.5% throughout the same period. Investors were compensated by taking credit risk, as emerging market debt in hard currency terms (+9.2%), high yield (+10.4%), and Bank Loans (+11.1%) all provided excess returns to investors as spreads have contracted throughout much of the last year. Emerging market debt in local currency terms gained just +0.7%, the only major credit sub-index to underperform treasuries, which gained +5.5%.

Credit conditions have held up surprisingly well over the past year, with default activity slowing down as fears around weaker economic growth have been fading. Spreads continued to contract, with high-yield and investment grade option adjusted spreads moving from 390 bps to 309 bps and 123 bps to 94 bps, respectively. More recently, default activity has slowed down to \$37B in default/distressed exchanges taking place in the first half of 2024, which was -14% lower than the same period last year. Eighty percent of that default activity has come from bank loans, which is the largest gap between the two asset classes in the last ten years. High yield default rates are down to 1.8%, materially lower than the long-term average of 3.4%.

Commodities

After fiscal year 2022-2023's -9.6% decline in commodity prices, some of those losses were regained, with the Bloomberg Commodity Index rising +5.0% over the last year. A large driver of these gains was an increase in Energy prices, with Brent Crude Oil contracts increasing +21.6% over the past year. Early in the year, OPEC+ agreed to cut production, and while the group are considering increasing production again later in the year, the market is expecting inventory to decline due to the high demand of summer months. Grains, the second largest weight in the index, declined -19.7% over the first half of the year, as favorable weather has led to an increase in supply, while demand for U.S. crops has declined in favor of cheaper Brazilian crops. Industrial Metals (+13.0%), Precious Metals (+22.5%), Softs (+17.7%), and Livestock (+2.4%) make up the other half of the index, providing a boost in performance to the overall commodity complex.

Currency

The story within currency markets so far in 2024 has been one of dollar strength, with the dollar trading stronger against its three major pairs. The DXY increased from 102.9 to 105.9 over the course of the past year. The Pound Sterling and Euro both weakened against the dollar, declining -0.6% and -1.8%, respectively. Much of this decline is likely due to the carry trade that favored the U.S. dollar. The European Central Banks cut interest rates in June, while the Federal Reserve has waited to cut interest rates. This differential means that holding the dollar pays more than holding the Euro, incentivizing investors to buy the dollar, and sell the Euro. The Japanese Yen saw more extreme movements against the dollar, falling -10.2%. The interest rate differential between the U.S. and Japan is far greater than either of the European currencies, with the Bank of Japan recently exiting many years of a negative interest rate environment earlier in 2024. It's widely believed that the BoJ sold U.S. dollars to offset some of the declines that the yen was experiencing.

Outlook

The last year has been strong for risk assets, as AI-related investments led to a rally in mega cap technology companies, and broader fears of a recession began to flame out at the beginning of 2024. It is looking more likely that the Federal Reserve was successful in engineering a soft landing, something that has arguably only been done once before, in the mid-1990s. There are some signs of late cycle behavior, with high asset valuations, tight credit spreads, and strong economic growth. However, falling inflation and a steepening yield curve as interest rates are cut have traditionally been indicative of a trough in the business cycle. If some of these characteristics take place without a recession, it could give way for a "reset" to the beginning of a new cycle, where easing policy can create conditions for a period of sustained growth.

While growth has been resilient and there are expectations for interest rates cuts, both domestic equity and credit markets appear to be priced optimistically. Equity markets are priced for high earnings growth, which creates downside risks in the case that efficiency gains in AI do not live up to expectations or prove to be costly and with a longer time horizon to profitability. There have also been some signs of consumer weakness in lower-income segments, as many families are still struggling to adjust to higher price levels and have not seen commensurate gains in wages. Credit spreads are historically low, and a decrease in profitability among companies could result in some equity-like volatility, should a broader contraction take place. Internationally, the Eurozone continues to face poor growth, despite interest rate cuts, while poor demographic trends in China still weigh on investor sentiment. While investors have seen strong returns over the past fiscal year, material risks remain and high valuations could create an environment for a some downside mean reversion, should signs of weakness begin to show and optimistic forecasts not come to fruition.

Plan Investment Results

The San Mateo County Employees' Retirement Association Total Plan returned 9.2% net of fees for the fiscal year ended 6/30/24. The Total Plan lagged its policy index for this time-period. For the fiscal year, the Total Plan ranked in the 59th percentile for Public Fund Defined Benefit Plans greater than \$1 billion. SamCERA has positioned itself as a more conservative plan by having a lower equity allocation than peers. Despite this, SamCERA return was slightly below the median of its peer group during the fiscal year.

The U.S. Equity portfolio lagged its U.S. equity policy benchmark on a net of fee basis during the fiscal year (20.7% versus 23.1% for the Russell 3000 Index) which placed it in the 58th percentile of its peers. Within U.S. Equity, the low volatility manager has a lower beta and is more diversified than its Russell 1000 Index benchmark. The strategy underperformed the broader U.S. Markets.

During the fiscal year, the International Equity Composite lagged its composite benchmark, returning 9.9% net of fees compared to 14.5% for the MSCI ACWI ex-US IMI Index (50% hedged). SamCERA's international growth and value managers both lagged their respective benchmarks during the 1-year time period.

For the fiscal year, the Private Equity composite ranked in the top 17th percentile of peers at 9.0% but failed to keep up with the public market equivalent benchmark, the Russell 3000 +3% which gained 32.3%. Private Equity valuations are typically slower to react to market adjustments and will have lagging valuations, which was the primary reason for relative underperformance.

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 0.9% compared to -2.5% for the blended Inflation Hedge index. SamCERA's real estate and private real asset portfolios beat their benchmarks by 1.5% and 7.6% respectively.

The Inflation Hedge portfolio, Fixed Income asset class, and Liquidity strategy outperformed during the Fiscal Year, but couldn't overcome the conservative implementation and benchmark mismatch (Private Equity) in the Growth portfolio.

Asset Allocation and Manager Structure

Over the fiscal year ended 6/30/24, the Plan conducted an asset allocation review. The review resulted in modest adjustments to the allocation. The most impactful change was cutting the low volatility mandate by half to 4% of the portfolio. SamCERA also reviewed its asset allocation in late 2023 and increased the cash flow matching portfolio to 4-years' worth of net cash flows.

Sincerely,



John Nicolini, Managing Director, Senior Consultant



Joseph Abdou, Consultant

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.
- Focus on income and capital appreciation should be balanced and not overly dependent on one or the other.
- 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.
- Incorporating sustainability criteria into the decision-making process can positively impact long-term risk and reward characteristics of an investment.

Investment Objectives

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies, to meet the primary goal of ensuring liquidity is available to provide for the required monthly benefit payments in a timely manner. In addition, the following secondary objectives will be considered:

1. 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.
2. Achieve long-term real growth while minimizing the funded status volatility.
3. 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 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, and reevaluate on an annual basis.
- E. Reevaluate the asset-liability study every three to five years.
- F. Determine whether to replenish the cash flow match account on an annual basis.
- G. Delegate to staff the management of existing investment managers, and for those strategies in separately managed accounts and evergreen (or open-end) commingled fund structures, the on-going adjustments to allocations to such managers consistent with the investment policies and investment ranges contained in Section 6.0.
- H. 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.
- I. Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- J. Refrain from drastically shifting asset class allocations over short time spans, unless it is in SamCERA's best interest to do so.
- K. Rebalance the portfolio in accordance with the Rebalancing Policy set forth in Section 7.0 of the Investment Policy.

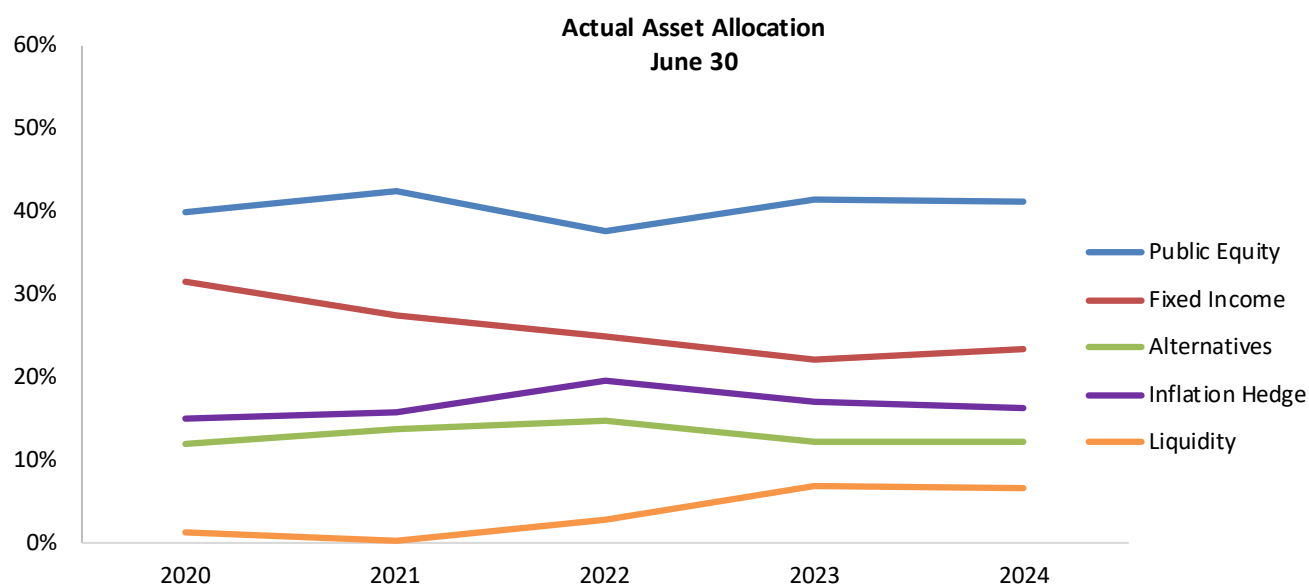
The investment summary below reports the fair value and the percentage of the portfolio's total fair value by type.

| Investment Summary | | |
|----------------------------------|-------------------------|--|
| June 30, 2024 | | |
| ASSET CLASS | Assets Under Management | Percentage of Assets Under Management ⁽¹⁾ |
| Public Equity | \$ 2,743,032,845 | 43.4% |
| Fixed Income | 1,498,942,052 | 23.7% |
| Alternatives | 780,416,525 | 12.4% |
| Inflation Hedge | 1,044,637,006 | 16.6% |
| Liquidity | 247,762,006 | 3.9% |
| Total Net Portfolio Value | \$ 6,314,790,434 | 100.0% |

⁽¹⁾ The percentage is based on the total investment assets under management as reported on the Statement of Fiduciary Net Position.

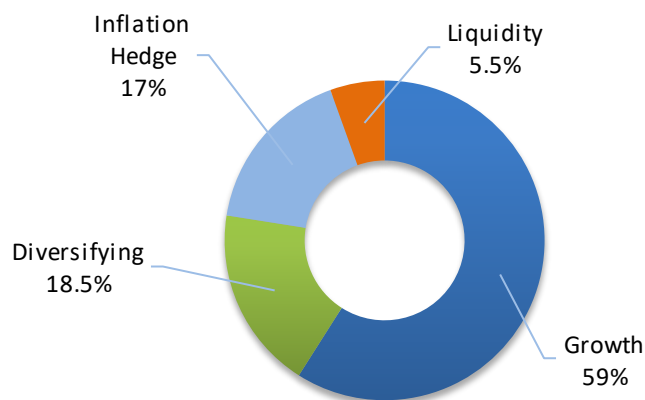
RECONCILIATION TO STATEMENT OF FIDUCIARY NET POSITION

| | |
|---|-------------------------|
| Total Net Portfolio Value | \$ 6,314,790,434 |
| Cash Equivalents | 185,429,035 |
| Receivables | 67,190,901 |
| Prepaid Expenses | 325,024 |
| Capital Assets, Net of Accumulated Depreciation | 4,154,743 |
| Liabilities | (90,197,870) |
| Fiduciary Net Position as of June 30, 2024 | \$ 6,481,692,267 |

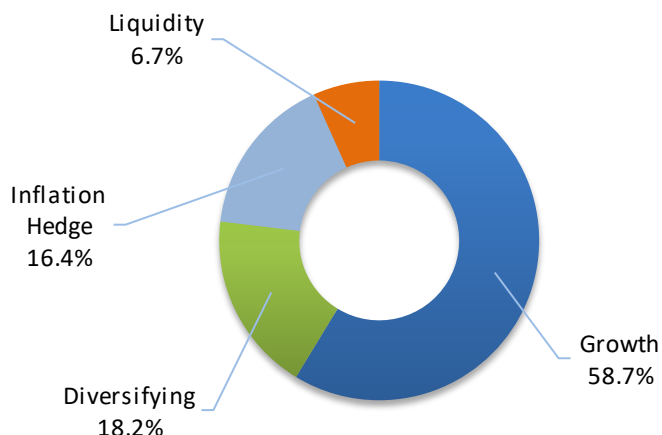


ASSET ALLOCATION (TARGET POLICY VS. ACTUAL) June 30, 2024

Target Policy



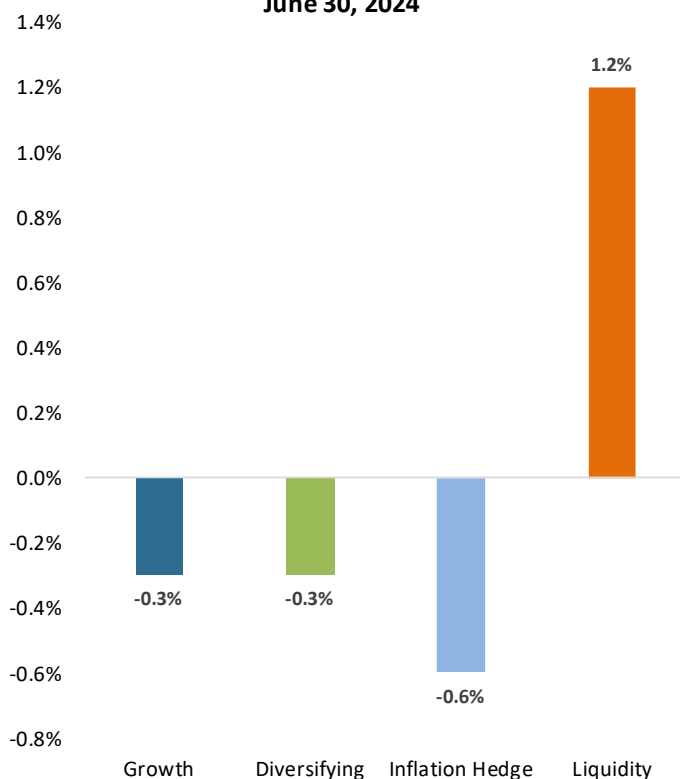
Actual Asset Allocation



ASSET ALLOCATION AS A PERCENTAGE OF FAIR VALUE

| Investment | Target Policy as of June 30, 2024 | Actual as of June 30, 2024 |
|-------------------------|---|----------------------------------|
| Growth | 59.0% | 58.7% |
| Domestic Equity | 23.0% | 23.0% |
| International Equity | 18.0% | 18.3% |
| Private Equity | 7.0% | 6.6% |
| Opportunistic Credit | 11.0% | 10.8% |
| Diversifying | 18.5% | 18.2% |
| Defensive Fixed | 12.5% | 12.5% |
| Absolute Return | 6.0% | 5.7% |
| Inflation Hedge | 17.0% | 16.4% |
| Public Real Assets | 3.0% | 3.0% |
| Real Estate | 9.0% | 8.0% |
| Private Real Assets | 5.0% | 5.4% |
| Liquidity | 5.5% | 6.7% |
| Cash Flow Matched | 4.5% | 5.0% |
| Cash & Cash Equivalents | 1.0% | 1.7% |
| Total | 100% | 100% |

Percentage of Deviation from Target Policy June 30, 2024



Note:

The actual asset allocation as of June 30, 2024, was based on the total investment assets under management with overlay as reported on SamCERA's investment consultant's performance report.

| Asset Class | Policy Benchmark (June 30, 2024) |
|-----------------------------|--|
| Growth Assets | |
| Domestic Equity | 23% Russell 3000 |
| International Equity | 9% Morgan Stanley Capital International ex-United States Investable Market Indexes (MSCI ex-US IMI) Net 9% Morgan Stanley Capital International ex-United States Investable Market Indexes (MSCI ex-US IMI) 100% Hedged |
| Private Equity | 7% Russell 3000 + 3% (1-quarter lag) |
| Opportunistic Credit | 11% Blend: 73% Bloomberg US Corporate High Yield + 27% Credit Suisse Leveraged Loan Index (1-quarter lag) |
| Diversifying Assets | |
| Defensive Fixed Income | 12.5% Blend: 76% Bloomberg Aggregate + 24% Bloomberg Long Treasury |
| Hedge Funds/Absolute Return | 6% Secured Overnight Financing Rate (SOFR) + 4% |
| Inflation Hedge | |
| Real Estate | 9% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Equity (NCREIF ODCE) |
| Private Real Asset | 5% Blend: 25% Standard & Poor (S&P) Global Large-MidCap Commodity and Resource + 75% S&P Global Infrastructure + 2% (1-quarter lag) |
| Public Real Asset | 3% Blend: 25% Bloomberg Roll Select Commodity + 25% Standard & Poor (S&P) Global Large-MidCap Commodity and Resource 25% S&P Global Infrastructure + 25% Barclays Treasury Inflation Protected Securities (TIPS) |
| Liquidity | |
| | 4.5% Bloomberg US Government/Credit 1-3 Year TR |
| | 1% 91-day Treasury-Bills |

Schedule of Portfolio Returns (Net of Fees)

Performance as of June 30, 2024

| Risk Bucket | Total Time-Weighted Rate of Return ⁽¹⁾ | | |
|---------------------------------------|---|-------------|-------------|
| | One Year | Three Years | Five Years |
| Growth Portfolio | 13.6% | N/A | N/A |
| Growth Benchmark | 19.5% | N/A | N/A |
| Domestic Equity | 20.7% | 8.2% | 12.4% |
| Domestic Equity Benchmark | 23.1% | 8.1% | 14.1% |
| International Equity | 9.9% | 0.3% | 6.4% |
| International Equity Benchmark | 14.5% | 3.3% | 7.5% |
| Private Equity | 9.0% | 3.4% | 19.2% |
| Private Equity Benchmark | 32.3% | 12.8% | 17.4% |
| Opportunistic Credit | 9.0% | 2.6% | 4.2% |
| Opportunistic Credit Benchmark | 10.4% | 1.6% | 3.9% |
| Private Credit | 3.9% | 4.3% | 5.6% |
| Private Credit Benchmark | 12.4% | 5.8% | 5.3% |
| Diversifying Portfolio | 4.2% | N/A | N/A |
| Diversifying Benchmark | 3.6% | N/A | N/A |
| Defensive Fixed Income | 2.5% | -3.2% | -0.1% |
| Defensive Fixed Income Benchmark | 0.7% | -3.6% | -0.6% |
| Absolute Return | 7.3% | 4.4% | 1.4% |
| Absolute Return Benchmark | 9.4% | 7.2% | 6.2% |
| Inflation Hedge Portfolio | 0.9% | 4.8% | 3.7% |
| Inflation Hedge Benchmark | -2.5% | 4.3% | 5.1% |
| Real Estate | -7.8% | 1.9% | 3.1% |
| Real Estate Benchmark | -9.3% | 1.9% | 3.2% |
| Private Real Asset | 12.3% | 12.1% | 10.6% |
| Private Real Asset Benchmark | 4.7% | 7.8% | 7.2% |
| Public Real Assets | 4.9% | 4.2% | 1.8% |
| Public Real Assets Benchmark | 5.1% | 4.3% | 4.4% |
| Liquidity Portfolio | 5.6% | N/A | N/A |
| Liquidity Benchmark | 5.0% | N/A | N/A |
| Cash Flow-Matched Liquidity | 5.6% | N/A | N/A |
| Cash Flow-Matched Liquidity Benchmark | 4.9% | N/A | N/A |
| Cash & Cash Overlay | 5.7% | 3.4% | 2.3% |
| Cash & Cash Overlay Benchmark | 5.4% | 3.0% | 2.2% |
| Total | 9.2% | 3.2% | 6.4% |
| Policy Benchmark | 11.7% | 4.4% | 7.4% |

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

Top Ten Equity Securities ⁽¹⁾**June 30, 2024**

| Shares | Company Name | Fair Value |
|--|---|------------------------------|
| 138,515 | Microsoft Corp | \$ 61,909,447 |
| 270,755 | Apple Inc | 57,026,464 |
| 442,954 | Nvidia Corp Com | 54,722,496 |
| 173,024 | Amazon Com Inc | 33,436,897 |
| 40,810 | Meta Platforms Inc Com CL A | 20,577,025 |
| 109,478 | Alphabet Inc Capital Stock CL A | 19,941,337 |
| 91,737 | Alphabet Inc Capital Stock CL C | 16,826,429 |
| 505,121 | Taiwan Semiconductor Manufacturing Inc. | 15,040,818 |
| 15,843 | Eli Lilly & Co | 14,344,141 |
| 34,091 | Berkshire Hathaway Inc | 13,868,378 |
| Total Top Ten Equity Securities | | <u>\$ 307,693,432</u> |

⁽¹⁾ A complete list of portfolio holdings in SamCERA separately held accounts is available upon request.

