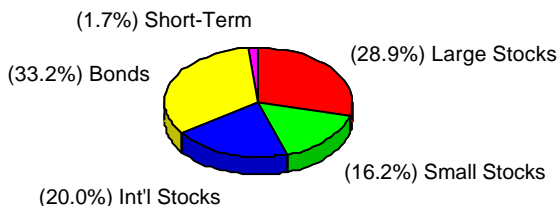




INVESTMENTS UP FOR THE YEAR

Your Retirement Fund investments returned 14.5% for the twelve months ending June 30th. The Fund outperformed its investment policy benchmark by 2.0% and its actuarial assumption by 6.5%, according to Watson Wyatt Investment Consulting.

SamCERA's investments had a market value of \$834.4 million on June 30th, allocated across the following asset classes:



Watson Wyatt helped your Board of Retirement strengthen *SamCERA's* asset allocation and assisted with the implementation of *SamCERA's Investment Plan* during the fiscal year. The major activities will be highlighted in the *Investments* section of the *Annual Report*.



Your Board of Retirement will release its *Annual Report for the Fiscal Year ending June 30, 1996*, in January. The full report will review the many ways in which the Board of Retirement seeks to control the risks associated with protecting

your benefits.

If you want to receive a copy of the full *Annual Report*, please follow the instructions on page 3.

WE'RE RETIRING OUR DEBT

You've heard a lot of talk during the Presidential debates about balancing the Federal Budget, but you have not heard a single word about paying off our Country's \$2.5 Trillion National Debt. That's because there is no plan to retire the National Debt. We can expect our great grand children to spend their lives paying for the excesses of the 1980's.



SamCERA has a debt, too. We have promised benefits to people that exceed our current assets by nearly \$300 Million, **but our debt is being paid off** like monthly mortgage payments over the next fifteen years.

If you retired from the County between 1980 and 1996, there was only about 65 cents in the Retirement Fund for every \$1 that should have been on deposit when you retired. That missing 35 cents is part of *SamCERA's* debt.

And, if you are a current employee, our 3% cost of living benefit for Plan 2 members and the right of Plan 3 members to transfer to Plan 2 have both added to *SamCERA's* debt.

This debt is officially known as *SamCERA's* Unfunded Actuarial Accrued Liability. **The County makes a monthly mortgage payment to *SamCERA* that exceeds 11% of payroll -- just to pay off the debt.**

SamCERA's mortgage will be paid off sometime between the year 2006 and 2011. Please plan on being around to help us celebrate the "burning of our mortgage" when *SamCERA* becomes fully funded. It will be a celebration our great grand children should appreciate.

FINANCIAL REPORT

The following brief summary of *SamCERA's* financial statement should be read in conjunction with the full financial statement and its required footnotes. The full financial statements are set forth in the *Annual Report*.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Statement of Plan Net Assets

June 30, 1996

ASSETS

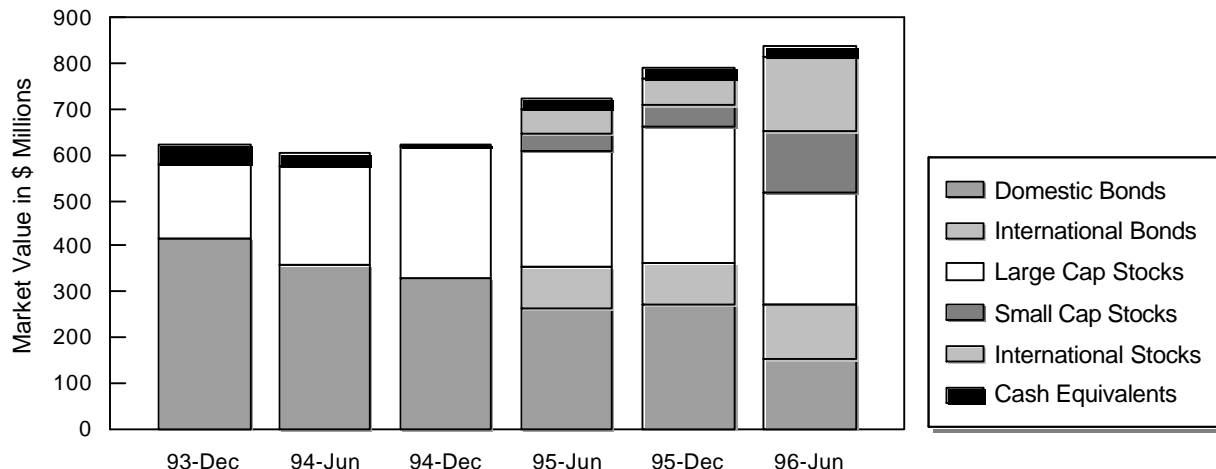
Cash & Cash Equivalents		\$25,895,312
Receivable		
Contributions	\$1,935,023	
Investment Income	<u>4,643,604</u>	
Total Receivables		6,578,627
Investments at fair value		
Domestic Fixed Income Securities	\$161,034,300	
International Fixed Income Securities	108,305,699	
Domestic Equities	374,085,498	
International Equities	<u>166,863,679</u>	
Investments, at Fair Market Value		810,289,176
Fixed Assets, at cost, net of accumulated depreciation		<u>48,785</u>
TOTAL ASSETS		<u><u>\$842,811,900</u></u>

