



Notice of Public Meeting

The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, October 31, 2017, 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**
- 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 Regular Board Meeting Minutes from August 22, 2017
 - 3.2 Approval of Regular Board Meeting Minutes from September 26, 2017
 - 3.3 Approval of Special Board Meeting Minutes from October 16, 2017
- 4. Approval of the Consent Agenda***

<ol style="list-style-type: none">4.1 Disability Retirements (4)<ul style="list-style-type: none">• Wanda Mafi• Kathy Mochel• Larry Moore• Yolanda Munoz4.2 Survivor Death Benefits4.3 Service Retirements	<ol style="list-style-type: none">4.4 Continuances4.5 Deferred Retirements4.6 Member Account Refunds4.7 Member Account Rollovers4.8 Member Account Redeposits4.9 Acceptance of Trustees' Reports of Educational Activities
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- 5. Benefit & Actuarial Services**
 - 5.1 Consideration of Agenda Items, if any, removed from the Consent Agenda
- 6. Investment Services**
 - 6.1 Report on Preliminary Monthly Portfolio Performance for the Period Ending September 30, 2017
 - 6.2 Report on Inflation Hedge Manager Annual Review- State Street Global Advisors
 - 6.3 Report on Alternative Manager Annual Review- Aberdeen Standard GARS
- 7. Board & Management Support**
 - 7.1 Acceptance of Financial Audit Management Reports and Findings
 - 7.2 Approval of SamCERA's 2017 Comprehensive Annual Financial Report (CAFR)
 - 7.3 Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2017 Business Meeting
 - 7.4 Discussion of SACRS Business Meeting Topics
 - 7.5 Approval of Board of Retirement Meeting Schedule for 2018
- 8. Management Reports**
 - 8.1 Chief Executive Officer's Report
 - 8.2 Assistant Executive Officer's Report
 - 8.3 Chief Investment Officer's Report
 - 8.4 Chief Legal Counsel's Report

Notice of Public Meeting

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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:

McBrowne, Lanetta	August 30, 2017	Crystal Springs Rehab Center
Gudaitis, Donna	September 3, 2017	Courts
Berndt, Ted	September 5, 2017	Aging and Adult Services
Young, Claire	September 9, 2017	Human Resources
Woods, Clarence	September 12, 2017	General Services
Brooke, Helen	September 13, 2017	Human Services Agency
Bowen, Joyce	September 22, 2017	County Clerk
Spooner, Laura	September 26, 2017	Health & Welfare
Klingner, Ruth	October 1, 2017	Mental Health
Kwong, Brian	October 18, 2017	Probation



Scott Hood, Chief Executive Officer

Posted: October 25, 2017

(* 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
AUGUST 22, 2017 – REGULAR BOARD MEETING MINUTES

1708.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Shirley Tourel, Vice Chair, called the Regular Meeting of the Board of Retirement to order at 10:00 a.m.

Roll Call:

Present: Sandie Arnott, Ben Bowler, Albert David, Kurt Hoefer, Susan Lee (for Paul Hackleman), David Spinello, Eric Tashman and Shirley Tourel.

Excused: Mark Battey, Paul Hackleman.

Alternates present: Susan Lee.

Alternates excused: Alma Salas.

Staff: Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Elizabeth LeNguyen, Barbara Edwards, Lili Dames, Doris Ng, and Kristina Perez.

Consultants: Margaret Jadallah, Joe Abdou, John Nicolini (*Verus*); Vinod Pakianathan (*Zeno*).

1708.2.1 **Oral Communications from the Public:** None.

1708.2.2 **Oral Communications from the Board:** None.

1708.3.0 **Approval of Board Meeting Minutes:** Ms. Tourel asked if there were any changes or corrections to the three sets of minutes from the Board meetings held on July 25, 2017; July 11, 2017; and August 10, 2017. None were noted. Trustees who missed all, or a portion of the meetings, abstained from approval of the respective minutes.

1708.3.1 **Action:** Mr. David moved to approve the minutes from the Regular Meeting on July 25, 2017. The motion was seconded by Mr. Bowler and carried with a vote of 7-0-1, with trustees Arnott, Bowler, David, Lee (for Hackleman), Spinello, Tashman and Tourel, all in favor; none opposed; and Hoefer, abstained.

1708.3.2 **Action:** Mr. David moved to approve the minutes from the Special Meeting on July 11, 2017. The motion was seconded by Ms. Arnott and carried with a vote of 5-0-3, with trustees Arnott, Bowler, David, Lee (for Hackleman), and Tourel, all in favor; none opposed; and Hoefer, Spinello and Tashman abstained.

1708.3.3 **Action:** Mr. Bowler moved to approve the minutes from the Special Meeting on August 10, 2017. The motion was seconded by Mr. David and carried with a vote of 5-0-3, with trustees Arnott, David, Lee (for Hackleman), Spinello, and Tourel, all in favor; none opposed; and Bowler, Hoefer and Tashman abstained.

1708.4.0 **Approval of the Consent Agenda:** Ms. Tourel asked if there were any items to be removed from the Consent Agenda. Item 4.14, Reaffirmation of the Authorization for CEO to Execute Documentation for Investments as Required, was removed for discussion. The disability application for Andrew Allee was withdrawn from Board consideration by the applicant.

Action: Mr. Tashman moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. Hoefer. The motion carried with a vote of 8-0, with trustees Arnott, Bowler, David, Hoefer, Lee (for Hackleman), Spinello, Tashman and Tourel, all in favor; none opposed.

1708.4.1 **Disability Retirements:**

- a) The Board found that Esther Munoz is (1) permanently incapacitated for the performance of her usual and customary duties as a Community Worker I, (2) found that her disability was not the result of an illness arising out of and in the course of her employment, (3) denied her application for a service-connected disability retirement, and (4) granted her a non-service-connected disability retirement.

1708.4.2 **Survivor Death Benefits:** None.

1708.4.3 **Service Retirements:**

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

Member Name	Effective Retirement Date	Department
Angeles, Encarnacion	July 1, 2017	Medical Center
Candelaria, Michael	July 1, 2017	Correctional Health
Cole, Jessica	July 1, 2017	Deferred from Family Support
Dunn, Felton	June 26, 2017	Retiree activating G3 pension
Ingco, Gilbert	June 24, 2017	Courts
Kaur, Seerada	June 20, 2017	Deferred from Medical Center
Martins-Sandaga, Mario	June 10, 2017	Controller's
Ortiz, Rosario	June 5, 2017	Behavioral Health
Otte, Michael	June 9, 2017	Sheriff's
Quaid, Michael	July 1, 2017	Correctional Health
Skinner, Elizabeth	June 3, 2017	Deferred from Sheriff's
Vissiere, Michael	June 13, 2017	Deferred from Sheriff's
Viveiros, Filomena	June 16, 2017	Human Resources
White, Sonja	June 20, 2017	Probation

1708.4.4 **Continuances:**

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

Survivor's Name	Beneficiary of:
Arguello, Flor	Arguello, Juan
Ho, Thanh Thao	Mullaney, Marc
Louie, Benjamin	Louie, Solane

1708.4.5 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Aung, Thanda	G4 Vested - Reciprocity
Dwyer, Mary Yvette	G4 Vested
Gage, Tammela	S4 Vested
Hacker, Katie	G4 Vested
Nassar, Noel	G7 Non Vested - Reciprocity
Ng-Irwin, Ginelle	G7 Non Vested - Reciprocity

1708.4.6 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Cheechov, Joy	G4, Vested
Delai, Elik	S7, Non-vested
Jacobo, Birzayit	G4, Vested
Ocampo, Reeden	G7, Non-vested
Panayotova, Mihaela	G7, Non-vested
Pult, Sylvia (FBO: Stephen Pult)	G4, Non-vested

Member Account Refunds (cont.):

Member Name	Retirement Plan Type
Raul, Gary	S4, Vested
Rbeiz, Diala	G7, Non-vested
Shaw, John	P4, Vested
Speier, Kimberly	G7, Non-vested

1708.4.7 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Anjomshoaa, Andrea	G7, Non-vested
Chien, Yulin	G4, Non-vested
Earles, Lori	G7, Non-vested
Herrera, Octavio	G7, Non-vested
Hoover, Cora	G4, Non-vested
Li, Yinglin	G7, Non-vested
Raul, Gary	S4, Vested

1708.4.8 **Member Account Redeposit:** None.

1708.4.9 **Acceptance of Trustees' Reports of Educational Activities:** None.

1708.4.10 **Approval of Questions for Annual Review of Brown Armstrong Accountancy:** The Board approved the evaluation questions in the "Questions for Annual Audit Consultant Evaluation."

1708.4.11 **Acceptance of Semi-Annual Compliance Certification Statements for Period Ended June 30, 2017:** The Board accepted the semi-annual Compliance Certification Statement for the Franklin Templeton Global Multisector Plus Bond Fund, as of June 30, 2017.

1708.4.12 **Approval of Resolution Authorizing Amendment to Agreement with Verus Advisory, Inc.:** The Board approved a resolution authorizing the Chief Executive Officer to execute a Third Amendment to the Agreement with Verus Advisory, Inc. for investment consulting services.

1708.4.13 **Reaffirmation of Conflict of Interest Code:** The Board reaffirmed SamCERA's Conflict of Interest Code.

1708.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** The Board discussed Item 4.14 at this time.

1708.4.14 **Reaffirmation of the Authorization for CEO to Execute Documentation for Investments as Required:** The Board discussed how often this authority was utilized since it was approved in September 2012. Board members discussed the specifics of situations where this authority would be used.

Action: Mr. David moved to reaffirm the authorization for CEO to execute documentation for investments, and the motion was seconded by Mr. Bowler. The motion carried with a vote of 7-1, with trustees Arnott, Bowler, David, Hoefer, Lee (for Hackleman), Spinello, and Tashman, all in favor; and Tourel opposed.

1708.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended July 31, 2017:**

Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for July 2017 was 1.5%, while the preliminary trailing twelve-month return ending July 2017 was 11.6% net. The twelve-month net return is higher than both SamCERA's Total Plan Benchmark return of 11.5% and the Actuarial Assumed Earnings Rate of 6.75%. This item was informational and for discussion only, no action was taken.

- 1708.6.2 **Report on Quarterly Investment Performance for the Period Ended June 30, 2017:** Mr. Coultrip, Mr. Abdou and Ms. Jadallah reviewed the quarterly report with the Board. They reviewed manager performance, and discussed market trends and other information from within the report. The 2nd quarter net total return for the SamCERA portfolio was +2.6%, which was 20 bps lower than the +2.8% policy benchmark return. This item was informational and for discussion only, no action was taken.
- 1708.6.3 **Report on the Fixed Income Manager Reviews:** Ms. Ng reviewed the meeting notes from the annual reviews of SamCERA's Fixed Income Managers. Staff and consultant met at SamCERA's offices with Franklin Templeton, Western Asset Management and Fidelity Institutional Asset Management on August 3, 2017. Ms. Ng reported there were no significant concerns identified during the portfolio reviews. This item was informational and for discussion only, no action was taken.
- 1708.6.4 **Report on Trading Cost Analysis for Public Equity and Fixed Income Managers:** Vinod Pakianathan from Zeno Consulting Group reviewed the trading cost analysis report prepared for SamCERA with the Board. He explained how transaction costs are observed and quantified, went through the analysis of SamCERA's public equity and fixed income manager trading costs, and answered questions. This item was informational and for discussion only, no action was taken.

The Board was adjourned for a short break at 11:35 a.m., and then convened into closed session at 11:45 a.m. The closed session was adjourned for lunch from 12:10 p.m. to 12:52 p.m. and the Board reconvened back to closed session until 12:52 p.m. The Board then returned to open session and Ms. Carlson gave the following report of the Board's action taken in closed session.

- 1708.6.5 **Approval of Proposed Alternative Investment** (to be heard in Closed Session, Confidential Under Gov. Code §54956.81 and §6254.26, see item C2): The Board met in closed session with staff and the consultant, to consider a proposed Alternative Investment.

Action: Mr. Hoefer moved to approve an investment of \$30 million into the Invesco Real Estate U.S. Value Fund V subject to ongoing due diligence as directed by the Board. The motion was seconded by Mr. Tashman, and carried by a vote of 7-1; with trustees Arnott, Bowler, David, Hoefer, Lee (for Hackleman), Tashman and Tourel, all in favor; Spinello opposed.

- 1708.7.1 **Report of Preliminary Financial Statements for the Fiscal Year Ended June 30, 2017:** Ms. Smith reported that SamCERA's net position as of June 30, 2017, was \$4.0 billion, reflecting an increase of \$498 million, or 14%, from last year. This item was informational and for discussion only, no action was taken.
- 1708.7.2 **Report on Budget-to-Actual for the Fiscal Year Ended June 30, 2017:** Ms. Smith reviewed the FY 2016-17 budget-to-actual report with the Board. This item was informational and for discussion only, no action was taken.
- 1708.8.1 **Chief Executive Officer's Report:** Mr. Hood called attention to the items in the Day of Meeting folder, including a report from the San Mateo County Grand Jury titled "Unfunded Pension Liabilities: Early Results Under GASB Standard 68" and a memo from SACRS about their 2108 Legislative Timelines. He noted that staff will be bringing to the Board an extension on the contract with Milliman, Inc. Mr. Hood stated next month's meeting agenda would include the actuarial valuation, the audit of the valuation, approval of proposed contribution rates, and a review of SamCERA policies regarding "spiking" prevention and corrections. He read two notes of appreciation from the families of deceased members who had received "Adjourned in Memory" certificates from the Board.
- 1708.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that the auditors were finishing up their field work. She notified Board members that they would be receiving a survey via email this week to evaluate the services of SamCERA's actuary, Milliman, Inc.

Ms. Perez reminded Board members about upcoming educational events.

- 1708.8.3 **Chief Investment Officer's Report:** Mr. Coultrip invited interested trustees to attend the upcoming annual manager reviews for SamCERA's opportunist credit and private credit managers Angelo Gordon, Beachpoint and TCP. He notified the Board that a total of \$90 million in cash had been invested recently; with \$60 million into the diversified component of the portfolio, and \$30 million in the inflation protection component of the portfolio.
- 1708.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported there was no update to pension related legislation or litigation.
- C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** None.
- 1708.9 **Report on Actions Taken in Closed Session:** See the report above, for Item 6.5 Approval of Proposed Alternative Investment.
- 1708.10 **Adjournment:** Ms. Tourel adjourned the meeting at 1:06 p.m. in memory of the deceased members listed below.

Platt, Nancy	May 15, 2017	Environmental Services
Mary Pozorski	June 17, 2017	Health Department
Parry, Cheryl	July 7, 2017	Medical Center
Sohrabji, Lulu	July 14, 2017	Sheriff's
Damon, Anne	July 20, 2017	Health Services
Low, Jennie	July 22, 2017	District Attorney's Office
Petty, Thomas	July 23, 2017	Medical Center
Barrett, Helen	July 25, 2017	Social Service Dept
Vigo, Christie	August 2, 2017	Environmental Services
Ball, Thom	August 6, 2017	Library

Scott Hood
Chief Executive Officer

Kristina Perez
Retirement Executive Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SEPTEMBER 26, 2017 – REGULAR BOARD MEETING MINUTES

1709.1 **Call to Order, Roll Call and Miscellaneous Business**

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

Roll Call:

Present: Mark Battey, Ben Bowler, Susan Lee (for Shirley Tourel), Alma Salas (for Paul Hackleman), and David Spinello.

Excused: Sandie Arnott, Albert David, Paul Hackleman, Kurt Hoefer, Eric Tashman and Shirley Tourel.

Alternates present: Susan Lee, Alma Salas.

Staff: Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Elizabeth LeNguyen, Barbara Edwards, Lili Dames, and Kristina Perez.

Consultants: Margaret Jadallah (*Verus*).

1709.2.1 **Oral Communications from the Public:** None.

1709.2.2 **Oral Communications from the Board:** None.

1709.3.0 **Approval of Board Meeting Minutes:** Approval of minutes was continued to the October 31, 2017, Regular Board Meeting.

1709.4.0 **Approval of the Consent Agenda:** Mr. Battey asked if there were any items to be removed from the Consent Agenda. No items were requested to be removed.

Action: Mr. Bowler moved to approve the Consent Agenda, and the motion was seconded by Ms. Salas. The motion carried with a vote of 5-0, with trustees Battey, Bowler, Lee (for Tourel), Salas (for Hackleman) and Spinello, all in favor; none opposed.

1709.4.1 **Disability Retirements:**

- a) The Board found that Adriane Beckman is (1) permanently incapacitated for the performance of her usual and customary duties as a Probation Officer III, (2) found that her disability was the result of an injury arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.
- b) The Board found that Gabriela Breton is (1) not permanently incapacitated for the performance of her usual and customary duties as a Marriage and Family Therapist II, and (2) denied her application for a service-connected disability retirement.
- c) The Board found that that Gloria Camacho is (1) permanently incapacitated from the performance of her usual and customary duties as a Food Service Worker II, (2) found that her disability was the result of an illness arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.
- d) The Board found that Elvira Cruz is (1) permanently incapacitated for the performance of her usual and customary duties as a Hospital Unit Coordinator, (2) found that her disability was the result of an injury arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.
- e) The Board found that Sonja White is (1) permanently incapacitated from the performance of her usual and customary duties as a Group Supervisor III, (2) found that her disability was not the result of an illness arising out of and in the course of her employment and (3) granted her application for a non-service-connected disability retirement.

1709.4.2 **Survivor Death Benefits:** The Board find that Thomas Ball, would have been entitled to a non-service-connected disability but has died, and Wendy Ball, the surviving spouse, has elected to receive an optional death allowance pursuant to Government Code § 31781.1.

1709.4.3 **Service Retirements:**

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

Member Name	Effective Retirement Date	Department
Adams, Anthony	July 6, 2017	Sheriff's
Burris, Larry	July 25, 2017	Probation
Clancy, Carol	July 22, 2017	Correctional Health
Dabich, Sandra	July 15, 2017	Deferred from Courts
Elie, Dolores	July 28, 2017	Health
Escamilla, Mercedes	August 1, 2017	H.S.A.
Gutierrez-Gil, Gloria	July 11, 2017	H.S.A.
Justice, Misti	July 11, 2017	QDRO
Land, Yolanda	July 6, 2017	Deferred
Lew-White, Lorraine	July 29, 2017	Environmental Health
Marengo, Edward	July 8, 2017	Deferred Social Services
Nicholson, Shelly	July 29, 2017	Human Services
Reyes, Lesbya	July 29, 2017	Probation
Rodriguez, Fidel	August 1, 2017	Probation
Storme, Gregory	July 6, 2017	Sheriff

1709.4.4 **Continuances:**

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

Survivor's Name	Beneficiary of:
Parry, Richard	Parry, Cheryl
Thompson, Shirlee	Thompson, Charles

1709.4.5 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Albertson, Jason	G5, Vested – Reciprocity
Bishop, Colin	G4, Vested – Reciprocity
Cooper, Angela	G7, Non-vested – Reciprocity
Dubroff, Melinda	G4, Vested – Reciprocity
Gonzales, Richard	S5, Non-vested – Reciprocity
He, Jie	G4, Vested - Reciprocity
Leong, Ligi	G4, Vested
Levy, Glenn	G4, Vested – Reciprocity
Madalena, Thomas	G4, Vested – Auto Defer – Code 31700
Martinez, Patricia	G4, Vested – Reciprocity
Moran, Maria Carmel	G4, Vested
Mughannam, Rita	G4, Vested – Reciprocity
Parada, Christine	G7, Vested – Reciprocity
Price, Jessica	G5, Vested – Auto Defer – code 31700
Ruiz, Jessie	G4, Vested – Auto Defer – code 31700
Sotel-Malaga, Lorena	G7, Non-vested – Reciprocity
Stavinskaya-Velasquez, Olga	G7, Non-vested – Reciprocity
Taylor, Stephanie	S5, Vested
Deferred Retirements (cont):	
Tercero, Roberto Jose	G4, Vested – Reciprocity

Thompson, Jenell	G4, Vested
Tia, Queena	G7, Non-vested - Reciprocity
Tseng, Margaret	G5, Non-vested - Reciprocity
Widdel, Koren	G4, Vested - Reciprocity
Wiltron, Christopher	S5, Non-vested – Reciprocity

1709.4.6 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Castillo, Victor	P4, Vested
Cooper, Dontice	G7, Non-vested
Hall, Andrew	G7, Non-vested
Kishan, Rosena	G4, Vested
Manchia, Beverly (QDRO)	G2, Vested
Mascarenas, Malinda	G7, Non-vested
McLemore, DeFrance	S5, Non-vested
Williams, Rita	G7, Non-vested
Wray, Martin	G5, Non-vested

1709.4.7 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Mednikov, Marianna	G4, Non-vested
Williams, Davin	P4, Vested

1709.4.8 **Member Account Redeposit:** None.

1709.4.9 **Acceptance of Trustees’ Reports of Educational Activities:** The Board accepted the submitted report for the educational activity attended by trustee Susan Lee.

1709.4.10 **Reaffirmation of Board Procedures for Assessment and Determination of Whether an Element of Compensation Was Paid to Enhance a Member’s Pension Benefit:** The Board reaffirmed the “Board Procedures for Assessment and Determination of Whether an Element of Compensation Was Paid to Enhance a Member’s Pension Benefit.”

1709.4.11 **Reaffirmation of Board of Retirement Procedures for Auditing of Employer Data and Information to Determine Correctness of Member’s Retirement Benefits, Reportable Compensation, Enrollment in and Reinstatement to, the Retirement System:** The Board reaffirmed the “Board of Retirement Procedures for Auditing of Employer Data and Information to Determine Correctness of Member’s Retirement Benefits, Reportable Compensation, Enrollment in and Reinstatement to the Retirement System.”

1709.4.12 **Approval of Resolution Authorizing CEO to Amend Agreement with Vitech:** The Board approved a resolution authorizing the Chief Executive Officer to execute a seventh amendment to the agreement with Vitech Systems Group, Inc., and to execute any subsequent amendments and minor modifications in an amount not to exceed \$100,000 in aggregate.

1709.4.13 **Approval of Resolution Authorizing the CEO to Enter into an Agreement for Investment Consultant services with Verus Advisory, Inc.:** The Board approved a resolution authorizing the Chief Executive Officer to execute an agreement with Verus Advisory, Inc. for investment consulting services.

- 1709.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** None.
- 1709.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended August 31, 2017:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for August 2017 was 0.65%, while the preliminary trailing twelve-month return ending August 2017 was 11.8% net, effectively matching the return of the benchmark. The twelve-month net return is higher than SamCERA's Actuarial Assumed Earnings Rate of 6.75%. This item was informational and for discussion only, no action was taken.
- 1709.6.2 **Report on the Opportunist Credit Manager Reviews:** Ms. Dames reviewed the meeting notes from the annual reviews of SamCERA's Opportunistic Credit managers. Staff and consultant met at SamCERA's offices with Angelo Gordon on August 30, 2017; and with Beach Point Capital Management and Tennenbaum Capital Partners on August 31, 2017. Ms. Dames reported there were no significant concerns identified during the portfolio reviews. This item was informational and for discussion only, no action was taken.
- 1709.6.3 **Approval of Resolution Amending the Investment Policy Statement:** Mr. Coultrip reviewed the proposed changes to the Investment Policy Statement with the Board. The proposed changes memorialize discussions held by the Board at previous meetings.
Action: Ms. Salas moved to approve the resolution amending the Investment Policy Statement and the motion was seconded by Mr. Bowler. The motion carried with a vote of 5-0, with trustees Battey, Bowler, Lee (for Tourel), Salas (for Hackleman) and Spinello, all in favor; none opposed.
- 1709.7.1 **Approval of Resolution Authorizing CEO to Amend the Agreement with Milliman, Inc. to Extend the Term for One Additional Year:** Mr. Hood stated that the current contract with Milliman, Inc. expires at the end of 2017. Staff has proposed to extend the contract one additional year, through the valuation in 2018.
Action: Mr. Bowler moved to approve a resolution authorizing the CEO to amend and extend the agreement with Milliman, Inc.; the motion was seconded by Ms. Salas. The motion carried with a vote of 5-0, with trustees Battey, Bowler, Lee (for Tourel), Salas (for Hackleman) and Spinello, all in favor; none opposed.
- 1709.8.1 **Chief Executive Officer's Report:** Mr. Hood discussed the need for a special meeting in October. He intends to schedule a date that works for a majority of the Board. He stated he would be attending the CALAPRS Administrators Institute, September 27-29, 2017 in Carmel. Mr. Hood also stated next month's meeting agenda would include consideration of the 2018 schedule of Board meetings.
- 1709.8.2 **Assistant Executive Officer's Report:** Ms. Smith stated that Board members had received a survey via email evaluating the services Milliman, Inc. She will review the results of the survey at the October meeting.

Ms. Perez reminded Board members about upcoming educational events.
- 1709.8.3 **Chief Investment Officer's Report:** Mr. Coultrip invited interested trustees to attend the upcoming annual manager reviews. State Street will have their review on October 5; and Panagora and AQR on October 12, 2017.
- 1709.8.4 **Chief Legal Counsel's Report:** Ms. Carlson gave an update on a trial court ruling in Orange County related to pension forfeiture.
- C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** None.

1709.9 **Report on Actions Taken in Closed Session:** None.

1709.10 **Adjournment:** Mr. Battey adjourned the meeting at 10:28 a.m. in memory of the deceased members listed below.

Aldrich, Mary	August 4, 2017	Chope Hospital
Haken, Dinah	August 5, 2017	Chope Hospital
Breitner, Marcelle	August 9, 2017	Mental Health
Robelet, Flora	August 21, 2017	District Attorney's
Florea, Lois	August 23, 2017	Crystal Springs Rehab Center
Simpson, Ramona	August 29, 2017	Chope Hospital
Ginilo, George	September 3, 2017	Agriculture
Wenneberg, Greg	September 5, 2017	Behavioral Health & Recovery

Scott Hood
Chief Executive Officer

Kristina Perez
Retirement Executive Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
OCTOBER 16, 2017 – SPECIAL BOARD MEETING MINUTES

1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Mr. Mark Battey, Chair, called the Special Meeting of the Board of Retirement to order at 9:00 a.m.

Roll Call:

Present: Sandie Arnott, Mark Battey, Albert David, Kurt Hoefer, Susan Lee (for Paul Hackleman) David Spinello, Eric Tashman and Shirley Tourel.

Excused: Ben Bowler and Paul Hackleman.

Alternates present: Susan Lee. *Alternates excused:* Alma Salas.

Staff: Scott Hood, Michael Coultrip, Brenda Carlson, Lili Dames, and Kristina Perez.

Consultants: Margaret Jadallah, (*Verus*); Nick Collier and Craig Glyde, (*Milliman, Inc.*); and Andy Yeung (*Segal Consulting*).

- 2 Presentation of the June 30, 2017, Actuarial Valuation Report by Milliman, Inc.:** Mr. Collier and Mr. Glyde, from Milliman, Inc. presented the valuation report to the Board. Key points reviewed and discussed included: membership demographics, 6.75% assumed rate of return, generational mortality and employer and employee contribution rates. This item was informational and for discussion only, no action was taken and report is deemed accepted.

- 3 Presentation of June 30, 2017, Actuarial Valuation Audit by Segal Consulting:** Mr. Yeung presented Segal's report and discussed the findings and discussed the findings of the actuarial valuation with the Board. Segal's audit confirms that the results of the actuarial calculations as of June 30, 2017 are reasonable, and those calculations are based on generally accepted actuarial principles and practices. This item was informational and for discussion only, no action was taken and report is deemed accepted.

- 4 Approval of Resolution Accepting the Fiscal Year 2018-2019 Employer and member Contribution Rates and Recommendations:** Following the presentations, the Board took action to accept the recommendations in the valuation report by Milliman, Inc.

Action: Mr. Hoefer moved to approve a resolution accepting employer and member contribution rates to recommend to the Board of Supervisors for the 2018-2019 fiscal year. The motion was seconded by Mr. David, and carried with a vote of 7-1 with trustees Arnott, Battey, David, Hoefer, Lee (for Hackleman), Tashman and Tourel in favor; Spinello opposed.

- 5 Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.:** Mr. Hood reviewed the results of the annual assessment of the services provided by Milliman, Inc., which included a survey of Board members and staff. The results from the surveys were high and Mr. Hood also acknowledged Milliman's work in helping SamCERA with its new pension system.

The Board adjourned into closed session 10:42 a.m. to hear item C1 Approval of Proposed Alternative Investment.

The meeting was reconvened into open session at 11:02 a.m. and Ms. Carlson reported the following actions were taken by the Board while in closed session.

- C1 Approval of Proposed Alternative Investment:** The Board met in closed session regarding the purchase of a proposed alternative investment. Board approved an investment of \$15 million in the Bernhard Capital Partners (BCP) Fund II. The motion was carried by a vote of 7-1, with trustees Battey, David, Hoefer, Lee (for Hackleman), Spinello, Tashman and Tourel in favor; Arnott opposed.

6 **Adjournment:** Mr. Battey adjourned the meeting at 11:04 a.m.

Scott Hood
Chief Executive Officer

Kristina Perez
Retirement Executive Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2017

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 that **Wanda Mafi** is (1) permanently incapacitated from the performance of her usual and customary duties as an Administrative Assistant I, (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.

- b) The Board find that **Kathy Mochel** is (1) permanently incapacitated from the performance of her usual and customary duties as a Deputy Court Clerk II, (2) find that her disability was the result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.

- c) The Board find that that **Larry Moore** is (1) permanently incapacitated from the performance of his usual and customary duties as a Road Worker II, (2) find that his disability was the result of an illness arising out of and in the course of his employment and (3) grant his application for a service-connected disability retirement.

- d) The Board find that **Yolanda Munoz** is (1) permanently incapacitated from the performance of her usual and customary duties as a Benefits Analyst II, (2) find that her disability was the result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.

4.2 Survivor Death Benefits

None.

4.3 Service Retirements

The Board ratifies the actions as listed below for the following members regarding service retirements:

Member Name	Effective Retirement Date	Department
Cid, Luis	August 26, 2017	Aging and Adult Services

Lee, Gordon	August 4, 2017	Deferred from Probation
Mosekian, Michael	September 1, 2017	Public Works
Musielak, Sandra	September 1, 2017	Probation
Pantoja, Pablo	August 26, 2017	Courts
Stone, Janet	August 31, 2017	Deferred from Housing
Ward, Joanne	August 16, 2017	Human Resources

4.4 Continuances

None.

4.5 Deferred Retirements

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

Member Name	Retirement Plan Type
Aguayo, Joel	S5, Vested – Reciprocity
Chu, Kimberly	G7, Non-vested - Reciprocity
Crockett, Ka Selah	G7, Vested – Auto Defer - Code 31700
Estrada, Eddy	G4, Vested – Reciprocity
Hertz, Mark	G4, Vested – Reciprocity
Ho, Yeuk Y	G4, Vested – Reciprocity
Hong, Richard	S5, Vested – Auto Defer - Code 31700
Kovesdi, Orsolya	G7, Non-vested - Reciprocity
O’Dell, Christopher	G4, Vested – Auto Defer - Code 31700
Rosendahl, Sarah	G4, Vested – Auto Defer - Code 31700
Ruble, Matthew	G5, Vested – Reciprocity
Silva, Elenita	G4, Vested – Reciprocity
Tercero, Ursula	G4, Vested – Auto Defer - Code 31700

4.6 Member Account Refunds

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

Member Name	Retirement Plan Type
Barriga, Eliseo	G4, Vested
Pike, Steven	G7, Non-vested

4.7 Member Account Rollovers

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

Member Name	Retirement Plan Type
Jernigan, Megan	G7, Non-vested
Mayfohrt, Lauren	G7, Non-vested
Selby, Jamila	G7, Non-vested

4.8 Member Account Redeposits

None.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2017

Agenda Item 4.9

TO: Board of Retirement

FROM: Kristina Perez, Executive Secretary



SUBJECT: Trustees' Reports of Educational Activities

Recommendation

Accept the following reports from Board of Retirement trustees who have recently attended educational events.

Background

SamCERA's Education Policy Section 1D states "Prior to the next regularly scheduled meeting of the Board following the Board member's participation in an educational activity, the Board member shall submit for inclusion on the Consent Agenda, a summary written report on the content of educational activities. The report shall substantially reflect the information contained in the attached sample report."

Discussion

SamCERA Trustees attended the following educational events, and their reports are attached:

CA Assoc. of County Treasurers & Tax Collectors, Annual Conference, Orange County, CA,
June 6-9, 2017

Sandie Arnott

Verus 2017 Client Summit Program, San Francisco, August 28-29, 2017

Ben Bowler

Eric Tashman

Wharton Advanced Investments Management, Philadelphia, PA, September 25-28, 2017

Kurt Hoefler

National Conference on Public Employee Retirement Systems (NCPERS), Public Safety
Conference, San Antonio, TX, October 1-4, 2017

Susan Lee

Attachments

Trustees' Education Proof of Participation Certificates and Summaries (5)

SamCERA Board of Retirement Trustee Education
 Proof of Participation Certificate and Summary



Trustee Name Sandie Arnott		Date(s) of Event June 6-9, 2017
Education Event Name CA Association of County Treasurers and Tax Collectors Annual Conference		
Event Provider CA Association of County Treasurers and Tax Collectors		
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		Eligible Credit: Total hours for sessions you participated in: <u>(11.51)</u> <i>(Staff may adjust hours if the provider issues an education certificate that reflects different hours.)</i>

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

Topic: *(Check all that apply)*

- | | |
|--|--|
| <input checked="" type="checkbox"/> Fiduciary responsibilities | <input type="checkbox"/> Disability evaluation |
| <input checked="" type="checkbox"/> Ethics | <input type="checkbox"/> Fair hearings |
| <input type="checkbox"/> Benefits administration | <input type="checkbox"/> Pension fund governance |
| <input type="checkbox"/> Actuarial matters | <input type="checkbox"/> New board member orientation |
| <input type="checkbox"/> Pension funding | <input checked="" type="checkbox"/> Other: <u>cyber security</u> |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management | |

Summary Report

What concepts or information did you learn about?

Would you recommend this event to other trustees?

- Yes No Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

Trustee Signature (print this form and sign) 	Date 10/17/17
---	-------------------------

NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

SamCERA Board of Retirement Trustee Education
Proof of Participation Certificate and Summary



Trustee Name Ben Bowler		Date(s) of Event August 28 & 29, 2017
Education Event Name Verus 2017 Client Summit Program		
Event Provider Verus Advisory		
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		Eligible Credit: Total hours for sessions you participated in: <u>2</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

Topic: (Check all that apply)

- | | |
|--|---|
| <input type="checkbox"/> Fiduciary responsibilities | <input type="checkbox"/> Disability evaluation |
| <input type="checkbox"/> Ethics | <input type="checkbox"/> Fair hearings |
| <input type="checkbox"/> Benefits administration | <input type="checkbox"/> Pension fund governance |
| <input type="checkbox"/> Actuarial matters | <input type="checkbox"/> New board member orientation |
| <input type="checkbox"/> Pension funding | <input type="checkbox"/> Other: _____ |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management | |

Summary Report

What concepts or information did you learn about?

- CURRENT THINKING ON FIXED INCOME SOLUTIONS IN A PROTECTED LOW RATE ENVIRONMENT

- CURRENTLY IN A PORTFOLIO AS A Hedge AND/OR ALPHA GENERATOR

Would you recommend this event to other trustees?

- Yes No Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

Trustee Signature (print this form and sign) 	Date 10/19/17
---	-------------------------

NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

2017 Client Summit Program

Building the bridge between simplicity and sophistication

Parc 55 Union Square San Francisco, CA

August 28th 1pm – 8:30pm

- *Sophistication Achieved, with Simplicity* – Verus' Chief Investment Officer, Ian Toner, CFA, will discuss investment program design that simultaneously gains the desired exposures without undue complexity.
- *Breakout sessions*
 - Illiquidity in pursuit of returns
 - Outsourcing CIO – Returns, governance, and challenges
 - Currency risk and how to manage it
 - Role of fixed income in a world of low yields
- *Canada Envy?* – Verus' Chief Risk Officer - Max Giolitti, will discuss the latest thinking on how to use risk to manage your portfolio. He will discuss factors and contributors to return, role of risk in governance, and how risk should be central to developing asset allocations.
- *Keynote Address* – American cultural commentator - David Brooks, will share insights and lessons from his New York Times number 1 best-selling book, *The Road to Character*. Afterwards, Mr. Brooks will be available to our guests during the cocktail reception.
- *Cocktail reception followed by dinner*

August 29th 7:30am – 12pm

- *Breakfast*
- *CIO Roundtable* – Leading CIOs will join us for a roundtable discussion led by Verus' President and Chief Operating Officer - Shelly Heier, CFA, CAIA. They will discuss their challenges and solutions to delivering returns, ensuring liquidity, preserving capital, and working through their governance models to succeed.
- *Managing & Founding Principal of AQR, Cliff Asness, Ph.D.* – As the Chief Investment Officer of AQR and author of numerous journal articles, he will demonstrate how the traditional approach to portfolio design is challenged in today's environment and offer perspective on how to address those challenges.
- *Breakout sessions repeated*
 - Illiquidity in pursuit of returns
 - Outsourcing CIO – Returns, governance, and challenges
 - Currency and how to manage it
 - Role of fixed income in a world of low yields
- *Carlyle Private Markets Overview & Learnings from the David Rubenstein Show* – David Rubenstein will share his firm's views on the private markets and also share insights from his interviews on "The David Rubenstein Show, Peer to peer conversations."
- *Closing remarks*

SamCERA Board of Retirement Trustee Education
 Proof of Participation Certificate and Summary



Trustee Name Eric Tashman		Date(s) of Event August 28 & 29, 2017
Education Event Name Verus 2017 Client Summit Program		
Event Provider Verus Advisory		
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		Eligible Credit: Total hours for sessions you participated in: <u>6^{1/2}</u> <i>(Staff may adjust hours if the provider issues an education certificate that reflects different hours.)</i>

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

Topic: *(Check all that apply)*

- | | |
|--|---|
| <input type="checkbox"/> Fiduciary responsibilities | <input type="checkbox"/> Disability evaluation |
| <input type="checkbox"/> Ethics | <input type="checkbox"/> Fair hearings |
| <input type="checkbox"/> Benefits administration | <input type="checkbox"/> Pension fund governance |
| <input type="checkbox"/> Actuarial matters | <input type="checkbox"/> New board member orientation |
| <input type="checkbox"/> Pension funding | <input type="checkbox"/> Other: _____ |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management | |

Summary Report

What concepts or information did you learn about?

Would you recommend this event to other trustees?

- Yes No Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

Trustee Signature <i>(print this form and sign)</i> 	Date 10/16/17
--	-------------------------

NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

SamCERA Board of Retirement Trustee Education
 Proof of Participation Certificate and Summary



Trustee Name Kurt Hofer		Date(s) of Event September 25-28, 2017	
Education Event Name Wharton Advanced Investments Management, Philadelphia			
Event Provider IFEBP			
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		Eligible Credit: Total hours for sessions you participated in: <u>28</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)	

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

Topic: (Check all that apply)

- | | |
|--|---|
| <input type="checkbox"/> Fiduciary responsibilities | <input type="checkbox"/> Disability evaluation |
| <input type="checkbox"/> Ethics | <input type="checkbox"/> Fair hearings |
| <input type="checkbox"/> Benefits administration | <input type="checkbox"/> Pension fund governance |
| <input type="checkbox"/> Actuarial matters | <input type="checkbox"/> New board member orientation |
| <input type="checkbox"/> Pension funding | <input type="checkbox"/> Other: _____ |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management | |

Summary Report

What concepts or information did you learn about?