Top Ten Fixed Income Securities ⁽¹⁾**June 30, 2024**

| Security | Coupon (%) | Maturity | Fair Value |
|--|-------------------|-----------------|-----------------------------|
| US Treasury | 0.500 | 3/31/2025 | \$ 30,419,956 |
| US Treasury | 1.375 | 11/15/2040 | 11,136,736 |
| US Treasury | 4.375 | 8/31/2028 | 8,889,570 |
| US Treasury | 0.625 | 5/15/2030 | 8,123,619 |
| Fannie Mae | 6.000 | 10/1/2053 | 6,636,280 |
| Freddie Mac | 5.500 | 9/1/2053 | 6,586,264 |
| Federal Home Ln Mtg Corp | 5.000 | 7/1/2053 | 6,482,937 |
| US Treasury | 2.250 | 5/15/2051 | 6,289,570 |
| US Treasury | 4.125 | 8/15/2053 | 6,244,701 |
| US Treasury | 1.375 | 8/15/2050 | 6,141,094 |
| Total Top Ten Fixed Income Securities | | | <u>\$ 96,950,727</u> |

⁽¹⁾ A complete list of portfolio holdings in SamCERA separately held accounts is available upon request.

List of Investment Managers

June 30, 2024

GROWTH

Domestic Equity

BlackRock
DE Shaw
PGIM Quant Solutions
PanAgora Asset Management

International Equity

Baillie Gifford
BlackRock
Mondrian Investment Partners

Private Equity

ABRY Partners
Altas Partners
Bernhard Capital Partners
Canvas Ventures
CapVest Equity Partners
Catalyst Fund
Cevian Capital
Charlesbank Capital Partners
Clayton, Dubilier & Rice
Davidson Kempner
Eclipse Ventures
Emergence Capital Partners
Endeavour Capital Fund
General Catalyst Partners
Genstar Capital
Great Hill Partners
Gridiron Capital
Kinderhook Industries
MGG Investment Group
Oak Hill Advisors
Peak Rock Capital
Sixth Street
Strategic Value Partners
Summit Partners
Sycamore Partners
TCW
Third Rock Ventures
Warburg Pincus

GROWTH (Continued)

Opportunistic Credit

Beach Point Capital Management
BlackRock
Brigade Capital Management
Comvest Partners
Eaton Vance
One William Street
PIMCO
TPG/Angelo Gordon
White Oak

DIVERSIFYING

Fixed Income

DoubleLine Capital
Fidelity Institutional Asset Management
NISA Investment Advisors

Absolute Return

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 Asset Management
Cerberus Capital Management
CIM Group
EnCap Investments
EQT Fund Management
EverStream Energy Capital Management
KKR & Co
KSL Capital Partners
LS Power
Quantum Energy Partners
Taurus Funds Management
Tiger Infrastructure Partners
Vision Ridge Partners

LIQUIDITY

Cash Flow Matched

Insight Investment

Cash & Currency Overlay

Parametric Portfolio Associates
Record Currency Management

Schedule of Professional Services and Fees

Fiscal Year Ended June 30, 2024

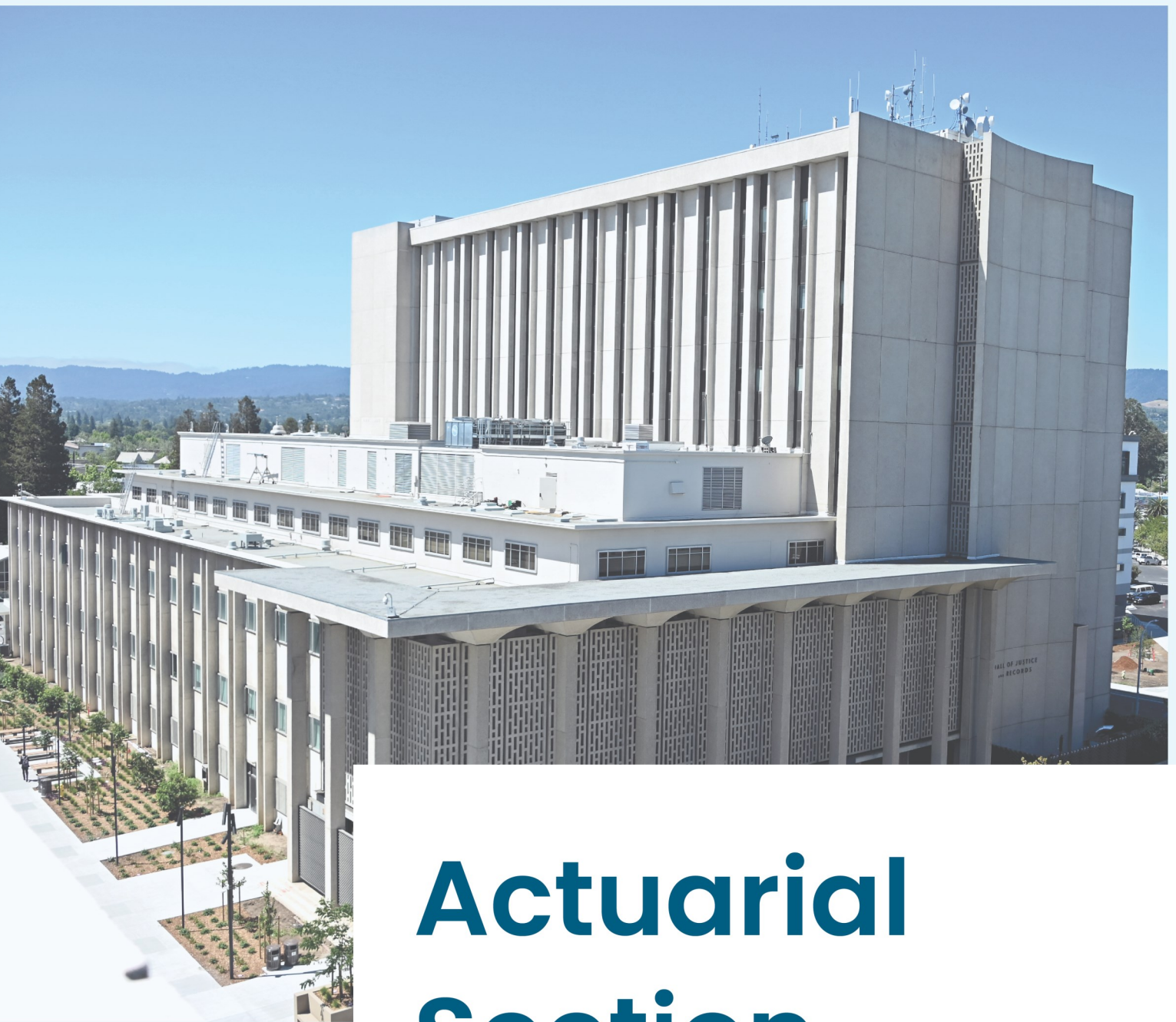
| | Management Fees | Fair Value |
|----------------------------------|----------------------|-------------------------|
| ASSETS UNDER MANAGEMENT | | |
| Public Equity | \$ 4,239,157 | \$ 2,743,032,845 |
| Fixed Income | 12,451,416 | 1,498,942,052 |
| Alternatives | 14,172,257 | 780,416,525 |
| Inflation Hedge | 11,258,042 | 1,044,637,006 |
| Liquidity | 1,227,652 | 247,762,006 |
| Total | \$ 43,348,524 | \$ 6,314,790,434 |
| OTHER INVESTMENT EXPENSES | | |
| Investment Consultant | \$ 607,934 | |
| Actuarial Consulting | 161,895 | |
| Master Custodian | 344,675 | |
| Other Professional Services | 129,915 | |
| Total | \$ 1,244,419 | |

Top Ten Broker Commissions

Fiscal Year Ended June 30, 2024

| Brokerage Firm | Amount of Commission | Number of Shares Traded | Commission per share |
|-------------------------------------|----------------------|-------------------------|----------------------|
| Morgan Stanley & Co LLC | \$ 8,542 | 32,207,397 | 0.000265 |
| UBS AG London Branch | 7,825 | 914,193 | 0.008559 |
| Jefferies International Ltd | 7,293 | 1,650,824 | 0.004418 |
| JP Morgan Securities LLC/JPMC | 6,927 | 2,888,048 | 0.002399 |
| Merrill Lynch International Ltd | 6,150 | 620,303 | 0.009915 |
| Morgan Stanley & Co International | 5,596 | 341,400 | 0.016391 |
| Bank of America Corporation | 5,284 | 27,257,771 | 0.000194 |
| China Intl Capital Corp HK Secs Ltd | 4,655 | 1,596,641 | 0.002915 |
| Goldman Sachs & Co | 4,532 | 1,941,555 | 0.002334 |
| JP Morgan Securities PLC | 4,437 | 383,949 | 0.011556 |
| Total | \$ 61,241 | 69,802,081 | 0.000877 |

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Actuarial Section

1994

1996

1993

1995

SamCERA became an independent entity from San Mateo County. The Association is now governed by the Board of Retirement, and Sid McCausland was appointed as its first administrator.

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ACTUARY'S CERTIFICATION



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

October 7, 2024

Board of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065-5208

Re: 2024 Actuarial Certification

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, 2022 | 90.7% |
| June 30, 2023 | 88.3% |
| June 30, 2024 | 87.6% |

The funded ratio decreased in the last year due primarily due to the recognition of investment returns less than expected by the assumptions and actuarial losses on the Actuarial Accrued Liability (AAL), including salary increases and retiree cost-of-living (COLA) adjustments higher than expected by the assumptions. This decrease was partially offset by employer contributions made to amortize the Unfunded Actuarial Accrued Liability (UAAL).

It is our opinion that SamCERA continues in sound financial condition as of June 30, 2024 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 UAAL as of June 30, 2023 is funded over a closed 15-year period beginning July 1, 2024. The amortization of subsequent changes in the UAAL is funded over separate closed 15-year layers that are determined annually. The UAAL contribution rate is subject to certain minimum rates and adjusted for employer-specific supplemental contribution accounts. This funding policy is projected to result in the funded ratio reaching 100% over a period not more than 15 years if all assumptions are met.

In preparing the June 30, 2024 funding valuation report, we relied, without audit, on information (some oral and some in writing) supplied by SamCERA. This information includes, but is not limited to, statutory provisions, employee data, and financial information. 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

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.

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noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

The valuation is based on our understanding of SamCERA's current benefit provisions and the actuarial assumptions that were reviewed and adopted by the Board. Demographic and economic assumptions were most recently updated for the June 30, 2023 actuarial valuation, based on the triennial investigation of experience study as of April 30, 2023. At its meeting on June 4, 2024 the Board reaffirmed all assumptions adopted for the June 30, 2023 actuarial valuation for use in the June 30, 2024 actuarial valuation. The assumptions and methods used for financial reporting under Governmental Accounting Standards Board (GASB) Statement No. 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.

Actuarial computations presented in the valuation report are for the purpose 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 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. The five-year recognition occurs after current period gains or losses are offset against prior period gains or losses. The actuarial value of assets is restricted to be no more than 20% above or below the market value. In our opinion, the actuarial assumptions and methods are internally consistent, individually reasonable and, in combination, offer a reasonable estimate of the anticipated experience of SamCERA and are expected to have no significant bias. We further believe they meet the parameters of GASB Statement No. 67 and No. 68 for fulfilling financial accounting requirements.

Future actuarial measurements may differ significantly from the current measurements as presented in the funding valuation report and the GASB 67 and 68 disclosure report due to factors such as: experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in the program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

The valuation results were developed using models employing standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice. Reliance on other experts is reflected in Milliman's capital market assumptions and in Milliman's expected return model maintained by Milliman investment consultants.

The funding valuation report, GASB 67 and 68 disclosure report, and this letter have been prepared exclusively for SamCERA for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning SamCERA operations. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. No third-party recipient of Milliman's work product who desires professional guidance should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

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.

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Board of Retirement
October 7, 2024
Page 3

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. Funding liabilities by type
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
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 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.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Nick Collier, ASA, EA, MAAA
Consulting Actuary
NJC/CJG/va

Craig 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.

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ACTUARIAL VALUATION

Introduction

San Mateo County Employees' Retirement Association (SamCERA) is a cost-sharing multiple employer, defined benefit plan providing basic service retirement, disability, and survivor benefits to participating members. Details of the pension plan provisions are provided in the Financial Section under the Notes to the Basic Financial Statements (Note 1). Pension benefits are basically determined by a defined formula using final average compensation, years of service, and an age factor 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 recommended to the San Mateo County Board of Supervisors for adoption.

Participating employers and members are responsible for making contributions 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 employer responsibility (commonly known as the employer normal cost).

Employers are responsible for funding any shortfalls in accrued liability for the past service arising from changes in 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 member contribution rates.

Valuation Objective

The purpose of the annual valuation is to determine employer and member contribution rates (as a level percentage of payroll) that will provide sufficient resources to pay all expected future benefits not funded by current assets. Details for the actuarially determined and actual contributions of the past fiscal years can be found in the Financial Section under the Required Supplementary Information.

Valuation

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. Recommended contribution rates, after adoption, will be subject to a “one year” deferral. Thus, the new contribution rates determined in the June 30, 2024 valuation will become effective on July 1, 2025.

In addition to the annual valuation, SamCERA’s actuary reviews the reasonableness of the demographic and economic actuarial assumptions every three years (commonly known as Triennial Experience Study). This study compares the actual experience during the preceding three years to the assumed actuarial assumptions. Based on this study, the actuary recommends appropriate changes to the methods and assumptions that will better project benefits and resulting liabilities.

Actuarial Cost Method

The actuary uses the entry age normal cost method for the annual actuarial valuation. Under this method, the actuarial present value of 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 known as 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 (which includes information technology 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 retirement 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.

Effective with the June 30, 2023 valuation, all outstanding UAAL layers are combined into a single layer, which will be amortized over a 15-year period beginning July 1, 2024, as a level percentage of the projected salaries of present and future members over the remaining period from the valuation date. This method is commonly referred to as a closed amortization method. In future years, new layers will be established to amortize emerging gains and losses over their own 15-year closed period.

Actuarial Asset Valuation Method

The actuarial asset valuation method used is a 5-year smoothed recognition method with a 20% corridor. This method incorporates appreciation (or depreciation) in investments to smooth asset values by averaging the excess of the actual over the expected income 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 amount towards the County’s UAAL rate. The balance in the DSCA is amortized over five years effective June 30, 2018, with the offset amount towards the District’s UAAL rate. Any future UAAL layers are amortized over a new five-year period. 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 are thoroughly reviewed during the “Triennial Experience Study” that is simultaneously conducted every three years by two actuaries: the consulting actuary and the independent auditing actuary. This study examines the actual experience of the membership for the past three years to determine if changes to the underlying assumptions are necessary.

The consulting actuary uses these assumptions to project the future experience of SamCERA members and earnings that may affect the projected benefit flows and anticipated investment earnings. Any variations from these assumptions in future experience will affect the estimated costs of SamCERA benefits.

In July 2019, the Board approved to reduce the assumed investment return to 6.50% for the June 30, 2019 valuation, compared to 6.75% 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 decided to lower the assumed investment return from 6.50% to 6.25% and to reaffirm all the other assumptions in the June 30, 2020 valuation to be used for the June 30, 2021 valuation. In addition, the Board agreed to phase in the statutory employer rate increase due to the assumption changes over three years, 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: investment return at 6.25%, inflation at 2.50%, wage growth at 3.00%, and payroll growth at 3.00%. The cost-of-living adjustment (COLA) assumption for Plans 1 and 2 was set in accordance with the inflation assumption, and the employer contribution rate increase was phased in for the second year of the 3-year period.

In May 2023, the Board approved some changes to the economic assumptions, most notably a 0.25% increase to the inflation, wage growth, and payroll growth assumptions. In July 2023, as a result of the Triennial Experience Study, the Board adopted certain changes to the demographic assumptions. The new assumptions resulted in a slight decrease in the funded status and a modest increase in the employer and employee contribution rates effective July 1, 2024.

In June 2024, the Board adopted the actuary’s recommendation to make no changes to the existing assumptions that were used for last year’s valuation. The economic assumptions to be used for the 2024 valuation are: investment return at 6.25%, local inflation at 2.75%, wage growth at 3.25%, and payroll growth at 3.25%.

Key Economic Assumptions for the 2024 Valuation

General Wage Growth. The assumed rate of annual wage increase is 3.25%.

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 2.50%.

CPI Inflation. The assumed rate of inflation is 2.75%.

General Payroll Increase. The projected payroll increase is 3.25%.

Key Demographic Assumptions for the 2024 Valuation

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 3.25% 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, Service Retired, Disabled Retired, and Deferred Members. All mortality rates used are quoted from the PubG-2010 table and projected with the MP-2021 Mortality Improvement Scale.

Separation from Active Status. The probabilities of termination of employment due to the causes stated below are presented on pages 123-124. 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 0.03 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:** The member retires after meeting age and service requirements for reasons other than disability.
- **Withdrawal:** The member terminates the employment and elects a refund of member contributions or a deferred vested retirement benefit.
- **Service Disability:** The member receives disability retirement; disability is service related.
- **Ordinary Disability:** The member receives disability retirement; disability is not service related.
- **Service Death:** The member dies before retirement; death is service related.
- **Ordinary Death:** The member dies before retirement; death is not service related.

| Rate of Separation From Active Service - All Plans | | | | | | | | |
|--|-----------------------|---------|-----------|------------|---------|--------------------|---------|---------------------------------|
| | | | All Plans | | | | | |
| Years of Service | Other Terminations | | Age | Disability | | Death while Active | | Service Retirement ² |
| | Ordinary ¹ | Vested | | Ordinary | Service | Ordinary | Service | |
| General Plans 1, 2, & 4 Male Members | | | | | | | | |
| 0 | 0.12000 | 0.03000 | 20 | 0.00015 | 0.00025 | 0.00033 | 0.00000 | 0.00000 |
| 5 | 0.01541 | 0.05159 | 30 | 0.00015 | 0.00025 | 0.00032 | 0.00000 | 0.00000 |
| 10 | 0.00943 | 0.03157 | 40 | 0.00020 | 0.00035 | 0.00059 | 0.00000 | 0.00000 |
| 15 | 0.00435 | 0.02465 | 50 | 0.00110 | 0.00120 | 0.00134 | 0.00000 | 0.03600 |
| 20 | 0.00285 | 0.01615 | 60 | 0.00120 | 0.00245 | 0.00287 | 0.00000 | 0.18000 |
| 30 & Above | 0.00000 | 0.00000 | 75 | N/A | N/A | N/A | N/A | 1.00000 |
| General Plans 1, 2, & 4 Female Members | | | | | | | | |
| 0 | 0.12000 | 0.03000 | 20 | 0.00015 | 0.00025 | 0.00012 | 0.00000 | 0.00000 |
| 5 | 0.01541 | 0.05159 | 30 | 0.00015 | 0.00025 | 0.00014 | 0.00000 | 0.00000 |
| 10 | 0.00943 | 0.03157 | 40 | 0.00020 | 0.00035 | 0.00032 | 0.00000 | 0.00000 |
| 15 | 0.00435 | 0.02465 | 50 | 0.00110 | 0.00120 | 0.00075 | 0.00000 | 0.03600 |
| 20 | 0.00285 | 0.01615 | 60 | 0.00120 | 0.00245 | 0.00167 | 0.00000 | 0.18000 |
| 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 | 0.00033 | 0.00000 | 0.00000 |
| 5 | 0.06700 | 0.00000 | 30 | 0.00000 | 0.00000 | 0.00032 | 0.00000 | 0.00000 |
| 10 | 0.00000 | 0.04100 | 40 | 0.00000 | 0.00000 | 0.00059 | 0.00000 | 0.00000 |
| 15 | 0.00000 | 0.02900 | 50 | 0.00000 | 0.00000 | 0.00134 | 0.00000 | 0.00000 |
| 20 | 0.00000 | 0.01900 | 60 | 0.00000 | 0.00000 | 0.00287 | 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 | 0.00012 | 0.00000 | 0.00000 |
| 5 | 0.06700 | 0.00000 | 30 | 0.00000 | 0.00000 | 0.00014 | 0.00000 | 0.00000 |
| 10 | 0.00000 | 0.04100 | 40 | 0.00000 | 0.00000 | 0.00032 | 0.00000 | 0.00000 |
| 15 | 0.00000 | 0.02900 | 50 | 0.00000 | 0.00000 | 0.00075 | 0.00000 | 0.00000 |
| 20 | 0.00000 | 0.01900 | 60 | 0.00000 | 0.00000 | 0.00167 | 0.00000 | 0.03000 |
| 30 & Above | 0.00000 | 0.01000 | 75 | N/A | N/A | N/A | N/A | 1.00000 |
| General Plan 5 Male Members | | | | | | | | |
| 0 | 0.12000 | 0.03000 | 20 | 0.00015 | 0.00025 | 0.00033 | 0.00000 | 0.00000 |
| 5 | 0.01541 | 0.05159 | 30 | 0.00015 | 0.00025 | 0.00032 | 0.00000 | 0.00000 |
| 10 | 0.00943 | 0.03157 | 40 | 0.00020 | 0.00035 | 0.00059 | 0.00000 | 0.00000 |
| 15 | 0.00435 | 0.02465 | 50 | 0.00110 | 0.00120 | 0.00134 | 0.00000 | 0.02880 |
| 20 | 0.00285 | 0.01615 | 60 | 0.00120 | 0.00245 | 0.00287 | 0.00000 | 0.14400 |
| 30 & Above | 0.00000 | 0.00000 | 75 | N/A | N/A | N/A | N/A | 1.00000 |
| General Plan 5 Female Members | | | | | | | | |
| 0 | 0.12000 | 0.03000 | 20 | 0.00015 | 0.00025 | 0.00012 | 0.00000 | 0.00000 |
| 5 | 0.01541 | 0.05159 | 30 | 0.00015 | 0.00025 | 0.00014 | 0.00000 | 0.00000 |
| 10 | 0.00943 | 0.03157 | 40 | 0.00020 | 0.00035 | 0.00032 | 0.00000 | 0.00000 |
| 15 | 0.00435 | 0.02465 | 50 | 0.00110 | 0.00120 | 0.00075 | 0.00000 | 0.02880 |
| 20 | 0.00285 | 0.01615 | 60 | 0.00120 | 0.00245 | 0.00167 | 0.00000 | 0.14400 |
| 30 & Above | 0.00000 | 0.00000 | 75 | N/A | N/A | N/A | N/A | 1.00000 |
| General Plan 7 Male Members | | | | | | | | |
| 0 | 0.12000 | 0.03000 | 20 | 0.00015 | 0.00025 | 0.00033 | 0.00000 | 0.00000 |
| 5 | 0.01541 | 0.05159 | 30 | 0.00015 | 0.00025 | 0.00032 | 0.00000 | 0.00000 |
| 10 | 0.00943 | 0.03157 | 40 | 0.00020 | 0.00035 | 0.00059 | 0.00000 | 0.00000 |
| 15 | 0.00435 | 0.02465 | 50 | 0.00110 | 0.00120 | 0.00134 | 0.00000 | 0.02880 |
| 20 | 0.00285 | 0.01615 | 60 | 0.00120 | 0.00245 | 0.00287 | 0.00000 | 0.14400 |
| 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.