LIABILITIES

Payables		
Investment Management Fees		\$369,148
Pending Acquisitions		3,229,370
Other		<u>2,940</u>
TOTAL LIABILITIES		\$3,601,458
NET ASSETS AVAILABLE FOR ASSOCIATION BENEFITS		<u><u>\$839,210,442</u></u>

INVESTMENT PLAN REPORT

Your Retirement Fund's assets have grown dramatically during the past two years. The growth was due to the strong performance of the stock markets and the diversification of the portfolio into a broad range of asset classes. [The order of assets in the *Legend* is upside down; if you know how to flip it, let us know for next time!]



MEMBER ALERT:

Your copy of *SamCERA's Annual Report* will be going to press!

This is your chance to keep informed.

You can be an expert on your own *SamCERA* Retirement Plan.

All you have to do is devote a little time to reading our *Annual Report*.

Order your Free copy of *SamCERA's Annual Report* today.

First, either cut out this section of the newsletter **or** just write your name and address on a card with the words "Annual Report"

Second, mail your order to Sid, SamCERA, Pony RET 141, 2317 Broadway, Suite 115, Redwood City, CA 94063. Your copy of the *Annual Report* will be delivered to you in February.

Order Now

Statement of Changes in Plan Net Assets

June 30, 1996

ADDITIONS

CONTRIBUTIONS:

Employer \$40,151,690

Employee 10,561,151

Total Contributions

\$50,712,841

INVESTMENT INCOME:

Net Appreciation in Fair Value of Investments \$77,188,883

Interest 22,534,249

Dividends 8,909,585

less Investment Expense (1,572,025)

Net Investment Income

107,060,692

TOTAL ADDITIONS

\$157,773,533

DEDUCTIONS

ASSOCIATION BENEFITS:

Service Retirement Allowance \$35,310,770

Disability Retirement Allowance 3,936,978

Medical Benefits 649,572

Death and Other Benefits 601,013

Total Association Benefits

\$40,498,333

Refund of Members' Contributions

1,107,611

Administrative Expenses

717,259

TOTAL DEDUCTIONS

42,323,203

NET INCREASE

\$115,450,330

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Beginning of Year as Previously Reported \$675,296,314

Restatement of Investments at July 1, 1995 to Fair Value 48,463,798

Beginning of Year, as restated 723,760,112

End of Year \$839,210,442

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Attn: Sid McCausland, Retirement Administrator, RET 141
2317 Broadway, Suite 115, Redwood City, California 94063
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please drop us a note to change your
address on our records*

COUNSELING AVAILABLE

The County's Aging and Adult Services asked us to provide you with the following public service announcement:

For complete, unbiased
answers to all of your Medicare
and long term care questions,
call

HICAP

Health Insurance Counseling
and Advocacy Program of San
Mateo County

1-800-200-0268

**HICAP offers free counseling services
at senior centers and other sites
throughout the county.**

Call for an appointment today.

*HICAP is a program of Self-Help for the
elderly & is supported by a grant from
the California Department of Aging.*

BOARD CALENDAR

The Board of Retirement is scheduled to meet on the following Thursdays:

December 12, 1996
January 16, 1997
February 20, 1997
March 20, 1997
April 17, 1997
May 15, 1997
June 19, 1997

The meetings are scheduled to begin at 9:00 a.m. in the 2nd floor auditorium of the SamTrans headquarters at 1250 San Carlos Avenue in San Carlos. There will be no Board meeting in November. On January 16th the Board will participate in a one day planning retreat. For further information, call Sid at 363-4930.

YOUR *SamCERA* BOARD OF RETIREMENT

BETTE PERROTON STUART, Chair

TODD D. DOERSCH, Vice Chair

TOM E. BRYAN, Secretary

LAURYN AGNEW BIERDEMAN

LEE BUFFINGTON

JOHN J. CARBERRY

DENNIS J. COSGROVE

MICHAEL E. MCMAHON

JOHN B. SEGALL