Covered broad range of topics, including performance analysis, bond pricing and bond portfolio construction, macroeconomic trends, manager evaluation, real estate investment evaluation, international investing and hedge fund investing. The course was intense and involved executing a case study to bring concepts together in a real-world situation.

Would you recommend this event to other trustees?

- Yes No Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

Trustee Signature (print this form and sign) <i>Kurt Hofer</i>	Date 8/5/17
--	-----------------------

NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

SamCERA Board of Retirement Trustee Education
Proof of Participation Certificate and Summary



Trustee Name SUSAN LEE		Date(s) of Event October 1-4, 2017	
Education Event Name NCPERS Public Safety Conference			
Event Provider National Conference on Public Employee Retirement Systems (NCPERS)			
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		Eligible Credit: Total hours for sessions you participated in: <u>15.5</u> <i>(Staff may adjust hours if the provider issues an education certificate that reflects different hours.)</i>	

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

Topic: *(Check all that apply)*

- | | |
|---|---|
| <input checked="" type="checkbox"/> Fiduciary responsibilities | <input checked="" type="checkbox"/> Disability evaluation |
| <input type="checkbox"/> Ethics | <input type="checkbox"/> Fair hearings |
| <input checked="" type="checkbox"/> Benefits administration | <input checked="" type="checkbox"/> Pension fund governance |
| <input checked="" type="checkbox"/> Actuarial matters | <input type="checkbox"/> New board member orientation |
| <input checked="" type="checkbox"/> Pension funding | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Pension fund investments and investment program management | |

Summary Report

What concepts or information did you learn about?

Infrastructure Investments
Opportunistic Investments
Cyber Security / Disaster planning
Amortization Issues

Would you recommend this event to other trustees? Safety

- Yes No Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

Trustee Signature <i>(print this form and sign)</i> 	Date 10-16-17
--	-------------------------

NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2017

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, 2017

Recommendation

Accept the preliminary performance report dated September 30, 2017.

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. As discussed previously, preliminary performance estimates are now included for AQR Risk Parity, AQR Delta, PanAgora Risk Parity, and Beach Point Select. The quarterly performance metrics are not yet available for our private equity, private credit, private real asset, and real estate portfolios. The performance for these portfolios will be reflected in the quarterly performance report generated by Verus.

The attached performance report shows both net and gross of fee returns for the total plan on page one, with net composite returns (pages 2-3) and net manager returns (pages 4-8) also shown.

Discussion

The fund's net preliminary return for September was 1.1%, bringing the preliminary trailing twelve-month return ending September 2017 to 12.1% net. The twelve-month net return is higher than SamCERA's Actuarial Assumed Earnings Rate of 6.75%. Updated performance is not yet available for the SamCERA Plan Benchmark. As a result, the attached performance report does not have these returns. Staff will provide updated reports in the day-of meeting folder.

September was another good month for risk assets, with higher global equity prices, subdued market volatility, and tightening credit spreads producing generally positive returns. The broad U.S. equity market (as measured by the Russell 1000 Index) was up 2.1%, while developed international equity (as measured by MSCI EAFE) was up 2.5%. Emerging markets were lower by 0.4%.

Real GDP growth for the second quarter was revised higher to 3.1% (initial estimate was 2.6%). Manufacturing activity and the labor market remained healthy during the month. Twelve-month U.S. inflation remained below target, but increased to an annualized 1.9% rate in September.

The general U.S. fixed income market was down 0.5% during the month, as interest rates increased along the yield curve. The 10-year U.S. Treasury yield increased by 21 basis points during the month, with the yield ending at 2.33% by month-end as the Federal Reserve announced that the unwinding of their balance sheet will begin in October. Credit spreads also tightened during the month, leading the high yield market higher by 0.9%.

Attachments

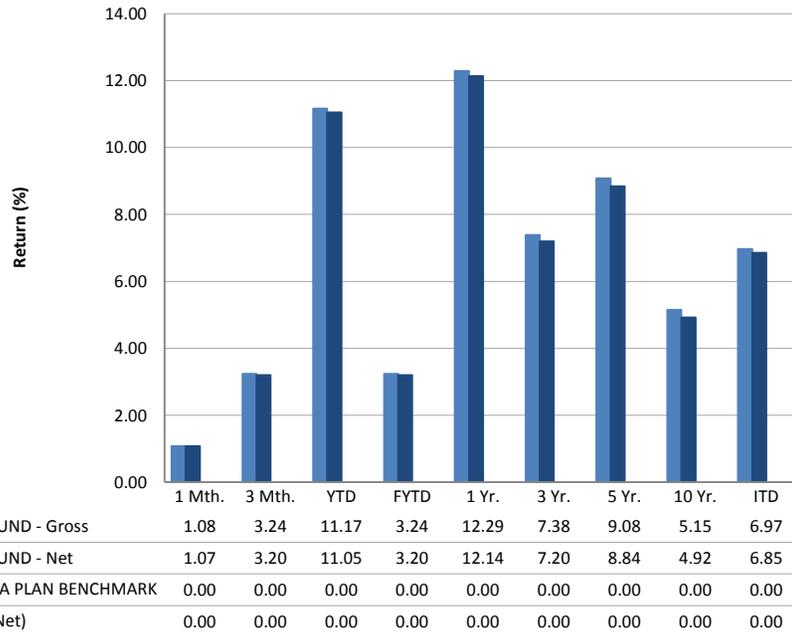
Northern Trust Performance Report
Verus Capital Markets Update

San Mateo County Total Fund Characteristics

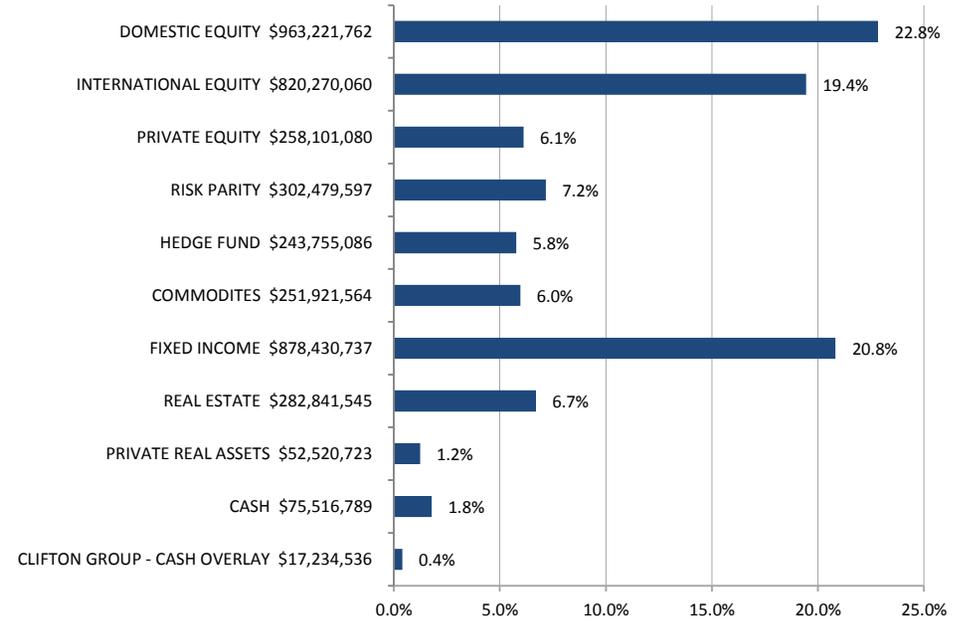


September 30, 2017

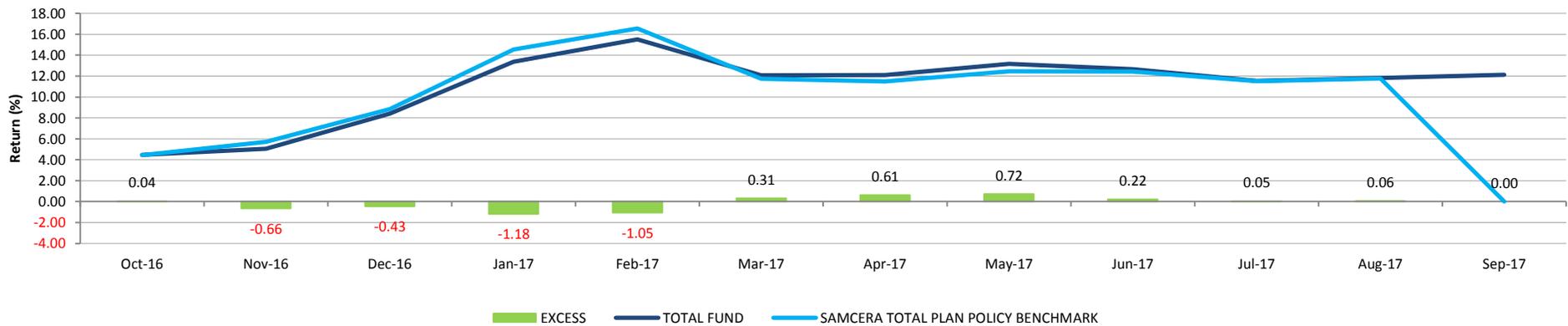
Total Fund Performance



Asset Allocation



Rolling Month End Annual Returns

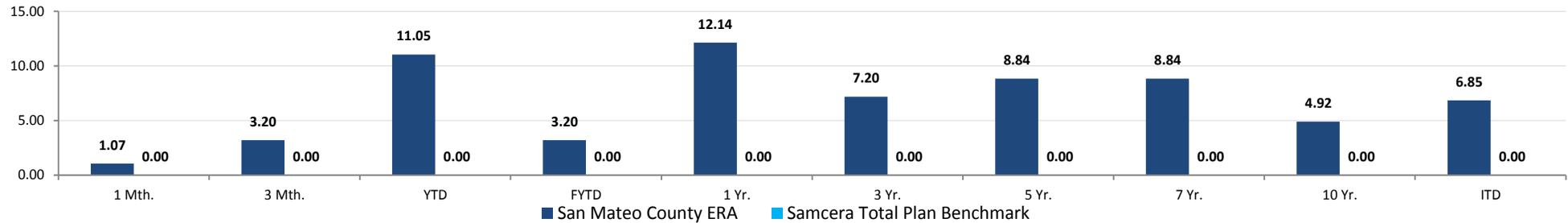


San Mateo County Composite Return Summary



September 30, 2017

Return Comparison



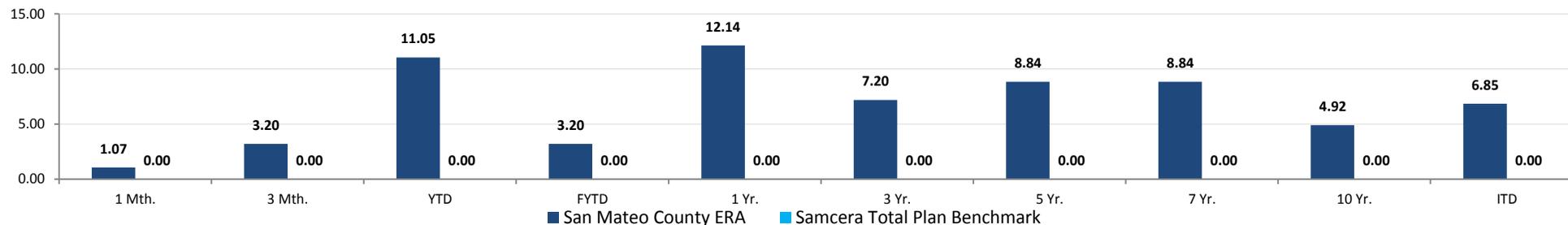
Composite Returns (Net of Manager Fees)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
San Mateo County ERA	4,217,750,302	1.07	3.20	11.05	3.20	12.14	7.20	8.84	8.84	4.92	6.85
Samcera Total Plan Benchmark		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--
San Mateo Ex-Clifton Overlay	4,200,515,766	1.07	3.15	10.92	3.15	12.07	7.03	8.74	8.79	4.82	6.77
Samcera Total Plan Benchmark		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--
Total Equity	1,783,491,823	2.26	5.12	18.18	5.12	19.31	9.02	11.72	10.96	4.89	7.88
Samcera Total Equity Benchmark		2.31	4.91	15.41	4.91	19.37	9.83	12.60	11.79	6.01	8.42
Excess		-0.05	0.21	2.77	0.21	-0.06	-0.80	-0.87	-0.83	-1.12	-0.54
Total Fixed Income	878,430,737	0.14	1.25	5.56	1.25	6.35	4.08	3.90	4.99	5.42	5.69
Samcera Fixed Income Benchmark		-0.20	1.25	4.47	1.25	1.74	3.36	2.22	3.38	4.58	5.14
Excess		0.34	0.00	1.10	0.00	4.61	0.72	1.68	1.61	0.84	0.56
Total Risk Parity	302,479,597	-0.65	3.68	9.85	3.68	5.60	5.15	5.01	--	--	6.40
Samcera Risk Parity Benchmark		1.16	3.24	10.71	3.24	12.19	8.01	9.59	--	--	9.02
Excess		-1.81	0.44	-0.87	0.44	-6.60	-2.86	-4.57	--	--	-2.61

San Mateo County Composite Return Summary



September 30, 2017

Return Comparison



Composite Returns (Net of Manager Fees)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Total Hedge Fund Composite	243,755,086	1.22	2.79	3.39	2.79	5.85	6.88	6.81	--	--	5.15
Samcera LIBOR + 4%		0.43	1.29	3.74	1.29	4.89	4.49	4.37	--	--	4.34
Excess		0.79	1.50	-0.35	1.50	0.96	2.40	2.44	--	--	0.81
Total Private Real Assets	52,520,723	0.00	-2.15	1.73	-2.15	5.48	--	--	--	--	29.51
SamCera Custom Real Asset Inde		0.25	5.58	8.92	5.58	10.18	--	--	--	--	14.31
Excess		-0.25	-7.73	-7.19	-7.73	-4.71	--	--	--	--	15.21
Total Real Estate	282,841,545	0.00	0.11	4.35	0.11	8.15	--	--	--	--	8.74
Samcera NCREIF ODCE EW (gross)		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--
Total Cash	75,516,789	0.07	0.20	0.30	0.20	0.46	0.53	0.55	0.62	0.56	2.00
Samcera Cash Benchmark		0.09	0.26	0.57	0.26	0.66	0.32	0.22	0.19	0.47	1.84
Excess		-0.01	-0.06	-0.27	-0.06	-0.20	0.21	0.33	0.43	0.09	0.15

San Mateo County Manager Return Summary



September 30, 2017

Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Total Equity	1,783,491,823	2.26	5.12	18.18	5.12	19.31	9.02	11.72	10.96	4.89	7.88
Samcera Total Equity Benchmark		2.31	4.91	15.41	4.91	19.37	9.83	12.60	11.79	6.01	8.42
Excess		-0.05	0.21	2.77	0.21	-0.06	-0.80	-0.87	-0.83	-1.12	-0.54
Total Domestic Equity	963,221,762	2.67	5.03	15.51	5.03	20.29	10.91	13.83	13.65	6.81	8.63
Samcera Dom. Equity Benchmark		2.44	4.57	13.91	4.57	18.71	10.79	14.11	14.15	7.61	8.96
Excess		0.23	0.45	1.60	0.45	1.58	0.11	-0.28	-0.49	-0.80	-0.33
Total Large Cap Equity	826,387,368	2.11	4.92	16.44	4.92	20.35	11.48	14.38	14.01	7.01	9.37
Russell 1000		2.13	4.48	14.17	4.48	18.54	10.63	14.27	14.35	7.55	9.68
Excess		-0.02	0.44	2.27	0.44	1.82	0.85	0.11	-0.34	-0.54	-0.30
Blackrock Russell 1000	674,536,883	2.14	4.48	--	4.48	--	--	--	--	--	12.58
Russell 1000		2.13	4.48	--	4.48	--	--	--	--	--	12.35
Excess		0.01	0.00	--	0.00	--	--	--	--	--	0.24
DE Shaw Commingled Fund	151,850,485	1.96	6.99	17.36	6.99	21.55	--	--	--	--	12.24
Russell 1000		2.13	4.48	14.17	4.48	18.54	--	--	--	--	9.73
Excess		-0.17	2.51	3.19	2.51	3.01	--	--	--	--	2.50
Total Small Cap Equity	136,834,395	6.30	5.68	10.05	5.68	21.76	8.22	11.67	12.27	5.92	6.67
Russell 2000		6.24	5.67	10.94	5.67	20.74	12.18	13.79	13.51	7.85	8.11
Excess		0.06	0.01	-0.89	0.01	1.02	-3.96	-2.12	-1.24	-1.93	-1.44
QMA US Small Cap	136,834,395	6.30	5.68	10.05	5.68	21.76	--	--	--	--	21.57
Russell 2000		6.24	5.67	10.94	5.67	20.74	--	--	--	--	19.86
Excess		0.06	0.01	-0.89	0.01	1.02	--	--	--	--	1.71
Total International Equity	820,270,060	1.76	5.25	21.56	5.25	16.99	5.65	7.60	5.43	0.82	5.74
MS AC WldxUS IMI Nt		1.90	6.27	21.47	6.27	19.55	5.16	7.32	5.50	1.59	5.30
Excess		-0.14	-1.02	0.09	-1.02	-2.56	0.49	0.28	-0.07	-0.77	0.44
Total Developed Markets Equity	729,148,358	2.08	5.05	21.51	5.05	16.79	6.08	8.13	5.83	1.24	4.65
MS AC WldxUS IMI Nt		1.90	6.27	21.47	6.27	19.55	5.16	7.32	5.50	1.59	5.15
Excess		0.18	-1.22	0.05	-1.22	-2.76	0.92	0.81	0.32	-0.34	-0.50
Baillie Gifford	243,435,148	1.15	5.03	25.56	5.03	16.62	8.29	9.79	--	--	9.30
MSCI ACWI ex US Growth		1.78	6.39	25.20	6.39	18.09	6.81	8.25	--	--	7.58
Excess		-0.63	-1.36	0.36	-1.36	-1.47	1.48	1.54	--	--	1.72
Blackrock EAFE Index Fund	237,794,885	2.52	5.46	20.37	5.46	19.56	5.37	--	--	--	3.95
MSCI EAFE ND		2.49	5.40	19.96	5.40	19.10	5.04	--	--	--	3.62
Excess		0.03	0.05	0.41	0.05	0.46	0.34	--	--	--	0.33

San Mateo County Manager Return Summary



September 30, 2017

Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Mondrian Investment Partners	247,918,326	2.83	4.96	18.22	4.96	15.91	3.90	6.83	5.60	1.59	5.85
MSCI ACWI ex US Value		2.01	6.11	18.26	6.11	22.23	3.50	6.61	5.05	1.19	5.71
Excess		0.82	-1.16	-0.04	-1.16	-6.32	0.40	0.22	0.55	0.40	0.14
Total Emerging Markets Equity	91,121,702	-0.67	6.83	21.82	6.83	18.57	1.82	3.38	--	--	2.75
MSCI Emerging Markets ND		-0.40	7.89	27.78	7.89	22.46	4.90	3.99	--	--	3.27
Excess		-0.27	-1.06	-5.97	-1.06	-3.89	-3.08	-0.61	--	--	-0.52
EV Parametric EM	91,121,702	-0.67	6.83	21.82	6.83	18.57	--	--	--	--	9.80
MSCI Emerging Markets GD		-0.37	8.04	28.14	8.04	22.91	--	--	--	--	11.74
Excess		-0.29	-1.21	-6.32	-1.21	-4.34	--	--	--	--	-1.93
Total Fixed Income	878,430,737	0.14	1.25	5.56	1.25	6.35	4.08	3.90	4.99	5.42	5.69
Samcera Fixed Income Benchmark		-0.20	1.25	4.47	1.25	1.74	3.36	2.22	3.38	4.58	5.14
Excess		0.34	0.00	1.10	0.00	4.61	0.72	1.68	1.61	0.84	0.56
Total Domestic Fixed Income	801,839,907	-0.04	1.37	5.71	1.37	5.32	4.45	3.86	5.05	5.46	5.82
Samcera US Fixed Inc Benchmark		-0.15	1.12	3.88	1.12	2.02	3.58	2.41	3.62	4.75	5.31
Excess		0.11	0.24	1.83	0.24	3.29	0.87	1.45	1.43	0.71	0.51
Total Core Fixed Income	580,428,559	-0.24	1.13	4.27	1.13	2.65	3.60	3.12	4.21	4.86	5.49
BB Barclays U.S. Aggregate		-0.48	0.85	3.14	0.85	0.07	2.71	2.06	2.95	4.27	5.05
Excess		0.23	0.28	1.13	0.28	2.57	0.88	1.06	1.25	0.59	0.44
FIAM Core Bond	247,292,190	-0.42	1.10	3.62	1.10	0.83	3.28	2.70	3.77	4.97	4.84
BB Barclays U.S. Aggregate		-0.48	0.85	3.14	0.85	0.07	2.71	2.06	2.95	4.27	4.37
Excess		0.05	0.25	0.48	0.25	0.76	0.57	0.63	0.81	0.69	0.47
Western Total Return	126,377,577	0.55	2.06	7.92	2.06	9.10	--	--	--	--	5.96
BB Barclays U.S. Aggregate		-0.48	0.85	3.14	0.85	0.07	--	--	--	--	2.65
Excess		1.03	1.21	4.78	1.21	9.02	--	--	--	--	3.31
Blackrock Inter Gov	206,758,791	-0.56	0.39	--	0.39	--	--	--	--	--	1.49
BB Barclays U.S. Aggregate		-0.48	0.85	--	0.85	--	--	--	--	--	3.14
Excess		-0.08	-0.45	--	-0.45	--	--	--	--	--	-1.66
Total Opportunistic Credit	221,411,349	0.50	2.02	9.51	2.02	12.05	6.64	8.03	9.65	--	9.93
BB Barc BA Intermediate HY Ind		0.64	1.72	6.10	1.72	6.76	5.89	5.85	6.89	--	7.94
Excess		-0.14	0.30	3.41	0.30	5.29	0.75	2.17	2.75	--	1.99

San Mateo County Manager Return Summary



September 30, 2017

Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
AG Opportunistic Whole Loan	11,373,690	0.00	4.97	13.36	4.97	20.38	6.96	--	--	--	5.48
BB Barc BA Intermediate HY Ind		0.64	1.72	6.10	1.72	6.76	5.89	--	--	--	5.20
Excess		-0.64	3.25	7.26	3.25	13.61	1.06	--	--	--	0.28
Angelo Gordon	13,384,122	0.00	7.29	15.72	7.29	22.00	9.98	--	--	--	10.83
BB Barc BA Intermediate HY Ind		0.64	1.72	6.10	1.72	6.76	5.89	--	--	--	5.71
Excess		-0.64	5.57	9.63	5.57	15.24	4.08	--	--	--	5.12
Beach Point Select Fund	47,497,142	1.23	1.92	8.70	1.92	11.32	--	--	--	--	9.55
BB Barc BA Intermediate HY Ind		0.64	1.72	6.10	1.72	6.76	--	--	--	--	5.88
Excess		0.59	0.20	2.60	0.20	4.56	--	--	--	--	3.67
Brigade Cap Mngmt	75,072,675	0.64	1.35	9.48	1.35	10.09	4.98	5.92	7.14	--	7.24
BB Barc BA Intermediate HY Ind		0.64	1.72	6.10	1.72	6.76	5.89	5.85	6.89	--	7.21
Excess		-0.00	-0.37	3.38	-0.37	3.33	-0.91	0.06	0.24	--	0.04
SAMCERA - White Oak Yield Spec	5,331,786	-3.56	-4.39	--	-4.39	--	--	--	--	--	--
BB Barc BA Intermediate HY Ind		0.64	1.72	--	1.72	--	--	--	--	--	--
Excess		-4.20	-6.12	--	-6.12	--	--	--	--	--	--
SAMCERA-PIMCO Div. Income Fund	55,310,563	0.11	--	--	--	--	--	--	--	--	1.03
BB Barc BA Intermediate HY Ind		0.64	--	--	--	--	--	--	--	--	0.83
Excess		-0.53	--	--	--	--	--	--	--	--	0.19
TCP Direct Lending VIII	13,441,371	0.54	1.06	6.45	1.06	6.45	--	--	--	--	--
BB Barc BA Intermediate HY Ind		0.64	1.72	6.10	1.72	6.76	--	--	--	--	--
Excess		-0.11	-0.67	0.35	-0.67	-0.32	--	--	--	--	--
Total Global Fixed Income	76,590,830	1.68	1.04	5.30	1.04	12.14	2.10	3.93	--	--	4.86
Samcera Global Fixed Benchmark		-0.80	1.88	6.55	1.88	-0.56	1.56	0.76	--	--	2.13
Excess		2.47	-0.84	-1.25	-0.84	12.70	0.54	3.17	--	--	2.73
Franklin Templeton	76,590,830	1.68	1.04	5.30	1.04	12.14	2.10	3.64	--	--	4.65
BB Barclays Multiverse Index		-0.80	1.88	6.55	1.88	-0.56	1.56	0.76	--	--	2.13
Excess		2.47	-0.84	-1.25	-0.84	12.70	0.54	2.89	--	--	2.53
Total Risk Parity	302,479,597	-0.65	3.68	9.85	3.68	5.60	5.15	5.01	--	--	6.40
Samcera Risk Parity Benchmark		1.16	3.24	10.71	3.24	12.19	8.01	9.59	--	--	9.02
Excess		-1.81	0.44	-0.87	0.44	-6.60	-2.86	-4.57	--	--	-2.61
AQR Global Risk III	142,298,020	-0.21	4.47	10.85	4.47	8.33	2.93	3.51	--	--	5.24
Samcera Risk Parity Benchmark		1.16	3.24	10.71	3.24	12.19	8.01	9.59	--	--	9.02
Excess		-1.36	1.23	0.13	1.23	-3.86	-5.08	-6.08	--	--	-3.78

San Mateo County Manager Return Summary



September 30, 2017

Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Panagora	160,181,577	-1.04	2.98	8.98	2.98	3.28	7.30	--	--	--	6.61
Samcera Risk Parity Benchmark		1.16	3.24	10.71	3.24	12.19	8.01	--	--	--	7.40
Excess		-2.20	-0.26	-1.74	-0.26	-8.91	-0.71	--	--	--	-0.79
Total Alternatives	501,856,166	1.05	1.83	7.64	1.83	11.44	6.48	4.99	-7.03	-8.03	-2.67
Samcera Alternatives Benchmark		1.47	3.15	9.45	3.15	13.14	6.24	8.25	9.20	5.91	7.52
Excess		-0.42	-1.32	-1.81	-1.32	-1.70	0.24	-3.26	-16.23	-13.94	-10.20
Total Private Equity	258,101,080	0.89	0.97	11.74	0.97	16.77	14.49	13.40	--	--	-22.50
Samcera PE Benchmark		2.69	5.34	16.43	5.34	22.22	13.94	17.56	--	--	17.17
Excess		-1.80	-4.37	-4.69	-4.37	-5.44	0.55	-4.16	--	--	-39.67
Total Hedge Fund Composite	243,755,086	1.22	2.79	3.39	2.79	5.85	6.88	6.81	--	--	5.15
Samcera LIBOR + 4%		0.43	1.29	3.74	1.29	4.89	4.49	4.37	--	--	4.34
Excess		0.79	1.50	-0.35	1.50	0.96	2.40	2.44	--	--	0.81
AQR Delta XN	163,224,752	1.98	3.99	4.07	3.99	6.68	7.47	7.16	--	--	5.42
Samcera LIBOR + 4%		0.43	1.29	3.74	1.29	4.89	4.49	4.37	--	--	4.34
Excess		1.55	2.70	0.33	2.70	1.79	2.98	2.79	--	--	1.08
SamCERA-Aberdeen Std GARS	80,530,334	-0.29	0.34	1.80	0.34	3.63	--	--	--	--	-0.29
Samcera LIBOR + 4%		0.43	1.29	3.74	1.29	4.89	--	--	--	--	4.64
Excess		-0.71	-0.95	-1.94	-0.95	-1.26	--	--	--	--	-4.93
Total Inflation Hedge	658,740,655	0.06	1.89	4.97	1.89	7.92	--	--	--	--	11.03
SamCERA Inflation Hedge Index		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--
Total TIPS	71,456,823	-0.31	0.72	1.20	0.72	0.61	--	--	--	--	1.78
BBG Barclays US TIPS		-0.64	0.86	1.72	0.86	-0.73	--	--	--	--	1.29
Excess		0.33	-0.14	-0.52	-0.14	1.33	--	--	--	--	0.49
Brown Brothers Harriman	71,456,823	-0.31	0.72	1.20	0.72	0.61	1.29	-0.62	2.20	--	2.54
BBG Barclays US TIPS		-0.64	0.86	1.72	0.86	-0.73	1.62	0.02	2.64	--	2.91
Excess		0.33	-0.14	-0.52	-0.14	1.33	-0.33	-0.64	-0.44	--	-0.37
Total Real Estate	282,841,545	0.00	0.11	4.35	0.11	8.15	--	--	--	--	8.74
Samcera NCREIF ODCE EW (gross)		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--
Invesco Core Real Estate	248,118,584	0.00	0.00	4.29	0.00	8.16	11.50	11.21	11.88	4.76	7.79
Samcera NCREIF ODCE EW (gross)		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--

San Mateo County Manager Return Summary



September 30, 2017

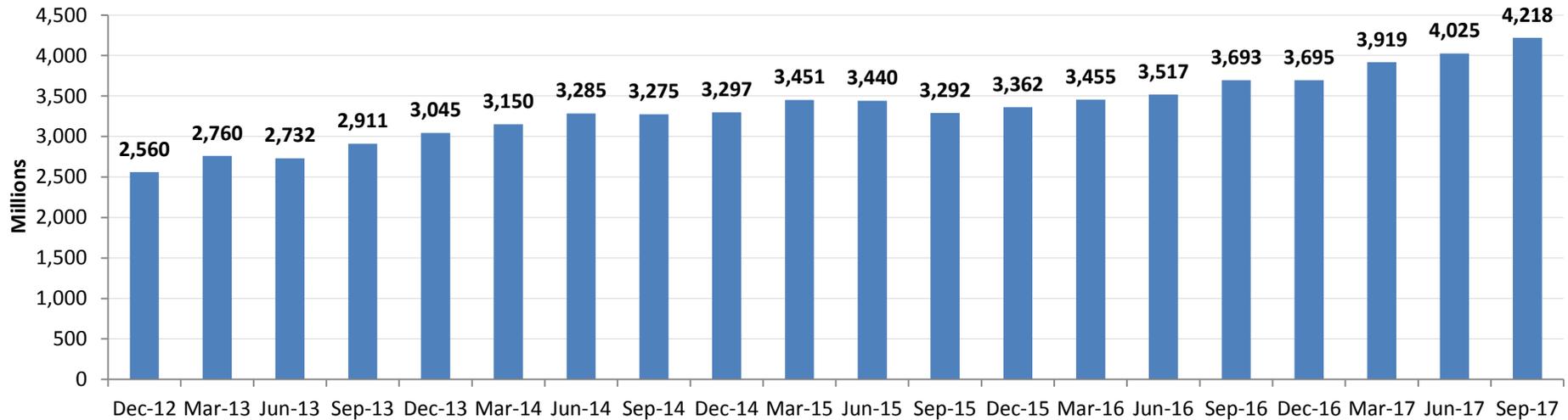
Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Invesco US Val IV	18,983,489	0.00	1.65	4.95	1.65	7.71	--	--	--	--	11.30
Samcera NCREIF ODCE EW (gross)		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--
PGIM Real Estate US Debt Fund	15,739,472	0.00	0.00	--	0.00	--	--	--	--	--	0.00
Samcera NCREIF ODCE EW (gross)		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--
Liquid Real Assets	251,921,564	0.27	5.81	8.56	5.81	11.16	--	--	--	--	--
SamCera Custom Real Asset Index		0.25	5.58	8.92	5.58	10.18	--	--	--	--	--
Excess		0.03	0.23	-0.36	0.23	0.98	--	--	--	--	--
SSGA CST REAL ASSET NL	251,921,564	0.27	5.81	8.56	5.81	11.16	--	--	--	--	--
SamCera Custom Real Asset Index		0.25	5.58	8.92	5.58	10.18	--	--	--	--	--
Excess		0.03	0.23	-0.36	0.23	0.98	--	--	--	--	--
Total Private Real Assets	52,520,723	0.00	-2.15	1.73	-2.15	5.48	--	--	--	--	29.51
SamCera Custom Real Asset Inde		0.25	5.58	8.92	5.58	10.18	--	--	--	--	14.31
Excess		-0.25	-7.73	-7.19	-7.73	-4.71	--	--	--	--	15.21
Total Cash	75,516,789	0.07	0.20	0.30	0.20	0.46	0.53	0.55	0.62	0.56	2.00
Samcera Cash Benchmark		0.09	0.26	0.57	0.26	0.66	0.32	0.22	0.19	0.47	1.84
Excess		-0.01	-0.06	-0.27	-0.06	-0.20	0.21	0.33	0.43	0.09	0.15
SamCera General Account	12,568,039	0.10	0.31	0.79	0.31	0.97	0.56	0.38	0.36	0.69	1.99
County Treasury Pool	62,930,191	0.00	0.00	0.00	0.00	0.00	0.00	0.27	0.47	0.38	2.64
San Mateo County ERA	4,217,750,302	1.07	3.20	11.05	3.20	12.14	7.20	8.84	8.84	4.92	6.85
Samcera Total Plan Benchmark		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--

September 30, 2017

Record of Asset Growth

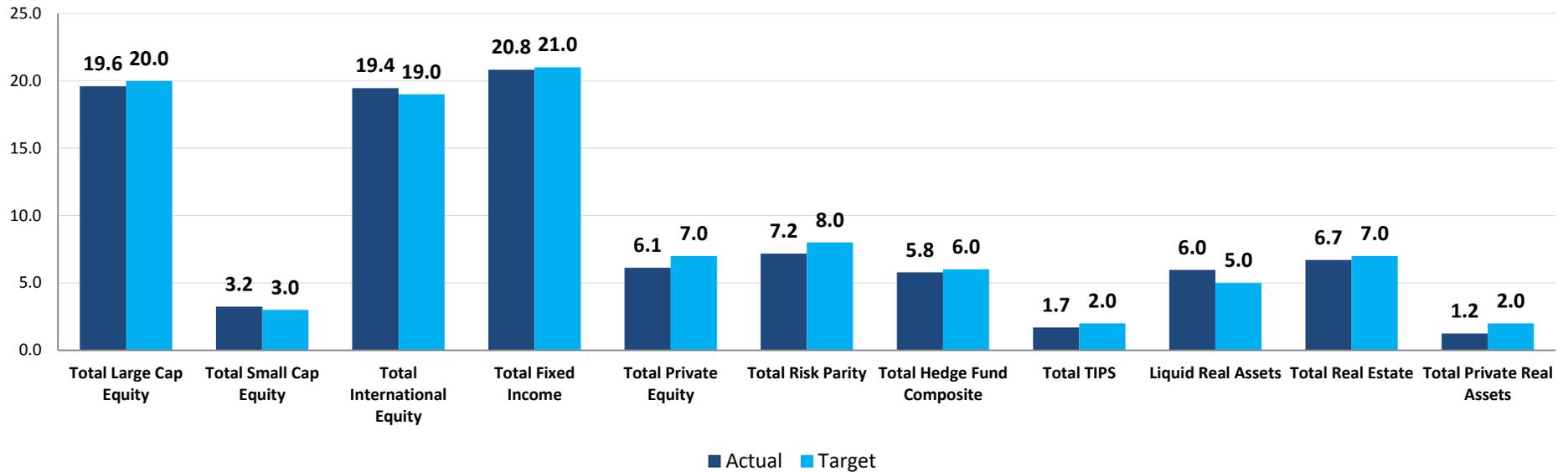
	Three Months	One Year
TOTAL FUND		
Beginning Market Value	4,024,564,230	3,693,449,949
Contributions	111,375,719	1,579,391,100
Withdrawals	-50,912,719	-1,515,365,652
Income Received	3,707,513	34,302,395
Gain/Loss	129,026,968	424,097,380
Ending Market Value	4,217,750,302	4,217,750,302

Net Asset Values Over Time (\$000)