2. Service retirement rates shown are for members with 20 to 29 years of service (General Plans) and 20 to 24 years of service (Safety Plans).

| Rate of Separation From Active Service - All Plans (Continued) | | | | | | | | |
|--|-----------------------|---------|-----|------------|---------|--------------------|---------|---------------------------------|
| All Plans | | | | | | | | |
| Years of Service | Other Terminations | | Age | Disability | | Death while Active | | Service Retirement ² |
| | Ordinary ¹ | Vested | | Ordinary | Service | Ordinary | Service | |
| General Plan 7 Female Members | | | | | | | | |
| 0 | 0.12000 | 0.03000 | 20 | 0.00015 | 0.00025 | 0.00012 | 0.00000 | 0.00000 |
| 5 | 0.01541 | 0.05159 | 30 | 0.00015 | 0.00025 | 0.00014 | 0.00000 | 0.00000 |
| 10 | 0.00943 | 0.03157 | 40 | 0.00020 | 0.00035 | 0.00032 | 0.00000 | 0.00000 |
| 15 | 0.00435 | 0.02465 | 50 | 0.00110 | 0.00120 | 0.00075 | 0.00000 | 0.02880 |
| 20 | 0.00285 | 0.01615 | 60 | 0.00120 | 0.00245 | 0.00167 | 0.00000 | 0.14400 |
| 30 & Above | 0.00000 | 0.01000 | 75 | N/A | N/A | N/A | N/A | 1.00000 |
| Safety and Probation Plans 1, 2 & 4 Male Members | | | | | | | | |
| 0 | 0.06000 | 0.04000 | 20 | 0.00000 | 0.00100 | 0.00037 | 0.00010 | 0.00000 |
| 5 | 0.00750 | 0.02250 | 30 | 0.00000 | 0.00165 | 0.00037 | 0.00010 | 0.00000 |
| 10 | 0.00425 | 0.01275 | 40 | 0.00000 | 0.00315 | 0.00053 | 0.00010 | 0.00000 |
| 15 | 0.00120 | 0.00880 | 50 | 0.00000 | 0.01000 | 0.00108 | 0.00010 | 0.26000 |
| 20 & Above | 0.00000 | 0.00000 | 65 | N/A | N/A | N/A | N/A | 1.00000 |
| Safety and Probation Plans 1, 2 & 4 Female Members | | | | | | | | |
| 0 | 0.06000 | 0.04000 | 20 | 0.00000 | 0.00100 | 0.00014 | 0.00010 | 0.00000 |
| 5 | 0.00750 | 0.02250 | 30 | 0.00000 | 0.00165 | 0.00024 | 0.00010 | 0.00000 |
| 10 | 0.00425 | 0.01275 | 40 | 0.00000 | 0.00315 | 0.00044 | 0.00010 | 0.00000 |
| 15 | 0.00120 | 0.00880 | 50 | 0.00000 | 0.01000 | 0.00082 | 0.00010 | 0.26000 |
| 20 & Above | 0.00000 | 0.00000 | 65 | N/A | N/A | N/A | N/A | 1.00000 |
| Safety and Probation Plans 5 & 6 Male Members | | | | | | | | |
| 0 | 0.06000 | 0.04000 | 20 | 0.00000 | 0.00100 | 0.00037 | 0.00010 | 0.00000 |
| 5 | 0.00750 | 0.02250 | 30 | 0.00000 | 0.00165 | 0.00037 | 0.00010 | 0.00000 |
| 10 | 0.00425 | 0.01275 | 40 | 0.00000 | 0.00315 | 0.00053 | 0.00010 | 0.00000 |
| 15 | 0.00120 | 0.00880 | 50 | 0.00000 | 0.01000 | 0.00108 | 0.00010 | 0.20800 |
| 20 & Above | 0.00000 | 0.00000 | 65 | N/A | N/A | N/A | N/A | 1.00000 |
| Safety and Probation Plans 5 & 6 Female Members | | | | | | | | |
| 0 | 0.06000 | 0.04000 | 20 | 0.00000 | 0.00100 | 0.00014 | 0.00010 | 0.00000 |
| 5 | 0.00750 | 0.02250 | 30 | 0.00000 | 0.00165 | 0.00024 | 0.00010 | 0.00000 |
| 10 | 0.00425 | 0.01275 | 40 | 0.00000 | 0.00315 | 0.00044 | 0.00010 | 0.00000 |
| 15 | 0.00120 | 0.00880 | 50 | 0.00000 | 0.01000 | 0.00082 | 0.00010 | 0.20800 |
| 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 | 0.06000 | 0.04000 | 20 | 0.00000 | 0.00100 | 0.00037 | 0.00010 | 0.00000 |
| 5 | 0.00750 | 0.02250 | 30 | 0.00000 | 0.00165 | 0.00037 | 0.00010 | 0.00000 |
| 10 | 0.00425 | 0.01275 | 40 | 0.00000 | 0.00315 | 0.00053 | 0.00010 | 0.00000 |
| 15 | 0.00120 | 0.00880 | 50 | 0.00000 | 0.01000 | 0.00108 | 0.00010 | 0.20800 |
| 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 | 0.06000 | 0.04000 | 20 | 0.00000 | 0.00100 | 0.00014 | 0.00010 | 0.00000 |
| 5 | 0.00750 | 0.02250 | 30 | 0.00000 | 0.00165 | 0.00024 | 0.00010 | 0.00000 |
| 10 | 0.00425 | 0.01275 | 40 | 0.00000 | 0.00315 | 0.00044 | 0.00010 | 0.00000 |
| 15 | 0.00120 | 0.00880 | 50 | 0.00000 | 0.01000 | 0.00082 | 0.00010 | 0.20800 |
| 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.

2. Service retirement rates shown are for members with 20 to 29 years of service (General Plans) and 20 to 24 years of service (Safety Plans).

Actuarial Methods and Assumptions (For Funding Purposes)

| | |
|--|---|
| VALUATION DATE | June 30, 2024 |
| ACTUARIAL COST METHOD | Entry Age Normal Cost |
| ACTUARIAL EXPERIENCE STUDY | July 1, 2020 to April 30, 2023 |
| AMORTIZATION METHOD | Level percentage of projected payroll |
| AMORTIZATION PERIOD | Effective with the June 30, 2023 valuation, all outstanding Unfunded Actuarial Accrued Liability layers are combined into a single layer, which will be amortized over a 15-year period beginning July 1, 2024. In future years, new layers will be established to amortize emerging gains and losses over their own 15-year closed period. |
| 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 actual asset value. |
| ACTUARIAL ASSUMPTIONS | |
| Economic assumptions: | |
| A. General wage increases | 3.25% |
| B. Investment earnings | 6.25% |
| C. Growth in active membership | 0.00% |
| D. CPI-U inflation | 2.50% |
| E. CPI inflation | 2.75% |
| Demographic assumptions: | |
| A. Salary increases due to service | See 2024 actuarial valuation report for details |
| B. Service retirement from active service | See 2024 actuarial valuation report for details |
| C. Separation from active service (other than service retirement) | See 2024 actuarial valuation report for details |
| D. Probability of refund of contributions upon vested termination | See 2024 actuarial valuation report for details |
| E. Mortality for active members after termination and service retired members | See 2024 actuarial valuation report for details |
| F. Mortality for members retired for disability | See 2024 actuarial valuation report for details |
| G. Mortality for beneficiaries | See 2024 actuarial valuation report for details |

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

Schedule of Active Members and Participating Employers

June 30

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|--|----------------|----------------|----------------|----------------|----------------|
| County of San Mateo | | | | | |
| General Members | 4,638 | 4,424 | 4,294 | 4,375 | 4,379 |
| Safety Members | 475 | 461 | 476 | 520 | 522 |
| Probation Members | 125 | 146 | 170 | 193 | 223 |
| Subtotal | 5,238 | 5,031 | 4,940 | 5,088 | 5,124 |
| San Mateo County Superior Court | | | | | |
| General Members | 268 | 281 | 287 | 249 | 256 |
| San Mateo County Mosquito and Vector Control District | | | | | |
| General Members | 22 | 22 | 22 | 19 | 20 |
| Total Active Membership | 5,528 | 5,334 | 5,249 | 5,356 | 5,400 |
| Percentage of Membership by Employer | | | | | |
| County of San Mateo | 94.75% | 94.32% | 94.11% | 95.00% | 94.89% |
| San Mateo County Superior Court | 4.85% | 5.27% | 5.47% | 4.65% | 4.74% |
| San Mateo County Mosquito and Vector Control District | 0.40% | 0.41% | 0.42% | 0.35% | 0.37% |
| 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 |
| 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 |
| 2023 | 330 | 27,113 | 177 | 6,815 | 5,932 | 309,756 | 7.0% | 4,351 |
| 2024 | 326 | 27,850 | 163 | 7,998 | 6,095 | 329,608 | 6.4% | 4,507 |

⁽¹⁾ Amount added to rolls includes cost-of-living adjustments granted in year to continuing retirees and beneficiaries.

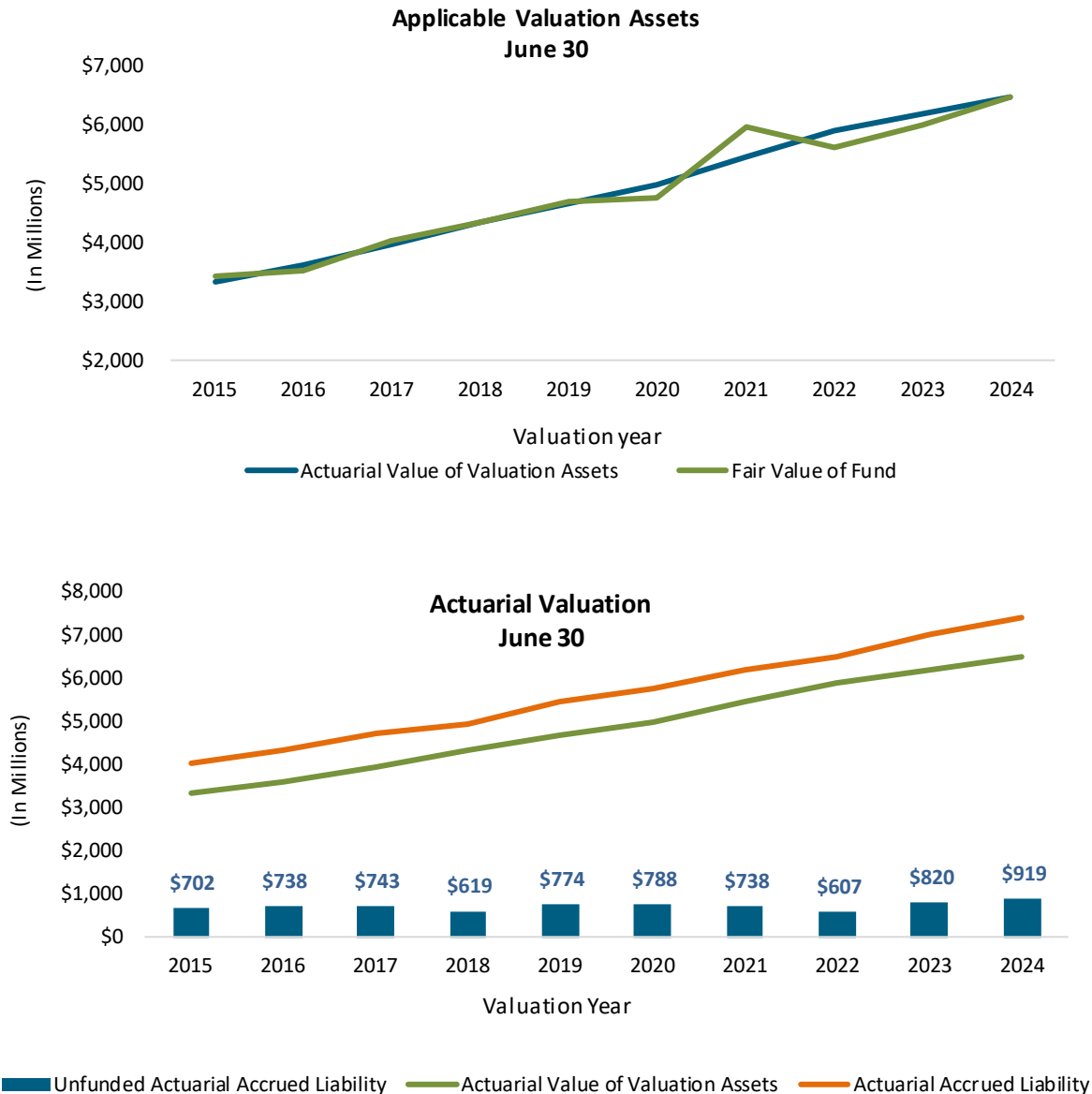
| Schedule of Active Member Valuation Data | | | | | |
|--|-----------------------------|--------------|----------------------|-----------------------------|---|
| Valuation Date as of June 30 | Number of Active Members | | Annual Salary | Annual Average Salary | Percentage Change in Annual Average Salary |
| 2024 | General | 4,928 | \$600,309,684 | \$121,816 | 3.8% |
| | Safety | 475 | 81,183,849 | 170,913 | 2.4% |
| | Probation | 125 | 17,023,753 | 136,190 | 3.8% |
| | Total | 5,528 | \$698,517,286 | \$126,360 | 3.6% |
| 2023 | General | 4,727 | \$554,563,518 | \$117,318 | 3.3% |
| | Safety | 461 | 76,973,479 | 166,971 | 13.8% |
| | Probation | 146 | 19,161,180 | 131,241 | 5.5% |
| | Total | 5,334 | \$650,698,177 | \$121,991 | 4.3% |
| 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% |

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

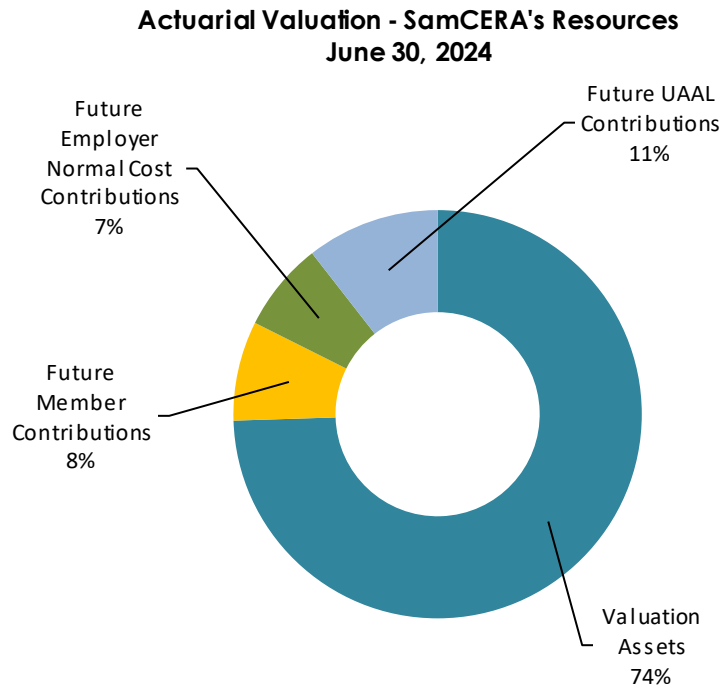
| Summary of Significant Actuarial Statistics and Measures | | | |
|--|---------------|---------------|-----------------|
| | June 30, 2024 | June 30, 2023 | Relative Change |
| Active Members | | | |
| Number of Members | 5,528 | 5,334 | 3.6% |
| Average Age | 44.6 | 44.8 | (0.4)% |
| Average Credited Service | 9.7 | 10.1 | (4.0)% |
| Covered Payroll (\$ in Thousands) | \$676,866 | \$631,144 | 7.2% |
| Average Monthly Salary | \$10,530 | \$10,166 | 3.6% |
| Retired Members | | | |
| Number of Members | | | |
| Service Retirement | 4,818 | 4,700 | 2.5% |
| Disability Retirement | 525 | 508 | 3.3% |
| Beneficiaries | 752 | 724 | 3.9% |
| Average Age | 71.6 | 71.5 | 0.1% |
| Actual Retiree Benefits Paid (\$ in Thousands) | \$317,231 | \$298,934 | 6.1% |
| Average Monthly Pension | \$4,507 | \$4,351 | 3.6% |
| Number of Inactive Members | 3,042 | 2,424 | 25.5% |
| Assets | | | |
| Fair Value of Fund (\$ in Thousands) | \$6,481,692 | \$6,005,043 | 7.9% |
| Return on Fair Value | 9.1% | 6.0% | |
| Valuation Assets (\$ in Thousands) | \$6,498,988 | \$6,215,283 | 4.6% |
| Return on Valuation Assets | 5.5% | 4.5% | |
| Liability Values (\$ in Thousands) | | | |
| Actuarial Accrued Liability | \$7,418,282 | \$7,035,641 | 5.4% |
| Unfunded Actuarial Accrued Liability | \$919,294 | \$820,358 | 12.1% |
| Deferred Asset (Gains) Losses | \$82,943 | \$273,020 | |
| Funded Ratio | | | |
| Based on Valuation Assets | 87.6% | 88.3% | (0.8)% |

VALUATION ASSETS

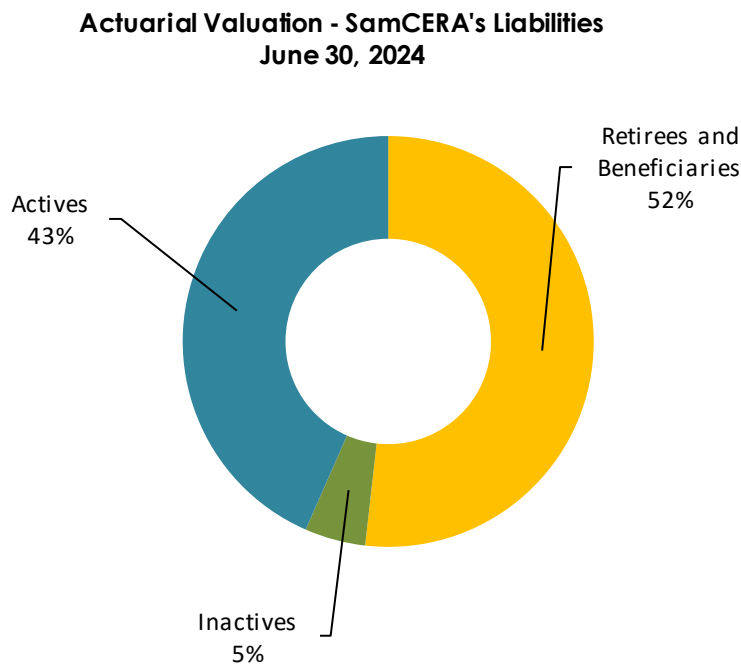
Valuation assets are the actuarial value of the fund, less the value of any reserves which have been set aside for current liabilities and special benefits (if any) to be funded outside of the actuarially determined contribution rates.