September 30, 2017

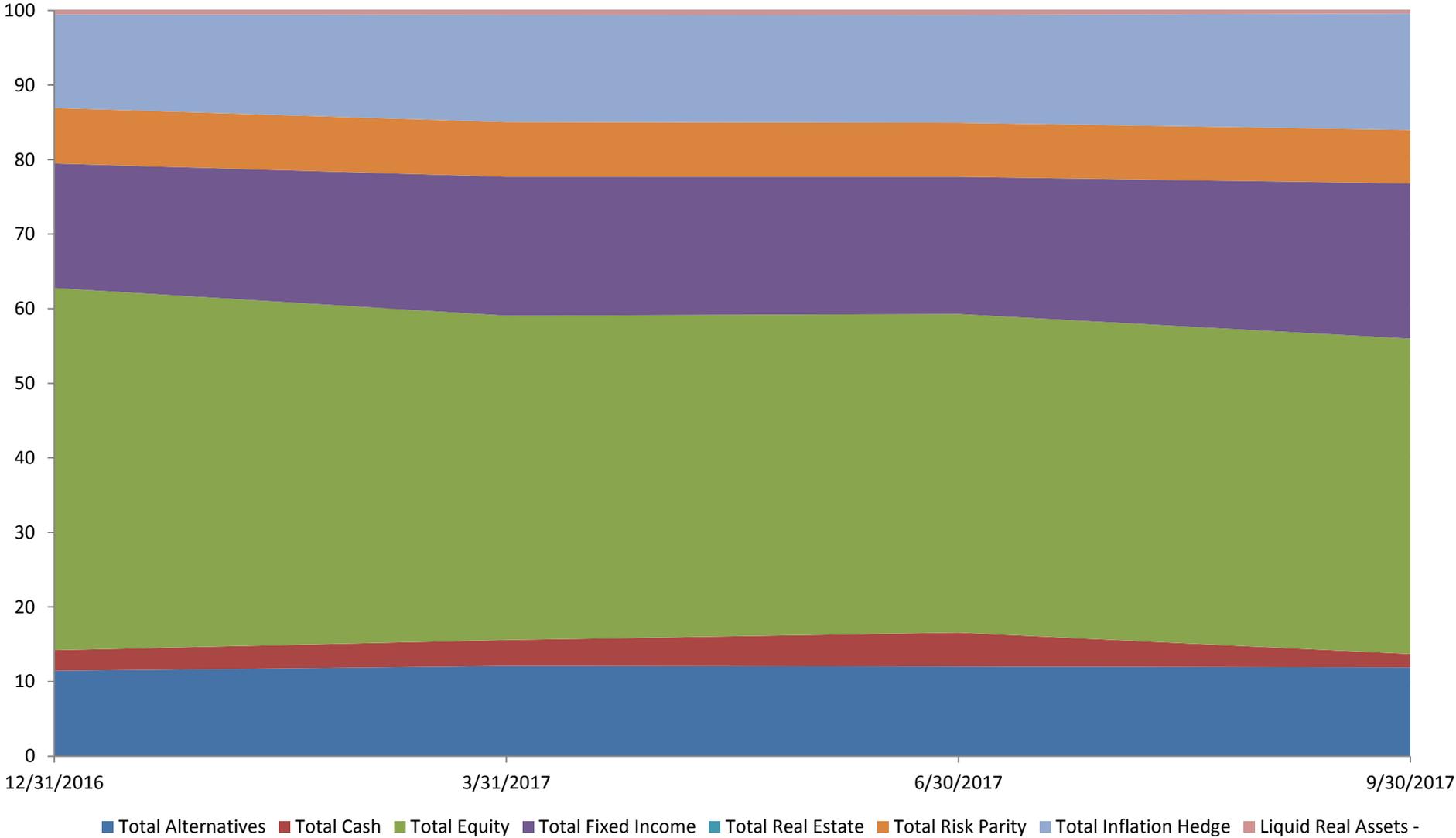
Actual vs Target Weights



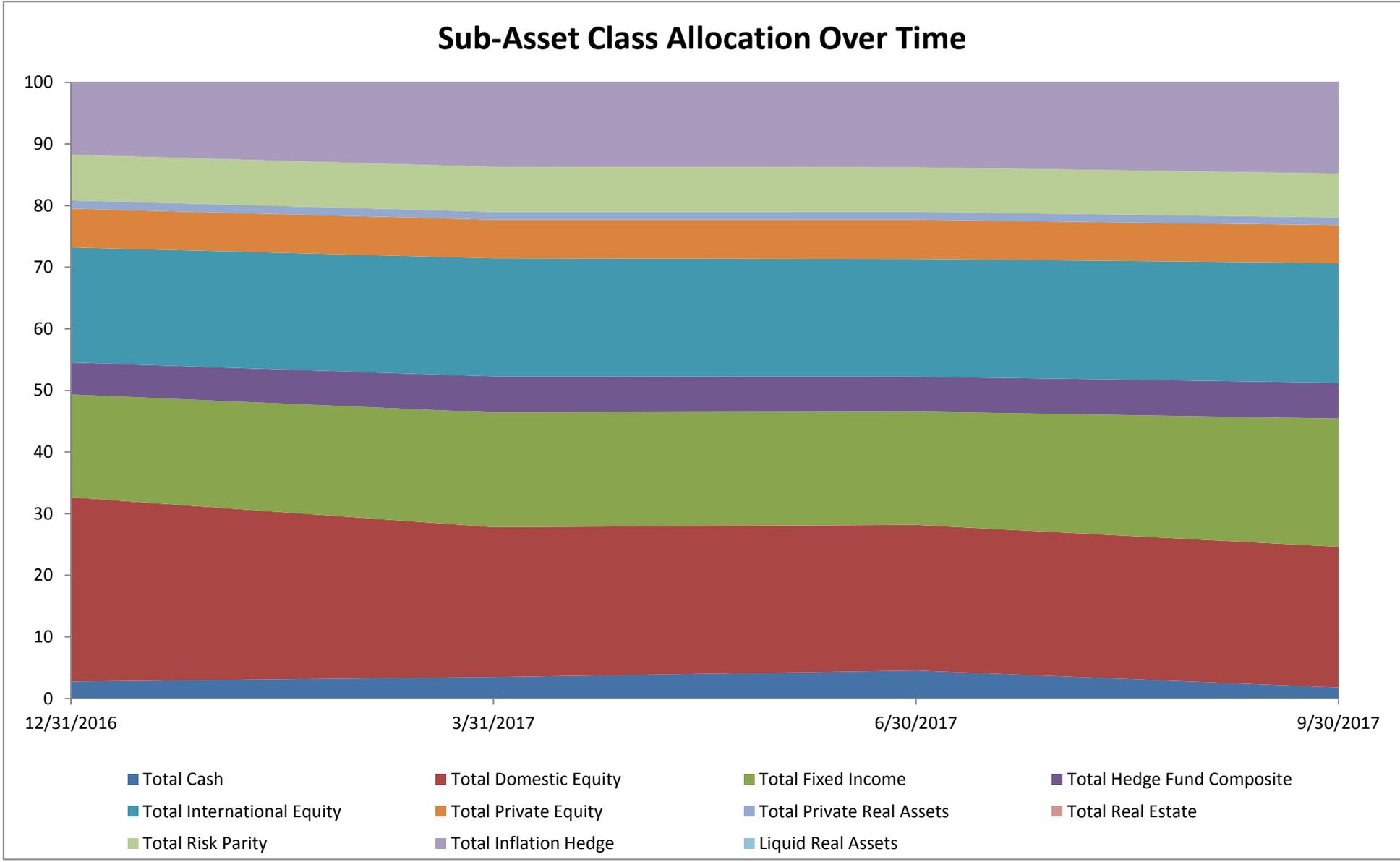
	Min	Actual	Target	Deviation	Max
Total Large Cap Equity	18.0	19.6	20.0	-0.4	22.0
Total Small Cap Equity	1.0	3.2	3.0	0.2	5.0
Total International Equity	17.0	19.4	19.0	0.4	21.0
Total Fixed Income	19.0	20.8	21.0	-0.2	23.0
Total Private Equity	5.0	6.1	7.0	-0.9	9.0
Total Risk Parity	6.0	7.2	8.0	-0.8	10.0
Total Hedge Fund Composite	4.0	5.8	6.0	-0.2	8.0
Total TIPS	0.0	1.7	2.0	-0.3	4.0
Liquid Real Assets	3.0	6.0	5.0	1.0	7.0
Total Real Estate	5.0	6.7	7.0	-0.3	9.0
Total Private Real Assets	0.0	1.2	2.0	-0.8	4.0

September 30, 2017

Asset Allocation over Time



September 30, 2017



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**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

SEPTEMBER 2017
Capital Markets Update

Market commentary

ECONOMIC CLIMATE

- As of October 2nd, the Q3 Atlanta Fed GDPNow forecast for real U.S. GDP growth was 2.7% (QoQ annualized). The forecast was adjusted downward from the September 1st estimate of 3.2% on lower expectations of private fixed investment.
- On September 20th, the Federal Reserve announced the fed funds target rate would remain unchanged at 1.00% - 1.25% and confirmed that the balance sheet unwind would begin in October 2017.
- The implied probability of a rate hike in December increased after the September FOMC meeting comments were perceived as relatively hawkish. Additionally, FOMC members have projected three rate hikes to take place in 2018.
- The U.S. dollar continued its downward trend and depreciated by -1.0% in September against a trade weighted basket of currencies. The currency was down -8.7% year-to-date.
- President Trump and Democratic congressional leaders raised the federal debt ceiling. The Bipartisan Policy Center estimated that the legislation effectively pushed the next debt limit deadline to March of 2018.

DOMESTIC EQUITIES

- Domestic equities provided positive returns in September (S&P 500 +2.1%). Domestic small cap equities outperformed large cap equities by over 4%, as the Russell 2000 returned 6.2% in the month.
- According to FactSet, as of October 6th, the estimated Q3 earnings and revenue growth rates of the S&P 500 were 2.8% and 4.9% YoY, respectively.

DOMESTIC FIXED INCOME

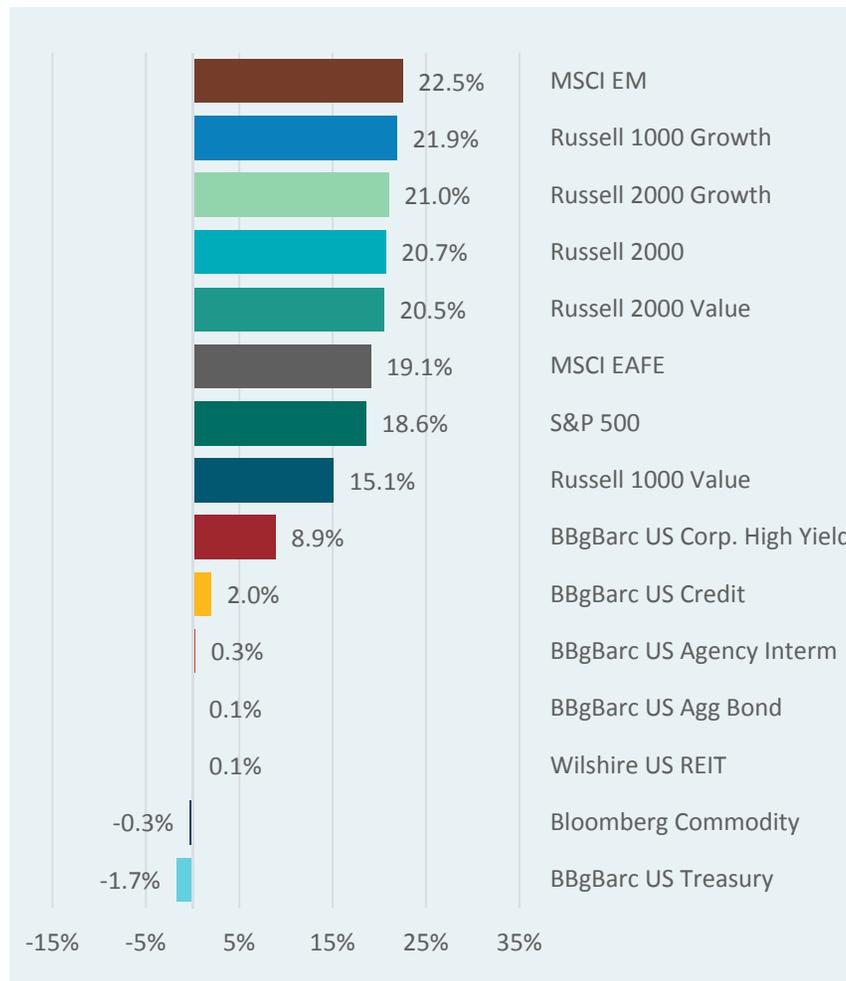
- Domestic fixed income returns were negative in September as the Bloomberg Barclays U.S. Aggregate Index returned -0.5%.
- U.S. Treasury yields broadly increased – 10-year yield rose by 21 bps to 2.33%. The yield curve steepened slightly as the 10-year minus 2-year expanded 7 bps to 0.86%.
- On September 8th, U.S. 10-year Treasury Inflation-Indexed yields hit their lowest point since November 2016 (+0.25%) before ending the month at 0.49% (+13 bps month-over-month).

INTERNATIONAL MARKETS

- Developed international equities underperformed domestic equities (S&P 500 +2.1%) as the MSCI ACWI ex U.S. Index returned 1.9% (+2.2% hedged).
- Eurozone CPI was relatively stable in September and increased by 1.5% YoY, unchanged from August. CPI ex Energy was 1.3% YoY, 10 bps higher than the prior month.
- U.K. manufacturing (PMI 55.9) expanded in September, but at a slightly lower rate than August, while U.K. construction activity contracted (PMI 48.1). Construction was negatively affected by a material decrease in civil engineering activity. PMI readings above 50 indicate a general expansion.
- According to the IMF, the prospects of global economic growth have strengthened. Their global growth projections increased by 10 bps to 3.6% in 2017 and 3.7% in 2018. The U.K. was the only G7 country projected to experience slowing growth.

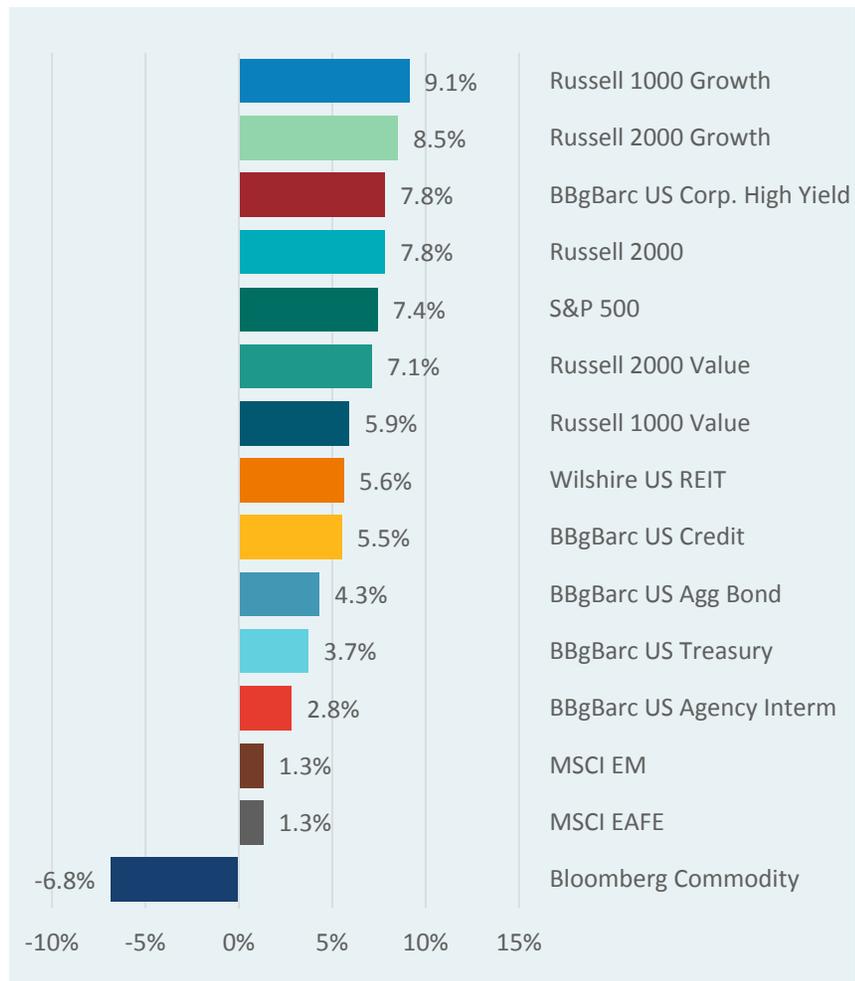
Major asset class returns

ONE YEAR ENDING SEPTEMBER



Source: Morningstar, as of 9/30/17

TEN YEARS ENDING SEPTEMBER



Source: Morningstar, as of 9/30/17

U.S. large cap equities

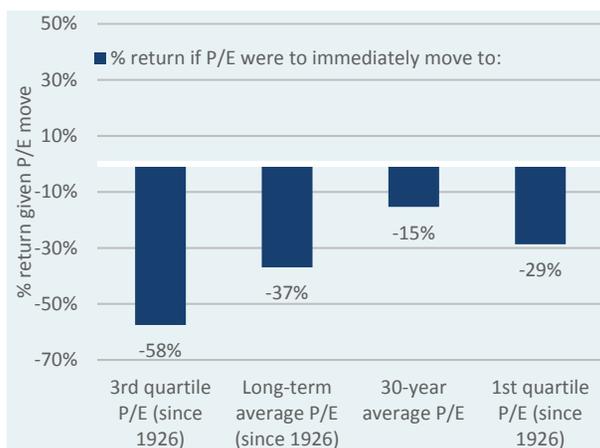
- Large cap equities posted a positive return for an eleventh consecutive month (S&P 500 +2.1%).
- According to FactSet, as of October 6th, the estimated Q3 earnings growth rate of the S&P 500 was 2.8% YoY, down from 7.5% on June 30th. Hurricane impacts contributed to most of this decline. Q3 earnings estimates for the insurance industry dropped 48% to \$5.1 billion.
- Energy was the best performing sector in September, returning 9.9% during the month (-6.6% year-to-date). The sectors' Q3 bottom-up EPS estimate increased 3.1% during September.
- The Shiller P/E ratio of the S&P 500 rose to 31.2. The cyclically adjusted valuation metric remained above its 10-year average of 23.2. The forward P/E ratio also increased in September to 19.3, above its 10-year average of 15.4.

U.S. LARGE CAP EQUITIES



Source: Bloomberg, as of 9/30/17

RETURNS IF TRAILING P/E MOVED TO HISTORIC LEVEL



Source: Yale/Shiller, Verus, as of 9/30/17

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 9/30/17

Fixed income

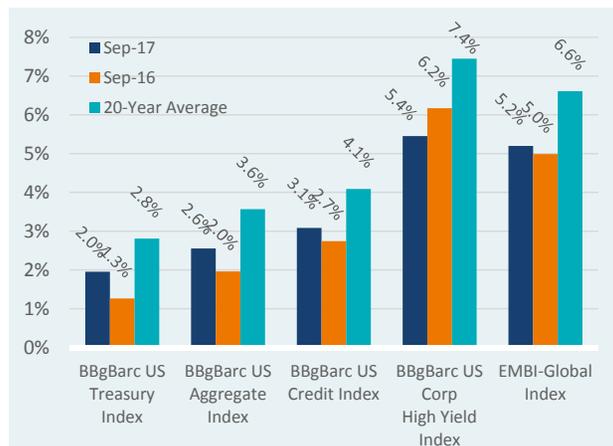
- U.S. Treasury yields rose across all maturities in September. The 10-year yield increased 21 bps to 2.33%. The shorter duration Bloomberg Barclays U.S. Treasury 1-3 Year (-0.2%) outperformed the broad U.S. Treasury Index (-0.9%).
- Market-based implied inflation rose slightly during the month. The 5-year TIPS breakeven rate increased 10 bps to 1.7%, below the recent high in January of 1.9%.
- The Federal Reserve held the fed funds target rate unchanged at 1.00% - 1.25% and confirmed that the balance sheet unwind would begin in October. As planned, \$6 billion in Treasuries (allocated across maturities) and \$4 billion in mortgage-backed securities will be rolled off of the balance sheet, increasing every three months to a limit of \$30 billion and \$20 billion, respectively.

U.S. TREASURY YIELD CURVE



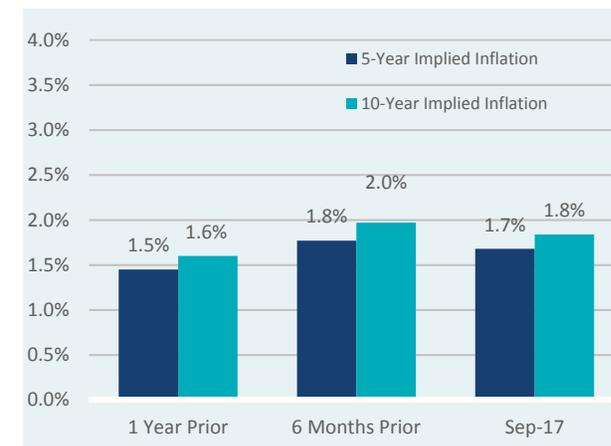
Source: Federal Reserve, as of 9/30/17

NOMINAL FIXED INCOME YIELDS



Source: Morningstar, as of 9/30/17

IMPLIED INFLATION (TIPS BREAKEVEN)

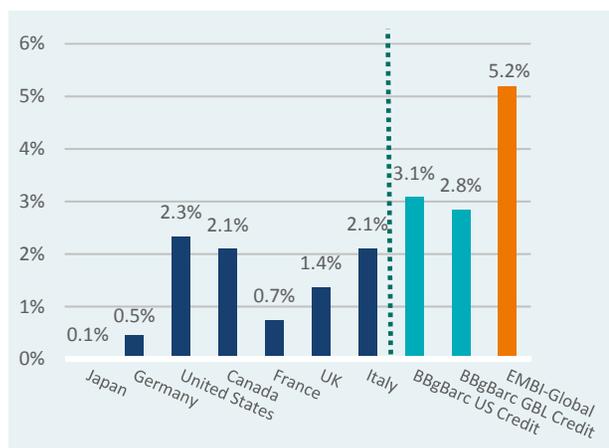


Source: Federal Reserve, as of 9/30/17

Global markets

- Global sovereign 10-year bond yields were broadly up in September. U.K. 10-year yields experienced the largest change, increasing by 33 bps to 1.37% following relatively hawkish comments from Bank of England Governor Mark Carney.
- Japanese equities continued upward in September (+2.0% unhedged, +4.3% hedged) after Prime Minister Shinzo Abe's announcement to hold snap elections. The upcoming election will be in December, two years ahead of schedule.
- The Parliament of Catalonia held and passed an independence referendum on October 1st. The vote was in defiance of the Constitutional Court of Spain who deemed the vote illegal. Uncertainty remains as to whether Catalonia's leader Puigdemont will officially declare independence. Despite the political turmoil and uncertainty, the unhedged MSCI Euro equity index rose 3.9% in September (+2.9% hedged).

GLOBAL SOVEREIGN 10 YEAR INDEX YIELDS



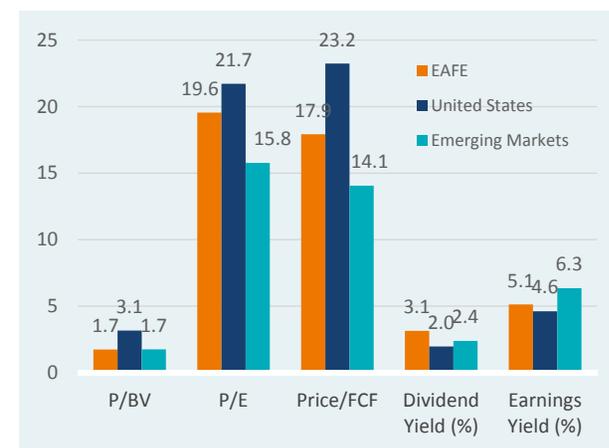
Source: Morningstar, as of 9/30/17

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 9/30/17

MSCI VALUATION METRICS (3 MONTH AVERAGE)



Source: Bloomberg, as of 9/30/17

Style tilts: U.S. large value vs. growth

- Value equities outperformed growth equities in September. The Russell 1000 Value and Russell 1000 Growth returned 3.0% and 1.3%, respectively.
- The relative trailing P/E ratio of value to growth equities remained below the long-term average of 0.77 at 0.73. Both value and growth trailing P/E ratios were above their 10-year highs, and ended September at 19.1 and 26.2, respectively.

- The value index benefitted from a higher relative concentration to Energy and Financial Services. The Russell 1000 Energy sub-index outperformed all of the sectors and returned 10.1% over the month. The Russell 1000 Financial Services sub-index returned 3.5%.

RELATIVE TRAILING PE RATIO OF U.S. VALUE VS. GROWTH



Source: Russell, Bloomberg, as of 9/30/17

U.S. VALUE VS. GROWTH ABSOLUTE PERFORMANCE

	RUSSELL 1000 VALUE ANNUALIZED RETURN TO DATE %	RUSSELL 1000 GROWTH ANNUALIZED RETURN TO DATE %
QTD	3.1	5.9
YTD	7.9	20.7
1 YEAR	15.1	21.9
3 YEARS	8.5	12.7
5 YEARS	13.2	15.3
10 YEARS	5.9	9.1
20 YEARS	7.3	6.5
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.65	1.05
5 YEARS	1.29	1.46
10 YEARS	0.42	0.63
20 YEARS	0.41	0.34

Source: Morningstar, as of 9/30/17

U.S. VALUE VS. GROWTH RELATIVE PERFORMANCE



Source: Morningstar, as of 9/30/17

Style tilts: U.S. large vs. small

- U.S. small cap equities outperformed large cap equities, as the Russell 2000 index and Russell 1000 index returned 6.2% and 2.1%, respectively. Large cap equities have still outperformed year-to-date with an excess return of 3.2%.
- The Consumer Discretionary sector produced the largest performance differential between large and small cap equities. Small cap equities in the sector outperformed large cap equities by 7.1%.
- The relative trailing P/E ratio of small to large cap equities increased in September to a new business cycle high of 2.4, well above the long-term average of 1.4. According to Bloomberg, the trailing P/E ratio of the Russell 2000 index finished the month at 53.6.
- Large cap equities have provided superior risk-adjusted returns (Sharpe Ratio) relative to small cap equities over all time periods examined below.

RELATIVE TRAILING PE RATIO OF U.S. SMALL VS. LARGE



Source: Russell, Bloomberg, as of 9/30/17

U.S. LARGE VS. SMALL ABSOLUTE PERFORMANCE

	RUSSELL 1000 INDEX	RUSSELL 2000 INDEX
	ANNUALIZED RETURN TO DATE %	ANNUALIZED RETURN TO DATE %
QTD	4.5	5.7
YTD	14.2	10.9
1 YEAR	18.5	20.7
3 YEARS	10.6	12.2
5 YEARS	14.3	13.8
10 YEARS	7.5	7.8
20 YEARS	7.2	7.5
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.89	0.55
5 YEARS	1.42	0.95
10 YEARS	0.53	0.44
20 YEARS	0.40	0.36

Source: Morningstar, as of 9/30/17

U.S. LARGE VS. SMALL RELATIVE PERFORMANCE



Source: Morningstar, as of 9/30/17

Commodities

- The broad Bloomberg Commodity Index was flat in September (-0.1%) as gains from energy (3.5%) were offset by losses from industrial metals (-3.8%) and precious metals (-3.3%).
- Crude oil prices increased by 9.4% in September and ended the month at \$51.67 per barrel. U.S. oil inventories were 465 million barrels at month-end, well below the recent high of 535 million barrels in March.
- Precious Metals declined in September, as gold prices fell by -3.1% to \$1,280 per ounce and silver dropped by -5.3% to \$16.66 per ounce. Precious metals were negatively affected by an increase in real rates during the month.
- The recent rally in Industrial Metals took a step back in September – the Bloomberg sub-index fell by -3.8%. The index was negatively effected by decreases in Copper (-4.6%) and Nickel (-11.3%) prices.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(0.1)	2.5	(2.9)	(0.3)	(10.4)	(10.5)	(6.8)
Bloomberg Agriculture	(0.0)	(6.1)	(9.2)	(11.1)	(6.2)	(11.4)	(3.9)
Bloomberg Energy	3.5	9.8	(12.2)	(2.9)	(26.6)	(17.7)	(17.3)
Bloomberg Grains	1.3	(9.5)	(6.8)	(5.5)	(6.2)	(14.0)	(5.7)
Bloomberg Industrial Metals	(3.8)	9.9	16.8	24.0	(1.3)	(4.5)	(5.1)
Bloomberg Livestock	3.6	(7.5)	3.0	24.4	(9.3)	(2.3)	(7.1)
Bloomberg Petroleum	5.8	15.1	(5.8)	2.1	(25.6)	(17.1)	(11.8)
Bloomberg Precious Metals	(3.3)	2.3	8.7	(6.6)	0.4	(8.8)	4.0
Bloomberg Softs	(3.4)	(0.7)	(19.0)	(28.1)	(10.1)	(10.5)	(3.5)

Source: Morningstar, as of 9/30/17

COMMODITY PERFORMANCE



Source: Bloomberg, as of 9/30/17

Appendix

Periodic table of returns

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	5-Year	10-Year
Emerging Markets Equity	16.6	38.4	23.2	35.2	38.7	66.4	31.8	14.0	25.9	56.3	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	27.8	15.3	9.1
Large Cap Growth	8.1	37.8	23.1	32.9	27.0	43.1	22.8	8.4	10.3	48.5	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	20.7	14.3	8.5
International Equity	6.4	37.2	22.4	31.8	20.3	33.2	12.2	7.3	6.7	47.3	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	20.0	14.3	7.8
Small Cap Growth	4.4	31.0	21.6	30.5	19.3	27.3	11.6	3.3	1.6	46.0	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	16.8	13.8	7.5
Large Cap Equity	3.2	28.5	21.4	22.4	16.2	26.5	7.0	2.8	1.0	39.2	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	14.2	13.3	7.1
60/40 Global Portfolio	2.6	25.7	16.5	16.2	15.6	24.3	6.0	2.5	-5.9	30.0	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	12.7	13.2	6.4
Small Cap Equity	0.4	19.6	14.4	13.9	8.7	21.3	4.1	-2.4	-6.0	29.9	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	10.9	10.5	5.9
Large Cap Value	-1.5	18.5	11.3	12.9	4.9	20.9	-3.0	-5.6	-11.4	29.7	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	7.9	8.4	4.3
Small Cap Value	-1.8	15.2	10.3	10.6	1.2	13.2	-7.3	-9.1	-15.5	25.2	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	5.7	6.3	4.0
Hedge Funds of Funds	-2.0	11.6	9.9	9.7	-2.5	11.4	-7.8	-9.2	-15.7	23.9	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	5.5	4.0	1.3
Real Estate	-2.4	11.1	6.4	5.2	-5.1	7.3	-14.0	-12.4	-20.5	11.6	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	3.3	3.8	1.3
US Bonds	-2.9	7.5	6.0	2.1	-6.5	4.8	-22.4	-19.5	-21.7	9.0	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	3.1	2.1	1.1
Cash	-3.5	5.7	5.1	-3.4	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	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	0.6	0.2	0.4
Commodities	-7.3	-5.2	3.6	-11.6	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	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	-2.9	-10.5	-6.8

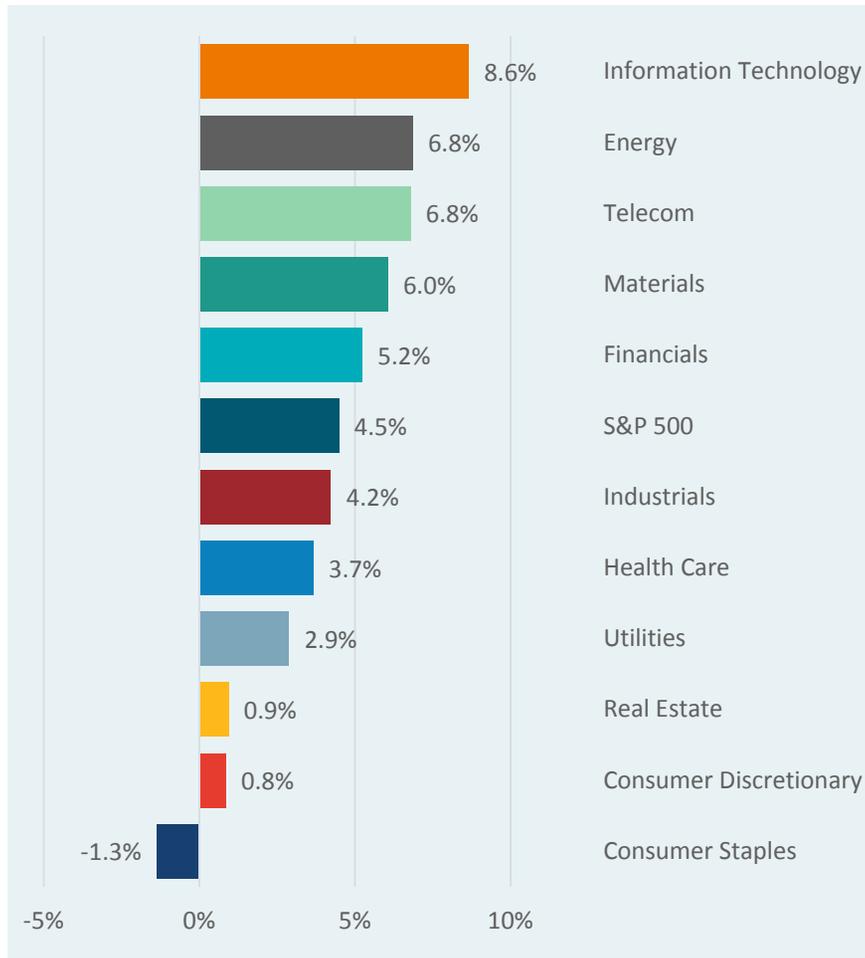
WORST

■ Large Cap Equity	■ Small Cap Growth	■ Commodities
■ Large Cap Value	■ International Equity	■ Real Estate
■ Large Cap Growth	■ Emerging Markets Equity	■ Hedge Funds of Funds
■ Small Cap Equity	■ US Bonds	■ 60% MSCI ACWI/40% BBgBarc Global Bond
■ Small Cap Value	■ Cash	

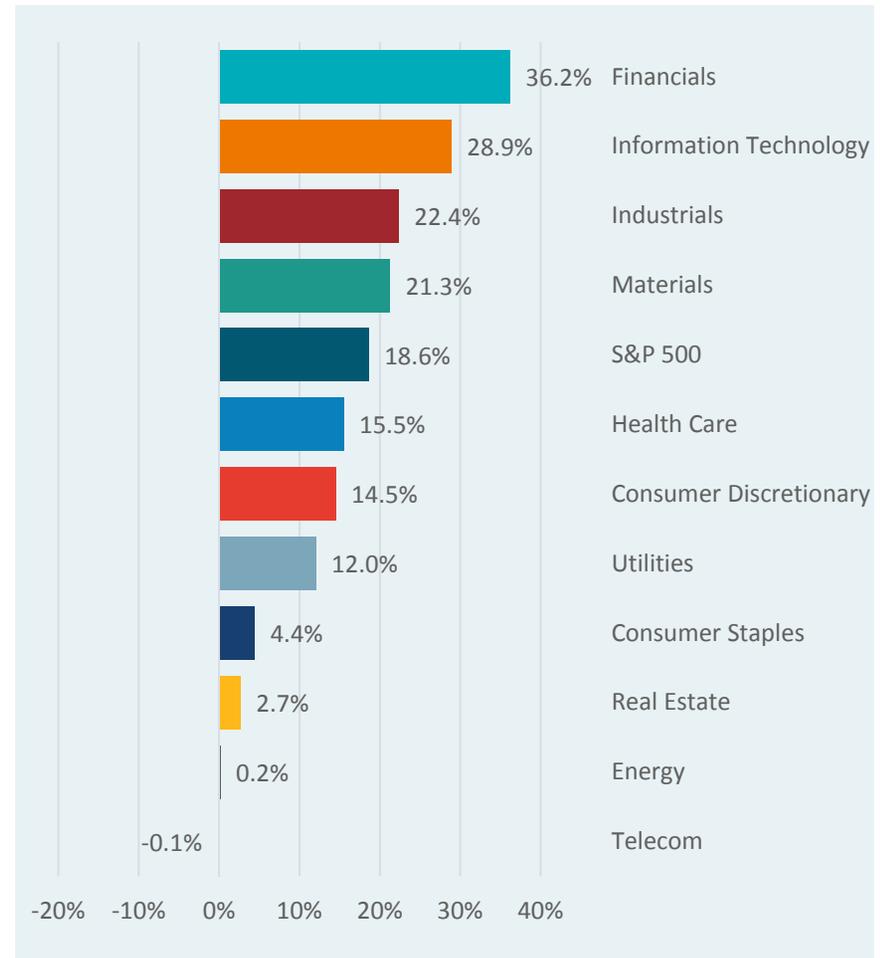
Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 6/30/17.

S&P 500 sector returns

QTD



ONE YEAR ENDING SEPTEMBER



Source: Morningstar, as of 9/30/17

Source: Morningstar, as of 9/30/17

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	2.1	4.5	14.2	18.6	10.8	14.2	7.4
S&P 500 Equal Weighted	2.9	3.6	11.9	16.2	10.1	15.0	8.9
DJ Industrial Average	2.2	5.6	15.5	25.5	12.3	13.6	7.7
Russell Top 200	1.9	4.9	15.1	19.8	11.1	14.3	7.3
Russell 1000	2.1	4.5	14.2	18.5	10.6	14.3	7.5
Russell 2000	6.2	5.7	10.9	20.7	12.2	13.8	7.8
Russell 3000	2.4	4.6	13.9	18.7	10.7	14.2	7.6
Russell Mid Cap	2.8	3.5	11.7	15.3	9.5	14.3	8.1
Style Index							
Russell 1000 Growth	1.3	5.9	20.7	21.9	12.7	15.3	9.1
Russell 1000 Value	3.0	3.1	7.9	15.1	8.5	13.2	5.9
Russell 2000 Growth	5.4	6.2	16.8	21.0	12.2	14.3	8.5
Russell 2000 Value	7.1	5.1	5.7	20.5	12.1	13.3	7.1

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	1.9	5.2	17.3	18.6	7.4	10.2	3.9
MSCI ACWI ex US	1.9	6.2	21.1	19.6	4.7	7.0	1.3
MSCI EAFE	2.5	5.4	20.0	19.1	5.0	8.4	1.3
MSCI EM	(0.4)	7.9	27.8	22.5	4.9	4.0	1.3
MSCI EAFE Small Cap	2.9	7.5	25.4	21.8	11.1	12.8	4.6
Style Index							
MSCI EAFE Growth	1.9	4.9	22.4	15.7	6.5	8.9	2.1
MSCI EAFE Value	3.1	5.9	17.6	22.5	3.5	7.8	0.5
Regional Index							
MSCI UK	3.3	5.2	15.7	14.6	0.8	4.9	0.7
MSCI Japan	2.0	4.0	14.3	14.1	7.7	10.6	1.7
MSCI Euro	3.9	8.0	25.9	28.4	5.6	9.9	(0.0)
MSCI EM Asia	(0.0)	7.0	31.8	23.8	8.0	7.4	2.7
MSCI EM Latin American	1.6	15.1	26.7	25.6	(0.3)	(1.9)	(0.8)

Source: Morningstar, as of 9/30/17

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US Treasury US TIPS	(0.6)	0.9	1.7	(0.7)	1.6	0.0	3.9
BBgBarc US Treasury Bills	0.1	0.3	0.6	0.6	0.3	0.2	0.5
BBgBarc US Agg Bond	(0.5)	0.8	3.1	0.1	2.7	2.1	4.3
Duration							
BBgBarc US Treasury 1-3 Yr	(0.2)	0.2	0.7	0.2	0.8	0.6	1.7
BBgBarc US Treasury Long	(2.2)	0.6	6.0	(6.4)	4.9	2.8	6.9
BBgBarc US Treasury	(0.9)	0.4	2.3	(1.7)	2.0	1.2	3.7
Issuer							
BBgBarc US MBS	(0.2)	1.0	2.3	0.3	2.4	2.0	4.1
BBgBarc US Corp. High Yield	0.9	2.0	7.0	8.9	5.8	6.4	7.8
BBgBarc US Agency Interm	(0.3)	0.3	1.4	0.3	1.5	1.1	2.8
BBgBarc US Credit	(0.2)	1.3	5.1	2.0	3.9	3.2	5.5

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	(0.1)	2.5	(2.9)	(0.3)	(10.4)	(10.5)	(6.8)
Wilshire US REIT	(0.1)	0.6	2.4	0.1	9.7	9.5	5.6
CS Leveraged Loans	0.4	1.1	3.0	5.4	4.0	4.4	4.4
Regional Index							
JPM EMBI Global Div	0.0	2.6	9.0	4.6	6.5	4.9	7.5
JPM GBI-EM Global Div	(0.3)	3.6	14.3	7.3	0.3	(0.9)	3.8
Hedge Funds							
HFRI Composite	0.5	2.1	5.7	6.9	3.3	4.7	3.1
HFRI FOF Composite	0.4	2.2	5.5	6.4	2.2	3.8	1.1
Currency (Spot)							
Euro	(0.6)	3.7	12.1	5.2	(2.2)	(1.7)	(1.8)
Pound	4.1	3.3	8.6	3.3	(6.1)	(3.6)	(4.1)
Yen	(2.2)	(0.2)	3.6	(10.0)	(0.9)	(7.1)	0.2

Definitions

IHS Markit/CIPS UK Construction PMI - The Purchasing Managers' Survey is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 170 construction companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on the regional and industry contribution to GDP. IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. (www.ihsmarket.com)

IHS Markit/CIPS UK Manufacturing PMI - The IHS Markit/CIPS UK Manufacturing PMI® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 600 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group and company workforce size, based on the industry and company size contributions to GDP. IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. (www.ihsmarket.com)

Notices & disclosures

***Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. and Verus Investors, LLC (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended. Additional information about Verus Advisory, Inc. and Verus Investors, LLC is available on the SEC’s website at www.adviserinfo.sec.gov.*

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2017

Agenda Item 6.2

TO: Board of Retirement

FROM: Lilibeth Dames, Investment Analyst *Lili Dames*

SUBJECT: Report on Inflation Hedge Manager Annual Review – State Street Global Advisors

Recommendation

Review the report on the annual review of SamCERA's Inflation Hedge manager, State Street Global Advisors (SSgA).

Background

The annual manager review for SSgA occurred on October 5, 2017. The meeting lasted approximately 1.5 hours and consisted of a firm/organizational update, an investment process review, and a review of performance and attribution. Their current positioning and market outlook were also discussed.

Discussion

The SSgA Liquid Real Assets is a custom passive account for SamCERA that seeks to replicate exposure to three underlying indices: the S&P Global LargeMidCap Natural Resources Index, S&P Global Infrastructure Index, and Bloomberg Commodity Index.

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

Attachment

SSgA Liquid Real Assets Annual Review Meeting Notes

Research Meeting Notes

Investment Organization	State Street Global Advisors (“SSgA”)
Business Type	Publicly Traded
Firm Inception Date	1978
Firm \$AUM	\$2.6T
Investment Org Attendees	Sonya Park, Robert Guiliano
Verus Attendees	John Nicolini
Interview Date(s)	10/5/17
Meeting Type	In office
Meeting Purpose	Update
Strategy Name	SSgA Liquid Real Assets
Strategy Inception Date	2016
Asset Class (Style)	Real Assets
Strategy \$AUM	\$3.4B

Firm:

For nearly four decades, State Street Global Advisors has been committed to helping clients, and those who rely on them, achieve financial security. They partner with many of the world’s largest, most sophisticated investors and financial intermediaries to help them reach their goals through a rigorous, research-driven investment process spanning both indexing and active disciplines. SSGA has attained ETF industry leadership with its SPDR® family, including first-to-market launches with gold, international real estate, fixed-income and sector-specific ETFs. State Street Global Advisors is the investment management arm of State Street Corporation.

State Street Corporation has two primary lines of business: Investment Services and Investment Management (SSGA). The following is a brief description of these two major revenue sources.

Investment Services

Investment services include custody, recordkeeping, daily pricing and administration, shareholder services, foreign exchange, brokerage and other trading services, securities finance, deposit and short-term investment facilities, loan and lease financing, investment manager and hedge fund manager operations outsourcing, performance, risk and compliance analytics and investment research. Revenue from Investment Services comprised 83% of State Street’s total revenue for Q217.

Investment Management

State Street offers a broad array of services for managing financial assets worldwide for both institutions and individual investors. Services include passive, enhanced and active equity, money market and fixed income strategies and other related services. Revenue from Investment Management comprised 17% of State Street’s total revenue for Q217.

Team/People:

With regards to a custom account through the Investment Solutions Group, Dan Farley is CIO and head of the division within SSgA. Mike Martel is the head of North American portfolio management for Investment Solutions Group. Under Mike, each account is assigned a lead portfolio manager as well as a back-up portfolio manager. With all Real Asset accounts, either Rob Guiliano or John Gulino, CFA serve as a lead or backup portfolio manager in some capacity. Rob has over 18 years of industry experience and has been involved in the SSGA Real Asset Strategy since the research phase and has been involved in managing the portfolios since inception. John has over 14 years of industry experience and has been involved in marketing and managing the SSGA Real Asset Strategies since 2010.

The three underlying portfolios will be managed by two experienced portfolio managers. The State Street Bloomberg Roll Select Commodity Index Non-Lending Fund and State Street S&P Global Infrastructure Index Non-Lending Fund are managed by Karl Schneider. The State Street S&P Global LargeMid Cap Natural Resources Index Non-Lending Fund is managed by Melissa Kapitulik. Both portfolio managers have 20 years of industry experience.

Process/Philosophy

SSgA Liquid Real Assets us a custom account that seeks to replicate exposure to three underlying indices, S&P Global LargeMid Cap Natural Resources, S&P Global Infrastructure and Bloomberg Commodity Index. SSgA manages exposure to each of the three indices on an equal-weighted basis with semi-annual rebalancing.

The Investment Solutions Group within SSgA will be managing the custom account on behalf of SamCERA. This group is led by Mike Martel, who has 23 years of investment experience. SamCERA’s account will have a lead and back-up portfolio manager assigned to it and will be managed by either Rob Guiliano or John Gulino on a lead and or back-up basis. Rob and John serve as portfolio managers for the SSgA Real Asset Strategy as well. SSgA has proposed a 19bps “all-in” flat fee for SamCERA (inclusive of the management fees for the underlying products) to manage the custom Liquid Pool. This will include semi-annual rebalancing between the three strategies, providing daily liquidity to SamCERA and performance reporting against a custom blended benchmark.

Product information on the three underlying indices is below:

	Bloomberg Commodity Roll Select	S&P Global Natural Resources Index	S&P Global Infrastructure Index
Fees	19bps flat fee	19bps flat fee	19bps flat fee
Liquidity	daily	Daily	daily
Currency	USD	Unhedged	Unhedged
Replication Methodology	Swaps	Full Replication	Full Replication
Sector Exposure	Energy – 32% Metals – 31%	Energy – 33% Materials – 33%	Utilities – 43% Industrials – 42%

	Agriculture – 31% Livestock – 6%	Agriculture – 33%	Energy – 15%
Country Exposure	N/A	US – 36% UK – 15% Canada – 13% Australia – 8% Switzerland – 6% Other – 22%	US – 35% Australia – 10% Spain – 10% Canada – 8% Italy – 7% Other – 30%
Targeted Tracking Error to Index	40bps	20bps	15bps

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 products inception at SamCERA (October 2016), the Custom Liquid Real Assets product has returned 11.27%, net of fees while the benchmark has returned 11.09%. Most of the excess return has come from the semi-annual rebalancing feature which differs from the benchmark which adheres to a monthly rebalancing schedule.

Other Considerations

SSgA has provided SamCERA with the risk exposures were expected and has managed to provide some slight excess return in the process. Verus and SamCERA Staff plan to review the current make-up of the custom account to see if there are ways to reduce overall volatility. Whiles the performance has thus far benefited from a recovery in natural resources and strong returns in infrastructure, a considerable amount of volatility has accompanied that performance. Some areas we plan to consider diversifying into include TIPS and REITs.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2017

Agenda Item 6.3

TO: Board of Retirement

FROM: Lilibeth Dames, Investment Analyst *Lilibeth Dames*

SUBJECT: Report on Alternative Manager Annual Review – Aberdeen Standard GARS

Recommendation

Review the report on the annual review of SamCERA's Alternative manager, Aberdeen Standard (formerly known as Standard Life).

Background

The annual manager review for Aberdeen Standard occurred on October 5, 2017. The meeting lasted approximately 1.5 hours and consisted of a firm/organizational update, an investment process review, and a review of performance and attribution. Their current positioning and market outlook were also discussed.

The annual review for SamCERA's other Absolute Return strategy, AQR Delta, occurred on October 12th and will be presented to the Board at the next meeting.

Discussion

Aberdeen Standard Global Absolute Return Strategies (GARS) product is a multi-strategy fundamentally-driven approach that targets absolute returns with significantly less volatility than equity investments. In August 2017, Standard Life officially closed the announced merger with Aberdeen Asset Management. The firm will remain headquartered in Scotland.

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

Attachment

Aberdeen Standard GARS Annual Review Meeting Note (*Confidential*)

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2017

Agenda Item 7.1

TO: Board of Retirement

FROM: Tat-Ling Chow, Finance Officer 

SUBJECT: Approval of Financial Audit Management Reports for the Fiscal Year Ended June 30, 2017

Recommendation

Approve the Brown Armstrong's Financial Audit Reports for the fiscal year ended June 30, 2017.

Discussion

Brown Armstrong performed an independent financial audit for the fiscal year ended June 30, 2017. Andy Paulden, CPA, of Brown Armstrong, will discuss the purpose of the audit, the audit process, the scope of audit work, and the following four audit reports:

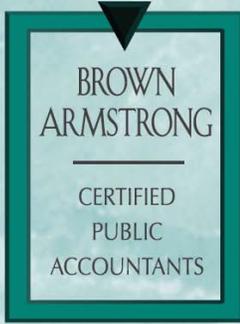
- 1) *Independent Auditor's Report.* This report provides an unqualified (a clean) opinion as follows: "In our opinion, the financial statements and the other information referred to above present fairly, in all material respects, the fiduciary net position of SamCERA as of June 30, 2017; its changes 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 total 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, 2017, in conformity with accounting principles generally accepted in the United States of America." This report is included in SamCERA's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.
- 2) *Required Communication to the Board of Retirement and Audit Committee in Accordance with Professional Standards.* This document provides an overview of the auditor's responsibility under the U.S. Generally Accepted Auditing Standards. The required communications provide useful information to assist in understanding the audit process and auditing procedures to complete the audit.
- 3) *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.* This report states that there are (1) no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and (2) no matters involving the internal control over financial reporting and its operation considered to be material weaknesses.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

- 4) *Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting.* This report identifies matters that are opportunities for strengthening internal controls and operating efficiency.

Attachments

Reports under 2, 3, and 4 listed above.



BROWN ARMSTRONG
Certified Public Accountants

San Mateo County Employees' Retirement Association
Board of Retirement presentation
of the June 30, 2017 Audit Results
By: Andrew J. Paulden, CPA
Brown Armstrong Accountancy Corporation
October 31, 2017

**BAKERSFIELD OFFICE
(MAIN OFFICE)**

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92563
TEL 949.652.5422

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

1. Purpose of the Audit
2. The Audit Process
 - a. Timeline coordination with SamCERA staff
 - b. Understanding and evaluation of SamCERA internal controls through inquiry and observation
 - c. Confirmations with independent third parties
 - d. Interim testing
 - e. Final fieldwork testing
 - f. Report presentation
3. Significant Audit Areas/Scope of Audit Work
 - a. Risk based approach
 - b. Investments and related earnings
 - c. Participant data and actuarial information
 - d. Employee and employer contributions
 - e. Benefit payments
 - f. GASB 67/68
4. Audit Reports
 - a. CAFR
 - i. Independent Auditor's Report (opinion) on Financial Statements – unmodified (“clean”) opinion
 - b. Report to the Board of Retirement and Audit Committee
 - i. Required Communication to the Members of the Board of Retirement and Audit Committee in Accordance with Professional Standards (SAS 114)
 - ii. Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - iii. Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting
5. Questions and/or Comments?

**SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

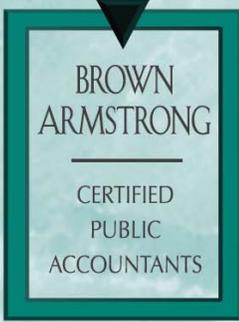
**REPORT TO THE BOARD OF RETIREMENT
AND AUDIT COMMITTEE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

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III. Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting.....	6



BROWN ARMSTRONG
Certified Public Accountants

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

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

**BAKERSFIELD OFFICE
(MAIN OFFICE)**

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92563
TEL 949.652.5422

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

We have audited the financial statements and other information (financial statements) of the San Mateo County Employees' Retirement Association (SamCERA) as of and for the fiscal year ended June 30, 2017, and have issued our report dated October 23, 2017. 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 21, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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, 2017. 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 and 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 Note 2, Summary of Significant Accounting Policies. 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 which 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 5 to the financial statements, Summary of Significant Accounting Policies and Deposits and Investment Disclosures, 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.
- Additionally, the disclosures related to the funding policies, net pension liability, and actuarial methods and assumptions in Note 1, Plan Description; Note 3, Funding Policy; Note 4, Employer Contributions; and Note 6, 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 23, 2017.

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, 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, 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. We did not audit or perform other procedures on this information and we do not express an opinion or provide any assurance on it.

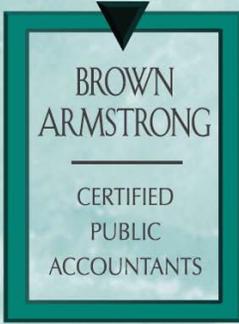
Restriction on Use

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

Bakersfield, California
October 23, 2017



BROWN ARMSTRONG

Certified Public Accountants

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

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

7673 N. INGRAM AVENUE
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LAGUNA HILLS OFFICE

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LAGUNA HILLS, CA 92563
TEL 949.652.5422

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

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 financial statements of the San Mateo County Employees' Retirement Association (SamCERA) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SamCERA's basic financial statements, and have issued our report thereon dated October 23, 2017.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SamCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of SamCERA's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SamCERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

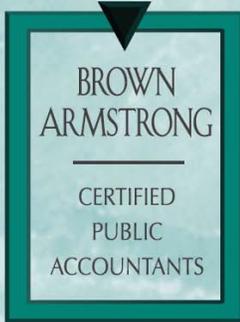
Purpose of this Report

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*

Bakersfield, California
October 23, 2017



BROWN ARMSTRONG

Certified Public Accountants

AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING

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

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92563
TEL 949.652.5422

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

We have audited the financial statements of the San Mateo County Employees' Retirement Association (SamCERA) as of and for the fiscal year ended June 30, 2017, and have issued our report dated October 23, 2017. In planning and performing our audit of the financial statements of SamCERA, we considered its internal control structure over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we considered to be material weaknesses.

During our audit we became aware of five matters that are opportunities for strengthening internal controls and operating efficiency. The recommendations that are listed in this report summarize the conditions and suggestions regarding each matter.

We will review the status of these matters during our next audit engagement. We have already discussed the matters and recommendations with various SamCERA personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Audit Committee, Board of Retirement, 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*

Bakersfield, California
October 23, 2017

Current Year Agreed Upon Conditions and Recommendations

Agreed Upon Condition 1 - Administrative access to SamCERA's Active Directory system

During our examination of administrative access to SamCERA's systems, we noted that the Chief Executive Officer (CEO) had been assigned administrative access within Active Directory (AD) system. Such privilege would allow access to all data stored on the SamCERA network and allow access to administer other individuals' access to this data. Removing this access would increase the segregation of the CEO's duties to direct, but not execute, system administration and system/data changes.

Recommendation

It is recommended that SamCERA examine the administrative access currently assigned to the CEO within AD system and seek to remove this access.

Management Response

The CEO no longer has administrative level access in AD system.

Agreed Upon Condition 2 - Periodic user access reviews of AD and V3 user accounts

Although SamCERA Information Technology (IT) staff reviews the AD user accounts, their group memberships, and assigned permissions on an irregular basis when instructed by County of San Mateo (the County) IT to clean up the domain or when a staff member requests a change within the system, such processes are performed only upon request. It is important to review user accounts and their assigned permissions, group memberships, and role assignments within these systems on a regular basis to reduce the risk that valid user accounts may have access to system functions that are not commensurate with current job responsibilities. In addition, such reviews also decrease the risk that unneeded or unauthorized user accounts are not identified and removed or disabled in a timely manner.

Recommendation

It is recommended that SamCERA management implement (on an annual basis, at a minimum) reviews of user accounts within its AD and V3 systems and their associated group memberships/role assignments and permissions on a regular basis. This is to ensure that no unneeded or unauthorized user accounts, such as those belonging to terminated employees, are active, and that the permissions assigned within the systems are appropriate for the individual's job responsibilities or functional requirements. All generic, system, and/or service accounts should be included in these reviews.

Management Response

Because of the small size of SamCERA staff and the relatively low turnover rate, accounts have been reviewed and adjusted accordingly as staff and consultants were added, promoted, or left employment with SamCERA. Currently, all staff's user accounts with the AD and V3 systems have the correct permissions in place. Based on this recommendation, SamCERA will implement a yearly review of all accounts in the AD and V3 systems in addition to the review brought on by personnel changes.

Agreed Upon Condition 3 - Password requirements for SamCERA's AD and V3 systems

During our examination of the password requirement settings within the AD and V3 systems, it was noted that the requirements configured within SamCERA's default domain policy, which controls the password requirements for AD user accounts, were partially configured to match the requirements specified by the County's Information Technology Security Policy, which has been adopted by SamCERA as its own information security policy. The minimum password age has not yet been implemented. In addition, SamCERA's V3 user accounts are configured to utilize the same password as employees' AD user accounts, the requirements configured within the Default Domain Policy extend to the V3 system as well.

Recommendation

It is recommended that SamCERA review the password requirement settings within the Default Domain Policy to ensure that strong password requirements have been implemented. It is also specifically recommended that the minimum password age is set to greater than zero days, so as to ensure that the password history requirement cannot be easily circumvented.

Management Response

The recommendations have been implemented by SamCERA.

Agreed Upon Condition 4 - Formalized IT risk assessments

Although SamCERA IT staff assess general IT-related risks during their yearly IT staff retreat, such assessments have not been performed using a comprehensive or formal methodology, and the identified risks, their associated remediation plans, and progress towards remediation of identified risks are not formally documented. A complete and formal risk assessment of IT-related risk has not been conducted. Having a complete and formal risk assessment will help SamCERA management identify and/or mitigate potential IT-related risks that may prevent the organization from fulfilling its financial reporting requirements and/or performing its day-to-day business processes effectively.

Recommendation

It is recommended that SamCERA perform a full IT risk assessment, including an evaluation of its control activities as they relate to significant applications that support SamCERA's financial reporting procedures. These assessments should include all areas of IT risk, including those not pertaining to cybersecurity. The IT risk assessment should result in a comprehensive IT risk matrix that lists all known IT risks and the actions and/or activities that SamCERA performs to mitigate the risks. SamCERA should conduct the process of evaluating IT-related risks on an annual basis to ensure that any new IT-related risks associated with changes to the IT environment and IT staffing, as well as any that may have been missed in prior year assessments, are identified and addressed. If appropriate, SamCERA may want to consider outsourcing the risk assessment to a third-party with knowledge of similar organizations and who can assist SamCERA in identifying and evaluating significant risks and developing cost-effective solutions to address these areas.

Management Response

SamCERA has adequate application controls built in its Pension Administration System Software (PASS) to address risks. Such controls were part of the PASS requirements, and these controls were reviewed by a third party and found to be adequate before SamCERA went live. Additionally, SamCERA's access to internet and remote access to its network is controlled by the County, which monitors unauthorized access with its own internal control protocols and policies. In July of 2017, SamCERA staff commenced an entity-wide internal control review using the Association of Public Pension Fund Auditors' tool to assess internal controls and risk. After staff completes its review, an independent consultant will be utilized to perform an external review of our internal controls and risks.

Agreed Upon Condition 5 - Review of audits completed by third-party IT service providers

During our inquiries regarding the use of third-party service providers, we noted that SamCERA has not obtained the results of audits completed by VSG Hosting (the company that hosts SamCERA's V3 system) and by TierPoint (the subservice organization utilized by VSG Hosting to provide the physical co-location facility in which SamCERA's V3 system is hosted and certain additional services), since obtaining a report in 2015 as part of a previous audit. It is important to establish a clear and repeatable procedure for in-depth reviews of audit reports to assure that financial data held by VSG Hosting and TierPoint is secure, accurate, and reliable. Reviewing such reports helps SamCERA determine whether any discussion or in-depth investigation of the implementation status of any required applicable complementary user entity controls is necessary.

Recommendation

It is recommended that SamCERA formalize its Service Organization Control (SOC) report review process to ensure that such reports are continually obtained and reviewed in a timely manner. Any exceptions noted for individual controls tested should be reviewed to determine if such risks need to be addressed. Any complementary user entity controls noted by VSG Hosting or TierPoint should be evaluated to ensure that such controls are properly implemented at SamCERA, if applicable.

It is recommended that SamCERA includes the following documentation at a minimum: (1) the dates on which the report(s) was obtained and reviewed, (2) the name of the individual(s) conducting the review, (3) the results of the review, and (4) a determination as to the status of any required complementary user entity controls. If any additional follow-up is required as a result of the review, the details (e.g., copies of email chains) and results of these procedures should also be documented.

Management Response

SamCERA has received and reviewed the 2015 SOC II and 2016 SOC II reports from both VSG and TierPoint. The 2017 SOC II report will be made available in 2018. SamCERA will continue to annually request the appropriate SOC reports from VSG Hosting and TierPoint.

Status of Prior Year Agreed Upon Conditions and Recommendations

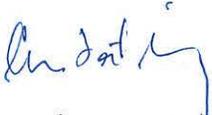
None in prior year.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2017

Agenda Item 7.2

TO: Board of Retirement

FROM: Tat-Ling Chow, Finance Officer 

SUBJECT: Approval of SamCERA's 2017 Comprehensive Annual Financial Report

Recommendation

Approve SamCERA's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017.

Discussion

Staff will provide an oral report on this year's CAFR highlights.

Background

The CAFR is divided into six sections:

- **Introduction:** SamCERA's Mission and Goals, Administrator's Letter of Transmittal, the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting (20th consecutive year for SamCERA), the Public Pension Coordinating Council Public Pension Standards Award for Funding and Administration, Members of SamCERA's Board of Retirement, and SamCERA's Organizational Chart.
- **Financial:** Independent Auditors' Report, Management's Discussion and Analysis, SamCERA's Basic Financial Statements including Notes to the Basic Financial Statements, Required Supplementary Information, Supplementary Information, and Other Information.
- **Investment:** Chief Investment Officer's Report, Investment Consultant's Report, Asset Allocations, Schedule of Portfolio Returns, and other investment-related information.
- **Actuarial:** Actuary's Certification Letter, results of the most recent annual actuarial valuation, an overview of the plan funding status, and other actuarial-related information.
- **Statistical:** Detailed statistical data pertaining to SamCERA's activities.
- **Compliance:** Independent auditor's report on internal control over financial reporting and on compliance and other matters based on the most recent audit of financial statements performed in accordance with government auditing standards.

Attachment

2017 Comprehensive Annual Financial Report

2017

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2017
A Pension Trust Fund of the County of San Mateo and Participating Employers
Redwood City, State of California

**This year's CAFR theme is dedicated to
individuals' collective wellbeing.**

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

Scott Hood
Chief Executive Officer

Tat-Ling Chow
Finance Officer

Michael Coultrip
Chief Investment Officer

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

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INTRODUCTORY SECTION

SAMCERA'S MISSION

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

SAMCERA'S GOALS

Provide caring, fair, accurate, timely and knowledgeable professional services and information to members and other stakeholders.

Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.

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

ADMINISTRATOR'S LETTER OF TRANSMITTAL



100 Marine Parkway, Suite 125
Redwood City, CA 94065
Phone: 650-599-1234
Toll Free: 1-800-339-0761
Fax: 650-591-1488
Web: www.samcera.org
Email: samcera@samcera.org



Scott Hood
SamCERA
Chief Executive Officer

Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Mateo County Employees' Retirement Association (SamCERA) for the fiscal year ended June 30, 2017.

SamCERA's management is responsible for a fair presentation of financial data and a complete disclosure of all matters of material consequence. Management's discussion and analysis of the data are presented on pages 28-36.

SamCERA's management assumes full responsibility for the completeness and reliability of the information contained in the CAFR, based upon a comprehensive framework of internal control established for this purpose. As the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

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 Generally Accepted Accounting Principles (GAAP) in the United States of America and are free of material misstatements. Internal controls are reviewed to ensure that SamCERA's policies and procedures are being adhered to and that sufficient controls are in place to ensure reliable financial reporting and to safeguard SamCERA's assets. This report is prepared in accordance with GAAP as promulgated by the Governmental Accounting Standards Board (GASB).

SamCERA's financial statements presented in the Financial Section are prepared on the accrual basis of accounting. Member and employer contributions are recognized in the period which contributions are due. Benefits and refunds are recognized when due and payable in accordance with plan terms. Investments are reported at fair value.

The duty of SamCERA's Board of Retirement, its officers, and its employees is to prudently manage plan assets in order to appropriately fund the actuarial liabilities of the retirement system, and ensure the ability to pay all earned benefits while minimizing employer contributions and defraying reasonable expenses of administering the system.

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

Authority, Responsibilities & Duties

The San Mateo County Board of Supervisors adopted an ordinance to create SamCERA, effective in San Mateo County on July 1, 1944, as prescribed by the provisions of Government Code section 31450 et seq., also known as California's County Employees Retirement Law of 1937 (the CERL). SamCERA provides retirement, disability, and death benefits for 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 Board of Retirement (the Board), serving as fiduciary for all of SamCERA's

members and beneficiaries under the California Constitution, Article XVI, Section 17 and the CERL, is responsible for administering the system. The Board has adopted the Regulations of the Board of Retirement, and among other policies, its Mission & Goals; Investment Policy Statement; Conflict of Interest Code; and Code of Conduct, which reflect the Board's guiding policies. The Board annually adopts an operating budget for the administration of SamCERA, which is discussed in the Financial Section beginning on page 25. A breakdown of the budget allotment versus expenditures is presented on pages 64-66. In addition, the Board has authorized the execution of contracts for the professional services of an actuary, an auditing actuary, an investment consultant, investment managers, a global custodian, a financial auditor, a medical advisor delegated by the County Health Officer, and an information technology consultant to help the Board fulfill its duties. The Board's primary professional consultants are highlighted in the organizational chart on page 22.

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

to carry out its fiduciary duties in accordance with governing law, SamCERA regulations and policies.

Employers participating in the retirement system include the County of San Mateo (the County), the San Mateo County Mosquito and Vector Control District (the District), and the Superior Court of the County of San Mateo (the Court). SamCERA's members include all active permanent employees of the participating employers, inactive members, retirees, and beneficiaries. More than 86% of SamCERA's members are classified as General Members while the remaining are public safety employees classified as Safety or Probation Members.

Looking Backward and Forward

For a summary of highlights for fiscal year 2016-17, I encourage you to review the following narrative introduction, as well as Management's Discussion and Analysis beginning on page 28. Details on SamCERA's investment portfolio can be found in the Chief Investment Officer's Report beginning on page 79.

Trustees

The SamCERA Board of Retirement consists of nine Trustees and two alternates. Four positions are appointed by the Board of Supervisors. Four Trustees are elected from their respective membership: two from the General Members, one from the Safety Members, and one from the Retiree

Members. The County Treasurer is a member of the Board by virtue of her publicly elected office; all other Trustees serve for a term of three years. In addition, there is one elected Safety Member Alternate and one elected Retiree Member Alternate. The officers for the Board for fiscal year 2016-17 were: Paul Hackleman, Chair; Mark Battey, Vice Chair; and Shirley Tourel, Secretary. Other members of the Board were: Sandie Arnott, Eric Tashman, Benedict J. Bowler, David Spinello, Kurt Hofer and Al David. Alternate Trustees were Susan Lee and Alma Salas. Kurt Hofer was appointed to the Ninth Seat by the San Mateo County Board of Supervisors and began serving his term in September of 2016. The County Elections Division conducted an election on March 13, 2017, for the Third General Member Seat. Al David was elected to fill the unexpired term of Natalie Kwan Lloyd after her resignation from County Employment.

Investments

This year's returns exceeded our long-term average assumed rate of return of 7.0%. SamCERA earned a strong positive return for fiscal year 2016-17 mainly due to the public equity and alternative portfolios. For the one-year period ended in June 2017, the fund returned 12.6% net of investment manager fees. The 12.6% return matched the fund's policy benchmark. The fiscal year return ranked in the 50th percentile (i.e., median) compared to SamCERA's peers (defined as public pension plans with

greater than \$1 billion in assets). Over the most recent five-year period ended June 2017, SamCERA's performance was in the upper quartile of its peers.

During the 2017 fiscal year SamCERA's Board updated its asset allocation policy as part of its asset liability study. The new policy reduces the reliance on US equity performance as portfolio growth driver. The new policy reduces the public equity exposure in favor of more inflation hedging, fixed income and alternatives assets. Inflation hedging assets, such as real estate, private real assets and liquid real assets will receive greater exposure. The increased allocation to fixed income will be split between opportunistic credit and core fixed income, while additional allocations to alternatives will go towards absolute return asset class.

Actuarial

SamCERA continues to be a statewide leader in funding assumptions and was pleased to be ranked the 4th most actuarially conservative among California retirement systems in a May 2017 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 high ranking was due mainly to its relatively short closed 15-year layered amortization of unfunded liabilities, and its relatively low assumed investment earnings rate, which at the time of the survey was

7.0%. Subsequent to the survey, the Board lowered the assumed rate of return to 6.75% on June 6, 2017.

Plan Funding Status

SamCERA maintains a funding goal that will fully fund the system's liabilities and contributions, as a percentage of payroll that will remain as level as possible for the plan sponsors. The independent actuarial consulting firm, Milliman, acts as the plan's actuary and conducts annual actuarial valuations, which are presented to the Board annually. The purpose of the valuation is to recommend the employer and member contribution rates for the coming fiscal year. Triennially, Milliman conducts an experience study of SamCERA members and makes recommendations to the Board on key economic and non-economic assumptions. The most recent triennial experience study was just completed for the period ended April 30, 2017.

Milliman's actuarial valuation as of June 30, 2017, determined that the funding ratio increased slightly from 83.1% to 84.3%, using approved assumptions. This increase was due primarily to returns better than expected and strong supplemental funding by the County. Two assumption changes used for this year's valuation served to detract from the funding level increase. SamCERA adopted the MP 2014 generational mortality tables for use and lowered the earnings assumption rate to 6.75%.

The Employer Normal Cost Rate increased to 10.95% for fiscal year 2018-19 from 10.24% of covered payroll for fiscal year 2017-18. The Employer Normal Cost

increased due to an increase of the number of members being part of the of the California Public Employees' Pension Reform Act of 2013 (PEPRA) plan.

The portion of the employer's statutory contribution rate that finances the unfunded actuarial accrued liability (UAAL) increased to 24.36% for fiscal year 2018-19 from 23.52% for fiscal year 2017-18. This increase was in large part due to implementing the MP 2014 generational mortality tables and lowering the assumed rate of return to 6.75%. For almost all plans, member rates and member cost of living adjustment (COLA) rates increased over the previous year as a result.

Supplemental Contributions

The County continues to make supplemental contributions to accelerate the pay down of its UAAL in accordance with a Memorandum of Understanding (MOU) between the County and SamCERA dating back to 2013. The contributions paid above the statutorily required contribution rate along with the earnings in the County's Supplemental Contribution Account (CSCA) overall have grown to \$118 million as of June 30, 2017. Furthermore, the County plans to contribute an estimated \$60 million to the CSCA over the next six years. In September of 2015, the District also entered into an MOU with SamCERA to make supplemental contributions to pay down its UAAL. The overall contributions and earnings in the District's Supplemental Contribution Account have grown to \$2 million as of June 30, 2017.

Cost of Living Adjustment

In 2017, the Bay Area continued to experience higher inflation than the rest of the country and slightly more than the prior year according to the Federal Bureau of Labor Statistics. This resulted in a COLA of 2.0% or 3.0% for most SamCERA retirees and beneficiaries, depending on the COLA limit of their plan membership. The COLA for Plan 1 and Plan 2 was 3.0%, while the COLA for Plans 4, 5, 6 and 7 was 2.0%. Plan 3 does not provide a COLA.

Information Technology

SamCERA completed its multi-year Technology Modernization Project to replace its aging pension administration system. SamCERA staff worked tirelessly with its vendor Vitech, Inc., on the design, programming, and testing of the system. SamCERA's new pension administration system, Vitech's V3, "went live" in January 2017 on time and under budget.

Strategic Planning

SamCERA's staff held their annual retreat in May of 2017 and began working through the steps in the strategic planning process as recommended by the Government Finance Officers Association (GFOA). The result of this retreat was an update of SamCERA's Strategic Plan Action Matrix. SamCERA continued the practice of formulating a two-year plan and extended the period covered for the strategic plan to include fiscal year 2018-19. This year, SamCERA focused on items that could be

undertaken by the resources that had been previously engaged with the V3 implementation project. Progress on these goals will be tracked and updated throughout fiscal year 2017-18.

Moving forward, SamCERA will continue to pursue its three major goals described below, all of which are derived from and consistent with SamCERA's mission statement:

1. ASSET MANAGEMENT GOAL

Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system to ensure the ability to pay all earned benefits, while minimizing the costs to employers.

Projects under this goal include: (1) analyzing whether to carve out a portion of the portfolio to specifically protect against an equity draw down event, (2) determine whether standardized reporting can be implemented with our private equity managers, (3) working with the Information Technology (IT) team to develop a streamlined tech solution to track investment manager reporting, and (4) enhancing the investment risk measurement and management of the portfolio.

2. CUSTOMER SERVICES GOAL

Provide caring, fair, accurate, timely and knowledgeable professional services and information to members and other stakeholders.

Although the implementation of Vitech's V3 is complete, staff will continue to focus on insuring the system is performing as expected. Staff will resume work on completing the member education program and developing a periodic investment performance snapshot to provide to employers.

3. OPERATIONS GOAL

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

Operationally, SamCERA will continue to focus on the V3 implementation in the post "Go Live" phase. Some related and supporting projects will also be undertaken such as incorporating internal control procedures, insuring consistent connectivity to the new system, undertaking a succession planning strategy and reviewing our General Ledger capabilities.

Certificate of Achievement and Acknowledgements

For the twentieth consecutive year, the Government Finance Officers Association (GFOA) has awarded SamCERA its Certificate of Achievement for Excellence in Financial Reporting. This award was in recognition of SamCERA's CAFR for the fiscal year ended June 30, 2016. The certificate is reproduced on page 18.

SamCERA is also the recipient of the GFOA Award for Outstanding Achievement in

Popular Annual Financial Reporting (PAFR) for the fourteenth year running, and has received this honor for the PAFR for the fiscal year ended June 30, 2016.

Additionally, the Public Pension Coordinating Council (the Council) presented SamCERA with its Public Pension Standards Award for 2016. This award recognizes that SamCERA has met professional standards for plan funding and administration as set forth in the Public Pension Standards of the Council. The standards judge retirement systems on their Funding Adequacy, Comprehensive Benefit Program, Actuarial Valuation, Independent Audit, Investments and Communications. The award is reproduced on page 19.

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

SamCERA continues to maintain the highest financial reporting standards while providing quality services to its members. I am sincerely grateful to the Board of

Retirement and staff who always perform so diligently to ensure the successful operation and financial soundness of SamCERA. I am also appreciative for the continuing cooperation and open communication that SamCERA has with all our participating employers.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "S. Hood", is positioned above the typed name.

Scott Hood
Chief Executive Officer
October 23, 2017

GFOA CERTIFICATE OF ACHIEVEMENT



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director/CEO

PPCC PUBLIC PENSION STANDARDS AWARD



Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2016

Presented to

San Mateo County Employees' Retirement Association

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

Presented by the Public Pension Coordinating Council, a confederation of

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

A handwritten signature in cursive script, reading "Alan H. Winkle".

Alan H. Winkle
Program Administrator

MEMBERS OF THE BOARD OF RETIREMENT (JUNE 30, 2017)



Sandie Arnott
Ex Officio per the CERL, First Member

Sandie Arnott is the San Mateo County Treasurer/Tax Collector and is a member of the Board of Retirement by virtue of her office. She first began serving in this office in January 2011, but served as Assistant County Treasurer for many years during which she was also active on the Board of Retirement. Her current term as Treasurer/Tax Collector expires December 31, 2018.



Shirley Tourel
Elected by the General Members, Second Member, Secretary

Shirley Tourel is the Assistant Controller for San Mateo County, and has been with the Controller's Office since 2001. She was elected to the Retirement Board in 2015. Her current term expires June 30, 2018.



Al David
Elected by the General Members, Third Member

Al David is a manager with the Information Services Department of San Mateo County. He is also a retired Army Reserve Lieutenant Colonel. He was first elected to the Board in 2008 to fill a vacancy, and was reelected to a full term in 2009 and again in 2012, serving through 2015. He was elected again in March 2017 to fill an unexpired term. He has previously served as Board Chair. His current term expires June 30, 2019.



Eric Tashman
Appointed by the Board of Supervisors, Fourth Member

Eric Tashman is a finance partner in the San Francisco office of Norton Rose Fulbright. He was appointed by the Board of Supervisors in 2009 and reappointed in 2012 and 2015. His current term expires June 30, 2018.



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

Benedict Bowler is the Treasurer of Matson, Inc. He was first appointed in August 2008 to fill the unexpired term of Scott Lee. He was reappointed in 2013 and 2016. His current term expires June 30, 2019.



Mark Battey
Appointed by the Board of Supervisors, Sixth Member, Vice Chair

Mark Battey is the owner of Miramar Farms, Inc. He was the managing director of Miramar Capital LLC, which provides strategic planning and investment management consulting services. He was appointed by the Board of Supervisors in September 2015. His current term expires June 30, 2018.



David Spinello
*Elected by the Safety Members,
Seventh Member*

David Spinello is a Deputy with the San Mateo County Sheriff's Office. He was elected to the Board of Retirement in 2009 and reelected in 2012 and 2015. He has previously served on the Audit Committee. His current term expires June 30, 2018.



Paul Hackleman
*Elected by the Retired Members,
Eighth Member, Chair*

Paul Hackleman served as the County Benefits Manager from 1982 through March 2008. He is also a former member of the Board of Retirement, having served from June 2005 through March 2008 while actively employed. Today he is the head of I.C. Benefits Consulting. He was elected in 2010, and reelected in 2013 and 2016. His current term expires June 30, 2019.



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

Kurt Hoefler is a partner at Golub Group, LLC. As an investment adviser and investment banker, he has provided strategic and financial advice to institutions and individuals. He was appointed by the Board of Supervisors in September 2016. His current term expires June 30, 2019.