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

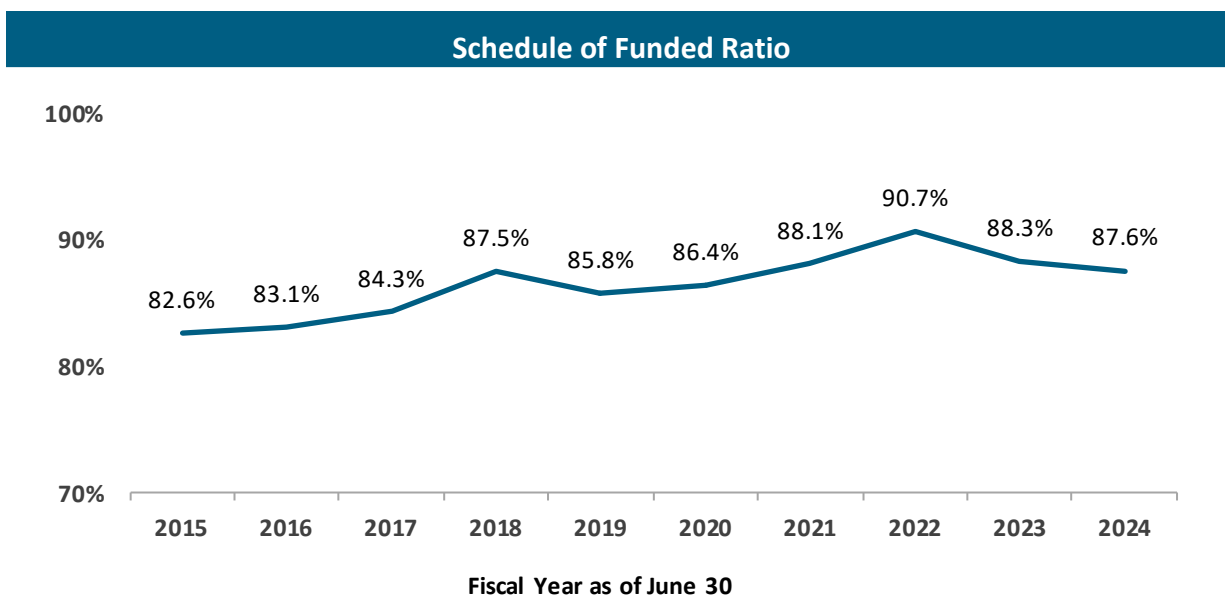


SamCERA's liabilities reflect benefits already earned in the past and those expected to be earned in the future by current members.



| Schedule of Funding Progress | | | | | | |
|--|---|--|---|--------------------------|---------------------------|---|
| Dollars in Thousands | | | | | | |
| 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 |
| 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% |
| 2023 | 6,215,283 | 7,035,641 | 820,358 | 88.3% | 631,144 | 129.98% |
| 2024 | 6,498,988 | 7,418,282 | 919,294 | 87.6% | 676,866 | 135.82% |

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



Actuarial Analysis of Financial Experience

Dollars in Thousands

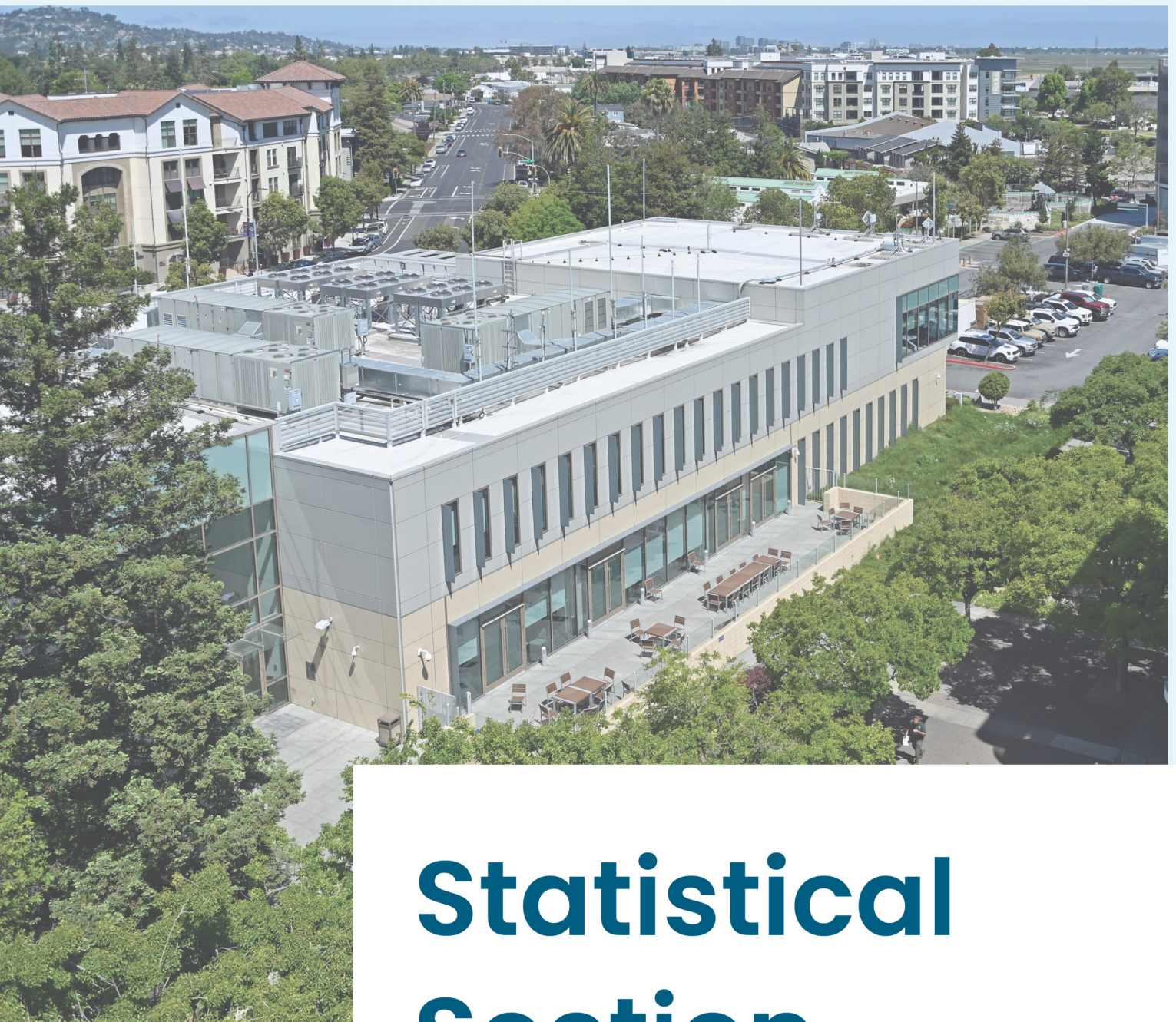
| Summary of (Gains) Losses | Change in Liability | | | | |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Unfunded Liability as of July 1 | \$ 820,358 | \$ 607,145 | \$ 738,108 | \$ 787,737 | \$ 774,476 |
| Expected Change in Unfunded Actuarial | | | | | |
| Accrued Liability | (60,525) | (134,643) | (138,405) | (157,668) | (85,527) |
| Salary (Gain) Loss | 26,489 | 31,440 | 34,541 | 12,064 | 25,190 |
| Retiree COLA more (less) than Expected | 18,973 | 33,389 | 16,379 | (25,973) | 18,992 |
| Asset (Gain) Loss | 48,156 | 101,991 | (47,017) | (87,748) | 15,884 |
| Change Due to Assumption Changes | - | 161,882 | - | 197,720 | 11,593 |
| Data Adjustments/Improvements | 36,957 | - | - | - | - |
| Miscellaneous Experience | 28,886 | 19,154 | 3,539 | 11,976 | 27,129 |
| Unfunded Actuarial Accrued Liability as of June 30 | \$ 919,294 | \$ 820,358 | \$ 607,145 | \$ 738,108 | \$ 787,737 |

Solvency Test

Dollars in Thousands

| | | Actuarial Accrued Liabilities | | | Active Members | | |
|--|------------------|-------------------------------|---|-------------------|--|------|-----|
| | | Active Member Contributions | Retirees and Beneficiaries ⁽¹⁾ | Financed Portion) | Portion of Actuarial Accrued Liabilities Covered by Assets | | |
| Actuarial Valuation Date as of June 30 | Valuation Assets | (A) | (B) | (C) | (A) | (B) | (C) |
| 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% |
| 2023 | 6,215,283 | 973,282 | 4,623,434 | 1,438,925 | 100% | 100% | 43% |
| 2024 | 6,498,988 | 1,015,973 | 4,935,508 | 1,466,801 | 100% | 100% | 37% |

⁽¹⁾ Includes inactive members.



Statistical Section

2011

2013

2012

2014

The California Public
Employees' Pension Reform
Act became effective.

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STATISTICS

The Statistical 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.

FINANCIAL INFORMATION

- Changes in Fiduciary Net Position reports changes in net position.
- Additions to Fiduciary Net Position by Source reflects income sources to SamCERA.
- Deductions from Fiduciary Net Position by Type displays benefits and refunds to members, administrative expenses, information technology expenses, and other expenses.

OPERATIONAL INFORMATION

Retiree and Benefit Information details benefits paid to retirees and their beneficiaries, terminated members, and inactive members via the following schedules or graphics.

- Summary of Retired Benefits, Refunds, and Inactive Members
- Number of Retirees and Beneficiaries Receiving Benefits
- Average Monthly Benefit to Retirees and Beneficiaries
- Average Pension Benefit Payments
- Distribution of Retired Members by Age and Retirement Year - All Plans Combined

Active Members by Employer depicts the number of active members by employer and the average monthly salary of active members via the following schedules or graphics.

- Active Members and Participating Employers
- Average Monthly Salary of Active Members

Employer and Member Contribution Rates enumerate the contribution rates by plan via the following schedules or graphics.

- Employer and Member Contribution Rates
- Employer Contribution Rates for All Plans Combined as a Percentage of Covered Payroll
- History of Employer Statutory Contribution Rates

Changes in Fiduciary Net Position

This section presents historical information about SamCERA's finances and operations for the past ten fiscal years.

| Changes in Fiduciary Net Position | | | | | |
|--|------------------|------------------|--------------------|--------------------|------------------|
| Fiscal Year Ended June 30 | | | | | |
| Dollars in Thousands | | | | | |
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Additions | | | | | |
| Employer Contributions | \$175,572 | \$238,938 | \$234,746 | \$225,302 | \$198,583 |
| Employer Supplemental Contributions | 10,000 | 10,000 | 15,200 | 39,700 | - |
| Member Contributions | 82,331 | 77,666 | 73,968 | 73,967 | 70,631 |
| Net Investment Income (Loss) ⁽¹⁾ | 540,652 | 341,246 | (366,626) | 1,133,177 | 42,392 |
| Total Additions | 808,555 | 667,850 | (42,712) | 1,472,146 | 311,606 |
| Deductions | | | | | |
| Retiree Benefits ⁽²⁾ | 317,232 | 297,884 | 276,291 | 259,201 | 241,489 |
| Refunds of Member Contributions ⁽²⁾ | 5,277 | 4,944 | 4,619 | 2,951 | 4,332 |
| Administrative Expenses | 7,765 | 7,836 | 7,197 | 7,060 | 6,372 |
| Information Technology Expenses | 1,632 | 1,817 | 1,593 | 1,350 | 2,021 |
| Total Deductions | 331,906 | 312,481 | 289,700 | 270,562 | 254,214 |
| Changes in Pension Plan Net Position | \$476,649 | \$355,369 | (\$332,412) | \$1,201,584 | \$57,392 |
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Additions | | | | | |
| Employer Contributions | \$194,830 | \$179,627 | \$164,877 | \$170,046 | \$169,814 |
| Employer Supplemental Contributions | 50,668 | 27,630 | 33,850 | 21,048 | 10,890 |
| Member Contributions | 67,696 | 64,204 | 62,160 | 56,069 | 48,012 |
| Net Investment Income (Loss) ⁽¹⁾ | 271,691 | 280,119 | 436,649 | 24,390 | 111,630 |
| Other Additions | - | 27 | 27 | 4,910 | - |
| Total Additions | 584,885 | 551,607 | 697,563 | 276,463 | 340,346 |
| Deductions | | | | | |
| Retiree Benefits ⁽²⁾ | 223,318 | 204,728 | 190,364 | 179,366 | 168,087 |
| Refunds of Member Contributions ⁽²⁾ | 3,867 | 4,326 | 2,876 | 3,498 | 3,379 |
| Administrative Expenses | 6,057 | 5,849 | 5,983 | 5,962 | 5,350 |
| Information Technology Expenses | 2,495 | 1,444 | 996 | 714 | 629 |
| Other Expenses | - | - | 30 | 11 | 119 |
| Total Deductions | 235,737 | 216,347 | 200,249 | 189,551 | 177,564 |
| Changes in Pension Plan Net Position | \$349,148 | \$335,260 | \$497,314 | \$86,912 | \$162,782 |

Note: There were no "Other Additions" and "Other Expenses" for fiscal years 2019-2024.

⁽¹⁾ Starting fiscal year 2023-24, net securities lending income is reported as part of the "Net Investment Income (Loss)" rather than separately. Prior year figures have been restated to reflect the change.

⁽²⁾ Starting fiscal year 2023-24, refunds of residual contributions from deceased retirees are reported under "Refunds of Member Contributions" rather than "Other Benefits" (which was previously reported as part of Retiree Benefits). Prior year figures have been restated to reflect the change.

Schedule of Additions to Fiduciary Net Position by Source

Dollars in Thousands

| Fiscal Year Ended June 30 | Member Contributions | Employer Contributions | Net Investment Income (Loss) ⁽³⁾ | Other ⁽³⁾ | Total Additions |
|------------------------------|-------------------------|---------------------------|--|----------------------|--------------------|
| 2015 | \$48,012 | \$180,704 | \$111,630 | \$- | \$340,346 |
| 2016 | 56,069 | 191,094 | 24,390 | 4,910 | 276,463 |
| 2017 | 62,160 | 198,727 | 436,649 | 27 | 697,563 |
| 2018 | 64,204 | 207,257 | 280,119 | 27 | 551,607 |
| 2019 | 67,696 | 245,498 | 271,691 | - | 584,885 |
| 2020 | 70,631 | 198,583 | 42,392 | - | 311,606 |
| 2021 | 73,967 | 265,002 | 1,133,177 ⁽¹⁾ | - | 1,472,146 |
| 2022 | 73,968 | 249,946 | (366,626) ⁽²⁾ | - | (42,712) |
| 2023 | 77,666 | 248,938 | 341,246 | - | 667,850 |
| 2024 | 82,331 | 185,572 | 540,652 | - | 808,555 |

⁽¹⁾ The robust growth in investment income was predominantly driven by market appreciation.

⁽²⁾ Investment performance was overshadowed by investors' concerns over the war between Russia and Ukraine, inflation, and fear of recession.

⁽³⁾ Starting fiscal year 2023-24, net securities lending income is reported as part of the "Net Investment Income (Loss)" rather than separately. Prior year figures have been restated to reflect the change.

Schedule of Deductions from Fiduciary Net Position by Type

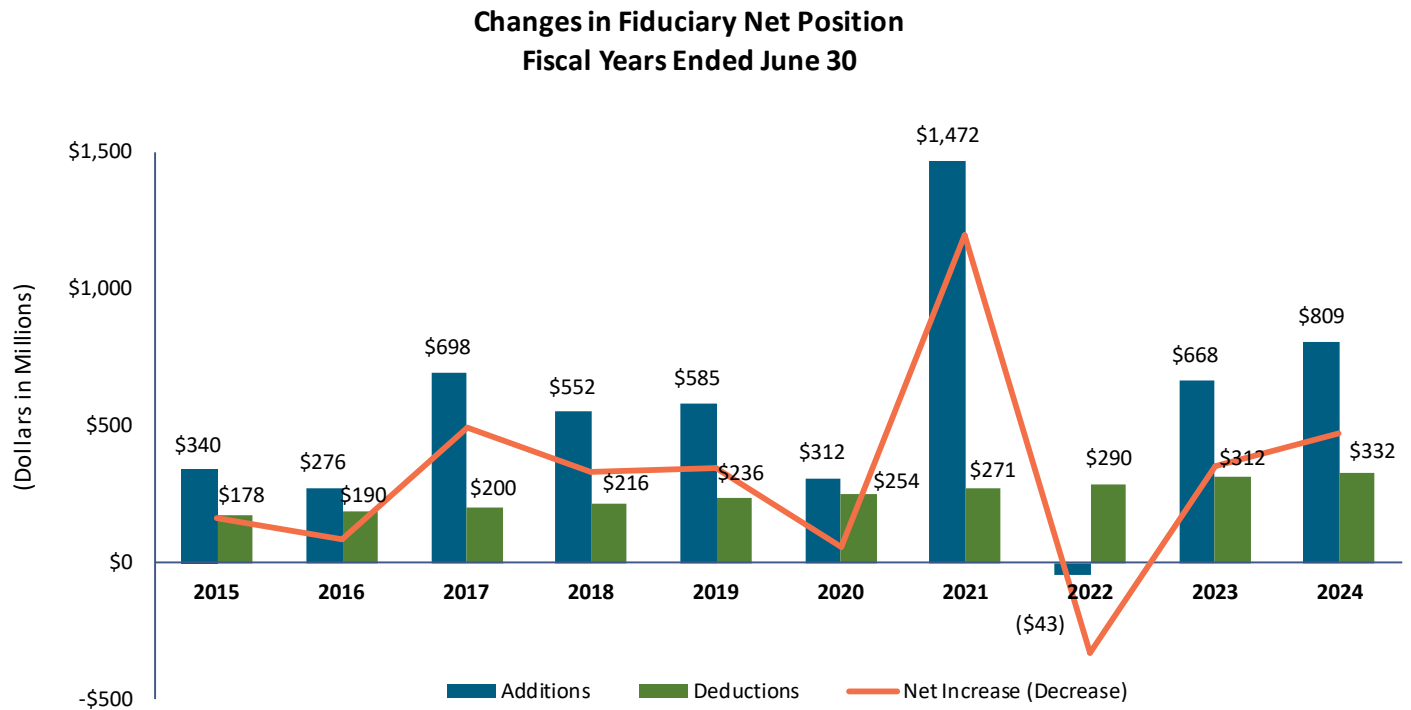
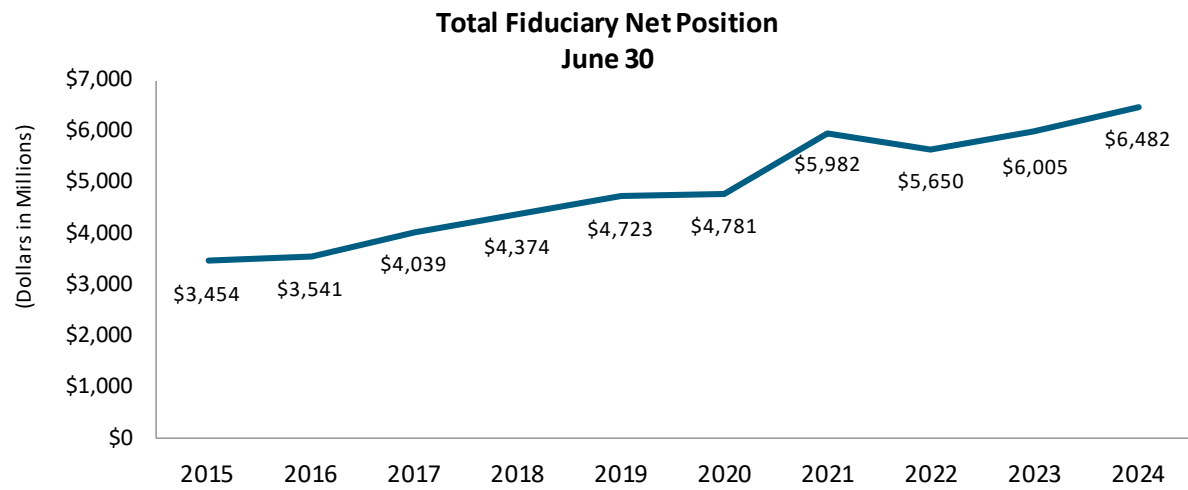
Dollars in Thousands

| Fiscal Year Ended June 30 | Service Retirement Benefits | Disability Retirement Benefits | Survivor Benefits | Death Benefits | Other Benefits ⁽²⁾ | Refunds of Member Contributions ⁽²⁾ | Administrative Expenses | Information Technology Expenses | Other Expenses | Total Deductions |
|---------------------------------|-----------------------------------|--------------------------------------|----------------------|-------------------|----------------------------------|--|----------------------------|---------------------------------------|-------------------|---------------------|
| 2015 | \$147,267 | \$20,038 | \$661 | \$91 | \$30 | \$3,379 | \$5,350 | \$629 | \$119 | \$177,564 |
| 2016 | 157,513 | 21,091 | 653 | 82 | 27 | 3,498 | 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 | 249 | - | 3,867 | 6,057 | 2,495 | - | 235,737 |
| 2020 | 212,633 | 27,602 | 958 | 296 | - | 4,332 | 6,372 | 2,021 | - | 254,214 |
| 2021 | 229,731 | 28,342 | 1,071 | 57 | - | 2,951 | 7,060 | 1,350 | - | 270,562 |
| 2022 | 246,251 | 28,675 | 1,109 | 256 | - | 4,619 ⁽¹⁾ | 7,197 | 1,593 | - | 289,700 |
| 2023 | 266,317 | 30,196 | 1,088 | 283 | - | 4,944 | 7,836 | 1,817 | - | 312,481 |
| 2024 | 281,573 | 34,309 | 1,185 | 165 | - | 5,277 | 7,765 | 1,632 | - | 331,906 |

⁽¹⁾ The number of member refunds went up to 142 in fiscal year 2022 from 92 in fiscal year 2021.