Alma Salas
*Elected by the Retired
Members, Retiree Alternate*

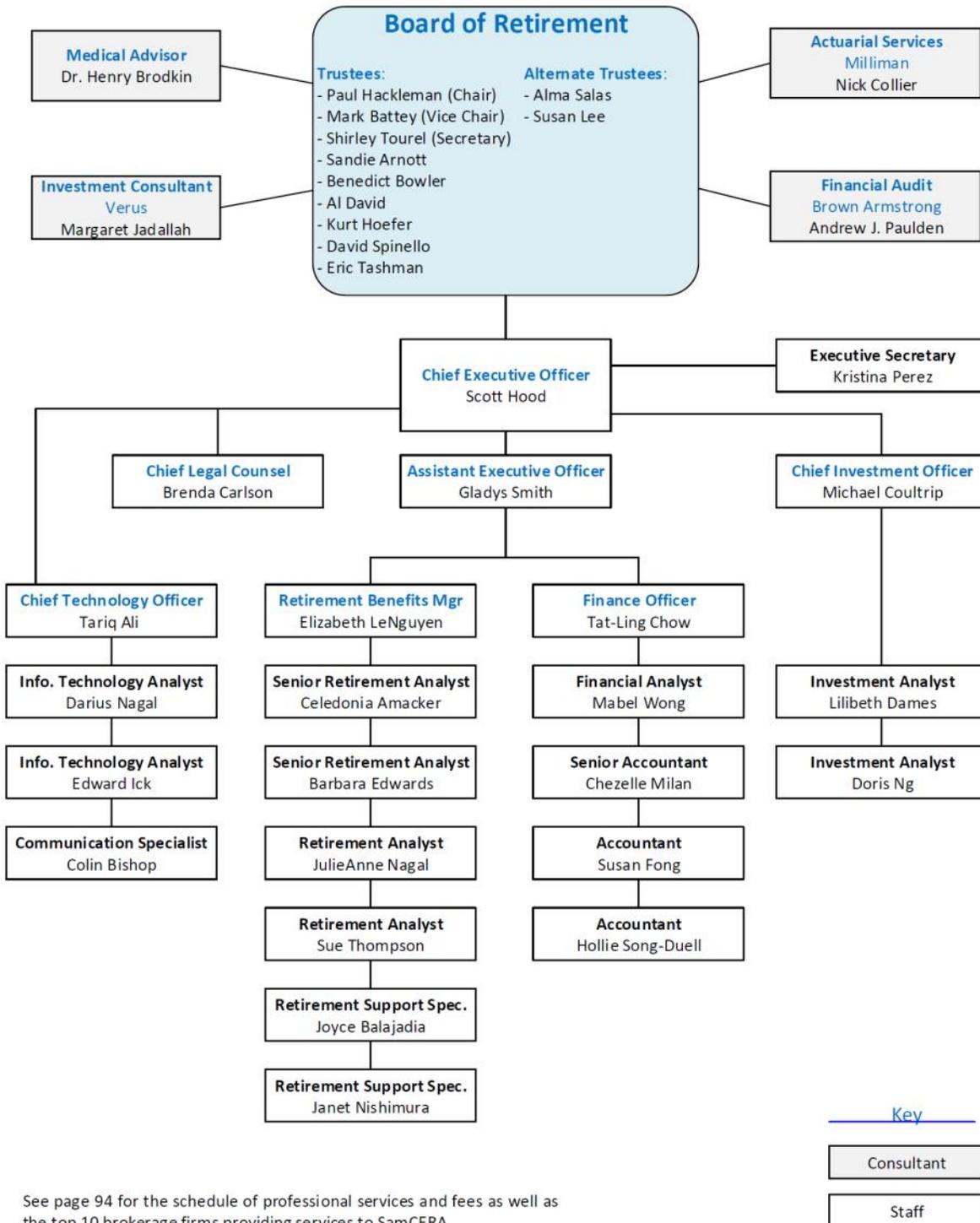
Alma Salas was a Probation Services Manager with the San Mateo County Probation Department before her retirement in May 2013. Alma first joined the Board in May of 2001, and served as Board Chair during the 2004-05 fiscal year. She was elected in 2013 to serve as the Retiree Alternate, and was reelected in 2016. In this role she substitutes in the absence of the Eighth Member. Her current term expires June 30, 2019.



Susan Lee
*Elected by the Safety
Members, Safety Alternate*

Susan Lee is a Deputy Probation Officer III, who has been with the Probation Department since 2002. She was elected to serve as the Safety Alternate in 2015. In this role, she substitutes in the absence of the Second, Third, or Seventh member. Additionally, if the Eighth member and Retiree alternate are absent, she substitutes for the Eighth member. Her current term expires June 30, 2018.

SAMCERA ORGANIZATIONAL CHART (JUNE 30, 2017)

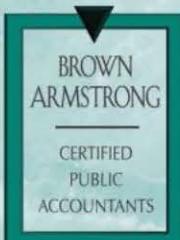


See page 94 for the schedule of professional services and fees as well as the top 10 brokerage firms providing services to SamCERA.



FINANCIAL SECTION





BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements and Other Information

We have audited the accompanying Statement of Fiduciary Net Position of the San Mateo County Employees' Retirement Association (SamCERA), a pension trust fund of the County of San Mateo, as of June 30, 2017; the Statement of Changes in Fiduciary Net Position for the fiscal year then ended; and the related notes to the 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 total 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, 2017, listed as other information in the table of contents.

Management's Responsibility for the Financial Statements and Other Information

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SamCERA's preparation and fair presentation of the financial statements and other information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SamCERA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92563
TEL 949.652.5422

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

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

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and other information.

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

Opinions

In our opinion, the financial statements and the other information referred to above present fairly, in all material respects, the fiduciary net position of SamCERA as of June 30, 2017; 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 total 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, 2017, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Additional Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SamCERA's internal control over financial reporting and compliance.

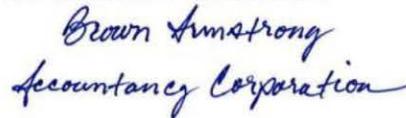
Report on Summarized Comparative Information

We have previously audited SamCERA's June 30, 2016, financial statements, and our report dated October 18, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

Restrictions on Use

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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

Bakersfield, California
October 23, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2016-17

As fiduciaries of the San Mateo County Employees' Retirement Association (SamCERA), we provide this overview and analysis of SamCERA's financial position as of June 30, 2017, and results of operation for the fiscal year ended June 30, 2017. The information presented here, in conjunction with the Notes to the Basic Financial Statements beginning on page 40, provides a clear picture of SamCERA's overall financial status and activities.

Financial Highlights

- SamCERA's fiduciary net position restricted for pensions as of June 30, 2017, was about \$4.0 billion, an increase of \$497 million, or 14%, over the prior fiscal year-end.
- Total assets increased \$412 million, or 11%, over the year. The increase was mainly from a \$410 million net appreciation in the fair value of investments held at year-end.
- Total liabilities decreased \$86 million, or 86%, over the year. SamCERA did not participate in securities lending activity at year-end due to changes in asset allocation. As a result, its liability from securities lending activity dropped to \$0 from \$88 million last year.
- Total additions to SamCERA's fiduciary net position increased \$421 million, or 152%, to \$697 million from \$276 million last year. The increase was primarily from investment earnings as

the market conditions continued to gain momentum throughout the year just ended. SamCERA's net return on investments amounted to 12.6% compared to 0.7% last year.

- Deductions from SamCERA's fiduciary net position increased \$11 million, or 6%, to \$200 million from \$189 million last year. The increase was triggered mainly by an increase in the number of retirees receiving pension benefits.
- The funded ratio for SamCERA as of June 30, 2017, increased to 84.3% from 83.1% over the year, based upon the most recent actuarial valuation. The improvement in funded ratio was mainly from employer contributions to amortize the unfunded actuarial accrued liability (UAAL) and investment earnings in excess of the assumed rate. The improvement was partially offset by the increase in UAAL due to assumption changes as a result of the 2017 Investigation of Experience Study.
- The net pension liability of participating employers was \$577 million as of June 30, 2017, which approximates to 113.2% of collective covered payroll based on the Governmental Accounting Standards Board (GASB) Statement No. 67.
- The overall financial position of SamCERA has improved over the year. SamCERA remains in good financial position to meet its obligations to plan participants and beneficiaries.

Overview of Financial Statements

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

Basic Financial Statements

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

The *Statement of Fiduciary Net Position* is a snapshot of account balances at fiscal year-end. This statement discloses the assets available for future pension benefits to retirees and their beneficiaries as well as outstanding liabilities as of June 30, 2017. 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 38 of this report.

The *Statement of Changes in Fiduciary Net Position* provides information about the financial activities during the reporting period that increased or decreased the Net Position Restricted for Pensions. This statement can be found on page 39 of this report.

Member and employer contributions are recognized in the period in which

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

Notes to the Basic Financial Statements

The *Notes to the Basic Financial Statements* are an integral part of the basic financial statements and provide additional information that is essential to obtain a thorough understanding of the data provided in the basic financial statements. The notes also provide detailed information of key policies and activities during the reporting period. The Notes to Basic the Financial Statements can be found on pages 40-67 of this report.

Required Supplementary Information

Required Supplementary Information presents information that GASB requires to accompany the basic financial statements. Such information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition to the Management's Discussion and Analysis, Required Supplementary Information consists of schedules discussed below and can be found on pages 68-70.

- Schedule of Changes in Net Pension Liability and Related Ratios of Participating Employers — displays changes in net pension liability of all participating employers.
- Schedule of Employer Contributions — helps readers determine if plan sponsors are meeting the statutory actuarially determined contributions over a period of time.
- Schedule of Investment Returns — shows the “money-weighted rate of return” for investments, net of investment manager expenses. The money-weighted rate of return is a measure of investment performance adjusted for cash flows and the changing amounts actually invested.

Supplementary Information

Supplementary Information includes several schedules detailing administrative, information technology and investment expenses, and payments to consultants (for fees paid to outside professionals other than investment advisors). Supplementary Information and the accompanying notes can be found on pages 71-73 of this report.

Other Information

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

Pension Liability on their balance sheets and changes in Net Pension Liability on their operating statements as pension expenses, deferred inflows of resources, and deferred outflows of resources. Other Information can be found on pages 74-76 of this report.

Financial Analysis

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

Analysis of Fiduciary Net Position

The table on the next page compares SamCERA's net position as of June 30 for the current and prior fiscal years. SamCERA's fiduciary net position restricted for pensions as of June 30, 2017, was approximately \$4 billion, which represents an increase of \$497 million, or 14%, over the reporting period. The chart on the next page compares SamCERA's net position as of June 30 for the last five fiscal years.

Assets. SamCERA's total assets increased \$412 million, or 11%, due to the following:

- \$62 million increase in cash and cash equivalents. Near year-end, SamCERA received \$33.6 million in supplemental contributions from the County of San Mateo (the County). The remaining cash came mainly from changes in asset allocation, ensuring sufficient cash was available to fund new investments in the upcoming fiscal year.

- \$88 million decrease in securities lending cash collateral. The amount of securities on loan at year-end was zero because SamCERA did not participate in securities lending activity at year-end.
- \$434 million increase in investments. SamCERA's investments performed

relatively well in fiscal year 2016-17. Net appreciation in fair value of investments amounted to \$410 million. In addition, \$24 million was put in new investments during the year across the entire portfolio.

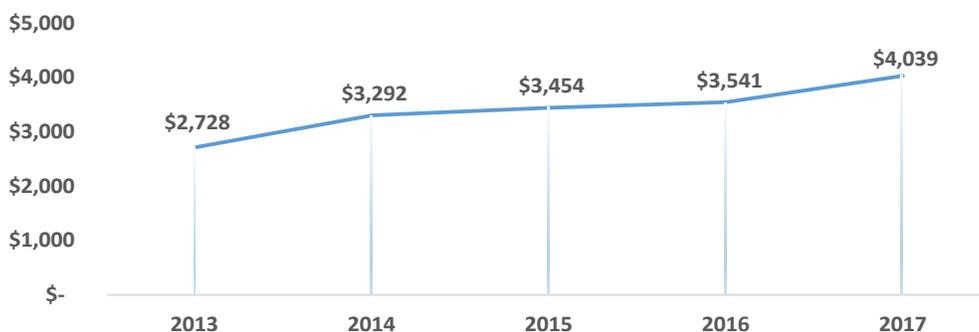
STATEMENT OF FIDUCIARY NET POSITION

June 30 (Dollars in Thousands)

	2017	2016	Increase (Decrease)	
			Amount	Percentage
Assets				
Cash and cash equivalents	\$ 192,194	\$ 130,111	\$ 62,083	48%
Cash management overlay	25,208	26,249	(1,041)	-4%
Securities lending cash collateral	-	88,363	(88,363)	-100%
Receivables	25,399	22,636	2,763	12%
Prepaid expense	8	8	-	0%
Investments at fair value	3,802,162	3,368,375	433,787	13%
Capital assets, net	7,629	5,162	2,467	48%
Total assets	4,052,600	3,640,904	411,696	11%
Liabilities				
Investment management fees	1,822	1,808	14	1%
Due to broker for investments purchased	9,417	7,582	1,835	24%
Collateral payable for securities lending	-	88,363	(88,363)	-100%
Other	2,659	1,763	896	51%
Total liabilities	13,898	99,516	(85,618)	-86%
Net position restricted for pensions	\$4,038,702	\$3,541,388	\$497,314	14%

SAMCERA'S FIDUCIARY NET POSITION

As of the Fiscal Years Ended June 30 (Dollars in Millions)



- \$2.4 million increase in capital assets, net of accumulated depreciation. During the first six months of the fiscal year, a tremendous amount of time and effort went into preparing the new pension system for implementation in January 2017.

Liabilities. SamCERA's total liabilities decreased \$86 million, or 86%. SamCERA did not engage in any securities lending activity at year-end. As a result, its liability associated with securities lending went down to \$0 from \$88 million last year.

Analysis of Changes in Fiduciary Net Position

The changes in fiduciary net position are determined by total additions less total deductions. The table on the next page shows condensed information about total additions to, and total deductions from, the fiduciary net position. SamCERA's fiduciary net position increased \$497 million, or 14%, for the fiscal year ended June 30, 2017.

Additions. Total additions to SamCERA's net position increased \$421 million, or 152%, compared to last year. The increase was attributed primarily to the following:

- \$8 million increase in employer contributions. The County increased its supplemental contributions by \$14.1 million, from \$19.5 million last year to \$33.6 million this year, to accelerate the payoff of unfunded liabilities. The increase was partly offset by a \$1.25 million reduction in supplemental contributions from the San Mateo County Mosquito and Vector Control District (\$1.5 million last year versus \$0.25 million this year). The increase was further offset by a \$5 million decline in the County's contributions to the Cost of Living Adjustment (COLA) due to the County shifting 50% of the COLA to its employees.
- \$6 million increase in member contributions. The increase was mainly from a Memorandum of Understanding (MOU) between the County and certain bargaining units. Under the MOU, a portion of the COLA contributions was shifted to County employees. Most County employees in Plans 1, 2, and 4 are required to contribute 50% of the COLA in addition to the basic and cost sharing contributions effective July 2016.
- \$412 million increase in net investment income. SamCERA's overall investment performance soared under favorable economic conditions. Its net return on investments was 12.6% compared to 0.7% last year.
- \$5 million decrease in other additions. In the prior year, one of the general partners in a Limited Partnership was in default. Its equity was distributed to the remaining general partners, including SamCERA. Consequently, SamCERA recognized an unanticipated gain of \$4.5 million.

Deductions. Total deductions increased \$11 million, or 6%, compared to last fiscal year, due mainly to the following:

- \$9 million increase in service retirement benefits due to an increase in the number of retirees.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

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

	2017	2016	Increase (Decrease)	
			Amount	Percentage
Additions				
Employer contributions	\$ 198,727	\$ 191,094	\$ 7,633	4%
Member contributions	62,160	56,069	6,091	11%
Net investment income	436,603	24,112	412,491	1711%
Net securities lending income	46	278	(232)	-83%
Other	27	4,910	(4,883)	-99%
Total additions	697,563	276,463	421,100	152%
Deductions				
Service retirement benefits	166,975	157,513	9,462	6%
Disability retirement benefits	22,690	21,091	1,599	8%
Survivor, death and other benefits	699	894	(195)	-22%
Member refunds	2,876	3,366	(490)	-15%
Administrative expenses	5,983	5,962	21	0%
Information Technology expenses	996	714	282	39%
Other expenses	30	11	19	173%
Total deductions	200,249	189,551	10,698	6%
Changes in Net Position	497,314	86,912	410,402	472%
Net position restricted for pensions				
Beginning of year	3,541,388	3,454,476	86,912	3%
End of year	\$4,038,702	\$3,541,388	\$497,314	14%

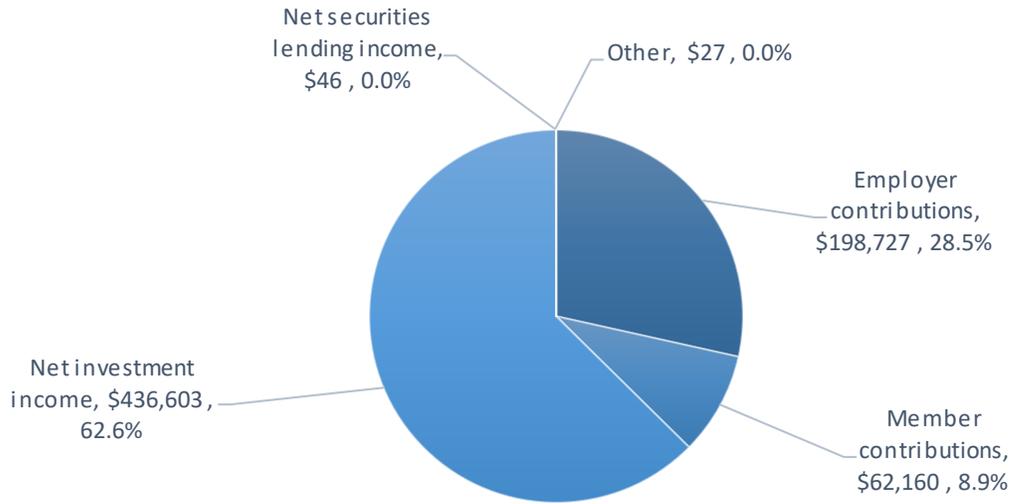
CHANGES IN SAMCERA'S NET POSITION

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



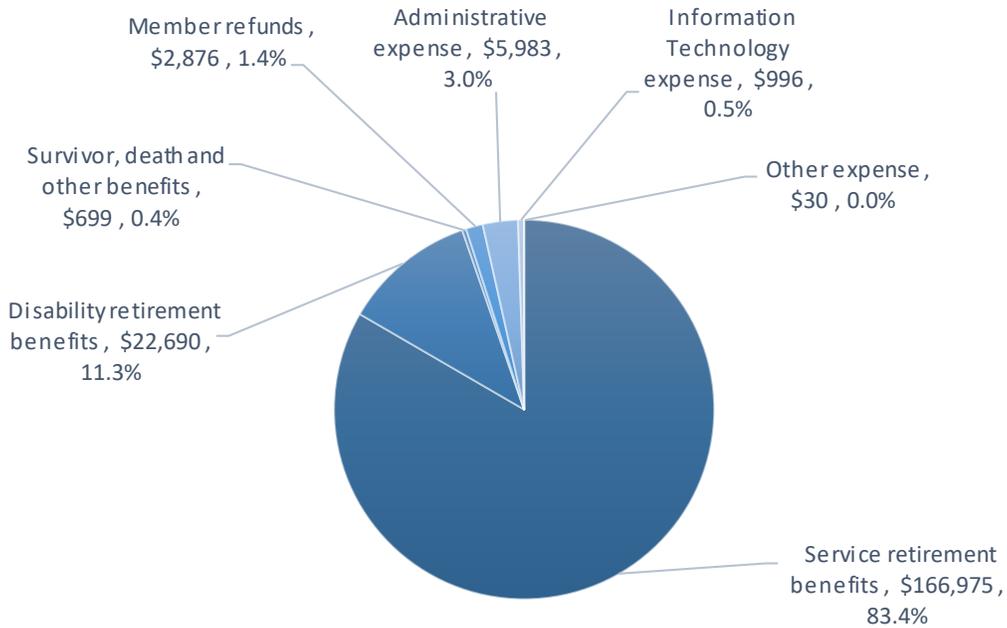
ADDITIONS TO FIDUCIARY NET PENSION

For the Fiscal Year Ended June 30, 2017 (Dollars in Thousands)



DEDUCTIONS FROM FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2017 (Dollars in Thousands)



- \$2 million increase in disability retirement benefits. During the year, County Counsel made a concerted effort to resolve all pending appeals for disability benefits received in the current and previous years.

Actuarial Valuation

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

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

Triennial Experience Study

Right before year-end, SamCERA's actuary performed a triennial "experience study" to reassess the reasonableness of the assumptions used in the valuation. These assumptions are critical in assisting the

Retirement Fund in pre-funding for the benefits prior to retirement.

In June 2017, based on the actuary's recommendations, the Retirement Board adopted several new economic and demographic assumptions for the valuation as of June 30, 2017.

For the economic assumptions, the investment return was adjusted from 7.00% to 6.75%, the general wage growth as well as the payroll growth from 3.25% to 3.00%, and the price inflation from 2.75% to 2.50%.

For the demographic assumptions, the Board approved several changes in alignment with the results of the recent "experience study" that are used to predict future member behavior, such as retirement, disability, and mortality.

Plan Assets, Liabilities, and Funded Ratio

One measure of the funding adequacy of the retirement system is the Funded Ratio. According to the latest actuarial valuation as of June 30, 2017, the plan's funded ratio (actuarial value of assets to actuarial accrued liabilities) increased to 84.3% as of June 30, 2017, from 83.1% as of June 30, 2016. The increase resulted primarily from employer contributions to amortize the UAAL and investment earnings in excess of the assumed rate. The increase was partially offset by the increase in UAAL due to assumption changes discussed earlier.

As of June 30, 2017, the actuarial value of plan assets was \$4.0 billion, and the actuarial accrued liability was \$4.7 billion. The difference between these two

amounts represents the UAAL (the gap between promised benefits and the funding available to meet those obligations), which amounted to \$743.1 million (or 145.7% of the collective covered payroll of participating employers, totaling \$510.1 million for the fiscal year ended June 30, 2017). The assets used in the calculation of the funded ratio include the values of the County's Supplemental Contribution Account and the San Mateo County Mosquito and Vector Control District's Supplemental Contribution Account.

SamCERA's Fiduciary Responsibilities

SamCERA's Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution and the County Employees' Retirement Law of 1937, assets of the retirement system can only be used for the exclusive benefit of plan participants and their beneficiaries.

Requests for Information

This financial report is designed to provide SamCERA's Board of Retirement, members, investment managers, and 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 of the information provided in this report or requests for additional financial information should be addressed to:

San Mateo County Employees'
Retirement Association
100 Marine Parkway, Suite 125
Redwood City, CA 94065
Telephone: (650) 599-1234
Facsimile: (650) 591-1488

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STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017 (with comparative amounts as of June 30, 2016)

	2017	2016
ASSETS		
Cash and short-term investments:		
Cash and cash equivalents	\$ 192,194,061	\$ 130,111,362
Cash management overlay	25,207,998	26,249,148
Securities lending cash collateral	-	88,363,269
Total cash and short-term investments	<u>217,402,059</u>	<u>244,723,779</u>
Receivables:		
Contributions	8,622,173	7,812,557
Due from broker for investments sold	8,273,972	9,809,813
Investment income	8,406,749	4,886,171
Securities lending income	-	26,788
Other	95,657	100,028
Total receivables	<u>25,398,551</u>	<u>22,635,357</u>
Prepaid expense	7,669	7,669
Investments at fair value:		
Equity	1,717,793,138	1,723,373,856
Fixed Income	738,544,220	610,607,729
Alternatives	480,730,879	404,376,940
Risk Parity	291,757,142	280,336,352
Inflation Hedge	573,336,864	349,680,120
Total investments at fair value	<u>3,802,162,243</u>	<u>3,368,374,997</u>
Capital assets	8,041,551	5,162,123
Less: accumulated depreciation	(412,178)	-
	<u>7,629,373</u>	<u>5,162,123</u>
Total assets	<u>4,052,599,895</u>	<u>3,640,903,925</u>
LIABILITIES		
Payable - Investment management fees	1,822,557	1,807,507
Due to broker for investments purchased	9,416,634	7,582,018
Securities lending collateral due to borrowers	-	88,363,269
Other	2,658,714	1,762,634
Total liabilities	<u>13,897,905</u>	<u>99,515,428</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 4,038,701,990</u>	<u>\$ 3,541,388,497</u>

The accompanying Notes to the Basic Financial Statements are an integral part of these financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2017

(with comparative amounts for the fiscal year ended June 30, 2016)

	2017	2016
ADDITIONS		
Contributions:		
Employer	\$ 198,727,135	\$ 191,094,488
Member	62,160,101	56,068,706
Total contributions	260,887,236	247,163,194
Investment income:		
Interest and dividends	38,445,658	36,703,717
Net appreciation in fair value of investments	431,845,614	22,197,249
Total investment income	470,291,272	58,900,966
Less: investment expenses	(33,688,058)	(34,789,209)
Net investment income	436,603,214	24,111,757
Securities lending income:		
Earnings	68,090	423,019
Rebates	(10,072)	(78,186)
Fees	(12,747)	(67,054)
Net securities lending income	45,271	277,779
Other additions	27,221	4,910,228
Total additions	697,562,942	276,462,958
DEDUCTIONS		
Member benefits:		
Service retirement benefits	166,975,634	157,513,099
Disability retirement benefits	22,689,813	21,090,529
Survivor, death and other benefits	698,946	893,633
Total member benefits	190,364,393	179,497,261
Member refunds	2,875,887	3,366,437
Administrative expenses	5,983,356	5,961,802
Information technology expenses	995,979	714,347
Other expenses	29,834	10,942
Total deductions	200,249,449	189,550,789
Net Increase	497,313,493	86,912,169
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	3,541,388,497	3,454,476,328
End of year	\$ 4,038,701,990	\$ 3,541,388,497

The accompanying Notes to the Basic Financial Statements are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1: Plan Description

The San Mateo County Employees' Retirement Association (SamCERA) is governed by the California Constitution, the County Employees Retirement Law of 1937 (the CERL - a component of the California Government Code), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the Board of Retirement (the Board). SamCERA is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

General

SamCERA is a cost-sharing multiple-employer, defined benefit pension plan established to provide pension benefits for substantially all permanent employees of the County of San Mateo (the County), the San Mateo County Mosquito and Vector Control District (the District), and the Superior Court of the County of San Mateo (the Court). Because of its close relationship with the County, SamCERA is a blended component unit, fiduciary in nature, of the County and is reported as a pension trust fund of the participating employers.

Under the CERL, the management of SamCERA is vested in the Board consisting of nine members: the first member is the County Treasurer; the second and third members are general members of SamCERA elected by their peers; the fourth, fifth, sixth and ninth members are qualified electors of the County and

appointed by the County Board of Supervisors; the seventh member is elected by and a member of SamCERA's safety membership; and the eighth member is a retired member elected from the retired membership. In addition, there is 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; and
- (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 seven pension plans, which cover members classified as general, safety (those serving in law enforcement), and probation. The table on the following two pages provides details for each of these plans.

In addition to the basic member and the cost sharing contributions, all members are required to make contributions to fund the

BENEFIT PLANS

June 30, 2017

	<u>General Member</u>	<u>Probation Member</u>	<u>Safety Member</u>
PLAN 1			
Hire Date	On or before 7/5/80	On or before 7/5/80	On or before 7/5/80
Benefit factor	2%@55.5	3%@50	3%@50
Maximum COLA	5%	3%	5%
FAC Period	Highest 1 year	Highest 1 year	Highest 1 year
Eligibility for Service Retirement	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; or any age with 20 years of service.	Age 50 with 10 years of service; or 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; or any age with 20 years of service.	Age 50 with 10 years of service; or any age with 20 years of service.
PLAN 3			
Hire Date	On or before 12/22/12, a non-contributory plan.	Not applicable	Not applicable
	(After five years of service, Plan 3 members can elect membership under the eligible 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 to new members 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

(Continued)

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

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

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

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

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

Cost of Living Adjustments (COLA) except those in Plan 3, those with benefits negotiated under the Board of Supervisors bargaining unit, and the District members.

Pension Plan Membership

Plan membership as of June 30, 2017, is displayed in the table below.

Benefit Provisions

SamCERA provides basic service retirement, disability, and death benefits based on defined benefit formulas, which use final average compensation, years of service, and age factors to calculate benefits payable. In addition, SamCERA

provides annual COLA upon retirement for members of Plans 1, 2, 4, 5, 6, and 7. The benefits of Plan 3 are reduced by a portion of the Social Security benefits received by the member. The CERL vests the County Board of Supervisors with the authority to initiate benefits. Each participating employer can make certain limited adjustment for their member benefits.

Active Member Benefits. Members are entitled to receive a retirement benefit based on their plan membership. The seven pension plans cover members classified as general, safety, or probation.

SAMCERA MEMBERSHIP

June 30, 2017

	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 6	Plan 7	Total
RETIREES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS								
General	1,603	1,913	130	675	1	-	-	4,322
Safety	276	194	-	59	-	-	-	529
Probation	28	54	-	23	-	-	-	105
Subtotal	1,907	2,161	130	757	1	-	-	4,956
TERMINATED MEMBERS ENTITLED TO RECEIVE BENEFITS IN THE FUTURE (DEFERRED)								
General	10	324	89	725	50	-	152	1,350
Safety	1	22	-	45	5	-	4	77
Probation	-	19	-	38	1	-	2	60
Subtotal	11	365	89	808	56	-	158	1,487
CURRENT MEMBERS, VESTED								
General	11	658	70	2,076	88	-	13	2,916
Safety	1	64	-	249	12	-	1	327
Probation	1	38	-	189	2	-	-	230
Subtotal	13	760	70	2,514	102	-	14	3,473
CURRENT MEMBERS, NON-VESTED								
General	-	-	6	33	191	-	1,414	1,644
Safety	-	-	-	1	47	-	128	176
Probation	-	-	-	-	5	1	38	44
Subtotal	-	-	6	34	243	1	1,580	1,864
Total Members	1,931	3,286	295	4,113	402	1	1,752	11,780

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

Deferred Member Benefits. A member is entitled to withdraw his/her member contributions plus accumulated interest upon termination of employment. 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 members with five years of service (employees, either permanent or part-time, with the equivalent of five years of full-time service) or non-contributory members in Plan 3 with ten years of service may elect a deferred retirement when eligible by leaving the accumulated contributions with SamCERA.

Disability Benefits. A disability retirement may be service-connected or non-service-connected. Service credit requirements do not apply for members applying for service-connected disability benefits. If members are found permanently incapacitated from performing their job as a result of injury or disease arising out of or in the course of employment, the members are eligible for disability retirement benefits. Members who apply for non-service connected disability must have five or more years of eligible service credit.

Survivor Benefits. Survivor benefits are payable to eligible beneficiaries of retired members. Eligible beneficiaries may receive a percentage of a deceased member's retirement benefit based upon the retirement option selected by the member at the time of retirement.

Cost of Living Adjustments (COLA). As of April 1 of each year, the Board will adjust

the retirement benefits in accordance with an annual increase in the cost of living as of January 1 of each year to the nearest one-half of one percent.

The COLA is based on information released by the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers in the San Francisco, Oakland, and San Jose Bay Area. The increase is capped at 5% for General and Safety members in Plan 1; 3% for Probation members in Plan 1 and all members in Plan 2; and 2% for members in Plans 4, 5, 6, and 7. Plan 3 has no COLA.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

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

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

SamCERA is an independent public employee retirement system with its own governing board. SamCERA's management is responsible for maintaining appropriate internal controls and preparing SamCERA's financial statements. Because of its financial relationship with the County (the primary plan sponsor), SamCERA is classified as a blended component unit of the County (fiduciary in nature) and reported as a pension trust fund in the County's financial statements.

Investment Policy and Valuation

The Board has exclusive control of SamCERA's investments. Government Code Section 31595 of the CERL authorizes the Board to invest, or delegate the authority to invest, the assets of SamCERA in any investment allowed by statute and deemed prudent in the informed opinion of the Board.

The Investment Policy of SamCERA seeks to optimize long-term returns within acceptable risk parameters. The Board periodically reviews the asset allocation in response to changing market conditions that may affect forward-looking expected returns of asset classes.

In October 2016, the Board completed an in-depth asset-liability study and approved a new target asset allocation, reducing exposure to public equity and increasing allocations to alternatives, inflation hedge, and fixed income. The new policy consists of 36% in public equity, 23% in fixed income, 13% in alternatives, 8% in risk parity, and 20% in inflation hedge. Implementation of the new policy is anticipated to include multiple phases and will take more than one year to complete.

As of June 30, 2017, the target asset allocation incorporated into SamCERA's Investment Policy and detailed in the Investment Section only reflects the portion of the newly adopted allocation that has already been implemented. It does not reflect the portion of the new target asset allocation that has yet to be implemented, which will take more than one year to complete. Due to the multi-stage process, SamCERA's Investment Policy only captures the incremental changes made during the fiscal year so that the actual allocation does not significantly deviate from policy.

SamCERA records investment transactions on the trade date. Investments are reported at fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Governmental Accounting Standards Board (GASB) establishes a fair value hierarchy based on the three distinct types of input to develop the fair value measurements.

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

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

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

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

Domestic and international fixed income securities and equities. 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 value 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 and private real assets. Private equity 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.

Risk parity, hedge funds, and liquid real assets pool. These investments are reported based on the fair value provided by a third party administrator, who performs this service for the fund manager.

Foreign Currency Transactions

Gains and losses from foreign currency transactions during the year (including translation of international investments at fiscal year-end rates of exchange) are recorded as investment income. Forward currency contracts are used by SamCERA's investment managers to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

These contracts are agreements to exchange different currencies at specified rates and settlement dates. Differences between the contract and market exchange rates at settlement result in gains or losses, which are included in net investment income. Risks may arise from the possible inability of counterparties to meet the terms of their contracts as well as from movements in exchange and interest rates.

Securities Lending Activity

Securities lending transactions are short-term collateralized loans of SamCERA's securities for the purpose of generating additional investment income. For each

securities lending transaction, SamCERA receives either cash collateral or non-cash collateral. The underlying securities out on loan are reported on SamCERA's Statement of Fiduciary Net Position as if the lending transaction had not occurred.

In accordance with Governmental Accounting Standards Board (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. As of June 30, 2017, SamCERA did not participate in any securities lending activity due to changes in the portfolio's investment manager structure and lending restrictions.

Income from Investments

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

Receivables

Receivables consist primarily of interest,

dividends, investments in transition (traded but not yet settled), and contributions owed by participating employers.

Capital Assets

Capital assets, including intangible assets, are items with an initial unit cost greater than \$5,000 and an estimated useful life in excess of three years. Capital assets are reported at acquisition value, net of accumulated depreciation.

Acquisition value is the price that would be paid to acquire an asset with equivalent service capacity in an orderly market transaction at the acquisition date.

Depreciation is determined using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years. Most capital assets are information technology related. The estimated useful life for hardware is determined to be five years, and for software is ten years.

The routine upgrade of information technology systems, hardware, software, and maintenance are deemed appropriate as expenses for the current year. As of June 30, 2017, SamCERA reported \$7.6 million in capital assets, net of accumulated depreciation of \$0.4 million.

Estimates

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

Subsequent Events

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of final reports (from July 1 through October 23 of 2017), which may have a material effect on the financial statements or disclosures contained therein.

After the fiscal year-end, the Board approved a \$20 million commitment to a private real assets partnership on July 25, 2017, and a \$30 million commitment to a real estate fund on August 22, 2017.

Note 3: Funding Policy

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

The funding objective of the pension plan is to establish employer and member contribution rates which, over time, will remain as a level percentage of payroll. Participating employers are required by statute to contribute amounts necessary to fund the estimated benefits accruing to members not otherwise funded by expected investment earnings or member contributions.

Employer contribution rates for each plan are determined pursuant to Government Code Section 31453 of the CERL, using the entry age normal cost method based upon

a level percentage of projected payroll. These rates include an estimated amount necessary to finance benefits earned by members during the current year (normal cost) and an amount to amortize the unfunded actuarial accrued liability (UAAL).

Employee contributions are of three types: basic contributions, COLA, and cost sharing. Except for members in Plan 3, all other members are required to make contributions as described below:

- **Basic contributions** are required of all members as determined by the entry age and class of each member.
- **Cost sharing** applies to General members in Plans 1, 2, and 4 (except the District) and Safety and Probation members in Plans 1, 2, 4, and 5. The cost sharing contribution rates vary among bargaining units.
- **COLA** applies to almost all members of Plans 1, 2, 4, 5, and 6. Members of the District and the County's Board of Supervisors bargaining unit with a most recent hire date before August 7, 2011, do not contribute towards the COLA benefit. All other members in these plans are required to contribute 50% of the cost of COLA.

In determining both employer and member contribution rates, assumptions are made about future events that may affect the amount and timing of benefits to be paid and assets to be accumulated. Methods and assumptions used to determine contribution rates are discussed in the Required Supplementary Information and the Actuarial Section.

The actuarial valuation of plan assets and liabilities is normally carried out as of June 30 of each year. The contribution rates as determined at June 30, 2017, are subject to “one year” deferral. Thus, the new contribution rates in the June 2017 valuation are effective on July 1, 2018.

closed 15 year period). The member contribution rate for all plans combined for the same period was 11.92%. These contribution rates were actuarially determined. The employer statutory contributions, including the normal cost and the UAAL, are separately shown in the table below.

Note 4: Employer Contributions

For the fiscal year ended June 30, 2017, the employer statutory contribution rate for all plans combined was 31.96% of actual covered payroll (with 10.03% attributed to the normal cost and 21.93% to the amortization of the UAAL over a new

EMPLOYER CONTRIBUTION RATES AS A PERCENTAGE OF COVERED PAYROLL

	Fiscal Year		Change
	2017	2016	
Normal Cost	10.03%	10.80%	-0.77%
UAAL Amortization	21.93%	23.94%	-2.01%
Total Contribution Rate	31.96%	34.74%	-2.78%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollars in Thousands)

Fiscal Year Ended June 30	(a)	(b)	(a) - (b)	Percentage of Actuarially Determined Contribution Received
	Actual Employer Contribution	Actuarially Determined Contribution	Supplemental Contribution	
2008	\$105,340	\$105,340	\$ -	100%
2009	106,123	106,123	-	100%
2010	106,265	106,265	-	100%
2011	150,475	150,475	-	100%
2012	150,950	139,407	11,543	100%
2013	144,308	131,294	13,014	100%
2014	202,877	152,877	50,000 ⁽¹⁾	100%
2015	180,704	169,814	10,890 ⁽²⁾	100%
2016	191,094	170,046	21,048 ⁽³⁾	100%
2017	198,727	164,877	33,850 ⁽⁴⁾	100%

⁽¹⁾ The County made a supplemental contribution of \$50 million to accelerate the pay down of the County's Unfunded Actuarial Accrued Liability (UAAL).

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

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

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

The employer normal cost rate decreased from 10.80% to 10.03% of covered payroll. The decrease was due primarily to a larger portion of the active population being members in California Public Employees' Pension Reform Act of 2013 (PEPRA) plans. In addition, negotiated increases in some members' contribution rates due to additional COLA sharing also helped reduce the contribution rates.

The employers' statutory contribution rate to finance the UAAL over 15 years decreased from 23.94% to 21.93% of covered payroll. The decrease was largely driven by two factors: (1) the recognition of investment gains from prior years under the asset smoothing method, and (2) the amortization of supplemental contributions from the County and the District over the year.

Supplemental Contributions from the 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 million in fiscal year 2014 and will continue to contribute an additional \$10 million annually for the following nine years. A new account, known as the County Supplemental Contribution Account (CSCA), was set up to separately account for the supplemental contributions.

Deposits in the CSCA less than six months prior to the regular crediting dates of June 30 or December 31 will receive interest credit at the actual market investment return rate. Deposits for more than six

months prior to a crediting date will receive interest at the actuarially calculated return.

In fiscal year 2017, the County contributed \$33.6 million to the CSCA in addition to its annual required contribution. The CSCA had an aggregate balance of \$118.4 million at year-end.

The County paid its annual required contributions for fiscal year 2017 via two semi-annual prepayments (one in July 2016 and another in January 2017). The prepayments were based on the adopted actuarial contribution rate and the projected covered payroll by plan, discounted by the assumed actuarial rate of return.

Throughout the year, the prepayments were periodically reduced by actual contributions as determined by the adopted actuarial contribution rate and the actual covered payroll by plan. After year-end, SamCERA performed a "true-up" calculation to ensure that the County's annual statutory contribution to SamCERA was fully settled. The excess balance in the prepayment account will be applied towards the County's contribution for fiscal year 2017-18.

Supplemental Contributions from the San Mateo County Mosquito and Vector Control District

In September 2015, the District entered an agreement with SamCERA to pay down its UAAL with a single payment of \$1.5 million in addition to its statutory contribution for fiscal year 2016. This amount was remitted to SamCERA on October 29, 2015.

SamCERA established a new account, the District Supplemental Contribution Account (DSCA), to separately account for the District's supplemental contributions. Deposits in the DSCA less than six months prior to the regular crediting dates of June 30 or December 31 will receive interest credit at the actual market investment return rate. Deposits for more than six months prior to the crediting date will receive interest at the actuarially calculated return.

In fiscal year 2017, the District contributed \$0.25 million to the DSCA in addition to its annual required contribution. As of June 30, 2017, the DSCA had an aggregate balance of \$2.0 million.

Note 5: 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 may, in its discretion, invest, or delegate the authority to invest, the assets of SamCERA in any investment allowed by statute and deemed prudent in the informed opinion of the Board.

Deposits

SamCERA has deposits with an outside financial institution, the Northern Trust Corporation, as well as with the County in an investment pool account. Deposits with Northern Trust Corporation are swept into a pooled money market fund, which invests in securities such as repurchase

agreements, commercial paper, U.S. Treasury bills and notes. Earnings and losses from the County investment pool are shared among pool participants. All deposits are reported at cost, which approximates fair value.

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

SamCERA maintains cash deposits to support its investment activities and operational needs. As of June 30, 2017, \$162.2 million of cash was held in a pooled money market fund with Northern Trust Corporation, and \$20.7 million in the investment pool with the County Treasurer. Cash held by investment managers at year-end amounted to \$9.3 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 \$475,259 is uninsured and uncollateralized. Thus, this amount is subject to custodial credit risk. SamCERA does not have a general policy addressing custodial credit risk. The fair value of SamCERA's position in the pool is the same as the value of the pool shares.

The participation in the County investment pool is voluntary. The County investment pool is not registered with the Securities

and Exchange Commission as an investment company. In accordance with Article 6 Section 27131 of the California Government Code, the County Board of Supervisors established an eight-member County Treasury Oversight Committee to oversee the management of public funds in the County investment pool.

Pool participants can withdraw no more than 12.5% of their deposits per month, based on the month-end balance of the prior month. All requests for withdrawal must be made in writing to the County Treasurer at least 24 hours in advance.

Investments

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

Investment Policy. The Investment Policy is strategized to reduce risk through a prudent diversification of the investment portfolio across a broad selection of distinct asset classes. The Board undertakes an in-depth asset-liability study every three to five years. In October 2016, the Board completed its most recent asset-liability study. The Board approved a new target asset allocation which will be implemented in multiple phases and is expected to take more than one year to complete.

Target Asset Allocation. As of June 30, 2017, SamCERA's target asset allocation consists of 42% in public equity, 21% in fixed income, 13% in alternatives, 8% in risk

parity, and 16% in the inflation hedge asset class. The actual asset allocation at fiscal year end consisted of 42.7% in public equity, 18.4% in fixed income, 12.0% in alternatives, 7.3% in risk parity, 14.3% in inflation hedge and 5.3% in cash and cash equivalents.

Money-Weighted Rate of Return. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the timing of cash flows and the changing amounts actually invested. For the fiscal year ended June 30, 2017, the annual money-weighted rate of return was 12.48% on SamCERA's investments, net of investment manager fees.

Long-Term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method. Under this method, a median (or expected) geometric rate of return is developed for each major asset class. The median rates are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

LONG-TERM EXPECTED RATE OF RETURN

June 30, 2017

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equity	42%	6.9%
Fixed Income	21%	3.9%
Alternatives	13%	7.6%
Risk Parity	8%	5.5%
Inflation Hedge	16%	6.7%
Cash	0%	2.2%
Total	100%	6.7%

As of June 30, 2017, estimates of the median geometric rates of return for each major asset class at the time the asset allocation targets were selected are shown on the preceding page.

Investment Risk

SamCERA manages investment risks under GASB Statements No. 40 and No. 53 by contractually requiring each investment manager to follow specific investment guidelines that are specifically tailored to the investment manager. The investment guidelines in most cases stipulate the investment style, performance objective, performance benchmarks, and portfolio characteristics.

Each investment manager is required to follow the “manager standard of care” to act prudently and solely in the best interest of SamCERA. The guidelines require the investment return performance of each manager be compared with the performance of a relative passive market index over specific periods. SamCERA’s

investment consultant and staff constantly monitor the performance of all investment managers for compliance with respective guidelines.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The longer the duration of the portfolio, the greater its price sensitivity to changes in interest rates. 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.

SamCERA has investments in nine external investment pools containing debt securities. Interest rate risk for the fixed income portfolios are displayed in the table below. 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.

COMMINGLED FIXED INCOME PORTFOLIO

June 30, 2017

Investment Portfolio	Fair Value	Weighted Average Coupon	Weighted Average Maturity (Years)	Effective Duration (Years)
Opportunistic Credit Funds ⁽¹⁾	\$ 273,467,538	6.71%	6.97	1.14
BlackRock Intermediate Government Bond	121,382,020	2.30%	4.11	3.83
Fidelity Institutional Asset Management	229,685,997	3.10%	7.95	5.64
Western Asset Management	114,008,665	2.70%	12.40	4.88
Total	\$ 738,544,220			

⁽¹⁾ Angelo Gordon Opportunistic Whole Loan Fund, Angelo Gordon Securitized Asset Recovery Fund, Beach Point Select, Brigade Capital Management, Franklin Templeton, and Tennenbaum Capital Partners

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SamCERA's Investment Policy seeks to maintain a diversified portfolio of fixed income instruments to obtain the highest total return for the fund at an acceptable level of risk within the asset class. The quality of SamCERA's investments in bonds as of June 30, 2017, is summarized in the table on the right.

Custodial Credit Risk – Investments. 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 investment 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, 2017, SamCERA had no investments that were exposed to custodial credit risk.

QUALITY BREAKDOWN FOR SAMCERA'S INVESTMENT IN BONDS

June 30, 2017

Credit Risk	Active Management	Commingled Management
AAA	100.00%	38.73%
AA	-	3.32%
A	-	10.19%
BBB	-	1.08%
Less than BBB	-	36.07%
Not Rated	-	5.76%
Cash	-	4.85%
Total	100.00%	100.00%

FOREIGN CURRENCY RISK

June 30, 2017

Trade Country Name	Common Stock	Foreign Currency	Total
Australia	\$ 15,673,527	\$ -	\$ 15,673,527
Brazil	2,496,938	-	2,496,938
Canada	2,219,888	295,004	2,514,892
Switzerland	32,891,334	1,051,916	33,943,250
Denmark	13,812,678	-	13,812,678
Europe	85,116,925	454,534	85,571,459
United Kingdom	76,932,592	132,349	77,064,941
Hong Kong	8,411,603	-	8,411,603
India	2,191,481	15,200	2,206,681
Japan	76,507,643	(13)	76,507,630
South Korea	5,181,222	-	5,181,222
Mexico	1,497,614	-	1,497,614
Malaysia	1,545,544	-	1,545,544
Philippines	910,335	-	910,335
Sweden	22,058,263	-	22,058,263
Singapore	16,764,358	14,643	16,779,001
South Africa	8,774,119	-	8,774,119
Total	\$ 372,986,064	\$ 1,963,633	\$ 374,949,697

Foreign Currency Risk. Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment or deposit. In its Investment Policy, SamCERA allows forward currency contracts and currency futures as defensive currency hedging to mitigate foreign currency risk on the portfolio. International equity and global bond managers are permitted to invest in authorized countries.

Foreign Currency Risk – Foreign Exchange Contracts. 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. On the other hand, *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.

The table on page 54 indicates the magnitude of risk for each foreign currency denominated in U.S. dollars.

Concentration of Credit Risk. This risk is the risk of loss attributed to the magnitude of SamCERA's investment in a single issuer of securities. Investments issued or explicitly guaranteed by the U.S. Government and pooled investments are excluded from the concentration of credit risk analysis. As of June 30, 2017, SamCERA does not have investments in a single issuer with five percent or more of SamCERA's fiduciary net position.

Derivatives

Derivatives are financial instruments that are connected to a specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right. The value of a derivative derives from the price of an underlying item, such as an asset or index. Derivatives are used for a number of purposes (such as risk management, hedging, and arbitrage between markets), and are usually settled by net payments of cash.

The derivatives that SamCERA held at fiscal year-end are shown below. Compared to SamCERA's total investments at fair value,

INVESTMENT DERIVATIVES

June 30, 2017

Type of Derivatives	Notional Value	Fair Value
Interest Rate Contracts - Short	\$ (14,433,992)	\$ -
Interest Rate Contracts - Long	(129,534,344)	-
Foreign Exchange Contracts - Long	926,880	-
Foreign Exchange Contracts - Forwards	1,433	1,433
Equity Contracts - Long	32,145,283	-
Total	\$ (110,894,740)	\$ 1,433

the fair value of SamCERA's derivatives as of June 30, 2017, is not material.

SamCERA's investments contain various derivatives, primarily in swaps and foreign currency forward positions.

- The fair values of credit rate swaps, interest rate swaps, warrants, and To Be Announced (TBA) transactions are determined using the custodian pricing vehicles.
- The fair values of currency forward contracts are determined using a proprietary pricing service, which uses published foreign exchange rates as the primary source.
- The fair values of other derivatives are determined using a pricing service and validated by SamCERA's custodian.

All derivatives held are investment derivatives, and none of them are hedging derivatives. As of June 30, 2017, the derivatives held had an aggregate negative notional amount of \$111 million. The fair value of derivatives totaling \$1,433 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 2017 are reported in the Statement of Changes in Fiduciary Net Position as a component of investment income.

Custodial Credit Risk – Derivatives. As of June 30, 2017, SamCERA's derivatives were not subject to custodial credit risk. However, they are subject to other risks.

Credit Risk – Derivatives. SamCERA is exposed to credit risk on investment derivatives that are traded over the

counter and are reported in asset positions. Derivatives exposed to credit risk include credit default and interest rate swaps, currency forward contracts, rights, warrants, and TBA transactions.

To minimize credit risk exposure, SamCERA's investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, SamCERA would be exposed to the loss of the fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. SamCERA does not have 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.

Fair Value Measurement

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

- Level 1 — reflects prices quoted in active markets.
- Level 2 — reflects 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 — reflects prices based upon unobservable sources.

The categorization of investments within the fair value hierarchy (see pages 57-58) is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

FAIR VALUE MEASUREMENT

June 30, 2017

Investments by Fair Value Level	6/30/2017	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
DEBT SECURITIES			
U.S. Government Securities	\$ 65,178,532		\$ 65,178,532
EQUITY SECURITIES			
Foreign Stocks	372,986,064	\$ 372,986,064	
U.S. Common & Preferred Stock	49,678,887	49,678,887	
Total Equity Securities	422,664,951	422,664,951	
COMMINGLED FUNDS			
Domestic Bond Funds	235,390,686		235,390,686
Domestic Equity Funds	808,786,486		808,786,486
International Equity Funds	235,460,594		235,460,594
Liquid Pool Funds	190,503,104		190,503,104
Total Commingled Funds	1,470,140,870		1,470,140,870
Total Investments by Fair Value Level	1,957,984,353	\$ 422,664,951	\$ 1,535,319,402
Investments Measured at the Net Asset Value (NAV)			
Domestic Bond Funds	392,289,603		
Global Bond Funds	110,863,931		
Domestic Equity Funds	144,744,988		
International Equity Funds	106,136,119		
Real Estate Funds	267,102,074		
Risk Parity Funds	291,757,142		
Absolute Return/Hedge Funds	227,287,982		
Private Equity Funds	253,442,897		
Private Real Asset Funds	50,553,154		
Total Investments Measured at NAV	1,844,177,890		
Total Investments	\$ 3,802,162,243		

Derivatives ⁽¹⁾

Currency Exchange Contracts - Forwards	\$ 1,433	\$ 1,433
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(1) Derivatives are reported under "cash management outlay" and "inflation hedge" on the Statement of Fiduciary Net Position.

INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)

June 30, 2017

<u>Investments Measured at NAV</u>	<u>6/30/2017</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Domestic Bond Funds ⁽¹⁾	\$ 392,289,603	\$ -	Daily, Quarterly	15-90 days
Global Bond Funds ⁽¹⁾	110,863,931	-	Monthly	15 days
Domestic Equity Funds ⁽¹⁾	144,744,988	-	Daily	1-5 days
International Equity Funds ⁽¹⁾	106,136,119	-	Daily	1-10 days
Real Estate Funds ⁽²⁾	267,102,074	83,104,579	Quarterly, Not Eligible	45 days
Risk Parity Funds ⁽³⁾	291,757,142	-	Monthly	15 days
Hedge Funds/Absolute Return ⁽⁴⁾	227,287,982	-	Semi-Monthly, Monthly	5-75 days
Private Equity Funds ⁽⁵⁾	253,442,897	139,300,000	Not Eligible	Not applicable
Private Real Asset Funds ⁽⁵⁾	50,553,154	55,900,000	Not Eligible	Not applicable
Total Investments Measured at NAV	\$ 1,844,177,890	\$ 278,304,579		

⁽¹⁾ **Bond and Equity Funds.** This type includes six domestic bond funds, one global bond fund, one domestic equity fund, and two international equity funds that are considered to be commingled in nature. Each is valued at the net asset value (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 three real estate funds that invest primarily in a diversified portfolio of institutional quality multi-family, industrial, retail and office assets in the United States. The fair values of the investments in this type have been determined using the NAV (or its equivalent) of the plan's ownership interest in partners' capital. One investment has quarterly liquidity while the other is ineligible for redemption.

⁽³⁾ **Risk Parity Funds.** This type includes two risk parity funds that seek to generate returns from a risk diversified portfolio of asset exposures. The fair values of the investments in this type have been determined using the NAV (or its equivalent) of the plan's ownership interest in partners' capital. The funds can be redeemed on a monthly basis.

⁽⁴⁾ **Hedge Funds/Absolute Return.** This strategy consists of two multi-strategy hedge funds/absolute return. One fund delivers efficient exposure to a well-diversified portfolio of hedge fund strategies, and the other builds a broad range of return-seeking positions (i.e., multi-strategy) with high underlying liquidity that incorporates multiple risk views.

⁽⁵⁾ **Private Equity and Private Real Asset Funds.** SamCERA's private equity portfolio consists of twenty-one funds, investing primarily in Buyout Funds, Venture Capital and Debt/Special Situations. The Private Real Asset portfolio comprises seven funds, investing in infrastructure and natural resources. 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 with the funds are liquidated, which on average can occur over the span of 5 to 10 years.

As of June 30, 2017, 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*: quoted prices for identical securities in markets that are not active;
- *Corporate and Municipal Bonds*: quoted prices for similar securities in active markets;
- *Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations*: matrix pricing based on the securities' relationship to benchmark quoted prices; and
- *Money Market, Bond, and Equity Mutual Funds*: published fair value per share (unit) for each fund.
- *Commingled and high-yield equity investments*: valued using matrix pricing techniques or quoted prices for similar securities in active markets

Note 6: 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 at June 30, 2017. The

schedule of employer net pension liability at June 30, 2017, is presented on page 60.

For financial reporting purposes, the net pension liability is measured as the total pension liability less the amount of the pension fiduciary net position. The total pension liability represents the present value of projected benefit payments (using the discount rate of 6.92% discussed below) to be provided through the pension plan to active, inactive, and retired members (or their beneficiaries) that is attributed to those members' past periods of services.

Actuarial Assumptions

Each year SamCERA engages an independent actuarial 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 fiduciary net position, and the employers' net pension liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations, which reflect a long-term perspective, are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

SCHEDULE OF EMPLOYER NET PENSION LIABILITY

June 30, 2017

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

Net Pension Liability	June 30, 2017
Total pension liability	\$ 4,616,094,476
Less: Plan fiduciary net position	<u>(4,038,701,990)</u>
Employers' net pension liability	<u>\$ 577,392,486</u>
Plan fiduciary net position as a % of total pension liability	87.49%
Covered payroll	\$ 510,132,014
Net employers' pension liability as a % of covered payroll	113.18%

Note: 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 6.92%

Long-term expected rate of return, net of expenses 6.75%

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

Valuation date June 30, 2017

Measurement date June 30, 2017

Key assumptions

Investment rate of return ⁽¹⁾	6.92%
General wage increases	3.00%
Inflation	2.50%
Mortality	Various rates based on mortality tables described in the June 30, 2017, actuarial valuation.

Actuarial experience study July 1, 2014 to April 30, 2017

Actuarial cost method Individual Entry Age Normal

Asset Valuation Method Fair market value

Smoothing period 5 years

Recognition method Non-asymptotic

Corridor 80% to 120% of fair value

Amortization of Unfunded Actuarial Accrued Liability (UAAL) ⁽²⁾ UAAL as of June 30, 2008, is amortized over a closed 15-year period ending June 30, 2013. Subsequent changes in the UAAL are amortized over separate closed 15-year layers that are determined annually ("layer" amortization).

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

⁽²⁾ Contribution "credits" are applied to the County of San Mateo (the County) and San Mateo County Mosquito & Vector Control District (the District) contribution rates. These rates reflect supplemental contributions by the County and the District, which are tracked separately in the County and District Supplemental Contribution Accounts. Contributions in a given year are amortized as a level percentage of pay over a 15-year closed period.

Discount Rate

The discount rate used to measure the total pension liability was 6.92% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed both employer and member contributions will be made at rates equal to the actuarially determined contribution rates.

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

Sensitivity Analysis

The employers’ net pension liability changes with adjustments to the discount rate. The table below presents the net pension liability of participating employers at year-end, using the current discount rate of 6.92%, and what the net pension liability would be using a discount rate that is one percent lower or one percent higher than the current discount rate.

Note 7: Plan Reserves

SamCERA uses three different types of accounts to record the plan reserves: the valuation reserves, the non-valuation reserves, and the market stabilization account. The plan reserves as of June 30, 2017, are presented in the table below.

SCHEDULE OF SENSITIVITY ANALYSIS

June 30, 2017 (Dollars in Millions)

	1% Decrease (5.92%)	Current Discount Rate (6.92%)	1% Increase (7.92%)
Total pension liability	\$5,283	\$4,616	\$4,073
Less: Fiduciary net position	(4,039)	(4,039)	(4,039)
Net pension liability	\$1,244	\$ 577	\$ 34

RESERVES REQUIRED FOR REPORTING PURPOSES BY THE CERL

June 30, 2017

Valuation Reserves

Member Deposit Reserve	\$ 735,102,254
Employer Advance Reserve	855,356,336
Retired Member Reserve	1,019,849,399
Cost of Living Adjustment Reserve	1,295,487,509
County Supplemental Contribution Account Reserve	118,435,431
District Supplemental Contribution Account Reserve	1,956,796
Subtotal - Valuation Reserves	<u>4,026,187,725</u>

Non-Valuation Reserves

Contingency Reserve	40,168,859
Unallocated Earnings/Losses Reserve	(49,355,495)
Subtotal - Non-Valuation Reserves	<u>(9,186,636)</u>

Market Stabilization Account

21,700,901

Total Reserves

\$ 4,038,701,990

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 as well as other benefits when they become due.

Valuation Reserves

The valuation reserves generally receive interest at the assumed actuarial interest rate semi-annually. The valuation reserves are made up of the following:

Member Deposit Reserve represents funding provided by active and inactive (deferred) members. Additions include member contributions and interest credited. Deductions include refunds to members and transfers to the Retired Member Reserve at the time a member retires.

Employer Advance Reserve represents funding provided by employers for future retirement payments to active and inactive (deferred) 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 Retired Member Reserve at the time a member retires. If a member elects to receive a refund of member contributions upon termination, the balance in this reserve account will not be affected since the employers' contribution rates are

based on an actuarial assumption that takes into account the expected termination rate for members.

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

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

County Supplemental Contribution Account captures all the supplemental contributions made by the County in excess of the statutory contributions plus interest credited since fiscal year 2014.

District Supplemental Contribution Account captures all the supplemental contributions made by the District in excess of the statutory contributions plus interest credited since fiscal year 2016.

Non-Valuation Reserves

The Board established two non-valuation reserve accounts: Contingency Reserve and Unallocated Earnings/Losses Reserve. The balances in these non-valuation reserve accounts are not used to determine employers' statutory contribution rates.

Contingency Reserve is established to meet the reserve requirement under Section 31592 of the CERL that at least one percent of the fund's actuarial value of assets be kept as reserves against future earning deficiencies, investment losses, and other contingencies. Additions to the reserve include investment income and other revenues. Deductions from the reserve include investment and administrative expenses as well as interest allocated to other reserves.

The Board adopted an *Interest Crediting Policy* stipulating how earnings should be allocated among different valuation reserves. When there are insufficient allocable earnings to cover interest credited to the reserves specified in the interest crediting policy, the funding in the Contingency Reserve may be used to cover the shortage. However, in no event may the Contingency Reserve be allowed to drop below one percent of the actuarial value of assets.

Under the CERL, excess earnings exceeding one percent of SamCERA's total assets may be transferred from the Contingency Reserve into the Employers' 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.

SamCERA semi-annually updates its reserve balances as of December 31 and as of June 30 to incorporate interest credit as specified in Article 5 of the CERL (Semi-Annual Interest Crediting). The amount of interest (or net earnings) to be distributed for each semi-annual period is based on

the actuarial smoothing process described later. To the extent that net earnings are available, interest is credited to all components of valuation reserve (except the Member Deposit Reserve, the CSCA, and the DSCA) at a rate of one-half of the assumed investment earnings rate. Earnings from the five-year smoothing process were mostly sufficient to provide interest credits to the valuation reserves .

The Member Deposit Reserve accounts are credited semi-annually in amounts that are equal to the lesser of one half of the assumed investment earnings rate, or the actuarial earnings rate for the prior six-month period (but the rate credited shall not be less than zero). The actuarial assumed interest rate in effect for the members' interest credit during the year was 3.625% semi-annually. The actuarial smoothed rates of return were 3.684% and 3.952% at December 31, 2016, and June 30, 2017, respectively.

The CSCA and the DSCA are credited semi-annually in accordance with provisions on the "Memorandum of Understanding" between SamCERA and the employers.

Unallocated Earnings/Losses Reserve is established to account for periods when actual earnings do not equal the actuarial assumed interest rate. The Board adopted a *Five-year Actuarial Smoothing Policy* to value actuarial assets and calculate the UAAL.

The smoothing process operates semi-annually (with calculation periods ended December 31 and June 30) to spread the difference between actual and expected market return over five years (or ten

successive semi-annual periods). This smoothing process affects the net investment income reported on the Statement of Changes in Fiduciary Net Position.

For the fiscal year ended June 30, 2017, smoothed earnings of \$23 million were distributed to the Unallocated Earnings/Losses Reserve, bringing the year-end balance in this account to a negative \$49 million from a negative \$72 million last year.

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. At June 30, 2017, the balance in the Market Stabilization Account amounted to \$22 million.

Note 8: Administrative Expenses

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

SamCERA has a policy in place to monitor compliance with the Government Code. SamCERA's administrative expenses for the reporting period amounted to 0.15% of accrued actuarial liability at June 30, 2015, (the latest information available when preparing the administrative budget for fiscal year 2017). Information technology expense is excluded from this limit.

The table on the next page presents the budget-to-actual analysis of administrative expenses for the fiscal year ended June 30, 2017.

The overall salaries and expenses for the fiscal year 2017 were 10% below the budget, primarily due to a vacant position not being filled.

The overall expenses for services and supplies were 18% below the budget. Major reasons include the following:

- County services expenses consisted of fixed fees for basic services and variable fees for non-basic services. The need for non-basic services was less than projected.

- The budget set aside monies for hiring a tax attorney to assist with the tax determination process. In August 2016, Internal Revenue Service issued a favorable tax determination letter to SamCERA. As a result, the tax determination process was complete without incurring additional charges.
- Education, conference, transportation, as well as lodging expenses were significantly lower than expected. During the first half of the fiscal year, staff concentrated on implementing the new pension system. After the system went live in January 2017, staff shifted their focus to assessing the final

deliverables produced. Most plans for training, conferences, and traveling were either canceled or deferred.

Note 9: Information Technology Expenses

Pursuant to Government Code Section 31580.2 of the CERL, expenses for computer software, computer hardware, and computer technology consulting services in support of these computer products are not subject to the mandated limit of 0.21% discussed earlier. As a result, SamCERA prepares a separate information technology budget since this Government Code was implemented in fiscal year 2012.

ADMINISTRATIVE EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2017, COMPARED TO ACTUARIAL ACCRUED LIABILITY AS OF JUNE 30, 2015

(Dollars in Thousands)

Actuarial Accrued Liability (AAL) as of 6/30/15	\$	4,045,786	(a)
Maximum Allowed for Administrative Expenses (AAL*0.21%)	\$	8,496	(b)
Operating Budget for Administrative Expenses	\$	6,822	(c)
Actual Administrative Expenses	\$	5,983	(d)
Excess of Allowed over Actual Administrative Expenses	\$	2,513	=(b) - (d)
Excess of Budgeted over Actual Administrative Expenses	\$	839	=(c) - (d)
Actual Administrative Expenses as a Percentage of Actuarial Accrued Liability as of 6/30/15			0.15% = (d)/(a)

SAMCERA’S ADMINISTRATIVE EXPENSES, BUDGET VS. ACTUAL

For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Under Budget	% of Budget Remaining
Salaries and benefits	\$ 5,039,523	\$ 4,516,629	\$ 522,894	10%
Services and supplies	1,782,200	1,466,727	315,473	18%
Total expenses	\$ 6,821,723	\$ 5,983,356	\$ 838,367	12%

The table below presents the budget-to-actual analysis of technology expenses for the fiscal year ended June 30, 2017. The overall Information Technology (IT) expenses were significantly below the budget, due primarily to the following:

- Staff gave priority to new pension system implementation and post-implementation review over many IT projects. Plans for acquiring new equipment and software, managing documents electronically, improving the capacities of the existing infrastructure, and capitalizing on new technologies via research and development were deferred.
- The IT budget provided funding for enhancements to the old pension system (Pension Gold). Management subsequently decided to suspend further improvement as Pension Gold was slated to discontinue in January 2017.

Note 10: Risk Management

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

SamCERA is covered by the County's self-insurance program for general liability and workers' compensation with coverage up to \$1 million per occurrence. Additional coverage for various types of risks are provided through the County's commercial insurance carriers in accordance with the terms set forth in individual insurance policies. Pursuant to a Memorandum of Understanding between SamCERA and the County, SamCERA pays a pro-rata share of total insurance cost incurred by the County based on the employee count. Settled claims have not exceeded the insurance coverage in the past three fiscal years.

SAMCERA'S INFORMATION TECHNOLOGY EXPENSES, BUDGET VS. ACTUAL

For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Under Budget	% of Budget Remaining
Property and equipment	\$ 200,000	\$ 20,415	\$ 179,585	90%
Information technology infrastructure	1,603,340	563,386	1,039,954	65%
Research and development	104,000	-	104,000	100%
Capital asset	4,000,000	-	4,000,000	(1)
Total expenses	\$ 5,907,340	\$ 583,801	\$ 5,323,539	(1)

(1) In fiscal year 2017, SamCERA incurred a total capital expense of \$2,879,428. This amount was capitalized and reported as capital assets on the Statement of Fiduciary Net Position for financial reporting purposes. SamCERA also reported a total depreciation expense of \$412,178 on its basic financial statements. Since depreciation is a non-cash expense and not included in the adopted budget for fiscal year 2017, it was excluded from the above schedule.

The Retirement Board members and senior staff purchase separate Fiduciary Liability coverage for actual or alleged breach of fiduciary duties through a policy provided by AIG Nation Union Fire Insurance Company of Pittsburgh, Pennsylvania. The coverage is limited to \$10 million in the aggregate for all loss combined (including defense costs).

Note 11: Related Party Transactions

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

Note 12: Commitments

At June 30, 2017, SamCERA had a total “uncalled capital” of \$278.3 million, with \$139.3 million in private equity investments, \$55.9 million in private real asset investments, and \$83.1 million in real estate investments. SamCERA is still in the process of building out its private equity and private real asset portfolios and intends to make additional capital commitments over the next three to five years.

Note 13: Contingent Liability

SamCERA is subject to legal proceedings and claims arising from the normal course of its business. Currently, no such actions are adjudicated or reported.

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Fiscal Years Ended June 30

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

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

Note 1: This schedule will ultimately show information for ten years. Additional years will be displayed as they become available.

Note 2: In accordance with Statement No. 82 of the Governmental Accounting Standards Board, covered payroll is the payroll on which contributions are based.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

This schedule provides information about the statutory contributions of all participating employers and the percentage of the statutory contributions recognized by the plan.

Fiscal Year Ended June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	As a % of Covered Payroll	
					Actuarially Determined Contribution	Actual Employer Contribution
2008	\$ 105,339,570	\$ 105,339,570	\$ -	\$ 411,293,295	25.61%	25.61%
2009	106,123,055	106,123,055	-	433,668,170	24.47%	24.47%
2010	106,265,329	106,265,329	-	434,295,179	24.47%	24.47%
2011	150,474,872	150,474,872	-	427,041,368	35.24%	35.24%
2012	139,406,807	150,949,791	(11,542,984)	418,915,989	33.28%	36.03%
2013	131,293,846	144,308,171	(13,014,325)	404,360,891	32.47%	35.69%
2014	152,877,362	202,877,362	(50,000,000)	416,273,731	36.73%	48.74%
2015	169,814,170	180,704,280	(10,890,110)	439,017,764	38.68%	41.16%
2016	170,046,059	191,094,488	(21,048,429)	472,384,955	36.00%	40.45%
2017	164,877,135	198,727,135	(33,850,000)	510,132,014	32.32%	38.96%

¹ Employers contributed at a higher rate than the Actuarially Determined Contribution rate in order to maintain more stable contributions.

² In 2014, the San Mateo County (the County) Board of Supervisors implemented a policy to eliminate the County's unfunded actuarial accrued liability (UAAL) by 2023. Contributions in excess of the Actuarially Determined Contribution are related to that policy unless noted otherwise.

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 actuarially determined contributions, respectively.

SCHEDULE OF INVESTMENT RETURNS

For the Fiscal Years Ended June 30

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

	2017	2016	2015	2014
Money-weighted rate of return, net of investment manager expenses ¹	12.48% ³	0.49% ²	3.37%	17.22%

¹ The calculation was provided by SamCERA's investment consultant, Verus Investments. Data prior to fiscal year 2013-14 is not available.

² Investment return (which was revised to reflect the most updated information) was much lower than the prior year since the market conditions were shadowed by numerous global concerns such as the economic slowdown in China.

³ Investment return was much higher than the prior year due to strong performance under favorable economic conditions.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Methods and Assumptions

The employer statutory contribution rates for the fiscal year ended June 30, 2017, are those calculated in the actuarial valuation as of June 30, 2015. Details of actuarial methods and assumptions selected for the June 30, 2015 actuarial valuation, are summarized in the table below.

Changes in Assumptions

In July 2017, the Retirement Board adopted the assumptions developed from the latest triennial Investigation of Experience Study for use in the 2017

valuation. These changes include lowering the assumed investment return, 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.

The investment return rate was changed from 7.00% to 6.75%, the CPI from 2.75% to 2.50%, and the general wage increase from 3.25% to 3.00%. The new mortality assumption resulted in an increase in assumed life expectancy compared to the prior assumption. The effect of these assumption changes caused a \$147.5 million increase in total pension liability.

ACTUARIAL VALUATION AS OF JUNE 30, 2015 (FOR FUNDING PURPOSES)

VALUATION DATE	June 30, 2015
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:	
INVESTMENT RATE OF RETURN	7.25%, net of pension plan investment and administrative expenses
INFLATION RATE (CPI)	3.00%
GENERAL WAGE INCREASE	3.50%
DEMOGRAPHIC ASSUMPTIONS:	
SALARY INCREASE DUE TO SERVICE	See June 30, 2015 actuarial valuation report for details.
RETIREMENT	See June 30, 2015 actuarial valuation report for details.
DISABILITY	See June 30, 2015 actuarial valuation report for details.
MORTALITY	See June 30, 2015 actuarial valuation report for details.

SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Fiscal Year Ended June 30, 2017

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

Salaries & Benefits

Salaries	\$ 3,013,494
Benefits	<u>1,503,135</u>
Total Salaries & Benefits	<u>4,516,629</u>

Services & Supplies

Board Expenses	6,300
Insurance	65,275
Medical Evaluation	66,325
Member Education	58,649
Education & Conference	106,361
Transportation & Lodging	71,100
Property & Equipment	14,973
General Office Supplies	34,666
Postage, Printing & Copying	64,844
Leased Facilities	555,712
County Services	344,016
Audit Services	51,918
Other Administration	<u>26,588</u>
Total Services & Supplies	<u>1,466,727</u>

Total Administrative Expenses	\$ 5,983,356
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SCHEDULE OF INFORMATION TECHNOLOGY EXPENSES

For the Fiscal Year Ended June 30, 2017

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

Property and Equipment	\$ 20,415
Information Technology Infrastructure	563,386
Depreciation Expense	412,178
Total Information Technology Expenses	\$ 995,979

SCHEDULE OF INVESTMENT EXPENSES*For the Fiscal Year Ended June 30, 2017*

The schedule below shows the investment expenses for the generation of investment income during the reporting period.

Investment Management Fees (by Asset Class)

Equity	\$ 5,114,666
Fixed Income	4,998,196
Alternatives	6,948,227
Risk Parity	1,058,181
Inflation Hedge	2,997,405
Cash	193,557
Total Investment Management Fees	21,310,232

Other Investment Expenses

Investment Consultant	450,596
Actuarial Consulting	169,000
Master Custodian	241,875
Other Professional Services	69,900
Total Other Investment Expenses	931,371

Other Investment Related Expense	8,689,470
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Interest Paid on Prepaid Contribution	2,756,985
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Total Investment Expenses	\$ 33,688,058
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SCHEDULE OF PAYMENTS TO CONSULTANTS (OTHER THAN INVESTMENT ADVISORS)*For the Fiscal Year Ended June 30, 2017*

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

CUSTODIAN SERVICES

Northern Trust Corporation	\$ 241,875
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ACTUARIAL CONSULTANT EXPENSE

Milliman Inc. and Segal Consulting	169,000
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AUDIT SERVICES ⁽¹⁾

Brown Armstrong Accountancy Corporation	51,918
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OTHER PROFESSIONAL FEES

eVestment, Faith Global, Zeno	69,900
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Total Payments to Consultants	\$ 532,693
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(1) Audit fees were included 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 (the CERL) system administration expense limit from 23 basis points of total assets to 21 basis points of Accrued Actuarial Liabilities.

Information Technology Budget

Pursuant to the CERL, expenses for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the retirement system. SamCERA's information technology expenses are 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 that "The expenses of investing its moneys shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board:

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

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

Employer	Deferred Outflow of Resources					Deferred Inflow of Resources				Pension Expense Excluding That Attributable to Employer-Paid Member Contributions		
	Net Pension Liability	Differences Between Expected and Actual Economic Experience	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Economic Experience	Net Differences Between Projected and Actual Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Amortization of Deferred amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
County of San Mateo	\$ 555,798,007	\$ 33,551,366	\$ 170,310,476	\$ 2,365,074	\$ 206,226,916	\$ 6,048,063	\$ 5,332,014	\$ 399,155	\$ 11,779,232	\$ 131,055,176	\$ 1,136,557	\$ 132,191,733
San Mateo Superior Court	19,573,605	1,181,582	5,997,844	-	7,179,426	212,995	187,778	3,100,520	3,501,293	4,615,386	(1,511,126)	3,104,260
San Mateo County Mosquito & Vector Control District	2,020,874	121,992	619,246	1,134,601	1,875,839	21,991	19,387	-	41,378	476,515	374,569	851,084
Total	\$ 577,392,486	\$ 34,854,940	\$ 176,927,566	\$ 3,499,675	\$ 215,282,181	\$ 6,283,049	\$ 5,539,179	\$ 3,499,675	\$ 15,321,903	\$ 136,147,077	\$ -	\$ 136,147,077

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

Employer	Fiscal Year Ended June 30, 2017			
	Actual Employer Contributions	Actuarially Determined Contributions	Employer Allocation Percentage	Net Pension Liability
County of San Mateo	\$ 192,310,012	\$ 158,710,012	96.26%	\$ 555,798,007
San Mateo Superior Court	5,592,003	5,592,003	3.39%	19,573,605
San Mateo County Mosquito & Vector Control District	825,120	575,120	0.35%	2,020,874
Total	\$ 198,727,135	\$ 164,877,135	100.00%	\$ 577,392,486

Note: Employer 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) the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan, (2) the Schedule of Cost Sharing Employer Allocations, (3) the GASB Statement No. 67 Actuarial Valuation as of June 30, 2017, and (4) the GASB Statement No. 68 Actuarial Valuation based on a June 30, 2017 Measurement Date for Employer Reporting as of June 30, 2018; in accordance with accounting principles generally accepted 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 these documents in conformity with accounting principles generally accepted in the United States of America 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, and the remaining difference between projected and actual investment earnings on pension plan investments at June 30, 2017, is to be amortized over the remaining periods.

The changes in assumptions and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through SamCERA (active and inactive employees) determined as of June 30, 2016 (the beginning of the measurement period ended June 30, 2017) and is five years. Prior period changes of assumptions and differences between expected and actual experience are continued to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

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

The difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ended on June 30, 2017, 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 Pension Amounts by Employer 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



CHIEF INVESTMENT OFFICER'S REPORT



100 Marine Parkway, Suite 125
 Redwood City, CA 94065
 Phone: 650-599-1234
 Toll Free: 1-800-339-0761
 Fax: 650-591-1488
 Web: www.samcera.org
 Email: samcera@samcera.org



Michael Coultrip
 SamCERA
 Chief Investment Officer

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, 2017. 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 and time-weighted, and are calculated by SamCERA's investment consultant, Verus.

Portfolio Performance

SamCERA's portfolio market value increased to \$4.0 billion as of June 30, 2017, as the net combination of portfolio appreciation (primarily) and contributions (secondarily), less total deductions (i.e., benefits paid, administrative expense, etc.), added approximately \$497.3 million to the fund.

SamCERA's portfolio returned 12.6% net of investment manager fees for the fiscal year ended June 30, 2017, matching SamCERA's policy benchmark return. This fiscal year performance resulted in median performance relative to SamCERA's peers, as defined by large (greater than \$1 billion in assets) public plans.

All five of SamCERA's asset class composites provided positive returns on the year. Public equity was the highest performing composite and returned 18.6%. Alternatives, driven mostly by strong private equity returns, was up 17.1%. Fixed income was next at 7.2% on the year, while the Inflation Hedge category returned 5.9%. Risk parity (up 4.1%) was the lowest returning composite on the year.