⁽²⁾ Starting fiscal year 2023-24, refunds of residual contributions from deceased retirees are reported under "Refunds of Member Contributions" rather than "Other Benefits." Prior year figures have been restated to reflect the change.

Total Fiduciary Net Position



Summary of Retired Benefits, Refunds, and Inactive Members

| RETIRED MEMBERS | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---------------|---------------|---------------|---------------|---------------|
| Service Retirement ^{(1), (2)} | | | | | |
| Number | 5,413 | 5,269 | 5,140 | 4,943 | 4,799 |
| Annual Benefit | \$281,572,406 | \$266,316,948 | \$246,250,375 | \$229,730,556 | \$212,632,929 |
| Average Monthly Payment | \$4,335 | \$4,212 | \$3,992 | \$3,873 | \$3,692 |
| Disability Retirement ^{(1), (2)} | | | | | |
| Number | 647 | 630 | 606 | 615 | 621 |
| Annual Benefit | \$34,308,872 | \$30,196,733 | \$28,674,627 | \$28,342,469 | \$27,601,908 |
| Average Monthly Payment | \$4,419 | \$3,994 | \$3,943 | \$3,840 | \$3,704 |
| Active Death Survivor, Death Benefits & Other Benefits | | | | | |
| Number | 35 | 33 | 33 | 34 | 34 |
| Annual Benefit | \$1,349,422 | \$1,371,878 | \$1,365,968 | \$1,128,265 | \$1,253,699 |
| Average Monthly Payment | \$3,213 | \$3,464 | \$3,449 | \$2,765 | \$3,073 |
| Total Retired Members & Beneficiaries | | | | | |
| Number | 6,095 | 5,932 | 5,779 | 5,592 | 5,454 |
| Annual Benefit | \$317,230,700 | \$297,885,559 | \$276,290,970 | \$259,201,290 | \$241,488,536 |
| Average Monthly Payment | \$4,337 | \$4,185 | \$3,984 | \$3,863 | \$3,690 |
| REFUNDS | | | | | |
| General | | | | | |
| Number | 119 | 100 | 142 | 92 | 132 |
| Separation | \$3,378,780 | \$2,663,818 | \$2,870,245 | \$1,934,351 | \$2,561,203 |
| Death | \$871,337 | \$1,608,830 | \$1,347,345 | \$494,614 | \$1,047,027 |
| Safety | | | | | |
| Number | 8 | 7 | 10 | 8 | 12 |
| Separation | \$433,417 | \$535,188 | \$342,181 | \$521,679 | \$724,376 |
| Death | \$593,964 | \$136,213 | \$58,787 | \$0 | \$0 |
| Total Refunds | \$5,277,498 | \$4,944,049 | \$4,618,558 | \$2,950,644 | \$4,332,606 |
| INACTIVE MEMBERS | 3,042 | 2,424 | 2,224 | 1,986 | 1,882 |

⁽¹⁾ Includes retirees and beneficiaries.

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

Note: Effective fiscal year 2023-24, refunds of residual contributions from deceased retirees are reported under "Refunds" rather than "Other Benefits." Accordingly, prior year numbers have been restated to reflect this change.

Summary of Retired Benefits, Refunds, and Inactive Members

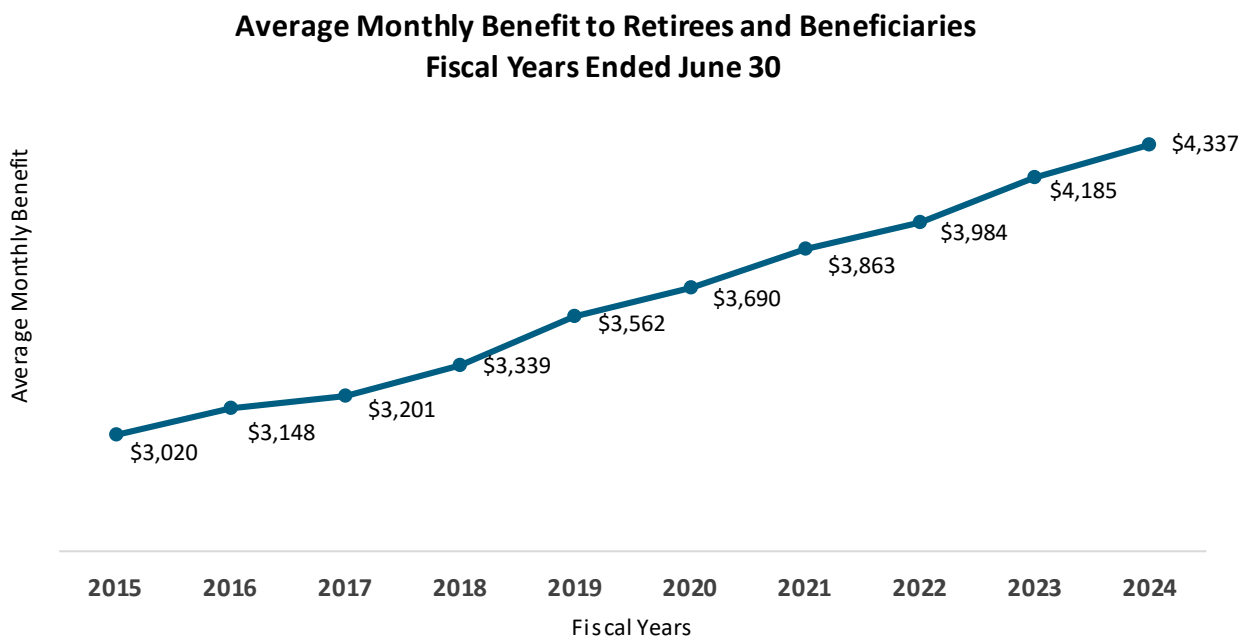
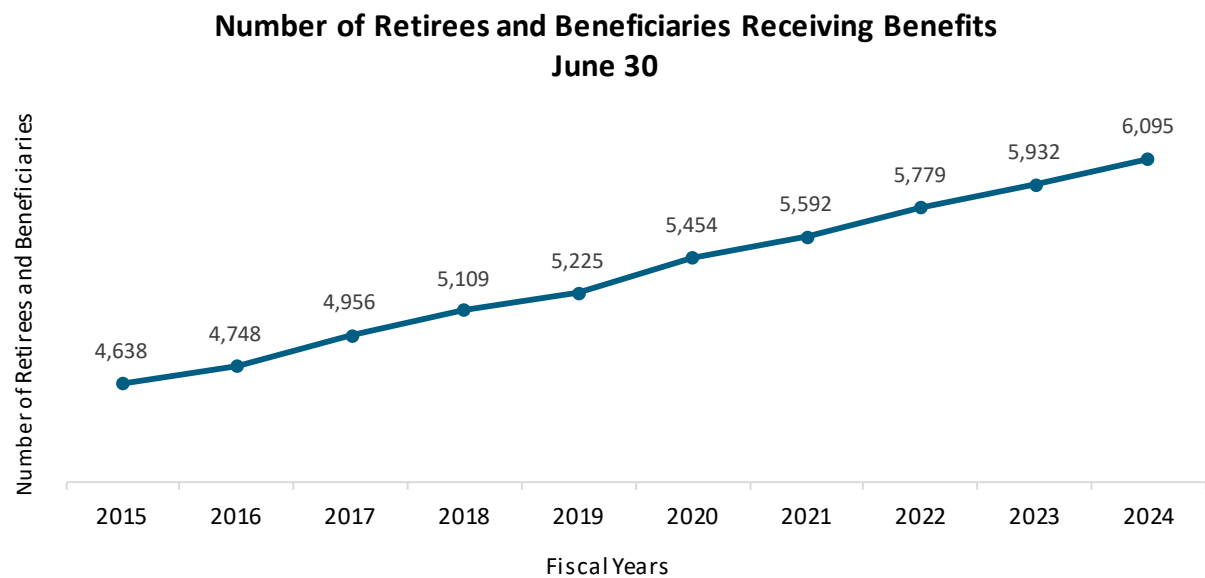
Summary of Retired Benefits, Refunds, and Inactive Members (Continued)

| RETIRED MEMBERS | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|
| Service Retirement ^{(1), (2)} | | | | | |
| Number | 4,590 | 4,487 | 4,345 | 4,162 | 4,067 |
| Annual Benefit | \$196,874,097 | \$179,880,342 | \$166,975,634 | \$157,513,099 | \$147,266,945 |
| Average Monthly Payment | \$3,574 | \$3,341 | \$3,202 | \$3,154 | \$3,018 |
| Disability Retirement ^{(1), (2)} | | | | | |
| Number | 605 | 593 | 583 | 557 | 539 |
| Annual Benefit | \$25,211,881 | \$23,872,145 | \$22,689,813 | \$21,090,529 | \$20,038,671 |
| Average Monthly Payment | \$3,473 | \$3,355 | \$3,243 | \$3,155 | \$3,098 |
| Active Death Survivor, Death Benefits & Other Benefits | | | | | |
| Number | 30 | 29 | 28 | 29 | 32 |
| Annual Benefit | \$1,232,466 | \$976,386 | \$698,946 | \$762,486 | \$781,091 |
| Average Monthly Payment | \$3,424 | \$2,806 | \$2,080 | \$2,191 | \$2,034 |
| Total Retired Members & Beneficiaries | | | | | |
| Number | 5,225 | 5,109 | 4,956 | 4,748 | 4,638 |
| Annual Benefit | \$223,318,444 | \$204,728,873 | \$190,364,393 | \$179,366,114 | \$168,086,707 |
| Average Monthly Payment | \$3,562 | \$3,339 | \$3,201 | \$3,148 | \$3,020 |
| REFUNDS | | | | | |
| General | | | | | |
| Number | 136 | 125 | 125 | 161 | 112 |
| Separation | \$2,672,868 | \$2,589,438 | \$2,511,145 | \$2,820,371 | \$2,600,641 |
| Death | \$1,101,480 | \$663,503 | \$0 | \$301,903 | \$433,616 |
| Safety | | | | | |
| Number | 9 | 12 | 9 | 7 | 5 |
| Separation | \$92,331 | \$1,072,789 | \$364,742 | \$375,311 | \$345,253 |
| Death | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Refunds | \$3,866,679 | \$4,325,730 | \$2,875,887 | \$3,497,585 | \$3,379,510 |
| INACTIVE MEMBERS | 1,767 | 1,666 | 1,487 | 1,486 | 1,384 |

⁽¹⁾ Includes retirees and beneficiaries.

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

Note: Effective fiscal year 2023-24, refunds of residual contributions from deceased retirees are reported under "Refunds" rather than "Other Benefits." Accordingly, prior year numbers have been restated to reflect this change.



Note: Starting fiscal year 2023-24, refunds of residual contributions from deceased retirees are reported under "Refunds of Member Contributions" rather than "Other Benefits." Prior year figures have been restated to reflect the change.

| Schedule of Average Pension Benefit Payments | | | | | | | |
|--|-------------------------|----------|----------|----------|----------|----------|----------|
| | Years of Service Credit | | | | | | |
| 7/1/2023 - 6/30/2024 | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30+ |
| Retirees - Service and Disabilities | | | | | | | |
| Average Monthly Gross Benefit | \$530 | \$1,619 | \$3,250 | \$4,546 | \$6,462 | \$8,815 | \$10,327 |
| Average Final Compensation | \$10,898 | \$10,121 | \$10,678 | \$10,254 | \$11,013 | \$12,485 | \$12,134 |
| Number of Retirees | 14 | 39 | 30 | 39 | 64 | 36 | 18 |
| Beneficiaries | | | | | | | |
| Average Monthly Gross Benefit | \$686 | \$1,695 | \$2,049 | \$2,736 | \$2,688 | \$5,984 | \$5,746 |
| Average Final Compensation | \$8,001 | \$7,207 | \$8,326 | \$7,238 | \$6,822 | \$7,817 | \$10,523 |
| Number of Beneficiaries | 3 | 6 | 13 | 11 | 8 | 9 | 11 |
| 7/1/2022 - 6/30/2023 | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30+ |
| Retirees - Service and Disabilities | | | | | | | |
| Average Monthly Gross Benefit | \$665 | \$1,782 | \$2,697 | \$4,644 | \$5,535 | \$7,123 | \$9,743 |
| Average Final Compensation | \$9,410 | \$9,607 | \$9,168 | \$10,633 | \$10,050 | \$10,619 | \$12,448 |
| Number of Retirees | 19 | 49 | 36 | 42 | 49 | 23 | 35 |
| Beneficiaries | | | | | | | |
| Average Monthly Gross Benefit | \$1,842 | \$1,922 | \$2,017 | \$2,316 | \$3,150 | \$4,952 | \$5,475 |
| Average Final Compensation | \$3,365 | \$8,714 | \$5,830 | \$6,450 | \$6,189 | \$5,865 | \$5,760 |
| Number of Beneficiaries | 3 | 4 | 11 | 6 | 12 | 4 | 8 |
| 7/1/2021 - 6/30/2022 | 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 | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30+ |
| 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 | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30+ |
| 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 |

| Schedule of Average Pension Benefit Payments (Continued) | | | | | | | |
|--|-------------------------|---------|---------|---------|---------|----------|----------|
| | Years of Service Credit | | | | | | |
| | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30+ |
| 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 |
| 7/1/2016 - 6/30/2017 | | | | | | | |
| 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 |

Distribution of Retired Members by Age and Retirement Year - All Plans Combined

| Distribution of Retired Members by Age and Retirement Year - All Plans Combined | | | | | | | | | |
|---|-----------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| June 30 | | | | | | | | | |
| Age | Retirement Year | | | | | | | | Total Count |
| | Pre-1990 | 1990-1994 | 1995-1999 | 2000-2004 | 2005-2009 | 2010-2014 | 2015-2019 | 2020-2024 | |
| Under 35 | - | - | - | - | - | 3 | 2 | 4 | 9 |
| 35-39 | - | - | 1 | - | 1 | 1 | - | 4 | 7 |
| 40-44 | - | - | - | 1 | - | 2 | 7 | 9 | 19 |
| 45-49 | - | - | - | - | 2 | 6 | 14 | 34 | 56 |
| 50-54 | - | - | - | - | 8 | 8 | 20 | 173 | 209 |
| 55-59 | - | - | 2 | 8 | 13 | 13 | 168 | 255 | 459 |
| 60-64 | - | - | 8 | 10 | 17 | 128 | 265 | 354 | 782 |
| 65-69 | - | 1 | 10 | 20 | 96 | 198 | 368 | 330 | 1023 |
| 70-74 | 1 | 7 | 14 | 94 | 215 | 337 | 322 | 134 | 1124 |
| 75-79 | 3 | 12 | 96 | 162 | 280 | 265 | 147 | 67 | 1032 |
| 80-84 | 6 | 53 | 113 | 179 | 200 | 97 | 48 | 43 | 739 |
| 85-89 | 20 | 67 | 85 | 85 | 35 | 23 | 14 | 16 | 345 |
| 90-94 | 33 | 37 | 58 | 13 | 16 | 16 | 13 | 7 | 193 |
| 95-99 | 29 | 20 | 9 | 2 | 3 | 3 | 7 | 4 | 77 |
| 100 & Over | 12 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 21 |
| Total Count | 104 | 199 | 398 | 575 | 887 | 1101 | 1396 | 1435 | 6095 |

Schedule of Active Members and Participating Employers

June 30

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|--|--------------|--------------|--------------|--------------|--------------|
| Active Membership | | | | | |
| County of San Mateo | | | | | |
| General Members | 4,638 | 4,424 | 4,294 | 4,375 | 4,379 |
| Safety Members | 475 | 461 | 476 | 520 | 522 |
| Probation Members | 125 | 146 | 170 | 193 | 223 |
| Subtotal | 5,238 | 5,031 | 4,940 | 5,088 | 5,124 |
| San Mateo County Superior Court | | | | | |
| General Members | 268 | 281 | 287 | 249 | 256 |
| San Mateo County Mosquito and Vector Control District | | | | | |
| General Members | 22 | 22 | 22 | 19 | 20 |
| Total Active Membership | 5,528 | 5,334 | 5,249 | 5,356 | 5,400 |

Percentage of Membership by Employer

| | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| County of San Mateo | 94.75% | 94.32% | 94.11% | 95.00% | 94.89% |
| San Mateo County Superior Court | 4.85% | 5.27% | 5.47% | 4.65% | 4.74% |
| San Mateo County Mosquito and Vector Control District | 0.40% | 0.41% | 0.42% | 0.35% | 0.37% |
| Total Percentage of Membership | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|
| Active Membership | | | | | |
| County of San Mateo | | | | | |
| General Members | 4,350 | 4,343 | 4,303 | 4,170 | 4,092 |
| Safety Members | 530 | 508 | 503 | 495 | 479 |
| Probation Members | 237 | 256 | 274 | 271 | 282 |
| Subtotal | 5,117 | 5,107 | 5,080 | 4,936 | 4,853 |
| San Mateo County Superior Court | | | | | |
| General Members | 240 | 239 | 237 | 231 | 222 |
| San Mateo County Mosquito and Vector Control District | | | | | |
| General Members | 20 | 21 | 20 | 20 | 20 |
| Total Active Membership | 5,377 | 5,367 | 5,337 | 5,187 | 5,095 |

Percentage of Membership by Employer

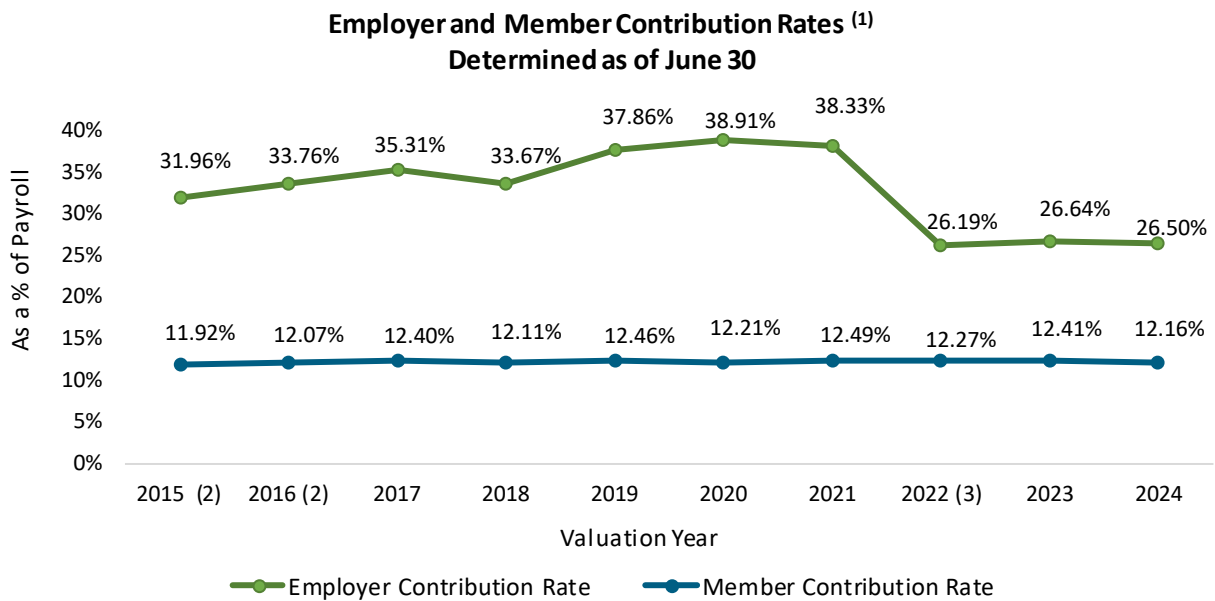
| | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| County of San Mateo | 95.16% | 95.16% | 95.18% | 95.16% | 95.25% |
| San Mateo County Superior Court | 4.46% | 4.45% | 4.44% | 4.45% | 4.36% |
| San Mateo County Mosquito and Vector Control District | 0.38% | 0.39% | 0.38% | 0.39% | 0.39% |
| Total Percentage of Membership | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

| Schedule of Average Monthly Salary of Active Members | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Fiscal Years Ended June 30 (by Plan and Membership Type) | | | | | |
| Plan | 2024 | 2023 | 2022 | 2021 | 2020 |
| General Plan 1 | \$19,884 | \$19,119 | \$18,575 | \$18,022 | \$11,102 |
| General Plan 2 | 12,721 | 11,908 | 11,516 | 10,957 | 10,665 |
| General Plan 3 | 10,265 | 9,283 | 8,850 | 8,623 | 8,221 |
| General Plan 4 | 11,795 | 11,163 | 10,680 | 10,087 | 9,671 |
| General Plan 5 | 12,750 | 11,974 | 11,659 | 11,092 | 10,635 |
| General Plan 7 | 9,113 | 8,730 | 8,291 | 8,014 | 7,726 |
| Average Monthly Salary for General Plan | \$10,151 | \$9,777 | \$9,463 | \$9,173 | \$8,897 |
| Safety Plan 1 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Safety Plan 2 | 17,682 | 17,112 | 16,177 | 15,162 | 15,125 |
| Safety Plan 4 | 16,911 | 15,851 | 14,157 | 13,494 | 13,204 |
| Safety Plan 5 | 16,106 | 15,378 | 13,127 | 12,619 | 12,367 |
| Safety Plan 6 | - | - | - | - | - |
| Safety Plan 7 | 12,569 | 12,201 | 10,507 | 9,765 | 9,581 |
| Average Monthly Salary for Safety Plan | \$14,243 | \$13,914 | \$12,232 | \$11,671 | \$11,610 |
| Probation Plan 1 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Probation Plan 2 | 12,468 | 11,699 | 11,203 | 10,641 | 10,174 |
| Probation Plan 4 | 12,035 | 11,406 | 10,927 | 10,359 | 9,827 |
| Probation Plan 5 | 11,425 | 11,024 | 10,219 | 9,911 | 9,343 |
| Probation Plan 6 | - | - | - | - | - |
| Probation Plan 7 | 10,215 | 9,794 | 8,983 | 8,378 | 7,598 |
| Average Monthly Salary for Probation Plan | \$11,349 | \$10,937 | \$10,371 | \$9,835 | \$9,289 |
| Average Monthly Salary for All Plans | \$10,530 | \$10,166 | \$9,743 | \$9,439 | \$9,176 |