Market Review

Global equities and other risk assets (i.e., investment grade credit, high yield fixed income, emerging market equity) provided strong returns during the fiscal year, as easy money policies from the developed world central banks, combined with steady (if unspectacular) global economic growth resulted in higher asset prices for risk assets. This strong performance came in spite of a number of events through the year, including elevated geopolitical risks, the fall-out from the Brexit vote in the U.K., and the impact of the U.S. election.

The broad U.S. equity market, as measured by the Russell 3000 Index, a broad basket of U.S. stocks, returned 18.5% during the year. Large-capitalization stocks in the U.S. (as measured by the Russell 1000 Index) were higher by 18.0%, while smaller-capitalization stocks (as measured by the Russell 2000 Index) performed even better, returning 24.6% for the year. In a reversal from last fiscal year, more cyclical sectors, such as financials, technology, industrials, and materials, outperformed defensive and high dividend sectors like telecommunications, consumer staples, and utilities. Financials and technology

were up over 30%, while the telecommunications sector was down almost 12%.

The broad international equity market also had a strong result during the fiscal year. The developed international market, as measured by the MSCI EAFE (Morgan Stanley Capital Investment Europe, Australasia, and Far East Index), was up 20.3%, while emerging market equity, as measured by the MSCI Emerging Markets Index, had an even better year, returning 24.2%.

The U.S. Federal Reserve (the Fed) raised short-term interest rates three times during the fiscal year as the U.S. economy continued its steady growth. The target Fed Funds Rate range is now at 1.00% to 1.25%, up from 0.25% to 0.50% at the beginning of the fiscal year. Performance across fixed income sectors varied, with credit-centric (i.e., tied to the general economy) fixed income providing strong positive returns, while more interest-rate sensitive fixed income providing flat to modest negative returns on the year. The broad U.S. bond market (as measured by the Bloomberg Barclays Aggregate Index) returned -0.3% on the year.

Portfolio Changes

During the 2017 fiscal year SamCERA's Board approved an updated asset allocation policy as part of its asset-liability study. The table below shows both the old and new target policy portfolio by asset class. Exposures to public equity are reduced in the new policy, with additions to inflation hedge assets (real estate, private real assets, and liquid real assets),

fixed income (opportunistic credit and core fixed income), and alternatives (absolute return). SamCERA is reducing its reliance on U.S. equities by allocating more assets to inflation hedge strategies and other diversifying assets. SamCERA will continue to thoughtfully balance the return potential of equity investments versus the potential risks they bring to the portfolio in order to produce the most efficient risk-adjusted return stream for the portfolio as possible.

Asset Allocation Policy: Asset Class View

	Old Policy	New Policy	Change
Public Equity	47%	36%	-11%
Fixed Income	19%	23%	4%
Alternatives	12%	13%	1%
Risk Parity	8%	8%	0%
Inflation Hedge	14%	20%	6%

In addition to the current practice of grouping investments into traditional asset classes as shown above, during the 2017 fiscal year SamCERA also began grouping its investments by what drives the underlying performance of each asset class composite. As part of this process, SamCERA classifies its portfolio into three main drivers of performance: 1) Growth, 2) Diversifying, and 3) Inflation Hedge.

The Growth category includes assets in which their primary driver of returns is tied to the general strength of economic output. These assets will generally do well when economic conditions are favorable, but generally struggle in times of economic weakness and recession. Examples of assets classified in Growth include U.S. Equity, International Equity, Private Equity in Alternatives, and Opportunistic Credit in Fixed Income.

Diversifying assets provide protection from equity risk and are either more defensive in helping provide stability if markets fall, or are more absolute-return oriented in that performance is not as dependent on the overall strength of equity markets. Examples of Diversifying assets are our core fixed income assets and absolute return strategies.

Lastly, Inflation Hedge assets provide additional diversification from equity risk and provide a potential hedge against unexpected inflation. Examples of assets in this category include real estate, commodities, Treasury Inflation Protected Securities (TIPS), and private real assets.

The new policy has a 9% reduction in Growth assets, with a corresponding increase to Diversifying (3%) and Inflation Hedge (6%). These changes are expected to further decrease equity risk while slightly rebalancing towards yield and absolute return.

Asset Allocation Policy: Performance Driver View

	Old Policy	New Policy	Change
Growth	63%	54%	-9%
Diversifying	15%	18%	3%
Inflation Hedge	14%	20%	6%
Risk Parity	8%	8%	0%

In other portfolio activities, SamCERA simplified its domestic equity program by reducing the number of strategies in half (from six to three). In addition, the allocation to lower-cost passive was increased to 75% of total domestic equity from 50%, and the overweight to small-capitalization equities was reduced to a

weight more aligned with the Russell 3000 Index weight (approximately 10%). During the year, two style-specific large-capitalization equity managers were closed and their assets transitioned to a lower-cost passive strategy. At the same time, SamCERA converted its passive exposure from the S&P 500 Index to the Russell 1000 Index to better align the program with the updated domestic equity policy benchmark (Russell 3000 Index). Lastly, SamCERA combined the assets from its two existing style-specific small capitalization equity managers into a new core small-capitalization strategy.

SamCERA also simplified its international equity manager structure by removing the dedicated international small-cap strategy and repositioning the proceeds so that the allocation across the three existing developed markets strategies are similar. This change reduced the number of managers from five to four in the composite.

SamCERA's Board also approved a new liquid real asset pool strategy as part of the Inflation Hedge category, which is a passive allocation to commodities, natural resource listed equities, and infrastructure listed equities.

For the year, SamCERA made commitments to three new private equity partnerships, totaling \$37 million. This brought the total commitments for the private equity program to \$350.5 million across venture capital, buyouts, and special situations.

SamCERA also made commitments worth \$10 million to one new partnership in its private real asset category, bringing the

total commitments to \$110 million. Subsequent to the end of the fiscal year, SamCERA committed \$20 million to a new partnership in its private real asset category.

Even though the current fiscal year exhibited strong returns, SamCERA continues to be mindful of higher potential future return volatility, and the increased likelihood of this resulting in lower returns in the future. We continue to actively rebalance the portfolio to its long-term policy asset allocation weights in order to keep a balanced risk posture without relying too much on any single asset, strategy, or return stream.

Respectfully Submitted,



Michael Coultrip
Chief Investment Officer
September 13, 2017

INVESTMENT CONSULTANT'S REPORT ON INVESTMENT ACTIVITIES



September 7, 2017

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

Dear Board Members:

A coordinated uptick in global economic and earnings growth amid low market volatility were central themes during the 2017 fiscal year. For the first time in the recovery, Gross Domestic Product (GDP) growth accelerated across regions, especially in the Eurozone and emerging markets. At the same time, corporate earnings growth experienced substantial improvements in the latter half of the fiscal year. This backdrop led to strong gains in global equities and other risk assets, led by emerging market equities in Asia. A shift in the U.S. political administration also played an important role in asset price movements. After the initial shock of President Trump's victory, U.S. equities rallied to end the calendar year, particularly in small cap stocks. Consumer and business sentiment measures improved significantly post-election. The increase in optimism was centered around promises of corporate tax reform, deregulation, and infrastructure spending. Much of this optimism faded, however, after the new administration ran into resistance on healthcare reform, which delayed progress on other important agenda items. In the fixed income market, U.S. rates rose modestly and the Treasury curve steepened. The Federal Reserve (Fed) continued on the path of rate normalization, raising the federal funds rate by 25 basis points (bps) in December, March, and June. Even with the three rate hikes, yields remain low relative to history. The Fed has indicated confidence in the economic environment, and based on its own forecasts, a continued gradual pace of monetary tightening appears likely over the short-term. However, inflation is still below the Fed's 2% target, which has been noted as a concern. Developed central banks outside of the U.S remain accommodative, although improving economic conditions in the Eurozone have led to discussions about the possibility of monetary tightening. In currencies, the U.S dollar appreciated significantly in the first half of the fiscal year, but reversed course during the second half to end little changed over the period. Improving international economic conditions and political uncertainty in the U.S. may have been influential factors in the recent weakness.

The U.S. equity market experienced strong returns of 18.5% (Russell 3000) over the fiscal year. Small cap equities delivered especially good performance of 24.6% (Russell 2000) relative to large caps equities that returned 18.0% (Russell 1000) for the fiscal year. International equities outperformed U.S. markets as the MSCI ACWI ex U.S. (Morgan Stanley Capital International All Country World Index excluding U.S.) Index returned 20.5% for the period, driven by emerging markets. Performance was negative in the broad U.S. fixed income market with the Aggregate

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Bond Index returning -0.3%. U.S. high yield, however, delivered strong performance as spreads continued to tighten (12.7%).

PLAN INVESTMENT RESULTS

The San Mateo County Employees' Retirement Association total Plan returned 12.6% net of fees for the fiscal year ended June 30, 2017. SamCERA was in line with its policy index which returned 12.6% for this time period. For the fiscal year, the total Plan ranked in the 50th percentile for Public Fund Defined Benefit Plans greater than \$1 billion.

The U.S. Equity portfolio underperformed its U.S. equity policy benchmark by 50 basis points during the fiscal year net of fees (18.3% versus 18.8% respectively), which placed it in the 60th percentile of the universe. Within the U.S. Equity asset class, the active large cap manager outperformed the Russell 1000 Index by 140 basis points. The Small Cap composite returned 21.8% versus the Russell 2000 Index at 24.6%. Two active large cap managers and two active small cap managers were terminated during the fiscal year. A low tracking error quantitative manager was hired to replace the small cap managers.

During the fiscal year, the International Equity Composite had a strong absolute return, but trailed its benchmark on a relative basis by 2.7%, returning 18.3% net of fees compared to 21.0% for the MSCI ACWI ex-US IMI Index. This result ranked in the 84th percentile of the peer universe. All of the Plan's active international managers underperformed their respective benchmarks on a relative basis during the fiscal year, but performed in line with expectations for their strategies. It was a tough year for active management as the benchmark beat the peer median for all of the international strategies in the SamCERA portfolio.

During fiscal year 2017, the Plan's Total Fixed Income Composite net return of 7.2% beat its Blended Fixed Income benchmark return of 2.2% and ranked in the top decile of its peer group. The opportunistic credit and global fixed income components of the portfolio were the biggest contributors to returns in the fixed income portfolio. All managers beat their respective benchmarks and had strong peer rankings for their respective strategies. Over the past fiscal year, SamCERA funded two private credit managers for additional alpha potential and to generate returns from the contractual cash yield of underlying loans which are less directly correlated with interest rate changes.

The Risk Parity composite trailed the 60% MSCI World/40% BB Global Aggregate index with a return of 4.1% versus 10.7% for the benchmark. In strong equity markets, risk parity will trail an equity-centric benchmark. SamCERA's risk parity managers are adhering to their risk-balanced strategies and are performing within expectations.

SamCERA's Alternatives portfolio, comprised of Private Equity and Absolute Return strategies, outperformed its blended benchmark (17.1% vs. 14.0% for the blended alternatives index). Private Equity provided the highest absolute return to the Plan of 29.1% for the fiscal year, beating the Russell 3000 +3% index by 7.6%. Absolute return strategies were in line during the period with the composite gaining 4.5% versus the index of one month Libor +4% (4.8%).

The Inflation Hedge composite (comprised of real estate, private real assets, a liquid pool, and TIPS) gained 5.9%, beating its blended benchmark (4.2%). SamCERA's Real Estate component



provided a return of 8.2%, slightly above of the NCREIF ODCE (National Council of Real Estate Investment Fiduciaries Open-end Diversified Core Equity) Index (7.9%) and in the top quartile of its peer group. Private Real Assets lagged its blended index by 2.1% (2.9% v. 5.0% for the blended real assets benchmark). The Plan's TIPS manager gained 1.1%, beating the Bloomberg Barclays US TIPS index (-0.6%). During the fiscal year, SamCERA funded a real assets liquid pool, which consists of commodity, natural resources and infrastructure exposure and is used as a liquid proxy for private real assets. The Plan also continued to build out its real estate portfolio over the period, adding a real estate debt strategy.

ASSET ALLOCATION AND MANAGER STRUCTURE

During the 2017 fiscal year, SamCERA concluded its Asset-Liability Study which was started in fiscal year 2016. As part of the Asset-Liability Study, the Board reviewed what risks were most critical to the Plan, and altered the asset allocation of the plan with those risks in mind. Functional labels (Growth, Diversifying, and Inflation Hedge) were used to better diversify across risk factors and exposure to economic environments. At the conclusion of the study, a new asset allocation was adopted in which growth assets as a whole declined with the majority of the reduction coming from U.S. equities. Diversifying assets increased slightly through additions to core fixed income and absolute return. Inflation assets increased moderately across multiple subcategories – real estate, private real assets and SamCERA's liquid pool.

	Old Asset Allocation	New Asset Allocation	Change
Growth	63%	54%	-9%
Diversifying	15%	18%	3%
Inflation Hedge	14%	20%	6%
Risk Parity	8%	8%	0%

Following the Asset-Liability Study, SamCERA then began a review of its asset class structures. Within US Equity, the allocation to passive large cap was increased to 75%. The passive manager changed benchmarks from the S&P 500 to Russell 1000 to better replicate market exposure. International structure was also reviewed with an emphasis on simplifying the portfolio while maintaining the integrity of the asset class structure. In the coming fiscal year, SamCERA will continue to review its asset class structures across the Plan.

Verus believes that SamCERA has constructed a diversified portfolio that serves its participants well. We will continue to assist the Plan in creating a portfolio that will provide alpha with appropriate risk controls in evolving market conditions.

Sincerely,

Margaret S. Jadallah
Margaret S. Jadallah

NOTE: Returns for periods greater than one year are annualized. Monthly return calculations are time-weighted, and market value based. The performance calculation methodology is consistent with the Chartered Financial Analyst Institute (CFAI) Global Investment Performance Standards®.

INVESTMENT PHILOSOPHY, OBJECTIVES, POLICY, AND ALLOCATION

San Mateo County Employees' Retirement Association's (SamCERA) Investment Policy sets forth the Board of Retirement's (the Board) investment philosophy, 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 have guided it in the development of the Investment Policy and will guide the Board in the oversight of the plan assets.

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure may favor the employment of passive strategies.
- Diversification is fundamental.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.
- The portfolio should be diversified across many risk dimensions/ timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.

Investment Objectives

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies in order to meet the following objectives:

- A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0 of the Investment Policy) on a net-of-fee basis over five-year rolling periods.
- B. Move toward full actuarial funding of the Pension Benefit Obligation based on Governmental Accounting Standards Board (GASB) Statement No. 25 and the Board's policy of layered fifteen-year unfunded actuarial accrued liability (UAAL) amortization periods.
- C. Achieve a fund return that meets or exceeds the long-term forecast of capital market returns for the asset allocation portfolio benchmark over multiple economic cycles (e.g., 15-20 years).
- D. 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 of Retirement pursues an investment strategy which reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

Consistent with the Investment Beliefs, the Board's investment policy is to:

- A. Achieve long-term risk-adjusted returns consistent with its fiduciary duty.
- B. Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the investment portfolio across a broad selection of distinct asset classes, as provided for in Section 6.0 of the Investment Policy.
- C. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.
- D. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 6.0 of the Investment Policy, and reevaluate on an annual basis.
- E. Reevaluate the asset-liability study every three to five years.
- F. Delegate full discretion, including whether to include environmental, social, and governance factors, if such factors have a direct relationship to the economic and financial value of an investment, when analyzing the financial merits of competing investment choices on behalf of SamCERA, to each investment manager to the extent authorized in their Investment Management Agreement.
- G. Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- H. Refrain from drastically shifting asset class allocations over short time spans, unless it is in the fund's best interest to do so.
- I. Rebalance the portfolio in accordance to the Rebalancing Policy set forth in Section 7.0 of the Investment Policy.

ASSET ALLOCATION

In October 2016, the Board completed an in-depth asset-liability study and approved a new target asset allocation, reducing exposure to public equity and increasing allocations to alternatives, inflation hedge, and fixed income. The new policy consists of 36% in public equity, 23% in fixed income, 13% in alternatives, 8% in risk parity, and 20% in inflation hedge. Implementation of the new policy is anticipated to consist of multiple phases and will take more than one year to complete.

As of June 30, 2017, the target asset allocation incorporated into SamCERA's Investment Policy and detailed in this Investment Section only reflects the portion of the newly adopted allocation that has already been implemented. It does not reflect the portion of the new target asset allocation that has yet to be implemented, which will take more than one year to complete. Due to the multi-stage process, SamCERA's Investment Policy only captures the incremental changes made during the fiscal year so that our actual allocation does not significantly deviate from policy.

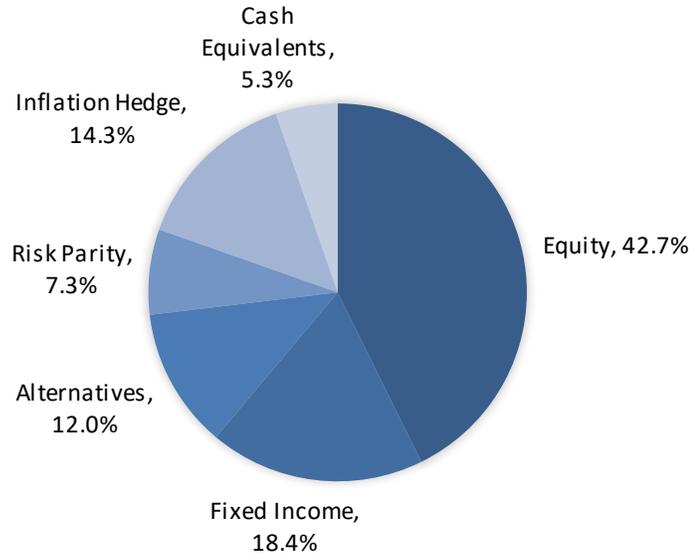
ASSETS ALLOCATION AS A PERCENTAGE OF FAIR VALUE

June 30, 2017

Asset Class	Target	Actual
Equity	42.0%	42.7%
Fixed Income	21.0%	18.4%
Alternatives	13.0%	12.0%
Risk Parity	8.0%	7.3%
Inflation Hedge	16.0%	14.3%
Cash Equivalents	0.0%	5.3%
Total	100.0%	100.0%

ACTUAL ASSET ALLOCATION

June 30, 2017

**ASSETS UNDER MANAGEMENT**

June 30, 2017

ASSET CLASS

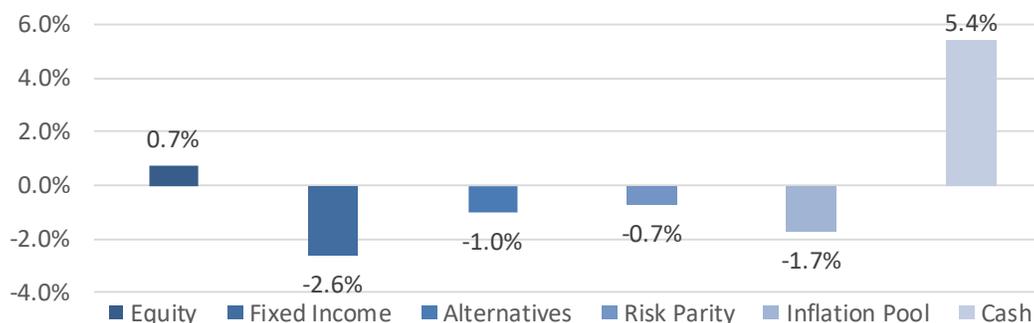
Equity	\$ 1,717,793,138
Fixed Income	738,544,220
Alternatives	480,730,879
Risk Parity	291,757,142
Inflation Hedge	573,336,864
Total Net Portfolio Value	<u>\$ 3,802,162,243</u>

RECONCILIATION TO STATEMENT OF FIDUCIARY NET POSITION

Total Net Portfolio Value	\$ 3,802,162,243
Cash Equivalents	217,402,059
Investments Receivable	25,398,551
Prepaid Expense	7,669
Capital Assets (Net of Depreciation)	7,629,373
Investments Payable	<u>(13,897,905)</u>
Fiduciary Net Position as of June 30, 2017	<u>\$ 4,038,701,990</u>

PERCENT OF DEVIATION FROM ASSET ALLOCATION

June 30, 2017



BENCHMARKS (JUNE 30, 2017)

Asset Class	Policy Benchmark
EQUITY BENCHMARK	54.8% Russell 3000, 45.2% Morgan Stanley Capital International ex-United States Investable Market Indexes (MSCI ex-US IMI)
Domestic Equity Benchmark	Russell 3000
International Equity Benchmark	Morgan Stanley Capital International ex-United States Investable Market Indexes (MSCI ex-US IMI)
FIXED INCOME BENCHMARK	57.1% Bloomberg Barclays Aggregate (BBgBarc), 28.6% BBgBarc Intermediate High Yield (HY), 14.3% BBgBarc Multiverse
Domestic Fixed Income Benchmark	66.7% Bloomberg Barclays Aggregate (BBgBarc), 33.3% BBgBarc Intermediate High Yield (HY)
Global Fixed Income Benchmark	BBgBarc Multiverse
ALTERNATIVES BENCHMARK	53.8% Russell 3000 + 3%, 46.2% London Interbank Offered Rate (LIBOR) + 4%
Private Equity Benchmark	Russell 3000 + 3%
Hedge Funds/Absolute Return Benchmark	LIBOR + 4%
RISK PARITY BENCHMARK	60% Morgan Stanley Capital International World, 40% BBgBarc Aggregate
INFLATION HEDGE BENCHMARK	43.75% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Equity (NCREIF ODCE), 14.87% Bloomberg Roll Select Commodity, 14.4% Standard & Poor (S&P) Global Large-MidCap Commodity and Resource, 14.4% S&P Global Infrastructure, 12.5% Barclays Treasury Inflation Protected Securities (TIPS)
Real Estate Benchmark	NCREIF ODCE
Private Real Asset Benchmark	34 % Bloomberg Roll Select Commodity, 33% S&P Global Large-MidCap Commodity and Resource, 33% S&P Global Infrastructure
Liquid Pool Benchmark	34 % Bloomberg Roll Select Commodity, 33% S&P Global Large-MidCap Commodity and Resource, 33% S&P Global Infrastructure
CASH EQUIVALENTS BENCHMARK	91-day Treasury-Bills

SCHEDULE OF PORTFOLIO RETURNS

Performance as of June 30, 2017, Net of Fees

Asset Class	Total Time-Weighted Rate of Return ⁽⁵⁾		
	One Year	Three Years	Five Years
EQUITY	18.60%	6.10%	12.00%
Equity Benchmark	20.00%	6.00%	12.00%
Domestic Equity	18.30%	8.50%	14.10%
Domestic Equity Benchmark	18.50%	8.80%	14.40%
International Equity	18.30%	1.80%	8.00%
International Equity Benchmark	21.00%	1.60%	7.90%
FIXED INCOME	7.20%	3.50%	4.50%
Fixed Income Benchmark	2.20%	2.70%	2.50%
Domestic Fixed Income	6.50%	3.80%	4.30%
Domestic Fixed Income Benchmark	3.00%	3.20%	2.70%
Global Fixed Income	10.90%	1.50%	4.80%
Global Fixed Income Benchmark	-1.40%	-0.20%	1.10%
ALTERNATIVES	17.10%	7.80%	7.20%
Alternatives Benchmark	13.60%	3.80%	6.70%
Private Equity	29.10%	19.00%	15.20%
Private Equity Benchmark	21.50%	12.10%	17.60%
Hedge Funds/Absolute Return	4.50%	7.10%	6.30%
Hedge Funds/Absolute Return Benchmark	4.80%	4.40%	4.30%
RISK PARITY	4.10%	2.80%	5.80%
Risk Parity Benchmark	10.70%	6.60%	9.60%
INFLATION HEDGE ⁽¹⁾	5.90%	*	*
Inflation Hedge Benchmark	4.20%	*	*
Real Estate ⁽²⁾	8.20%	11.70%	11.70%
Real Estate Benchmark	7.90%	11.30%	11.80%
Private Real Asset ⁽³⁾	2.90%	*	*
Private Real Asset Benchmark	5.00%	*	*
Liquid Pool ⁽⁴⁾	*	*	*
Liquid Pool Benchmark	*	*	*
CASH EQUIVALENTS	0.80%	1.00%	0.70%
Cash Equivalents Benchmark	0.50%	0.20%	0.20%
TOTAL	12.60%	5.50%	9.40%
Policy Benchmark	12.60%	5.30%	9.20%

(1) The creation of a dedicated Inflation Hedge asset class was effective April 1, 2016.

(2) Prior to April 1, 2016, Real Estate assets were allocated to SamCERA's allocation to a dedicated Real Estate asset class.

(3) Prior to April 1, 2016, Private Real assets were allocated as part SamCERA's allocation to Alternatives.

(4) The dedicated Liquid Pool was funded October 2016.

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

* Return information is not available.

SCHEDULE OF TOP TEN EQUITIES AND FIXED INCOME SECURITIES

June 30, 2017

Top Ten Equity Securities ⁽¹⁾

Shares	Company Name	Ticker	Stock Exchange	Fair Value
584,365	United Overseas Bank Limited	UOB	Singapore	\$ 9,812,629
83,417	Nestle	NESNE	Swiss	7,268,990
67,870	Sanofi	SNY	Paris	6,483,788
177,272	Taiwan Semiconductor	TSM	New York	6,197,429
780,790	Iberdrola	IBE	Madrid	6,174,045
30,747	Naspers	NPN	Johannesburg	5,972,228
206,700	Honda Motor Company	HMC	Tokyo	5,636,604
259,277	Glaxosmithkline	GSK	London	5,508,165
1,181,680	Telia Company	TELIA	Stockholm	5,434,477
216,955	ABB Group	ABB	Swiss	5,364,689
Total Top 10 Equities				\$ 63,853,044

⁽¹⁾ Securities owned in commingled vehicles are not included in this schedule. A complete list of portfolio holdings in SamCERA separately held accounts is available upon request.

Top Ten Fixed Income Securities ⁽¹⁾

Security	Coupon	S&P Rating	Maturity	Fair Value
United States Treasury Note	0.125	AA+	7/15/2022	\$ 10,176,454
United States Treasury Note	1.250	AA+	7/15/2020	9,520,184
United States Treasury Bond	1.750	AA+	1/15/2028	7,982,574
United States Treasury Note	0.375	AA+	7/15/2023	7,523,633
United States Treasury Bond	1.375	AA+	2/15/2044	6,573,356
United States Treasury Note	0.125	AA+	4/15/2019	5,716,762
United States Treasury Bond	2.375	AA+	1/15/2025	4,655,468
United States Treasury Bond	3.375	AA+	4/15/2032	4,361,436
United States Treasury Note	0.250	AA+	1/15/2025	3,357,935
United States Treasury Bond	0.875	AA+	2/15/2047	2,512,019
Total Top 10 Fixed Income				\$ 62,379,821

⁽¹⁾ Securities owned in commingled vehicles are not included in this schedule. A complete list of portfolio holdings in SamCERA separately held accounts is available upon request.

LIST OF INVESTMENT MANAGERS

June 30, 2017

GROWTH**Domestic Equity**

BlackRock
DE Shaw
Quantitative Management Associates

International Equity

Baillie Gifford
BlackRock
Fidelity Institutional Asset Management
Mondrian Investment Partners
Parametric Portfolio Associates

Private Equity

ABRY Partners
Angeles Equity Partners
Catalyst Fund
Cevian Capital
Emergence Capital Partners
General Catalyst Partners
JLL Partners
New Enterprise Associates
Oak Hill Advisors
Sycamore Partners
TCW
Third Rock Ventures
Warburg Pincus

Opportunistic Credit

Angelo Gordon
Beach Point Capital Management
Brigade Capital Management
Franklin Templeton
Tennenbaum Capital Partners
White Oak

DIVERSIFYING**Fixed Income**

BlackRock
Fidelity Institutional Asset Management
Western Asset Management

Absolute Return

Aberdeen Standard Investments
AQR Capital Management

INFLATION HEDGE**Liquid Pool**

State Street Global Advisors

Real Estate

Invesco
PGIM

Private Real Assets

Blue Road Capital
CIM Group
EnCap Investments
EverStream Energy Capital Management
Sheridan Production Partners
Taurus Funds Management

TIPS

Brown Brothers Harriman

RISK PARITY

AQR Capital Management
PanAgora Asset Management

CASH OVERLAY

Parametric Portfolio Associates

SCHEDULE OF PROFESSIONAL SERVICES AND FEES*For the Fiscal Year Ended June 30, 2017*

	Management Fees	Fair Value of Investments
ASSETS UNDER MANAGEMENT		
Equity	\$ 5,114,666	\$1,717,793,138
Fixed Income	4,998,196	738,544,220
Alternatives	6,948,227	480,730,879
Risk Parity	1,058,181	291,757,142
Inflation Hedge	2,997,405	573,336,864
Cash	193,557	25,207,998
Total	\$ 21,310,232	\$3,827,370,241

OTHER INVESTMENT EXPENSES

Investment Consultant	\$ 450,596
Actuarial Consulting	169,000
Master Custodian	241,875
Other Professional Services	69,900
Total	\$ 931,371

TOP 10 BROKER COMMISSIONS*Commission per Share Traded, For the Fiscal Year Ended June 30, 2017*

Brokerage Firm	Commission	Number of Shares Traded	Commission per share
Penserra Securities	\$ 96,287	10,698,627	\$0.009
Deutsche Bank Securities	31,380	15,363,202	0.002
Liquidnet	21,116	644,552	0.033
Morgan Stanley & Co	16,609	17,641,726	0.001
Citigroup Global Markets	15,104	29,780,049	0.001
Goldman Sachs	14,768	878,713	0.017
Stifel, Nicolaus & Company	4,788	126,884	0.038
Instinet Europe	3,815	351,485	0.011
Wells Fargo	3,668	95,646	0.038
UBS AG London	3,216	361,939	0.009
All Other Brokerage Firms	119,072	445,719,388	0.000
Total	\$ 329,823	521,662,211	\$0.001



ACTUARIAL SECTION

ACTUARY'S CERTIFICATION



1301 Fifth Avenue
 Suite 3800
 Seattle, WA 98101-2805
 USA
 Tel +1 206 824 7940
 Fax +1 206 823 3485
 milliman.com

October 11, 2017

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

Dear Members of the Board:

SamCERA's basic financial goal is to establish contributions which fully fund the System's liabilities and which, as a percentage of payroll, remain 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 valuations is shown below:

Valuation Date	Funded Ratio
June 30, 2015	82.6%
June 30, 2016	83.1%
June 30, 2017	84.3%

The funded ratio increased in the last year primarily due to contributions in excess of the value of benefits and investment earnings in excess of the assumed rate. It was offset somewhat due to assumptions adopted as a result of the 2017 Investigation of Experience study effective June 30, 2017.

It is our opinion that SamCERA continues in sound financial condition as of June 30, 2017 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. To be in a "sound financial condition," we believe the plan should be projected to reach or exceed a 100% funded ratio in 30 years or less. SamCERA meets this criteria. Under SamCERA's funding policy, the employer's contributions are set equal to the net employer normal cost rate plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL). The amortization of the initial UAAL as of June 30, 2008 is funded over a closed 15-year period ending June 30, 2023. The amortization of any subsequent changes in the UAAL is funded over separate closed 15-year layers which are determined annually. It should be noted that the 2017 valuation results defer a net market gain on assets. Thus, the funded ratio is expected to be higher once those market gains are reflected in the 2018 and later valuations, assuming future investment earnings are equal to the assumed rate. Additionally, it is the County's intent to make contributions in excess of those required under the funding policy. This, combined with SamCERA's short amortization period, is expected to increase the funded status in the future.

The June 30, 2017 valuation results are based on the membership data and the asset information provided by SamCERA. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

The valuation is also based on our understanding of SamCERA's current benefit provisions and the actuarial assumptions which were reviewed and adopted by the Board. The actuarial assumptions were last reviewed and adopted by the Board in 2017. The economic and demographic assumptions were adopted in July 2017, based on the triennial investigation of experience study report as of April 30, 2017. The assumptions and methods used for financial reporting under GASB 67 are the same as the funding assumptions and methods with the following exceptions:

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.

Offices in Principal Cities Worldwide



Board of Retirement
October 11, 2017
Page 2

1. The discount rate and investment return assumption of 6.92% differs from the funding valuation due to the addition of an administrative expense load of 0.17%.
2. The asset valuation method is fair market value.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for SamCERA consistent with our understanding of its funding requirements and goals. The liabilities are determined by using the entry age normal funding method. The actuarial assets are determined using a modified five-year smoothed recognition method of asset gains and losses, determined as the difference of the actual market value to the expected market value for each of the prior 10 six-month periods. The actuarial assets are restricted to not vary more than 20% from the market value. We believe the actuarial assumptions and methods are internally consistent, reasonable and meet the parameters of Governmental Accounting Standards Board Statement No. 67 and No. 68 for fulfilling financial accounting requirements. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements as presented in the valuation report due to many factors. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Our valuation report and this letter have been prepared exclusively for SamCERA for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning SamCERA's operations, and uses SamCERA's data, which Milliman has not audited. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

Milliman provided the following schedules and exhibits for use in the actuarial section:

1. Rate of separation from actuarial service
2. Employer contribution rates as a percentage of covered payroll
3. Summary of significant actuarial statistics and measures
4. Solvency test
5. Schedule of funding progress
6. History of employer Statutory Contribution Rates
7. Demographic activity of retirees and beneficiaries
8. Actuarial analysis of financial experience
9. Summary of active member valuation data
10. Schedule of average monthly salary of active members
11. Participating employers and active members
12. Summary of retired and inactive member benefits

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

We certify that the June 30, 2017 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary
NJC/CJG/nlo

Craig J. Glyde, ASA, EA, MAAA
Consulting Actuary

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

September 20, 2017

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

Re: Audit of June 30, 2017 Actuarial Valuation

Dear Members of the Board:

We are pleased to present the results of our audit of the June 30, 2017 Actuarial Valuation for the San Mateo County Employees' Retirement Association (SamCERA). The purpose of this audit was to verify the calculations completed by Milliman and to offer comments on the methodology and the results of their actuarial valuation.

Our audit confirms that the results of the actuarial calculations as of June 30, 2017 are reasonable, and that those calculations are based on generally accepted actuarial principles and practices.

This review was conducted by Paul Angelo, a Fellow of the Society of Actuaries, Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA, and Andy Yeung, an Associate of the Society of Actuaries, Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA. This review was conducted in accordance with the standards of practice prescribed by the Actuarial Standards Board.

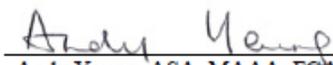
The assistance of Milliman and SamCERA is gratefully acknowledged. We appreciate the opportunity to be of service to SamCERA's Board of Retirement, and we are available to answer any questions you may have on this report.

We are Members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,



Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary



Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

TJH/bbf

cc: Nick Collier, ASA, MAAA, EA
Craig Glyde, ASA, MAAA, EA

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Benefits, Compensation and HR Consulting. Member of The Segal Group. Offices throughout the United States and Canada

ACTUARIAL VALUATION

Introduction

San Mateo County Employees' Retirement Association (SamCERA) provides basic retirement, disability, and death benefits based on a defined formula using final average compensation, years of service, and age of the member to calculate pension benefits. Details of the pension and plan provisions are provided in the Financial Section under the Notes to the Basic Financial Statements (Note 1).

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 in accordance with the membership type and the plan in which a member belongs.

Fund Objective

The funding objective is to establish contribution rates which, over time, will remain as a level percentage of payroll. Details for the 10 year schedule of actuarially determined and actual contributions can be found in the Financial Section under the Required Supplementary Information.

Valuation Policy

SamCERA engages an independent actuarial firm to perform an annual actuarial valuation as of June 30. The actuarial valuation is used to calculate the value of

future benefits, assess the funded status, and determine contribution rates for participating employers and employees. The contribution rates calculated at each year-end as of June 30 are subject to a "one year" deferral. Thus, the new contribution rates calculated in the valuation at June 30, 2017, will be effective on July 1, 2018. In the actuarial valuation, the actuary applies specific actuarial methods and assumptions to project as closely as possible present contributions to meet future benefit obligations.

Contributions

The participating employers and members are responsible for contributing to the cost of benefits each year (commonly known as normal cost contributions). The portion not funded by member contributions is the responsibility of the employers (commonly known as the employer normal cost).

The employers are also responsible for funding shortfalls related to accrued liability for past services arising from changes in the economic and demographic assumptions. The employers' contribution towards the funding shortfalls is commonly known as the Unfunded Actuarial Accrued Liability (UAAL) contribution.

Actuarial Cost Method

The entry age normal cost method is selected by the actuary for the annual actuarial valuation. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual projected compensation between entry age and assumed

ACTUARIAL METHODS AND ASSUMPTIONS (FOR FUNDING PURPOSES)

VALUATION DATE	June 30, 2017
ACTUARIAL COST METHOD	Entry Age Normal
ACTUARIAL EXPERIENCE STUDY	July 1, 2014 to April 30, 2017
AMORTIZATION METHOD	Level percentage of projected payroll
AMORTIZATION PERIOD	UAAL as of June 30, 2008, is amortized over a closed 15-year period ending June 30, 2023. Subsequent changes in the UAAL are amortized over separate closed 15-year layers that are determined annually.
ASSET VALUATION METHOD	5-year smoothed recognition of asset gains and losses (determined as the difference of the actual fair value to the expected fair value), which cannot vary more than 20% from the fair value.
ACTUARIAL ASSUMPTIONS	
Economic assumptions:	
Investment rate of return	6.75%
Inflation rate (CPI)	2.50%
General wage increases	3.00%
Demographic assumptions:	
Salary increases due to service	The total expected increase in salary represents the increase due to promotions and longevity, adjusted for an assumed 3.00% per annum increase in the general wage. The total result is compounded rather than additive.
Mortality	Rates are based on RP-2014 Healthy Annuitant Mortality Table for respective genders with MP-2014 Ultimate Projection Scale. See the valuation report as of June 30, 2017, for details.
Retirement	See the valuation report as of June 30, 2017, for details.
Disability	See the valuation report as of June 30, 2017, for details.
Other terminations of employment	See the valuation report as of June 30, 2017, for details.
Refund of contributions on vested termination	See the valuation report as of June 30, 2017, for details.

Note: The actuarial methods and assumptions were selected by the Retirement Board with the recommendation of the actuary.

retirement age. The portion of this actuarial present value allocated to the valuation year is commonly called the normal cost (the actuarial value of benefits accruing for the present year). The portion not provided for at the valuation date represents the UAAL.

The entry age normal cost method is used for both funding and financial reporting purposes. This method was selected for funding purposes 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. In addition, Governmental Accounting Standards Board (GASB) Statement No. 67 requires that this method be used for financial reporting purposes.

Between the funding and financial reporting valuations, the only difference in assumptions is the investment return assumption. The assumed investment return for funding is 6.75%, net of both investment and administrative expenses; whereas the assumed investment return for financial reporting is 6.92%, 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. If the plan is less than 100% funded, the remainder is applied toward the UAAL. The UAAL represents the difference between the actuarial accrued liability (AAL) and the actuarial value of assets (AVA). The UAAL is amortized using

the “Level Percent of Payroll” amortization method.

The UAAL as of June 30, 2008, is amortized over a closed 15-year period as a level percentage of the projected salaries of present and future members of SamCERA over the remaining period from the valuation date. This is commonly referred to as a closed amortization method. Actuarial gains and losses after the June 30, 2008 valuation are amortized over new closed 15-year periods from their respective valuation dates (commonly known as 15-year layered amortization).