Schedule of Average Monthly Salary of Active Members (Continued)

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

| Plan | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------------|-----------------|-----------------|-----------------|----------------|
| General Plan 1 | \$9,793 | \$10,121 | \$11,305 | \$9,945 | \$9,235 |
| General Plan 2 | 10,088 | 9,526 | 8,994 | 8,636 | 8,186 |
| General Plan 3 | 7,872 | 7,462 | 7,484 | 7,173 | 6,747 |
| General Plan 4 | 9,302 | 8,534 | 8,134 | 7,807 | 7,386 |
| General Plan 5 | 10,180 | 9,672 | 8,980 | 8,485 | 7,735 |
| General Plan 7 | 7,395 | 6,974 | 6,737 | 6,714 | 6,315 |
| Average Monthly Salary for General Plan | \$8,622 | \$8,128 | \$7,869 | \$7,694 | \$7,351 |
| Safety Plan 1 | \$ - | \$ - | \$14,434 | \$15,810 | \$14,712 |
| Safety Plan 2 | 14,197 | 13,607 | 13,528 | 12,505 | 11,545 |
| Safety Plan 4 | 12,391 | 11,894 | 11,381 | 10,729 | 9,919 |
| Safety Plan 5 | 11,708 | 11,349 | 10,544 | 9,940 | 9,145 |
| Safety Plan 6 | - | - | - | 16,793 | 16,010 |
| Safety Plan 7 | 9,030 | 8,747 | 8,356 | 7,538 | 6,701 |
| Average Monthly Salary for Safety Plan | \$11,146 | \$10,958 | \$10,786 | \$10,364 | \$9,728 |
| Probation Plan 1 | \$ - | \$ - | \$7,722 | \$7,261 | \$7,038 |
| Probation Plan 2 | 9,908 | 9,061 | 9,069 | 8,349 | 8,012 |
| Probation Plan 4 | 9,103 | 8,714 | 8,270 | 7,454 | 7,267 |
| Probation Plan 5 | 8,587 | 8,219 | 7,612 | 6,429 | 6,106 |
| Probation Plan 6 | - | - | 7,347 | 6,259 | 5,739 |
| Probation Plan 7 | 6,973 | 6,676 | 6,121 | 5,962 | 5,684 |
| Average Monthly Salary for Probation Plan | \$8,678 | \$8,379 | \$8,061 | \$7,391 | \$7,216 |
| Average Monthly Salary for All Plans | \$8,873 | \$8,407 | \$8,154 | \$7,933 | \$7,567 |



⁽¹⁾ Contribution rates determined as of the valuation date will become effective a year later. For example, contribution rates determined as of June 30, 2024, will become effective on July 1, 2025.

⁽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 was 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, 2025 | July 1, 2024 | |
| Employer Statutory Contribution Rate ⁽¹⁾ | | | |
| Gross Normal Cost | 23.77% | 24.16% | (0.39)% |
| Less: Member Contributions | (12.16)% | (12.41)% | (0.25)% |
| Employer Normal Cost | 11.61% | 11.75% | (0.14)% |
| UAAL Amortization ⁽³⁾ | 14.89% | 14.89% | 0.00% |
| Total Employer Statutory Contribution Rate ⁽²⁾ | 26.50% | 26.64% | (0.14)% |
| Statutory Contribution Rate by Employer | | | |
| County of San Mateo | 26.48% | 26.62% | (0.14)% |
| San Mateo County Superior Court | 26.38% | 26.35% | 0.03% |
| San Mateo County Mosquito & Vector Control District | 27.81% | 28.03% | (0.22)% |

⁽¹⁾ Detailed contribution rates by plan are reported on the 2024 valuation report.

⁽²⁾ Total Employer Statutory Contribution Rate of 26.50% is the aggregate rate for all employers.

⁽³⁾ The UAAL amortization rate (before SCA offset) for each member class is the greater of the fiscal year beginning 2023 UAAL amortization rate (with phase-in and before SCA offset) for the respective class and those calculated in this year's valuation.

| History of Employer Statutory Contribution Rates | | | | | | | | | |
|--|--------------------------|--------|--------|-------------------------|--------|--------|----------------------------|--------|--------|
| Valuation Date | General Members (County) | | | General Members (Court) | | | General Members (District) | | |
| June 30 | Normal | UAAL | Total | Normal | UAAL | Total | Normal | UAAL | Total |
| 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% |
| 2023 | 10.41% | 12.07% | 22.48% | 10.49% | 15.86% | 26.35% | 12.27% | 15.76% | 28.03% |
| 2024 | 10.39% | 12.19% | 22.58% | 10.52% | 15.86% | 26.38% | 12.00% | 15.81% | 27.81% |

Notes:

- 1 Contribution rates shown are those calculated in the corresponding actuarial valuation. In some cases, actual contributions were higher.
- 2 Beginning with the 2015 actuarial valuation, Plan 1, 2, and 4 members of the Union of American Physicians and Dentists (UAPD) and the California Nurses Association (CNA), and Probation members (Managers) contribute 50% of the cost of Cost-of-Living Adjustment (COLA), in addition to current member rates and cost-sharing.
- 3 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 District members) contribute 50% of the cost of COLA, in addition to current member rates and cost-sharing. Additionally, pick-up contributions were discontinued for members with benefits negotiated under the Probation and Detention Association (PDA) bargaining unit.
- 4 Effective October 2016, all members (except those with benefits negotiated under Board of Supervisors bargaining unit, and District members) contribute 50% of the cost of COLA, in addition to current member rates and cost-sharing. This was reflected in 2016 values.
- 5 Effective July 1, 2018, members of 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) | | | |
|----------------|---------------|--------|--------|--|--------|--------|--------------------------------------|--------|--------|-------|
| | June 30 | Normal | UAAL | Total | Normal | UAAL | Total | Normal | UAAL | Total |
| 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) | | | |
| 2023 | 19.23% | 29.49% | 48.72% | 20.20% | 33.33% | 53.53% | Same as Probation (exclude Managers) | | | |
| 2024 | 18.82% | 29.67% | 48.49% | 19.70% | 34.37% | 54.07% | 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 2015 actuarial valuation, Plan 1, 2, and 4 members of the Union of American Physicians and Dentists (UAPD) and the California Nurses Association (CNA), and Probation members (Managers) contribute 50% of the cost of Cost-of-Living Adjustment (COLA), in addition to current member rates and cost-sharing.
- 3 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 District members) contribute 50% of the cost of COLA, in addition to current member rates and cost-sharing. Additionally, pick-up contributions were discontinued for members with benefits negotiated under the Probation and Detention Association (PDA) bargaining unit.
- 4 Effective October 2016, all members (except those with benefits negotiated under Board of Supervisors bargaining unit, and District members) contribute 50% of the cost of COLA, in addition to current member rates and cost-sharing. This was reflected in 2016 values.
- 5 Effective July 1, 2018, members of 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.



Compliance Section

2022

2024

2021

2023

SamCERA fund reached
\$6.5 billion as of
6/30/24.

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COMPLIANCE



www.ba.cpa
661-324-4971

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, 2024, and have issued our report thereon dated October 17, 2024. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 18, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SamCERA are described in Note 2, Summary of Significant Accounting Policies, to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2024. 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.

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

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

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

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 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. We did not identify any misstatements as a result of our audit procedures.

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, 2024.

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, 2024

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100 Marine Parkway, Suite 125
Redwood City, CA 94065
www.samcera.org




SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 5, 2024

Agenda Item 7.3

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer 

SUBJECT: Approval of SACRS Voting Delegate for the SACRS Fall 2024 Business Meeting and Direction to Voting Delegate

Recommendation

Staff recommends the Board designate Robert Raw as the Voting Delegate and Scott Hood, CEO, as the Alternate Voting Delegate to cast SamCERA's votes at the SACRS Fall 2024 Conference.

The SACRS legislative committee has put forth two corrections of the County Employees Retirement Law of 1937 (CERL or '37 Act) to correct drafting omissions following the implementation of PEPRA in 2013. The first amendment clarifies the calculation of final average compensation when the member has less than 36 months of service to be consistent with similar sections of the law. The other correction clarifies that service for miscellaneous positions that are converted to safety positions after January 1, 2013, cannot be retroactively enhanced.

Staff has reviewed these proposed changes and recommend supporting the recommendations of the legislative committee. 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 from attendees who plan to attend the Friday morning business meeting. Delegates can be either trustees or staff. No trustees are scheduled to attend this conference.

The business meeting will occur on the last morning of the conference, at 10:15 a.m., Friday, November 15, 2024.

Attachment

Fall 2024 SACRS Business Meeting Packet



**SACRS
Fall Conference
Annual Business Meeting 2024**

Friday, November 14, 2024
10:15 am – 11:30 am
Regency Ballroom

Hyatt Regency Monterey Hotel & Spa
Monterey, CA



Vision, Mission, Core Values

The members and staff of the State Association of County Retirement Systems (SACRS) share a common purpose, mission and core values.

Statement of Purpose

The specific and primary purposes of SACRS are to provide forums for disseminating knowledge of and developing expertise in the operation of 20 county retirement systems existing under the County Employees Retirement Law of 1937 (CERL) sets forth in California Government Code section 31450 et. seq., and to foster and take an active role in the legislative process as it affects county retirement systems.

Mission Statement

The mission of this organization shall be to serve the 1937 Act Retirement Systems by exchanging information, providing education and analyzing legislation.

Core Values

Teamwork

Integrity

Education

Service and Support



SACRS Business Meeting Agenda
Friday, November 15, 2024
10:15 AM – 11:30 AM
Monterey Hyatt Regency Resort & Spa
Monterey, CA
Regency Ballroom

SACRS Parliamentarian – David Lantzer, San Bernardino CERA

SACRS Sergeant at Arms – Brian Williams, Sonoma CERA

Meeting Call to Order

1. SACRS System Roll Call

Zandra Cholmondely, Santa Barbara CERS, SACRS Secretary

2. SACRS Secretary's Report - Receive and File

Zandra Cholmondeley, Santa Barbara CERS, SACRS Secretary

- A. SACRS Business Meeting Minutes May 2024

3. SACRS Treasurer's Report - Receive and File

Jordan Kaufman, Kern CERA, SACRS Treasurer

- A. July 2024 – August 2024 Financials
- B. 2024-2025 SACRS Budget

4. SACRS President Report - No Action

David MacDonald, Contra Costa CERA, SACRS President

- A. SACRS President Update

5. SACRS Legislative Committee Report – Action Item

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

- A. Legislative Committee Report
- B. Proposed 2024-2025 SACRS Legislation



6. SACRS Nomination Committee Report – No Action

Vivian Gray, Los Angeles CERA, SACRS Nomination Committee Chair

- A. SACRS Board of Directors Elections 2025-2026

7. SACRS Audit Committee Report – No Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

- A. SACRS Audit 2023-2024 Update

8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

- A. Education Committee Report

9. SACRS Program Committee Report – No Action

Adele Tagaloa, Orange CERS, SACRS Program Committee Chair

- A. Program Committee Report

10. SACRS Affiliate Committee Report – No Action

JoAnne Svensgaard, Adrian Lee & Partners, SACRS Affiliate Committee Chair

- A. Affiliate Committee Report

11. SACRS Bylaws Committee Report – No Action

Barbara Hannah, San Bernardino CERA, SACRS Bylaws Committee Chair

- A. Bylaws Committee Report

12. SACRS Fall Conference Breakout Reports – No Action

A representative from each breakout will give a verbal report on their meetings. No printed materials for this item.

- A. Administrators
- B. Affiliates



- C. Attorneys
- D. Disability/ Operations & Benefits Combo
- E. Internal Auditors
- F. Investment Officers
- G. Safety Trustees
- H. General Trustees

13. Adjournment

Next scheduled SACRS Business Meeting will be held on Friday, May 16, 2025. The meeting will be held at the Omni Rancho Las Palmas Resort & Spa, Rancho Mirage, during SACRS Annual Spring Conference May 13-16, 2025



1. Roll Call

Zandra Cholmondeley, Santa Barbara CERS, SACRS Secretary

Roll Call of the 20 SACRS Retirement Systems.

Please state your Retirement System, your name, and if you are the voting delegate or alternate delegate.



1. SACRS System Roll Call

Zandra Cholmondeley, Santa Barbara CERS, SACRS Secretary

| System | Delegate Name | Alternate Delegate Name | Absent |
|----------------|---------------|-------------------------|--------|
| 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. SACRS Secretary's Report - Receive and File

Zandra Cholmondeley, Santa Barbara CERS, SACRS Secretary

A. SACRS Business Meeting Minutes Spring 2024



SACRS Business Meeting Minutes

Friday, May 10, 2024

10:15 AM – 11:30 AM

Hilton Santa Barbara Beachfront Resort

Santa Barbara, CA

Santa Barbara Ballroom

SACRS Parliamentarian – David Lantzer, San Bernardino CERA

SACRS Sergeant at Arms – Brian Williams, Sonoma CERA

Meeting called to order at 10:18 am

1. SACRS System Roll Call

Zandra Cholmondely, Santa Barbara CERS, SACRS Secretary

All 20 Retirement Systems Present

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

2. SACRS Secretary's Report - Receive and File

Zandra Cholmondeley, Santa Barbara CERS, SACRS Secretary

A. SACRS Business Meeting Minutes November 2023

Motion: A motion to approve the November 2023 Business Meeting Minutes was made by San Mateo CERA.

2nd: San Diego 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, Ventura

No: 0

Abstention: Mendocino

Motion Passes 19-0-1

3. SACRS Treasurer's Report - Receive and File

Jordan Kaufman, Kern CERA, SACRS Treasurer

A. July 2023 – January 2024 Financials



Motion: A motion to approve the Treasurers Report was made by San Diego CERA.

2nd: San Joaquin 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, Ventura

No: 0

Abstention: Mendocino

Motion Passes 19-0-1

4. SACRS President Report - No Action

David MacDonald, Contra Costa CERA, SACRS President

A. SACRS President Update

Discussion: David MacDonald thanked the membership for their participation at the conference, highlighted the 70th anniversary, thanked the Board of Directors and the Program Committee for a stellar roster of speakers, and gave thanks to the volunteers and staff.

5. SACRS Legislative Committee Report – No Action

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

A. Legislative Committee Report

Discussion: Eric and Dave introduced SACRS' new lobbying team, Laurie Johnson, and Cara Martinson. The new team was immediately thrown into SACRS' legislative process and presented at the Legislative update session on Thursday afternoon. They gave a brief overview of the status of current legislation and reminded members to submit their legislative proposals for the next legislative session for consideration.

6. SACRS Nomination Committee Report - Action

Vivian Gray, Los Angeles CERA, SACRS Nomination Committee Chair

A. SACRS Board of Directors Elections 2024-2025

Motion: A motion to approve the recommended slate for the SACRS Board of Directors 2024-2025 was made by San Diego CERA –

- President – David MacDonald, Contra Costa CERA
- Vice President – Adele Tagaloo, Orange CERS
- Treasurer – Jordan Kaufman, Kern CERA
- Secretary – Zandra Cholmondeley, Santa Barbara CERS



- General – David Gilmore, San Diego CERA
- General – Rhonda Biesemeier, Stanislaus CERA

2nd: Santa Barbara CERS

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

No: 0

Abstentions: 0

Motion Passes 20-0-0

7. SACRS Audit Committee Report – Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

A. SACRS Audit 2022-2023 Report

Discussion: Steve Delaney presented the SACRS 2022-2023 Annual Audit performed by outside auditors James Marta & Co. The financials received a clean audit with no negative findings. Steve thanked the committee members for their time and participation reviewing drafts and meetings with the auditors.

Motion: A motion to approve the SACRS Audit 2022-2023 Report was made by San Mateo CERA.

2nd: Imperial CERA

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

No: 0

Abstentions: 0

Motion Passes 20-0-0

8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

A. Education Committee Report

Discussion: JJ Popowich gave a brief update on the review of the conference from the Education Committee meeting held on Thursday afternoon at the conference. Attendees enjoyed the drone show for the 70th gala, the Disability Session was a great session and well attended. The Affiliate breakout featured “Shark Tank” presentation which received positive reviews and mentions of bringing it back in the future. Overall, the conference agenda topics



were very timely and educational. A full report will be presented to the Board of Directors at their next meeting.

9. SACRS Program Committee Report – No Action

Adele Tagaloa, Orange CERS, SACRS Program Committee Chair

A. Program Committee Report

Discussion: Adele Tagaloa thanked the Program Committee members and the Board for their continued support and assistance in developing the conference agenda. Great speakers, and Trustees really enjoyed the “Shark Tank” presentation at the Affiliate Breakout. Adele highlighted the July UC Berkeley Program and encouraged members to attend more than once because the agenda is different each time and has exceptionally relevant content.

10. SACRS Affiliate Committee Report – No Action

JoAnne Svensgaard, Adrian Lee & Partners, SACRS Affiliate Committee Chair

A. Affiliate Committee Report

Discussion: JoAnne Svensgaard announced that the committee has three new members –

- Tracey Monroe, RBC Global Asset Mgmt.
- Tim Stidham, Oak Real Estate Partners
- Natalie Fitch, Hamilton Lane

Sean Gannon, Manulife, will serve as the next Affiliate Chair, Ken McCray, Nuveen, will serve as the next Vice Chair and Rodrigo Soto, Cohen & Steers Capital Mgt., will serve as the committee Secretary.

Joanne thanked the members for their continued support of the Affiliate Committee and their presentations. She will now serve as the past chair and remain on the committee for the remainder of her term.

11. SACRS Bylaws Committee Report – No Action

Barbara Hannah, San Bernardino CERA, SACRS Bylaws Committee Chair

A. Bylaws Committee Report

Discussion: Barbara Hannah updated the membership on the pending changes to the Bylaws. A complete review is underway, the committee will present suggested amendments to the Board and once finalized, will bring it back to the membership for consideration and approval. The project could take a year to complete.



12. SACRS Spring Conference Breakout Reports – No Action

A representative from each breakout will give a verbal report on their meetings. No printed materials for this item.

- A. Administrators – Thomas Stadelmaier, Stanislaus CERA
Donald Kendig gave a brief update on the Administrators breakout, well attended and Amy Herron, Administrator, Ventura CERA will serve as the Fall volunteer moderator.
- B. Affiliates – JoAnne Svendsgaard, Affiliate Committee Chair
See Affiliate Committee report.
- C. Attorneys – Barbara Hannah and David Lantzer, San Bernardino CERA
David Lantzer gave a brief update on the Attorney's breakout, Rick Muir spoke on , Ashley Dunning also reviewed current litigation status. Aaron Zaheem, San Joaquin CERA and Karen Levy, Contra Costa CERA, will serve as the Fall volunteer moderators.
- D. Disability/ Operations & Benefits Combo – Theodore King, Los Angeles CERA
Carolos Barios, Alameda CERA and Patty Montoya, Fresno CERA will serve as the Fall volunteer moderators.
- E. Internal Auditors – Harsh Jadhav, Alameda CERA
Harsh Jadhav will serve as the Fall volunteer moderator.
- F. Investment Officers – Donald Pierce, San Bernardino CERS
No report
- G. Safety Trustees – Brian Williams, Sonoma CERS
Brian Williams gave a brief update on the Safety breakout, Tracy Towner presented to the group and Skip Murphy, Trustee, San Diego CERA, will serve as the Fall volunteer moderator.
- H. General Trustees – Adele Tagaloa, Orange CERS
Adele Tagaloa gave a brief update on the General Trustees breakout; it was well attended. Over 40 trustees participated in the Shark Tank presentation, and then discussed the session back in their breakout. Adele will serve as the Fall volunteer moderator.

13. Adjournment

Next scheduled SACRS Business Meeting will be held on Friday, November 15, 2024. The meeting will be held at the Hyatt Regency Monterey Hotel and Spa during SACRS Annual Fall Conference November 12 – 15, 2024.

Meeting Adjourned 10:55 AM



3. SACRS Treasurer's Report - Receive and File

Jordan Kaufman, Kern CERA, SACRS Treasurer

- A. July – September 2024 Financials
- B. 2024 – 2025 Annual Budget

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Balance Sheet

As of August 31, 2024

ASSETS

Current Assets

Checking/Savings

| | |
|---------------------------------------|------------|
| 1000 · First Foundation Bank-Checking | 317,742.72 |
| 1001 · BofA Interest Checking 4389 | 6,646.98 |
| 1002 · First Foundation Bank ICS Acct | 7,628.75 |

Total Checking/Savings 332,018.45

Other Current Assets

| | |
|----------------------------------|------------|
| 1100 · CalTrust - Medium Term | 309,714.78 |
| 1107 · CalTrust Liquidity Fund | 9,119.39 |
| 1110 · CAMP-SACRS Liquidity Fund | 537,576.94 |

Total Other Current Assets 856,411.11

Total Current Assets 1,188,429.56

TOTAL ASSETS 1,188,429.56

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Credit Cards

| | |
|-------------------------------------|----------|
| 2201 · First Foundation Master Card | 2,337.40 |
|-------------------------------------|----------|

Total Credit Cards 2,337.40

Other Current Liabilities

| | |
|-------------------------|----------|
| 2150 · Refund Liability | 2,670.00 |
|-------------------------|----------|

Total Other Current Liabilities 2,670.00

Total Current Liabilities 5,007.40

Total Liabilities 5,007.40

Equity

| | |
|---------------------------|------------|
| 32000 · Retained Earnings | 909,148.98 |
|---------------------------|------------|

Net Income 274,273.18

Total Equity 1,183,422.16

TOTAL LIABILITIES & EQUITY 1,188,429.56

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss

July through August 2024

Jul - Aug 24

Ordinary Income/Expense

Income

4100 · Membership Dues

| | |
|-----------------------------------|------------|
| 4101 · Affiliates | 148,500.00 |
| 4102 · Non Profit - Organizations | 1,500.00 |
| 4103 · Non Profit - Systems | 1,800.00 |
| 4104 · Systems - Medium | 32,000.00 |
| 4105 · Systems - Large | 36,000.00 |

Total 4100 · Membership Dues 219,800.00

4250 · Product Income

| | |
|-------------------------|-------|
| 4269 · Product Shipping | 25.00 |
|-------------------------|-------|

Total 4250 · Product Income 25.00

4270 · UC Berkeley Program

| | |
|------------------------------------|-----------|
| 4271 · Registrations | 24,500.00 |
| 4272 · Sponsorships | 13,500.00 |
| 4270 · UC Berkeley Program - Other | 100.00 |

Total 4270 · UC Berkeley Program 38,100.00

4300 · Fall Conference Registration

| | |
|-----------------------------|------------|
| 4302 · Affiliates - Regular | 118,800.00 |
| 4304 · Non Profit | 1,050.00 |
| 4305 · Systems | 7,080.00 |
| 4306 · Non-Members | 28,800.00 |
| 4307 · Fun Run | 345.00 |
| 4308 · Yoga | 225.00 |
| 4309 · Spouse | 900.00 |
| 4310 · Sponsorship | 3,500.00 |

Total 4300 · Fall Conference Registration 160,700.00

4350 · Spring Conference Registration

| | |
|---|----------|
| 4353 · Affiliates - Late/Onsite | 1,536.00 |
| 4355 · Systems | 1,230.00 |
| 4356 · Non-Members | 3,204.00 |
| 4357 · Fun Run | 15.00 |
| 4350 · Spring Conference Registration - Other | 175.00 |

Total 4350 · Spring Conference Registration 6,160.00

4900 · Interest Earned 11,901.53

Total Income

436,686.53

Gross Profit

436,686.53

Expense

5000 · Administrative Fee

37,500.00

5003 · Bank Charges/Credit Card Fees

5,722.64

5010 · Berkeley & Symposium

| | |
|----------------------------------|-----------|
| 5013 · Hotel | 24,035.25 |
| 5015 · Materials/Printing/Design | 712.32 |
| 5016 · Travel | 831.80 |

Total 5010 · Berkeley & Symposium 25,579.37

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss

July through August 2024

| | <u>Jul - Aug 24</u> |
|-----------------------------------|--------------------------|
| 5030 - CERL | |
| 5031 - Materials/Printing/Design | 15,691.00 |
| 5032 - Shipping | 1,603.37 |
| Total 5030 - CERL | <u>17,294.37</u> |
| 5071 - Legal & Professional Fees | 10,840.00 |
| 5072 - Legislative Advocacy | 6,000.00 |
| 6010 - Office Expenses / Supplies | 208.23 |
| 6011 - Postage & Delivery | 682.15 |
| 6020 - Spring Conference | |
| 6023 - Entertainment | 850.00 |
| 6024 - Hotel | |
| 6024.2 - Conference | <u>26,073.79</u> |
| Total 6024 - Hotel | 26,073.79 |
| 6025 - Program Material | 16,100.00 |
| 6027 - Supplies | 3,816.00 |
| 6028 - Travel | <u>2,410.48</u> |
| Total 6020 - Spring Conference | 49,250.27 |
| 6051 - Taxes & Licenses | 809.42 |
| 6053 - Technology/AMS/Website | 8,409.07 |
| 6054 - Travel | <u>117.83</u> |
| Total Expense | <u>162,413.35</u> |
| Net Ordinary Income | <u>274,273.18</u> |
| Income | <u><u>274,273.18</u></u> |

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss Budget vs. Actual

July through August 2024

| | Jul - Aug 24 | Budget | \$ Over Budget | % of Budget |
|---|--------------|------------|----------------|-------------|
| Ordinary Income/Expense | | | | |
| Income | | | | |
| 4100 · Membership Dues | | | | |
| 4101 · Affiliates | 148,500.00 | 375,000.00 | -226,500.00 | 39.6% |
| 4102 · Non Profit - Organizations | 1,500.00 | 3,000.00 | -1,500.00 | 50.0% |
| 4103 · Non Profit - Systems | 1,800.00 | 6,500.00 | -4,700.00 | 27.69% |
| 4104 · Systems - Medium | 32,000.00 | 52,000.00 | -20,000.00 | 61.54% |
| 4105 · Systems - Large | 36,000.00 | 42,000.00 | -6,000.00 | 85.71% |
| Total 4100 · Membership Dues | 219,800.00 | 478,500.00 | -258,700.00 | 45.94% |
| 4200 · Webinar Symposium Registration | | | | |
| 4202 · Affiliates - Regular | 0.00 | 3,500.00 | -3,500.00 | 0.0% |
| 4204 · Non Profit | 0.00 | 2,500.00 | -2,500.00 | 0.0% |
| 4205 · Systems | 0.00 | 2,500.00 | -2,500.00 | 0.0% |
| 4206 · Non-Members | 0.00 | 4,500.00 | -4,500.00 | 0.0% |
| Total 4200 · Webinar Symposium Registration | 0.00 | 13,000.00 | -13,000.00 | 0.0% |
| 4250 · Product Income | | | | |
| 4251 · CERE | 0.00 | 200.00 | -200.00 | 0.0% |
| 4269 · Product Shipping | 25.00 | 50.00 | -25.00 | 50.0% |
| Total 4250 · Product Income | 25.00 | 250.00 | -225.00 | 10.0% |
| 4270 · UC Berkeley Program | | | | |
| 4271 · Registrations | 24,500.00 | 165,000.00 | -140,500.00 | 14.85% |
| 4272 · Sponsorships | 13,500.00 | 45,000.00 | -31,500.00 | 30.0% |
| 4273 · Spouse | 0.00 | 1,000.00 | -1,000.00 | 0.0% |
| 4270 · UC Berkeley Program - Other | 100.00 | | | |
| Total 4270 · UC Berkeley Program | 38,100.00 | 211,000.00 | -172,900.00 | 18.06% |
| 4300 · Fall Conference Registration | | | | |
| 4302 · Affiliates - Regular | 118,800.00 | 337,500.00 | -218,700.00 | 35.2% |
| 4303 · Affiliates - Late/Onsite | 0.00 | 37,500.00 | -37,500.00 | 0.0% |
| 4304 · Non Profit | 1,050.00 | 1,500.00 | -450.00 | 70.0% |
| 4305 · Systems | 7,080.00 | 21,000.00 | -13,920.00 | 33.71% |
| 4306 · Non-Members | 28,800.00 | 256,000.00 | -227,200.00 | 11.25% |
| 4307 · Fun Run | 345.00 | 1,500.00 | -1,155.00 | 23.0% |
| 4308 · Yoga | 225.00 | 500.00 | -275.00 | 45.0% |
| 4309 · Spouse | 900.00 | 2,500.00 | -1,600.00 | 36.0% |
| 4310 · Sponsorship | 3,500.00 | 40,000.00 | -36,500.00 | 8.75% |
| Total 4300 · Fall Conference Registration | 160,700.00 | 698,000.00 | -537,300.00 | 23.02% |
| 4350 · Spring Conference Registration | | | | |
| 4352 · Affiliates - Regular | 0.00 | 337,500.00 | -337,500.00 | 0.0% |
| 4353 · Affiliates - Late/Onsite | 1,536.00 | 37,500.00 | -35,964.00 | 4.1% |
| 4354 · Non Profit | 0.00 | 1,500.00 | -1,500.00 | 0.0% |
| 4355 · Systems | 1,230.00 | 50,750.00 | -49,520.00 | 2.42% |
| 4356 · Non-Members | 3,204.00 | 256,000.00 | -252,796.00 | 1.25% |
| 4357 · Fun Run | 15.00 | 1,500.00 | -1,485.00 | 1.0% |
| 4358 · Yoga | 0.00 | 500.00 | -500.00 | 0.0% |

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss Budget vs. Actual

July through August 2024

| | Jul - Aug 24 | Budget | \$ Over Budget | % of Budget |
|---|--------------|--------------|----------------|-------------|
| 4359 • Spouse | 0.00 | 2,500.00 | -2,500.00 | 0.0% |
| 4360 • Sponsorship | 0.00 | 40,000.00 | -40,000.00 | 0.0% |
| 4350 • Spring Conference Registration - Other | 175.00 | | | |
| Total 4350 • Spring Conference Registration | 6,160.00 | 727,750.00 | -721,590.00 | 0.85% |
| 4900 • Interest Earned | 11,901.53 | 30,000.00 | -18,098.47 | 39.67% |
| Total Income | 436,686.53 | 2,158,500.00 | -1,721,813.47 | 20.23% |
| Gross Profit | 436,686.53 | 2,158,500.00 | -1,721,813.47 | 20.23% |
| Expense | | | | |
| 5000 • Administrative Fee | 37,500.00 | 225,000.00 | -187,500.00 | 16.67% |
| 5001 • Administrative Services | 0.00 | 500.00 | -500.00 | 0.0% |
| 5002 • Awards | 0.00 | 500.00 | -500.00 | 0.0% |
| 5003 • Bank Charges/Credit Card Fees | 5,722.64 | 55,000.00 | -49,277.36 | 10.41% |
| 5010 • Berkeley & Symposium | | | | |
| 5011 • Audio/Visual | 0.00 | 7,000.00 | -7,000.00 | 0.0% |
| 5013 • Hotel | 24,035.25 | 25,000.00 | -964.75 | 96.14% |
| 5014 • Food & Beverage | 0.00 | 20,000.00 | -20,000.00 | 0.0% |
| 5015 • Materials/Printing/Design | 712.32 | 1,500.00 | -787.68 | 47.49% |
| 5016 • Travel | 831.80 | 2,700.00 | -1,868.20 | 30.81% |
| 5017 • UC Berkeley | 0.00 | 252,000.00 | -252,000.00 | 0.0% |
| Total 5010 • Berkeley & Symposium | 25,579.37 | 308,200.00 | -282,620.63 | 8.3% |
| 5020 • Webinar Symposium | | | | |
| 5022 • Webinar Technology | 0.00 | 25,000.00 | -25,000.00 | 0.0% |
| Total 5020 • Webinar Symposium | 0.00 | 25,000.00 | -25,000.00 | 0.0% |
| 5030 • CERL | | | | |
| 5031 • Materials/Printing/Design | 15,691.00 | 16,500.00 | -809.00 | 95.1% |
| 5032 • Shipping | 1,603.37 | 1,300.00 | 303.37 | 123.34% |
| Total 5030 • CERL | 17,294.37 | 17,800.00 | -505.63 | 97.16% |
| 5039 • Charitable Contributions | 0.00 | 2,000.00 | -2,000.00 | 0.0% |
| 5040 • Commissions & Fees | 0.00 | 10,000.00 | -10,000.00 | 0.0% |
| 5041 • Consulting | 0.00 | 18,000.00 | -18,000.00 | 0.0% |
| 5042 • Dues & Subscriptions | 0.00 | 3,700.00 | -3,700.00 | 0.0% |
| 5050 • Fall Conference | | | | |
| 5051 • Audio/Visual | 0.00 | 100,000.00 | -100,000.00 | 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 | 75,000.00 | -75,000.00 | 0.0% |
| 5054.2 • Conference | 0.00 | 50,000.00 | -50,000.00 | 0.0% |
| 5054.3 • Food & Beverage | 0.00 | 250,000.00 | -250,000.00 | 0.0% |
| Total 5054 • Hotel | 0.00 | 375,000.00 | -375,000.00 | 0.0% |
| 5055 • Program Material | 0.00 | 10,000.00 | -10,000.00 | 0.0% |
| 5056 • Speakers | 0.00 | 50,000.00 | -50,000.00 | 0.0% |
| 5057 • Supplies | 0.00 | 500.00 | -500.00 | 0.0% |
| 5058 • Travel | 0.00 | 15,000.00 | -15,000.00 | 0.0% |

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss Budget vs. Actual

July through August 2024

| | Jul - Aug 24 | Budget | \$ Over Budget | % of Budget |
|---------------------------------------|-------------------|-------------------|------------------|----------------|
| Total 5050 • Fall Conference | 0.00 | 559,500.00 | -559,500.00 | 0.0% |
| 5070 • Insurance | 0.00 | 6,200.00 | -6,200.00 | 0.0% |
| 5071 • Legal & Professional Fees | 10,840.00 | 15,000.00 | -4,160.00 | 72.27% |
| 5072 • Legislative Advocacy | 6,000.00 | 54,000.00 | -48,000.00 | 11.11% |
| 5080 • Magazine | | | | |
| 5082 • Design/Printing/Etc. | 0.00 | 3,500.00 | -3,500.00 | 0.0% |
| 5083 • Magazine - Other | 0.00 | 8,000.00 | -8,000.00 | 0.0% |
| Total 5080 • Magazine | 0.00 | 11,500.00 | -11,500.00 | 0.0% |
| 6000 • Board & Committees | | | | |
| 6001 • Board of Directors | | | | |
| 6001.1 • Food & Beverage | 0.00 | 10,000.00 | -10,000.00 | 0.0% |
| 6001.3 • Travel - BOD Meetings | 0.00 | 8,000.00 | -8,000.00 | 0.0% |
| 6001.4 • Travel - Miscellaneous BOD | 0.00 | 8,000.00 | -8,000.00 | 0.0% |
| 6001.5 • Board Of Directors - Other | 0.00 | 5,000.00 | -5,000.00 | 0.0% |
| Total 6001 • Board of Directors | 0.00 | 31,000.00 | -31,000.00 | 0.0% |
| 6002 • Legislative Committee Meetings | 0.00 | 350.00 | -350.00 | 0.0% |
| 6003 • Program Committee Meetings | 0.00 | 1,500.00 | -1,500.00 | 0.0% |
| 6006 • Education Committee Meetings | 0.00 | 350.00 | -350.00 | 0.0% |
| Total 6000 • Board & Committees | 0.00 | 33,200.00 | -33,200.00 | 0.0% |
| 6010 • Office Expenses / Supplies | 208.23 | 2,500.00 | -2,291.77 | 8.33% |
| 6011 • Postage & Delivery | 682.15 | 8,500.00 | -7,817.85 | 8.03% |
| 6020 • Spring Conference | | | | |
| 6021 • Audio/Visual | 0.00 | 100,000.00 | -100,000.00 | 0.0% |
| 6022 • Delivery & Shipping | 0.00 | 2,500.00 | -2,500.00 | 0.0% |
| 6023 • Entertainment | 850.00 | 6,500.00 | -5,650.00 | 13.08% |
| 6024 • Hotel | | | | |
| 6024.1 • Wednesday Night Event | 0.00 | 75,000.00 | -75,000.00 | 0.0% |
| 6024.2 • Conference | 26,073.79 | 50,000.00 | -23,926.21 | 52.15% |
| 6024.3 • Food & Beverage | 0.00 | 250,000.00 | -250,000.00 | 0.0% |
| Total 6024 • Hotel | 26,073.79 | 375,000.00 | -348,926.21 | 6.95% |
| 6025 • Program Material | 16,100.00 | 10,000.00 | 6,100.00 | 161.0% |
| 6026 • Speakers | 0.00 | 50,000.00 | -50,000.00 | 0.0% |
| 6027 • Supplies | 3,816.00 | 2,000.00 | 1,816.00 | 190.8% |
| 6028 • Travel | 2,410.48 | 15,000.00 | -12,589.52 | 16.07% |
| Total 6020 • Spring Conference | 49,250.27 | 561,000.00 | -511,749.73 | 8.78% |
| 6050 • Strategic Facilitator | 0.00 | 0.00 | 0.00 | 0.0% |
| 6051 • Taxes & Licenses | 809.42 | 1,200.00 | -390.58 | 67.45% |
| 6053 • Technology/AMS/Website | 8,409.07 | 42,000.00 | -33,590.93 | 20.02% |
| 6054 • Travel | 117.83 | 1,500.00 | -1,382.17 | 7.86% |
| Total Expense | 162,413.35 | 1,961,800.00 | -1,799,386.65 | 8.28% |
| Net Ordinary Income | 274,273.18 | 196,700.00 | 77,573.18 | 139.44% |
| | 274,273.18 | 196,700.00 | 77,573.18 | 139.44% |

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss by Class

July through August 2024

| | PAST YEAR | GENERAL | FUTURE | TOTAL |
|---|-----------|------------|--------|------------|
| Ordinary Income/Expense | | | | |
| Income | | | | |
| 4100 • Membership Dues | | | | |
| 4101 • Affiliates | 0.00 | 148,500.00 | 0.00 | 148,500.00 |
| 4102 • Non Profit - Organizations | 0.00 | 1,500.00 | 0.00 | 1,500.00 |
| 4103 • Non Profit - Systems | 0.00 | 1,800.00 | 0.00 | 1,800.00 |
| 4104 • Systems - Medium | 0.00 | 32,000.00 | 0.00 | 32,000.00 |
| 4105 • Systems - Large | 0.00 | 36,000.00 | 0.00 | 36,000.00 |
| Total 4100 • Membership Dues | 0.00 | 219,800.00 | 0.00 | 219,800.00 |
| 4250 • Product Income | | | | |
| 4269 • Product Shipping | 0.00 | 25.00 | 0.00 | 25.00 |
| Total 4250 • Product Income | 0.00 | 25.00 | 0.00 | 25.00 |
| 4270 • UC Berkeley Program | | | | |
| 4271 • Registrations | 0.00 | 24,500.00 | 0.00 | 24,500.00 |
| 4272 • Sponsorships | 0.00 | 13,500.00 | 0.00 | 13,500.00 |
| 4270 • UC Berkeley Program - Other | 0.00 | 100.00 | 0.00 | 100.00 |
| Total 4270 • UC Berkeley Program | 0.00 | 38,100.00 | 0.00 | 38,100.00 |
| 4300 • Fall Conference Registration | | | | |
| 4302 • Affiliates - Regular | 0.00 | 118,800.00 | 0.00 | 118,800.00 |
| 4304 • Non Profit | 0.00 | 1,050.00 | 0.00 | 1,050.00 |
| 4305 • Systems | 0.00 | 7,080.00 | 0.00 | 7,080.00 |
| 4306 • Non-Members | 0.00 | 28,800.00 | 0.00 | 28,800.00 |
| 4307 • Fun Run | 0.00 | 345.00 | 0.00 | 345.00 |
| 4308 • Yoga | 0.00 | 225.00 | 0.00 | 225.00 |
| 4309 • Spouse | 0.00 | 900.00 | 0.00 | 900.00 |
| 4310 • Sponsorship | 0.00 | 3,500.00 | 0.00 | 3,500.00 |
| Total 4300 • Fall Conference Registration | 0.00 | 160,700.00 | 0.00 | 160,700.00 |
| 4350 • Spring Conference Registration | | | | |
| 4353 • Affiliates - Late/Onsite | 1,536.00 | 0.00 | 0.00 | 1,536.00 |
| 4355 • Systems | 1,230.00 | 0.00 | 0.00 | 1,230.00 |
| 4356 • Non-Members | 3,204.00 | 0.00 | 0.00 | 3,204.00 |
| 4357 • Fun Run | 15.00 | 0.00 | 0.00 | 15.00 |
| 4350 • Spring Conference Registration - Other | 175.00 | 0.00 | 0.00 | 175.00 |
| Total 4350 • Spring Conference Registration | 6,160.00 | 0.00 | 0.00 | 6,160.00 |
| 4900 • Interest Earned | 0.00 | 11,901.53 | 0.00 | 11,901.53 |
| Total Income | 6,160.00 | 430,526.53 | 0.00 | 436,686.53 |
| Gross Profit | 6,160.00 | 430,526.53 | 0.00 | 436,686.53 |
| Expense | | | | |
| 5000 • Administrative Fee | 0.00 | 37,500.00 | 0.00 | 37,500.00 |
| 5003 • Bank Charges/Credit Card Fees | 0.00 | 5,722.64 | 0.00 | 5,722.64 |
| 5010 • Berkeley & Symposium | | | | |
| 5013 • Hotel | 0.00 | 24,035.25 | 0.00 | 24,035.25 |
| 5015 • Materials/Printing/Design | 0.00 | 712.32 | 0.00 | 712.32 |
| 5016 • Travel | 0.00 | 831.80 | 0.00 | 831.80 |
| Total 5010 • Berkeley & Symposium | 0.00 | 25,579.37 | 0.00 | 25,579.37 |

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss by Class

July through August 2024

| | PAST YEAR | GENERAL | FUTURE | TOTAL |
|---|-------------------|-------------------|-------------|-------------------|
| 5030 - CERL | | | | |
| 5031 - Materials/Printing/Design | 0.00 | 15,691.00 | 0.00 | 15,691.00 |
| 5032 - Shipping | 0.00 | 1,603.37 | 0.00 | 1,603.37 |
| Total 5030 - CERL | 0.00 | 17,294.37 | 0.00 | 17,294.37 |
| 5071 - Legal & Professional Fees | 4,250.00 | 6,590.00 | 0.00 | 10,840.00 |
| 5072 - Legislative Advocacy | 6,000.00 | 0.00 | 0.00 | 6,000.00 |
| 6010 - Office Expenses / Supplies | 0.00 | 208.23 | 0.00 | 208.23 |
| 6011 - Postage & Delivery | 0.00 | 682.15 | 0.00 | 682.15 |
| 6020 - Spring Conference | | | | |
| 6023 - Entertainment | 850.00 | 0.00 | 0.00 | 850.00 |
| 6024 - Hotel | | | | |
| 6024.2 - Conference | 26,073.79 | 0.00 | 0.00 | 26,073.79 |
| Total 6024 - Hotel | 26,073.79 | 0.00 | 0.00 | 26,073.79 |
| 6025 - Program Material | 16,100.00 | 0.00 | 0.00 | 16,100.00 |
| 6027 - Supplies | 3,816.00 | 0.00 | 0.00 | 3,816.00 |
| 6028 - Travel | 2,410.48 | 0.00 | 0.00 | 2,410.48 |
| Total 6020 - Spring Conference | 49,250.27 | 0.00 | 0.00 | 49,250.27 |
| 6051 - Taxes & Licenses | 809.42 | 0.00 | 0.00 | 809.42 |
| 6053 - Technology/AMS/Website | 0.00 | 8,409.07 | 0.00 | 8,409.07 |
| 6054 - Travel | 0.00 | 117.83 | 0.00 | 117.83 |
| Total Expense | 60,309.69 | 102,103.66 | 0.00 | 162,413.35 |
| Net Ordinary Income | -54,149.69 | 328,422.87 | 0.00 | 274,273.18 |
| | -54,149.69 | 328,422.87 | 0.00 | 274,273.18 |

SACRS 2024-2025 Budget

| | Budget |
|---|------------|
| Ordinary Income/Expense | |
| Income | |
| 4100 · Membership Dues | |
| 4101 · Affiliates | 375,000.00 |
| 4102 · Non Profit - Organizations | 3,000.00 |
| 4103 · Non Profit - Systems | 6,500.00 |
| 4104 · Systems - Medium | 52,000.00 |
| 4105 · Systems - Large | 42,000.00 |
| Total 4100 · Membership Dues | 478,500.00 |
| 4200 · Webinar Symposium Registration | |
| 4202 · Affiliates - Regular | 3,500.00 |
| 4204 · Non Profit | 2,500.00 |
| 4205 · Systems | 2,500.00 |
| 4206 · Non-Members | 4,500.00 |
| Total 4200 · Webinar Symposium Registration | 13,000.00 |
| 4250 · Product Income | |
| 4251 · CERL | 200.00 |
| 4269 · Product Shipping | 50.00 |
| Total 4250 · Product Income | 250.00 |
| 4270 · UC Berkeley Program | |
| 4271 · Registrations | 165,000.00 |
| 4272 · Sponsorships | 45,000.00 |
| 4273 · Spouse | 1,000.00 |
| 4270 · UC Berkeley Program - Other | |
| Total 4270 · UC Berkeley Program | 211,000.00 |
| 4300 · Fall Conference Registration | |
| 4302 · Affiliates - Regular | 337,500.00 |
| 4303 · Affiliates - Late/Onsite | 37,500.00 |
| 4304 · Non Profit | 1,500.00 |
| 4305 · Systems | 21,000.00 |
| 4306 · Non-Members | 256,000.00 |
| 4307 · Fun Run | 1,500.00 |
| 4308 · Yoga | 500.00 |
| 4309 · Spouse | 2,500.00 |
| 4310 · Sponsorship | 40,000.00 |
| Total 4300 · Fall Conference Registration | 698,000.00 |
| 4350 · Spring Conference Registration | |
| 4352 · Affiliates - Regular | 337,500.00 |
| 4353 · Affiliates - Late/Onsite | 37,500.00 |
| 4354 · Non Profit | 1,500.00 |
| 4355 · Systems | 50,750.00 |
| 4356 · Non-Members | 256,000.00 |
| 4357 · Fun Run | 1,500.00 |
| 4358 · Yoga | 500.00 |

| | |
|---|--------------|
| 4359 · Spouse | 2,500.00 |
| 4360 · Sponsorship | 40,000.00 |
| 4350 · Spring Conference Registration - Other | |
| Total 4350 · Spring Conference Registration | 727,750.00 |
| 4900 · Interest Earned | 30,000.00 |
| Total Income | 2,158,500.00 |
| Gross Profit | 2,158,500.00 |
| Expense | |
| 5000 · Administrative Fee | 225,000.00 |
| 5001 · Administrative Services | 500.00 |
| 5002 · Awards | 500.00 |
| 5003 · Bank Charges/Credit Card Fees | 55,000.00 |
| 5010 · Berkeley & Symposium | |
| 5011 · Audio/Visual | 7,000.00 |
| 5013 · Hotel | 25,000.00 |
| 5014 · Food & Beverage | 20,000.00 |
| 5015 · Materials/Printing/Design | 1,500.00 |
| 5016 · Travel | 2,700.00 |
| 5017 · UC Berkeley | 252,000.00 |
| Total 5010 · Berkeley & Symposium | 308,200.00 |
| 5020 · Webinar Symposium | |
| 5022 · Webinar Technology | 25,000.00 |
| Total 5020 · Webinar Symposium | 25,000.00 |
| 5030 · CERL | |
| 5031 · Materials/Printing/Design | 16,500.00 |
| 5032 · Shipping | 1,300.00 |
| Total 5030 · CERL | 17,800.00 |
| 5039 · Charitable Contributions | 2,000.00 |
| 5040 · Commissions & Fees | 10,000.00 |
| 5041 · Consulting | 18,000.00 |
| 5042 · Dues & Subscriptions | 3,700.00 |
| 5050 · Fall Conference | |
| 5051 · Audio/Visual | 100,000.00 |
| 5052 · Delivery & Shipping | 2,500.00 |
| 5053 · Entertainment | 6,500.00 |
| 5054 · Hotel | |
| 5054.1 · Wednesday Night Event | 75,000.00 |
| 5054.2 · Conference | 50,000.00 |
| 5054.3 · Food & Beverage | 250,000.00 |
| Total 5054 · Hotel | 375,000.00 |
| 5055 · Program Material | 10,000.00 |
| 5056 · Speakers | 50,000.00 |
| 5057 · Supplies | 500.00 |
| 5058 · Travel | 15,000.00 |
| Total 5050 · Fall Conference | 559,500.00 |
| 5070 · Insurance | 6,200.00 |

| | |
|---------------------------------------|-------------------|
| 5071 · Legal & Professional Fees | 15,000.00 |
| 5072 · Legislative Advocacy | 54,000.00 |
| 5080 · Magazine | |
| 5082 · Design/Printing/Etc. | 3,500.00 |
| 5083 · Magazine - Other | 8,000.00 |
| Total 5080 · Magazine | 11,500.00 |
| 6000 · Board & Committees | |
| 6001 · Board of Directors | |
| 6001.1 · Food & Beverage | 10,000.00 |
| 6001.3 · Travel - BOD Meetings | 8,000.00 |
| 6001.4 · Travel - Miscellaneous BOD | 8,000.00 |
| 6001.5 · Board Of Directors - Other | 5,000.00 |
| Total 6001 · Board of Directors | 31,000.00 |
| 6002 · Legislative Committee Meetings | 350.00 |
| 6003 · Program Committee Meetings | 1,500.00 |
| 6006 · Education Committee Meetings | 350.00 |
| Total 6000 · Board & Committees | 33,200.00 |
| 6010 · Office Expenses / Supplies | 2,500.00 |
| 6011 · Postage & Delivery | 8,500.00 |
| 6020 · Spring Conference | |
| 6021 · Audio/Visual | 100,000.00 |
| 6022 · Delivery & Shipping | 2,500.00 |
| 6023 · Entertainment | 6,500.00 |
| 6024 · Hotel | |
| 6024.1 · Wednesday Night Event | 75,000.00 |
| 6024.2 · Conference | 50,000.00 |
| 6024.3 · Food & Beverage | 250,000.00 |
| Total 6024 · Hotel | 375,000.00 |
| 6025 · Program Material | 10,000.00 |
| 6026 · Speakers | 50,000.00 |
| 6027 · Supplies | 2,000.00 |
| 6028 · Travel | 15,000.00 |
| Total 6020 · Spring Conference | 561,000.00 |
| 6050 · Strategic Facilitator | 0.00 |
| 6051 · Taxes & Licenses | 1,200.00 |
| 6053 · Technology/AMS/Website | 42,000.00 |
| 6054 · Travel | 1,500.00 |
| Total Expense | 1,961,800.00 |
| Net Ordinary Income | 196,700.00 |
| | 196,700.00 |



4. SACRS President Report - No Action

David MacDonald, Contra Costa CERA, SACRS President

A. SACRS President Update

No printed materials for this item



5. SACRS Legislative Committee Report - Action Item

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA

- A. Legislative Committee Report
- B. SACRS Legislative Proposals



TO: State Association of County Retirement Systems
FROM: Cara Martinson, Public House Consulting
Laurie Johnson, LJ Consulting & Advocacy
RE: **Legislative Update – October 2024**

Capitol Update

The Governor just met his 30-day deadline to take action on the 990 bills that were sent to his Desk. Overall, he vetoed 183 bills, making his veto rate roughly 18% - which has been about his average. Some of the bills that met his red pen were automatic voter registration, a major AI safety bill, and a bill that would have let undocumented immigrants eligible for home loans. During these last few weeks, the Assembly has convened their 2nd Extraordinary Session to consider legislation aimed at easing gas price spikes, including the Governor's proposal that would require oil refineries to maintain a minimum supply of fuel. Although, not thrilled with being stuck at the Capitol, legislators are in full campaign-mode, with almost a third of the Legislature's seats turning over in the 100 legislative districts up for election.

SACRS is tracking the following bills:

- **SB 1189 (Limon)** – This bill authorizes the Ventura County Employees' Retirement Association to appoint a Chief Technology Officer. Status: This bill was signed by the Governor on 7/15
- **SB 1379 (Dodd)** – This bill creates an exception to PEPRA from the 960-hour limitation on retired public employees working after retirement for hours worked in an appointment by Solano County Sheriff's Office. Status: This bill was signed by the Governor on 9/29.
- **AB 2284 (Grayson)** – The bill amends the definition of "compensation earnable" to define a work classification "grade" to mean a number of employees considered together because they share similarities in job duties, schedules, unit recruitment requirements, work location, collective bargaining unit, or other logical work-related grouping. The bill was amended on 6/27 to include a provision that requires the Board of Supervisors to pass a resolution to allow for the language to become operational within the jurisdiction. The SACRS Board met on July 18th and took an Oppose position. Status: This bill was signed by the Governor on 9/28.



- **AB 2301 (Nguyen)** – This bill, the Sacramento Area Sewer District Pension Protection Act of 2024, provides for the continuation of benefits and pension obligations for employees transferring from the County of Sacramento to the Sacramento Area Sewer District. Status: This bill was signed by the Governor on 7/2.
- **AB 2474 (Lackey)** – This is a SACRS-sponsored bill and was amended in Committee to allow LACERA-only to deposit retirement allowances into prepaid accounts until January 1, 2028, as a pilot program. The bill also provides clarity regarding the ability of a system to deposit pension payments in a member's living trust bank account. The bill also clarifies potential consequences when a retiree exceeds the 960-hour post-retirement employment limit and provides systems with administrative flexibility on that matter. This bill was signed by the Governor on 7/15.
- **AB 2770 (Committee on Public Employment and Retirement)** – This is the annual housekeeping bill that includes various technical amendments for CalPERS, CalSTRS, and '37 Act systems. SACRS is a co-sponsor of the bill. The bill removes the "return receipt" requirements as part of current procedures in statute that systems must follow to locate members and beneficiaries. The bill also conforms the sunset date of January 1, 2025, to the Labor Code for the recently added disability presumption for post-traumatic stress disorder. Status: This bill was signed by the Governor on 7/15.
- **AB 3025 (Valencia)** – This bill creates a framework for making benefit corrections and contribution refunds when disallowed compensation is inadvertently included in pension calculations. This bill includes a penalty to be paid by the employer to the member if compensation is later determined to be disallowed. The bill also includes language that is intended to protect a system's *Alameda* correction process currently underway. The SACRS Legislative Committee is working with the bill's author and sponsor to ensure '37 Act systems can properly implement the bill, consistent with IRS regulations. The bill was amended on 6/27 to expressly state that confidential information is not subject to the California Public Records Act. The author has also agreed to accept one last amendment that clarifies "Initiated a process" to mean a system has formally adopted a resolution "*or made an administrative determination*".



Status: The bill was signed by the Governor on 9/22.

SACRS is also monitoring the following bills that do not impact the '37 Act systems but are of interest:

- **SB 252 (Gonzalez)** – This bill prohibits CalPERS and CalSTRS from making new investments in a fossil fuel company and requires those systems to divest from fossil fuel companies by July 1, 2031, unless the board determines in good faith that the action is inconsistent with the board's fiduciary responsibilities. Status: Dead. This bill was not taken up by the Assembly Public Employment and Retirement Committee.
- **AB 817 (Pacheco)** -. The bill would have provided flexibility for local government agencies to conduct remote meetings under Open Meeting laws. Specifically, this bill would have allowed a subsidiary body of a local agency to teleconference their meetings without having to publicly notice or make all locations publicly available. Status: Dead. This bill did not pass out of the Senate Local Government Committee.
- **SB 1240 (Alvarado-Gil)** – This bill provides for the continuation of pension benefits for employees of El Dorado County Fire Protection District and the Diamond Springs Fire Protection District under a new consolidated district. Status: This bill was signed by the Governor on 9/28.
- **AB 2715 (Boerner)** – This bill allows a legislative body to discuss a threat to critical infrastructure controls or critical infrastructure information relating to cyber security during a closed session. Status: This bill was signed by the Governor on 9/14.



August 16, 2024

RE: SACRS Legislative Proposals 2025

Dear SACRS Board of Directors,

The SACRS Legislative Committee has developed a legislative package for consideration in the upcoming 2025 legislative session. These proposals reflect the input of SACRS member systems and are intended to provide technical and administrative clarity to various sections of the County Employees Retirement Law of 1937 (CERL).

The following proposed amendments to the CERL correct drafting omissions following the implementation of PEPRA in 2013:

- Three-Year Final Compensation (Government Code Section 31462.05): This amendment clarifies how the three-year final compensation period is calculated when a member has less than 36 months of service, consistent with similar sections of law.
- Safety Designation (Government Code Section 31470.14): This amendment clarifies that service for miscellaneous positions that are converted to safety positions after January 1, 2013, cannot be retroactively enhanced.

We thank the Legislative Committee for reviewing these proposals and engaging in a collaborative, deliberative process to achieve consensus on issues. These amendments represent process improvements that will provide administrative efficiencies to retirement systems and members.

Respectfully,

/s/

David Nelsen and Eric Stern
Co-Chairs, Legislative Committee

ATTACHMENT

- SACRS 2025 Legislative Proposal – Draft Language

SACRS 2025 Legislative Proposal
DRAFT LANGUAGE
As of August 16, 2024

31462.05.

(a) For a member who is subject to the California Public Employees' Pension Reform Act of 2013 (Article 4 (commencing with Section 7522) of Chapter 21 of Division 7 of Title 1) for all or any portion of their membership in the county retirement system, "final compensation" as defined in Section 7522.32 shall apply. The computation for any absence shall be based on the pensionable compensation of the position held by the member at the beginning of the absence.

(b) If a member has less than three years of service, that member's final compensation shall be determined by dividing the total pensionable compensation by the number of months of service credited to the member and multiplying by 12.

~~(c) When determining final compensation for a member who does not have three consecutive years of earned pensionable compensation due to an absence, the compensation for any absence shall be based on the pensionable compensation of the position held by the member immediately prior to the absence.~~

31470.14.

(a) Local prosecutors, local public defenders, and local public defender investigators are eligible.

(b) Except as provided in subdivision (c) and notwithstanding Sections 31639.7 and 31639.75, past service as a general member shall be converted to safety service if the past service was rendered in a position that has subsequently been reclassified as a safety position pursuant to this section before January 1, 2013. On or after January 1, 2013, any enhancement to safety service shall be subject to Section 7522.44. For local prosecutors, as described in paragraph (2) of subdivision (a) of Section 31469.2, service in the office of a district attorney and a local child support agency shall be considered service for the district attorney for purposes of this section.

(c) Notwithstanding any other provision of this chapter, within 90 days after this section becomes operative in the county, or on the first day of the calendar month following his or her entrance into service, whichever is later, a local prosecutor, local public defender, or local public defender investigator may file a written election not to become a local safety member pursuant to this section.

(d) Notwithstanding any other provision of this chapter, local prosecutors, local public defenders, and local public defender investigators shall be subject to the benefit formula contained in Section 31664 or 31664.2, or any other benefit formula applicable to safety members that does not provide benefits greater than those benefits provided under Section 31664.2, as designated in the resolution described in subdivision (e). A local prosecutor, local public defender, or local public defender investigator shall not be deemed to be a county peace officer, as defined in Section 31469.1, for any purpose under this chapter.

(e) This section shall not be operative in a county unless and until the board of supervisors, by resolution adopted by majority vote, makes this section operative in the county. A resolution to make this section operative in the county shall include all local prosecutors, local public defenders, and local public defender investigators described in Section 31469.2.

(f) A provision in a memorandum of understanding that an employer is not obligated to meet and confer regarding wages, hours, or conditions of employment during the term of the memorandum shall not be construed to preclude meetings regarding the provisions of this section between an employer and local prosecutors, local public defenders, and local public defender investigators prior to the expiration of the term of the memorandum of understanding.

(g) This section does not apply to any person described in Section 31469.2 who dies prior to the date this section becomes applicable in the county.



6. SACRS Nomination Committee Report – Information Only

Vivian Gray, Los Angeles CERA, SACRS Nomination Committee Chair

A. SACRS Board of Directors Elections 2025-2026



September 12, 2024

To: SACRS Trustees & SACRS Administrators/CEO's
From: Vivian Gray, SACRS Immediate Past President, Nominating Committee Chair
SACRS Nominating Committee
Re: SACRS Board of Director Elections 2025-2026 - Elections Notice

SACRS BOD 2025-2026 election process will begin January 1, 2025. Please provide this election notice to your Board of Trustees and Voting Delegates.

| DEADLINE | DESCRIPTION |
|----------------|---|
| March 1, 2025 | 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, 2025 | The Nominating Committee will report a final ballot to each regular member County Retirement System prior to March 25 |
| May 10, 2025 | Nomination Committee to conduct elections during the SACRS Business Meeting at the Spring Conference |
| May 10, 2025 | 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 13-16, 2025. Elections will be held during the Annual Business meeting on Friday, May 16, at the Omni Rancho Las Palmas, Rancho Mirage.

If you have any questions, please contact Vivian Gray at vgray@lacera.com.

Thank you for your prompt attention to this timely matter.

Sincerely,

Vivian Gray

Vivian Gray, Trustee, Los Angeles CERA and 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 2025-2026**

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, 2025.** Please submit to the Nominating Committee Chair at vgray@lacera.com **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) | <ul style="list-style-type: none"><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) | <ul style="list-style-type: none"><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 (CV format and screenshot photos will not be accepted) | |



7. SACRS Audit Committee Report – No Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

A. SACRS Audit Update

No printed materials for this item



8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

A. Education Committee Report

No printed materials for this item



9. SACRS Program Committee Report – No Action

Adele Tagaloa, Orange CERS, SACRS Program Committee Chair

A. Program Committee Report

No printed materials for this item



10. SACRS Affiliate Committee Report – No Action

Sean Gannon, Manulife Investment Mgt, SACRS Affiliate Committee Chair

A. Affiliate Committee Report

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

No printed materials for this item



12. SACRS Spring Conference Breakout Reports – No Action

A representative from each breakout will give a verbal report on their meetings. No printed materials for this item.

- A. Administrators
- B. Affiliates
- C. Attorneys
- D. Disability/ Operations & Benefits Combo
- E. Internal Auditors
- F. Investment Officers
- G. Safety Trustees
- H. General Trustees



13. Adjournment

Next scheduled SACRS Business Meeting will be held on Friday, May 16, 2025. The meeting will be held at the Omni Rancho Las Palmas during SACRS Annual Spring Conference May 13 – 16, 2025.

No printed materials for this item