Beginning with the June 30, 2010 actuarial valuation, the San Mateo County Mosquito and Vector Control District (the District) adopted the same “enhanced” benefit formula that applies to Plans 1, 2, and 4 of the County of San Mateo (the County) General members and the same member rates currently being paid by County members from those plans. Because the District does not participate in cost sharing on the member rates, the District has a separate normal cost rate and expected member contribution rate from the County General Group.

Actuarial Asset Valuation Method

The actuarial asset valuation method used is a 5-year smoothed recognition method with a 20% corridor. This method takes into account appreciation (or depreciation) in investments to smooth asset values by averaging the excess of the actual over the expected income, on a fair value basis, over a five year period. The smoothed asset value is subject to a 20% corridor, or within 20% of the actual asset value.

Actuarial Assumptions

Economic and demographic assumptions are used to determine future contribution requirements from employers and members. The demographic assumptions utilize the information from the latest Experience Study from July 1, 2014, to April 30, 2017. The assumptions selected are used to estimate the actuarial cost of the pension plan and determine the present contributions necessary to meet the pension benefits in the future.

The actuarial assumptions used in the valuation are intended to estimate the future experience of SamCERA's members and SamCERA's earnings in areas that may affect the projected benefit flow and anticipated investment earning. Any variations in future experience from these assumptions will result in corresponding changes in the estimated costs of SamCERA's benefits. The assumptions will next be reviewed in detail in 2020 as part of the triennial investigation of experience.

Key Economic Assumptions

Investment Rate of Return. The future investment earnings of SamCERA's assets are accrued at an annual rate of 6.75%, compounded annually (3.375% per six-month period), net of both investment and administrative expenses. The annual rate of 6.75% was 0.25% lower than the previous assumption and was effective June 30, 2017.

Inflation Rate. The assumed rate of inflation for the 2017 valuation is 2.50%, which is 0.25% lower than the previous assumption.

Projected General Wage Increase. The assumed rate of annual wage increase for the 2017 valuation is 3.00%, which is 0.25% lower than the previous assumption.

Cost of Living Adjustment (COLA). The COLA adjustments depend upon the plan in which a member is enrolled and the Consumer Price Index (CPI) for the San Francisco Bay Area. The COLA is limited to 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 members do not receive a COLA.

Key Demographic Assumptions

Salary Increases due to Service. The expected annual increase in salary assumption includes an expected annual increase of 3.00% due to increases in the general wage level of membership, and expected annual increases due to promotion and longevity, which vary depending on a member's years of service.

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 the 100% of compensation limit, the member is also assumed to retire immediately.

Retiree Mortality—Other Than Disabled Members. The same postretirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. These rates were adopted June 30, 2017.

- General and Safety Males: RP-2014 Healthy Annuitant Mortality Table for Males multiplied by 95%, with MP-2014 Ultimate Projection Scale.
- General and Safety Females: RP-2014 Healthy Annuitant Mortality Table for Females multiplied by 95%, with MP-2014 Ultimate Projection Scale.

Retiree Mortality – Disabled Members.

- General Males: Average of RP-2014 Healthy Annuitant (multiplied by 95%) and Disabled Mortality (multiplied by 105%) Tables for Males, with MP-2014 Ultimate Projection Scale (minimum is 1.0%).
- Safety Males: RP-2014 Healthy Annuitant Mortality Table for Males multiplied by 105%, with MP-2014 Ultimate Projection Scale (minimum is 1.0%).
- General Females: Average of RP-2014 Healthy Annuitant (multiplied by 95%) and Disabled Mortality (multiplied by 105%) Tables for Females, with MP-2014 Ultimate Projection Scale (minimum is 0.5%).
- Safety Females: RP-2014 Healthy Annuitant Mortality Table for Females multiplied by 105%, with MP-2014 Ultimate Projection Scale (minimum is 0.5%).

Separation from Active Status. The probabilities of termination of employment due to the causes stated below are presented on page 112. Each rate represents the probability that a member will separate from service at each age due to the particular reason. For example, a

rate of 0.0300 for a member's service retirement at age 50 assumes that 30 out of 1,000 members who are age 50 will retire at that age.

Separation from active status can be due to one of the following reasons:

- Service retirement: Member retires after meeting age and service requirements for reasons other than disability.
- Contribution withdrawal: Member terminates and elects a refund of member contributions, or a deferred vested retirement benefit.
- Service disability: Member receives disability retirement; disability is service related.
- Ordinary disability: Member receives disability retirement; disability is not service related.
- Service death: Member dies before retirement; death is service related.
- Ordinary death: Member dies before retirement; death is not service related.

SUMMARY OF SIGNIFICANT ACTUARIAL STATISTICS AND MEASURES

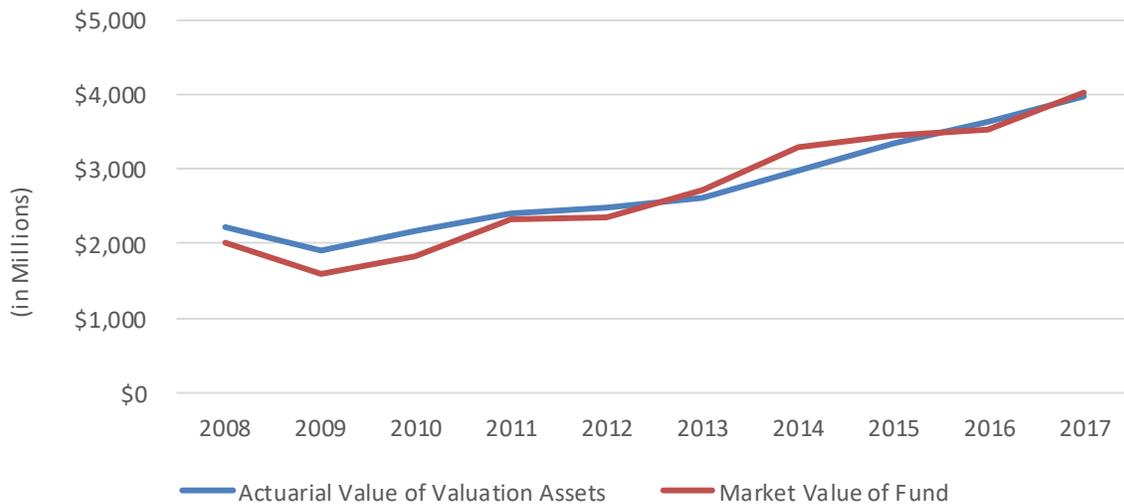
	June 30, 2017	June 30, 2016	Relative Change
ACTIVE MEMBERS			
Number of Members	5,337	5,187	2.9%
Average Age	44.2	45.4	(2.6)%
Average Credited Service	10.5	10.8	(2.8)%
Total Active Payroll (In Thousands)	\$510,132	\$472,385	8.0%
Average Monthly Salary	\$8,154	\$7,933	2.8%
RETIRED MEMBERS			
Number of Members			
Service Retirement	3,869	3,749	3.2%
Disability Retirement	469	454	3.3%
Beneficiaries	618	545	13.4%
Average Age	71.2	71.0	0.3%
Actual Retiree Benefits Paid (In Thousands)	\$190,364	\$179,497	6.1%
Average Monthly Pension	\$3,347	\$3,268	2.4%
NUMBER OF INACTIVE MEMBERS	1,487	1,486	0.1%
ASSETS			
Market Value of Fund (In Thousands)	\$4,038,702	\$3,541,388	14.0%
Return on Market Value	12.6%	0.7%	
Valuation Assets (In Thousands)	\$3,976,717	\$3,624,726	9.7%
Return on Valuation Assets	7.8%	6.4%	
LIABILITY VALUES (IN THOUSANDS)			
Actuarial Accrued Liability	\$4,719,850	\$4,362,296	8.2%
Unfunded Actuarial Accrued Liability	\$743,133	\$737,570	0.8%
Deferred Asset (Gains) / Losses	(\$21,816)	\$119,951	
FUNDED RATIO			
Based on valuation assets	84.3%	83.1%	1.4%

Valuation Assets

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

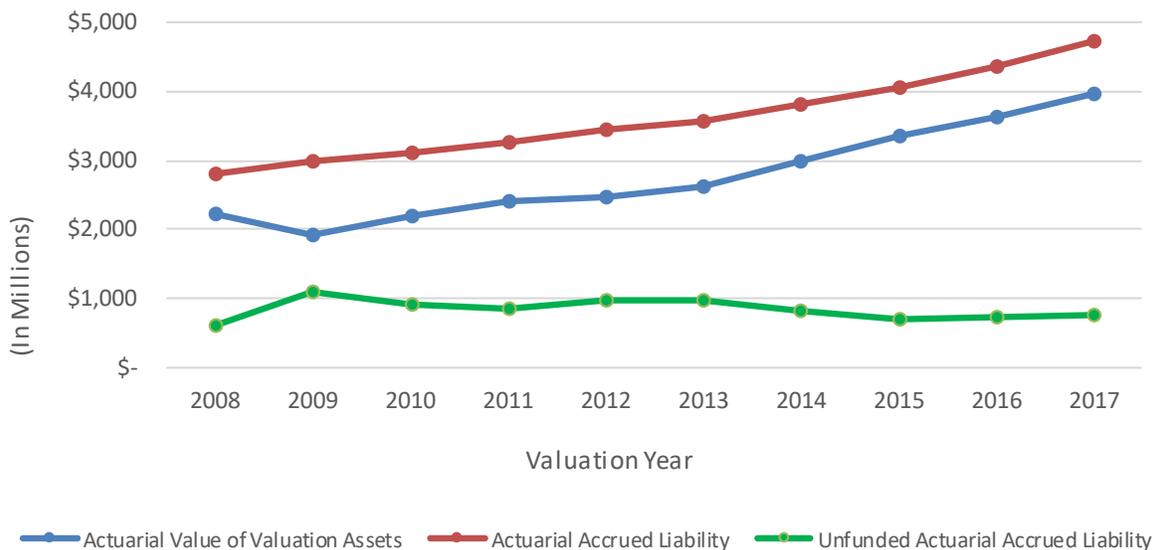
APPLICABLE VALUATION ASSETS

June 30



ACTUARIAL VALUATION

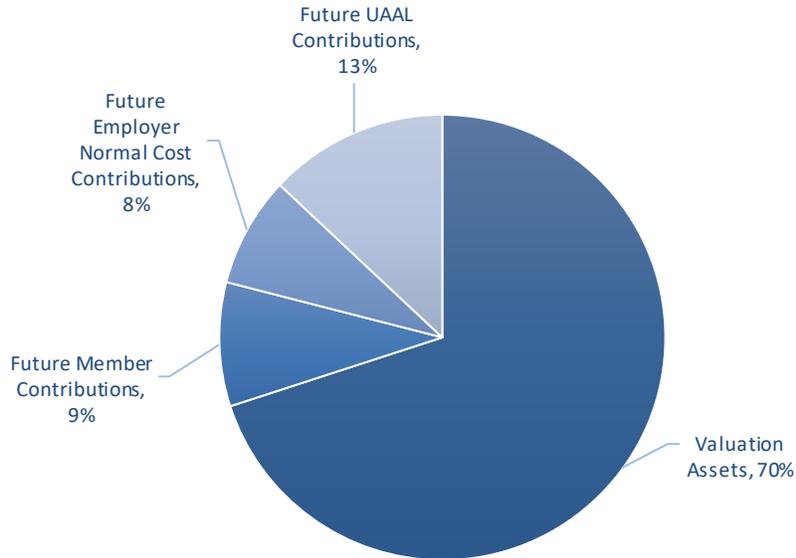
June 30



ACTUARIAL VALUATION—SAMCERA'S RESOURCES

June 30, 2017

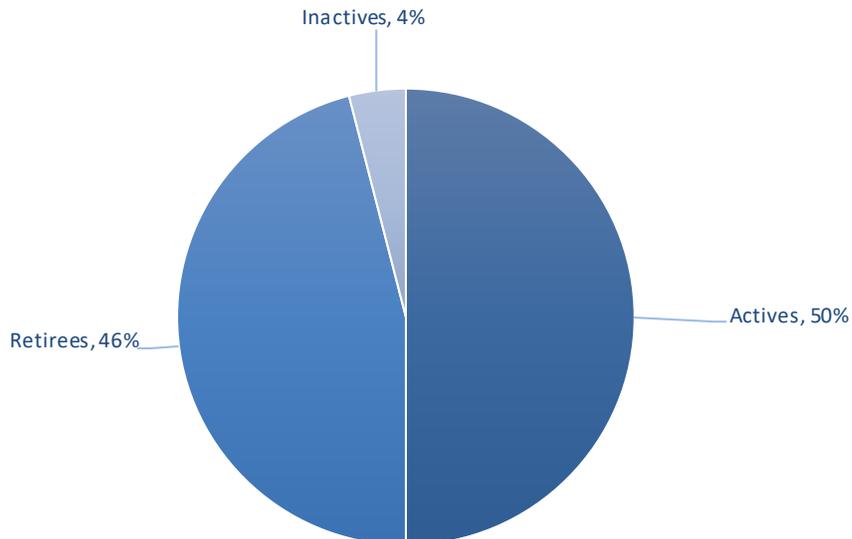
SamCERA's resources equal the actuarial assets plus the expected future contributions by both the employers and members.



ACTUARIAL VALUATION—SAMCERA'S LIABILITIES

June 30, 2017

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



SOLVENCY TEST

(Dollars in Thousands)

Actuarial Valuation Date as of June 30,	Valuation Assets	Actuarial Accrued Liabilities			Portion of Actuarial Accrued Liabilities Covered by Assets		
		Active Member Contributions (A)	Retirees and Beneficiaries ⁽¹⁾ (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
2008	\$2,218,937	\$385,300	\$1,550,875	\$870,047	100%	100%	32%
2009	1,909,679	412,147	1,670,547	905,018	100%	90%	0%
2010	2,179,076	449,355	1,745,146	903,952	100%	99%	0%
2011	2,405,140	485,126	1,866,219	895,382	100%	100%	6%
2012	2,480,271	498,569	2,022,791	921,193	100%	98%	0%
2013	2,618,639	534,276	2,157,590	880,884	100%	97%	0%
2014	2,993,187	584,080	2,285,328	927,634	100%	100%	13%
2015	3,343,550	628,287	2,451,544	965,955	100%	100%	27%
2016	3,624,726	679,246	2,635,409	1,047,641	100%	100%	30%
2017	3,976,717	735,102	2,811,651	1,173,097	100%	100%	37%

⁽¹⁾ Includes inactive members

SCHEDULE OF FUNDING PROGRESS

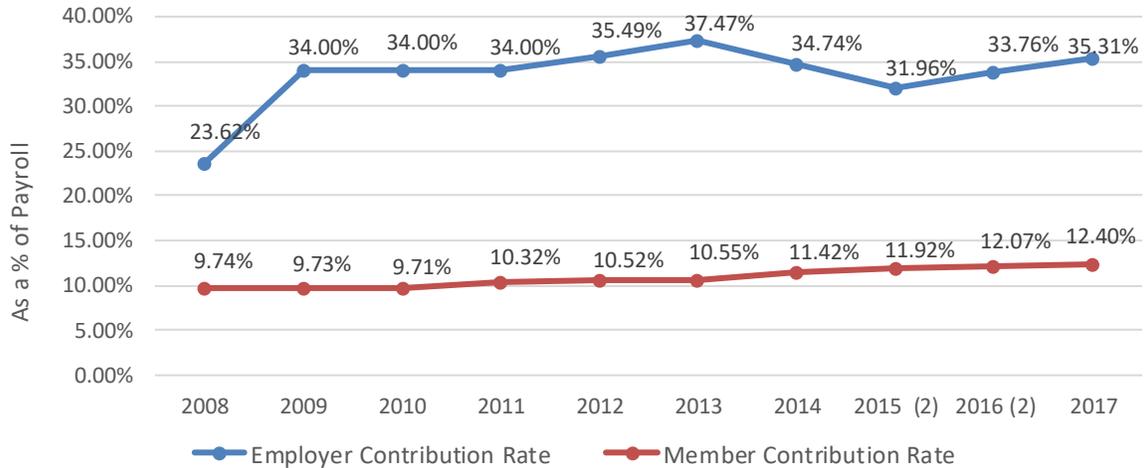
(Dollars in Thousands)

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
2008	\$2,218,937	\$2,806,222	\$587,285	79.1%	\$411,293	142.79%
2009	1,909,679	2,987,712	1,078,033	63.9%	433,668	248.58%
2010	2,179,076	3,098,453	919,377	70.3%	434,295	211.69%
2011	2,405,140	3,246,727	841,587	74.1%	427,041	197.07%
2012	2,480,271	3,442,553	962,282	72.0%	418,916	229.71%
2013	2,618,639	3,572,750	954,111	73.3%	404,361	235.96%
2014	2,993,187	3,797,042	803,855	78.8%	416,274	193.11%
2015	3,343,550	4,045,786	702,236	82.6%	439,018	159.96%
2016	3,624,726	4,362,296	737,570	83.1%	472,385	156.14%
2017	3,976,717	4,719,850	743,133	84.3%	510,132	145.67%

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

EMPLOYER AND MEMBER CONTRIBUTION RATES ⁽¹⁾

Determined at June 30



⁽¹⁾ The contribution rates determined as of the valuation date will become effective a year later. For example, the contribution rates determined as of June 30, 2017, will become effective on July 1, 2018.

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

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

	Fiscal Year Beginning		
	July 1, 2017 ⁽²⁾	July 1, 2016 ⁽¹⁾	Change
Gross Normal Cost	22.31%	21.95%	0.36%
Less: Member Contributions	(12.07)%	(11.92)%	(0.15)%
Employer Normal Cost	10.24%	10.03%	0.21%
UAAL Amortization	23.52%	21.93%	1.59%
Total Employer Contribution Rate	33.76%	31.96%	1.80%

⁽¹⁾ Contribution rates for fiscal year beginning July 1, 2016, reflects all valuation addendums subsequent to the 2015 valuation.

⁽²⁾ The total employer rate of 33.76% (which reflects all valuation addendums subsequent to the 2016 valuation) is the aggregate rate for all employers. For the fiscal year beginning July 1, 2017, employer rates by employer are as follows:

- a) The County contribution rate is 33.91% of pay.
- b) The Court contribution rate is 30.44% of pay.
- c) The District contribution rate is 24.52% of pay.

HISTORY OF EMPLOYER STATUTORY CONTRIBUTION RATES⁽¹⁾ - GENERAL

Valuation Year (June 30)	General Members (County & Courts)			General Members (Nurses & UAPD) ^{(3) (4) (5)}			General Members (SMCM&VCD) ⁽²⁾		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2008	10.16%	9.81%	19.97%	Same as County General			8.55%	8.04%	16.59%
2009	10.11%	18.40%	28.51%	Same as County General			8.25%	15.09%	23.34%
2010	10.05%	16.35%	26.40%	Same as County General			11.70%	16.35%	28.05%
2011	9.71%	16.41%	26.12%	8.70%	16.41%	25.11%	11.97%	16.41%	28.38%
2012	9.98%	20.17%	30.15%	8.96%	20.17%	29.13%	11.68%	20.17%	31.85%
2013	9.74%	22.35%	32.09%	8.92%	22.35%	31.27%	11.70%	22.35%	34.05%
2014	10.12%	20.27%	30.39%	9.14%	20.21%	29.35%	11.72%	21.16%	32.88%

Valuation Year (June 30)	General Members (County)			General Members (Courts)			General Members (SMCM&VCD) ⁽²⁾		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2015 ⁽⁶⁾	8.67%	18.37%	27.04%	9.04%	19.54%	28.58%	11.75%	19.54%	31.29%
2016 ⁽⁷⁾	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%

- (1) Contribution rates shown are those calculated in the corresponding actuarial valuation. In some cases, actual contributions were higher.
- (2) Beginning with the 2010 actuarial valuation, the Mosquito and Vector Control District (SMCM&VCD) adopted the same benefit formula and member contribution rates as Plans 1, 2 & 4 General County members (excluding cost sharing and COLA sharing on member rates).
- (3) Beginning with the 2011 actuarial valuation, Plans 1, 2, and 4 members of the California Nurses Association (CNA) contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.
- (4) Beginning with the 2013 actuarial valuation, Plans 1, 2, and 4 members of the Union of American Physicians and Dentists (UAPD) contribute 25% of the cost of COLA, in addition to current member rates and cost sharing. In 2011 and 2012, these members contributed the same as County General members.
- (5) Beginning with the 2015 actuarial valuation, Plans 1, 2, and 4 members of the UAPD and the CNA contribute 50% of the cost of COLA, in addition to current member rates and cost sharing.
- (6) Effective with the first pay period after June 30, 2016, all members (except those with benefits negotiated under Court Interpreters and Board of Supervisors bargaining units, and SMCM&VCD members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. Additionally, pick-up contributions are discontinued for members with benefits negotiated under the Probation and Detention Association bargaining unit.
- (7) Effective October 2016, all members (except those with benefits negotiated under Board of Supervisors bargaining unit, and SMCM&VCD members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. This is reflected in 2016 values.

HISTORY OF EMPLOYER STATUTORY CONTRIBUTION RATES⁽¹⁾ - SAFETY AND PROBATION

Valuation Year (June 30)	Safety Member			Probation Members (excluding Managers) ⁽²⁾			Probation Members (Managers) ⁽³⁾		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2008	19.32%	27.31%	46.63%	20.05%	12.81%	32.86%	Same as Probation (exclude Managers)		
2009	19.21%	51.83%	71.04%	19.92%	23.84%	43.76%	Same as Probation (exclude Managers)		
2010	19.01%	44.50%	63.51%	19.85%	21.62%	41.47%	Same as Probation (exclude Managers)		
2011	18.87%	41.75%	60.62%	19.50%	22.30%	41.80%	Same as Probation (exclude Managers)		
2012	19.05%	48.51%	67.56%	19.99%	26.71%	46.70%	Same as Probation (exclude Managers)		
2013	18.51%	50.33%	68.84%	18.33%	29.32%	47.65%	17.85%	29.32%	47.17%
2014	18.99%	46.48%	65.47%	18.92%	28.09%	47.01%	18.79%	28.09%	46.88%
2015 ⁽⁴⁾	15.14%	43.58%	58.72%	15.31%	26.77%	42.08%	17.23%	26.77%	44.00%
2016 ⁽⁵⁾	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)		

- (1) Contribution rates shown are those calculated in the corresponding actuarial valuation. In some cases, actual contributions were higher.
- (2) Beginning with the 2012 actuarial valuation, Probation members (excluding Managers) contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.
- (3) Beginning with the 2015 actuarial valuation, Probation members (Managers) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing.
- (4) Effective with the first pay period after June 30, 2016, all members (except those with benefits negotiated under Court Interpreters and Board of Supervisors bargaining units, and SMCM&VCD members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. Additionally, pick-up contributions are discontinued for members with benefits negotiated under the Probation and Detention Association bargaining unit.
- (5) Effective October 2016, all members (except those with benefits negotiated under Board of Supervisors bargaining unit, and SMCM&VCD members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. This is reflected in 2016 values.

RATE OF SEPARATION FROM ACTIVE SERVICE

Years of Service	Other Terminations		Age	Disability		Death while Active		Service Retirement
	Ordinary	Vested		Ordinary	Service	Ordinary	Service	
General Plans 1, 2 & 4 Male Members								
0	0.1300	0.0000	20	0.0002	0.0004	0.0004	0.0000	0.0000
5	0.0222	0.0411	30	0.0003	0.0006	0.0005	0.0000	0.0000
10	0.0136	0.0274	40	0.0007	0.0012	0.0006	0.0000	0.0000
15	0.0086	0.0204	50	0.0011	0.0021	0.0017	0.0000	0.0300
20	0.0038	0.0152	60	0.0016	0.0029	0.0047	0.0000	0.1500
30 & Above	0.0000	0.0000	75	0.0000	0.0000	0.0000	0.0000	1.0000
General Plans 1, 2 & 4 Female Members								
0	0.1300	0.0000	20	0.0003	0.0005	0.0002	0.0000	0.0000
5	0.0245	0.0455	30	0.0003	0.0006	0.0002	0.0000	0.0000
10	0.0149	0.0301	40	0.0007	0.0014	0.0004	0.0000	0.0000
15	0.0095	0.0225	50	0.0016	0.0030	0.0011	0.0000	0.0300
20	0.0042	0.0168	60	0.0026	0.0048	0.0024	0.0000	0.1500
30 & Above	0.0000	0.0000	75	0.0000	0.0000	0.0000	0.0000	1.0000
General Plans 3 Male Members								
0	0.1300	0.0000	20	0.0000	0.0000	0.0004	0.0000	0.0000
5	0.0222	0.0411	30	0.0000	0.0000	0.0005	0.0000	0.0000
10	0.0136	0.0274	40	0.0000	0.0000	0.0006	0.0000	0.0000
15	0.0086	0.0204	50	0.0000	0.0000	0.0017	0.0000	0.0000
20	0.0038	0.0152	60	0.0000	0.0000	0.0047	0.0000	0.0300
30 & Above	0.0000	0.0000	75	0.0000	0.0000	0.0000	0.0000	1.0000
General Plans 3 Female Members								
0	0.1300	0.0000	20	0.0000	0.0000	0.0002	0.0000	0.0000
5	0.0245	0.0455	30	0.0000	0.0000	0.0002	0.0000	0.0000
10	0.0149	0.0301	40	0.0000	0.0000	0.0004	0.0000	0.0000
15	0.0095	0.0225	50	0.0000	0.0000	0.0011	0.0000	0.0000
20	0.0042	0.0168	60	0.0000	0.0000	0.0024	0.0000	0.0400
30 & Above	0.0000	0.0000	75	0.0000	0.0000	0.0000	0.0000	1.0000
General Plans 5 & 7 Male Members								
0	0.1300	0.0000	20	0.0002	0.0004	0.0004	0.0000	0.0000
5	0.0222	0.0411	30	0.0003	0.0006	0.0005	0.0000	0.0000
10	0.0136	0.0274	40	0.0007	0.0012	0.0006	0.0000	0.0000
15	0.0086	0.0204	50	0.0011	0.0021	0.0017	0.0000	0.0270
20	0.0038	0.0152	60	0.0016	0.0029	0.0047	0.0000	0.1350
30 & Above	0.0000	0.0000	75	0.0000	0.0000	0.0000	0.0000	1.0000
General Plans 5 & 7 Female Members								
0	0.1300	0.0000	20	0.0003	0.0005	0.0002	0.0000	0.0000
5	0.0245	0.0455	30	0.0003	0.0006	0.0002	0.0000	0.0000
10	0.0149	0.0301	40	0.0007	0.0014	0.0004	0.0000	0.0000
15	0.0095	0.0225	50	0.0016	0.0030	0.0011	0.0000	0.0270
20	0.0042	0.0168	60	0.0026	0.0048	0.0024	0.0000	0.1350
30 & Above	0.0000	0.0000	75	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Plans 1, 2 & 4 Male Members								
0	0.0700	0.0000	20	0.0000	0.0015	0.0004	0.0010	0.0000
5	0.0084	0.0156	30	0.0000	0.0018	0.0005	0.0010	0.0000
10	0.0047	0.0116	40	0.0000	0.0028	0.0006	0.0010	0.0000
15	0.0018	0.0092	50	0.0000	0.0077	0.0017	0.0010	0.1500
20 & Above	0.0000	0.0000	65	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Plans 1, 2 & 4 Female Members								
0	0.0700	0.0000	20	0.0000	0.0015	0.0002	0.0010	0.0000
5	0.0084	0.0156	30	0.0000	0.0018	0.0002	0.0010	0.0000
10	0.0047	0.0116	40	0.0000	0.0028	0.0004	0.0010	0.0000
15	0.0018	0.0092	50	0.0000	0.0077	0.0011	0.0010	0.1500
20 & Above	0.0000	0.0000	65	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Plans 5, 6 & 7 Male Members								
0	0.0700	0.0000	20	0.0000	0.0015	0.0004	0.0010	0.0000
5	0.0084	0.0156	30	0.0000	0.0018	0.0005	0.0010	0.0000
10	0.0047	0.0116	40	0.0000	0.0028	0.0006	0.0010	0.0000
15	0.0018	0.0092	50	0.0000	0.0077	0.0017	0.0010	0.0500
20 & Above	0.0000	0.0000	65	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Plans 5, 6 & 7 Female Members								
0	0.0700	0.0000	20	0.0000	0.0015	0.0002	0.0010	0.0000
5	0.0084	0.0156	30	0.0000	0.0018	0.0002	0.0010	0.0000
10	0.0047	0.0116	40	0.0000	0.0028	0.0004	0.0010	0.0000
15	0.0018	0.0092	50	0.0000	0.0077	0.0011	0.0010	0.0500
20 & Above	0.0000	0.0000	65	0.0000	0.0000	0.0000	0.0000	1.0000

DEMOGRAPHIC ACTIVITY OF RETIREES AND BENEFICIARIES

Fiscal Year Ended June 30,	Added to Rolls ⁽¹⁾		Removed from Rolls		Rolls end of year			
	No.	Annual Benefits (in Thousands)	No.	Annual Benefits (in Thousands)	No.	Total Retiree Payroll (in Thousands)	% Increase in Payroll	Average Monthly Benefits
2008	218	N/A	70	N/A	3,842	\$109,616	11.0	\$2,378
2009	159	\$12,717	66	\$3,281	3,935	119,052	8.6	2,521
2010	163	9,076	96	3,240	4,002	124,888	4.9	2,601
2011 ⁽²⁾	209	12,703	64	2,916	4,147	134,675	7.8	2,706
2012	218	14,379	90	4,209	4,275	144,845	7.6	2,823
2013	186	13,024	63	3,095	4,398	154,774	6.9	2,933
2014	203	12,474	83	3,479	4,518	163,769	5.8	3,021
2015	213	16,290	93	4,179	4,638	175,880	7.4	3,160
2016	233	15,347	123	5,030	4,748	186,197	5.9	3,268
2017	310	16,738	102	3,867	4,956	199,068	6.9	3,347

N/A - not applicable

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

⁽²⁾ Revised figures from the June 30, 2011 valuation.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

(Dollars in Thousands)

Summary of (Gains) / Losses	Change In Liability				
	2017	2016	2015	2014	2013
Unfunded Liability as of July 1	\$737,570	\$702,236	\$803,855	\$954,111	\$962,282
Expected Change in Unfunded Actuarial Accrued Liability	(110,404)	(96,454)	(76,018)	(88,525)	(34,535)
Salary (Gain) / Loss	27,685	24,707	39,129	(15,884)	(59,411)
Retiree COLA more / (less) than Expected	7,050	(6,275)	3,648	(15,603)	(8,606)
Asset (Gain) / Loss	(28,286)	27,821	(74,068)	(88,035)	93,999
Change due to Assumption Changes	133,221	89,364	-	59,345	-
Miscellaneous Experience	(23,703)	(3,829)	5,690	(1,554)	382
Unfunded Liability as of June 30	\$743,133	\$737,570	\$702,236	\$803,855	\$954,111

SUMMARY OF ACTIVE MEMBER VALUATION DATA

Valuation Date As of June 30,	No. of Members	Annual Salary	Average Annual Salary	% Change Average Salary	
2008	General	4,743	\$353,518,525	\$74,535	2.6%
	Safety	432	46,326,906	107,238	4.7%
	Probation	325	24,741,003	76,126	2.8%
	Total	5,500	\$424,586,434	\$77,198	2.8%
2009	General	4,777	\$370,760,830	\$77,614	4.1%
	Safety	436	48,120,081	110,367	2.9%
	Probation	330	26,270,802	79,608	4.6%
	Total	5,543	\$445,151,713	\$80,309	4.0%
2010	General	4,609	\$363,305,740	\$78,825	1.6%
	Safety	425	48,576,912	114,299	3.6%
	Probation	313	25,247,595	80,663	1.3%
	Total	5,347	\$437,130,247	\$81,752	1.8%
2011	General	4,494	\$355,876,715	\$79,189	0.5%
	Safety	446	52,073,940	116,758	2.2%
	Probation	305	24,591,392	80,628	0.0%
	Total	5,245	\$432,542,047	\$82,468	0.9%
2012	General	4,361	\$351,965,689	\$80,708	1.9%
	Safety	435	51,129,267	117,539	0.7%
	Probation	299	24,554,583	82,122	1.9%
	Total	5,095	\$427,649,539	\$83,935	1.8%
2013	General	4,173	\$338,595,633	\$81,140	0.5%
	Safety	452	52,233,510	115,561	-1.7%
	Probation	292	23,722,165	81,240	-1.1%
	Total	4,917	\$414,551,308	\$84,310	0.4%
2014	General	4,272	\$352,918,558	\$82,612	1.8%
	Safety	452	52,974,475	117,200	1.4%
	Probation	280	23,514,343	83,980	3.4%
	Total	5,004	\$429,407,376	\$85,813	1.8%
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%
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%
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%

SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS

(By Plan and Membership Type)

		Fiscal Year				
		2017	2016	2015	2014	2013
GENERAL	Plan 1	\$11,305	\$9,945	\$9,235	\$8,617	\$8,104
	Plan 2	8,994	8,636	8,186	7,584	7,355
	Plan 3	7,484	7,173	6,747	6,300	6,254
	Plan 4	8,134	7,807	7,386	6,873	6,662
	Plan 5	8,980	8,485	7,735	6,912	6,418
	Plan 7	6,737	6,714	6,315	5,721	5,433
	Average Monthly Salary	7,869	7,694	7,351	6,884	6,762
SAFETY	Plan 1	14,434	15,810	14,712	14,091	13,185
	Plan 2	13,528	12,505	11,545	11,191	10,935
	Plan 4	11,381	10,729	9,919	9,581	9,402
	Plan 5	10,544	9,940	9,145	8,958	8,699
	Plan 6	0	16,793	16,010	14,381	12,374
	Plan 7	8,356	7,538	6,701	7,011	6,695
	Average Monthly Salary	10,786	10,364	9,728	9,767	9,630
PROBATION	Plan 1	7,722	7,261	7,038	6,874	6,618
	Plan 2	9,069	8,349	8,012	7,699	7,445
	Plan 4	8,270	7,454	7,267	6,922	6,622
	Plan 5	7,612	6,429	6,106	5,916	5,242
	Plan 6	7,347	6,259	5,739	5,216	4,808
	Plan 7	6,121	5,962	5,684	5,807	7,742
	Average Monthly Salary	8,061	7,391	7,216	6,998	6,770
Average Monthly Salary (All Plans)		\$8,154	\$7,933	\$7,567	\$7,151	\$7,026

PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS

June 30, 2017

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

SUMMARY OF RETIRED AND INACTIVE BENEFITS

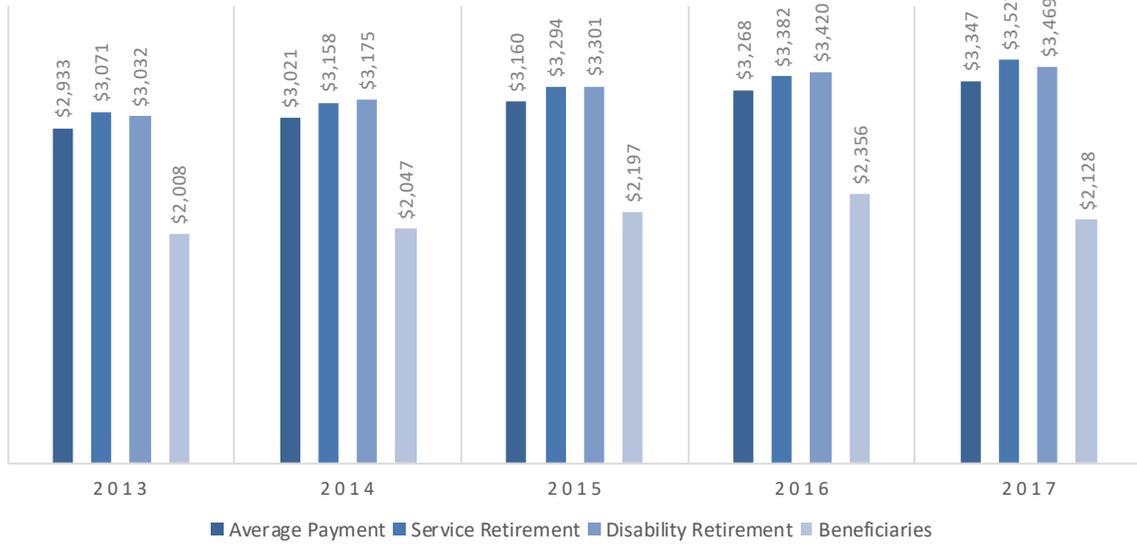
Last Five Fiscal Years

RETIRED MEMBERS	2017	2016	2015	2014	2013
Service Retirement					
Number (as of June 30)	3,869	3,749	3,628	3,525	3,446
Annual Allowance:					
Basic Only	\$ 122,893,000	\$ 119,212,000	\$ 112,557,000	\$ 105,556,000	\$ 100,411,000
COLA	33,352,000	32,949,000	30,835,000	28,027,000	26,594,000
Total	\$ 156,245,000	\$ 152,161,000	\$ 143,392,000	\$ 133,583,000	\$ 127,005,000
Average Monthly Payment	\$3,527	\$3,382	\$3,294	\$3,158	\$3,071
Disability Retirement					
Number (as of June 30)	469	454	442	428	393
Annual Allowance:					
Basic Only	\$ 14,634,000	\$ 14,040,000	\$ 13,303,000	\$ 12,508,000	\$ 10,733,000
COLA	4,657,000	4,590,000	4,208,000	3,800,000	3,564,000
Total	\$ 19,291,000	\$ 18,630,000	\$ 17,511,000	\$ 16,308,000	\$ 14,297,000
Average Monthly Payment	\$3,469	\$3,420	\$3,301	\$3,175	\$3,032
Beneficiaries					
Number (as of June 30)	618	545	568	565	559
Annual Allowance:					
Basic Only	\$ 8,669,000	\$ 8,944,000	\$ 8,610,000	\$ 7,986,000	\$ 7,668,000
COLA	6,245,000	6,462,000	6,367,000	5,892,000	5,804,000
Total	\$ 14,914,000	\$ 15,406,000	\$ 14,977,000	\$ 13,878,000	\$ 13,472,000
Average Monthly Payment	\$2,128	\$2,356	\$2,197	\$2,047	\$2,008
TOTAL RETIRED MEMBERS					
Number (as of June 30)	4,956	4,748	4,638	4,518	4,398
Annual Allowance:					
Basic Only	\$ 146,196,000	\$ 142,196,000	\$ 134,470,000	\$ 126,050,000	\$ 118,812,000
COLA	44,254,000	44,001,000	41,410,000	37,719,000	35,962,000
Total	\$ 190,450,000	\$ 186,197,000	\$ 175,880,000	\$ 163,769,000	\$ 154,774,000
Average Monthly Payment	\$3,347	\$3,268	\$3,160	\$3,021	\$2,933
INACTIVE MEMBERS (as of June 30)	1,487	1,486	1,384	1,304	1,306

Note: Beginning in 2017, the annual benefit amounts shown above are provided by SamCERA and reflect actual benefit payments made during the year. The number of retired members and average payment amounts are calculated by Milliman as of the valuation date.

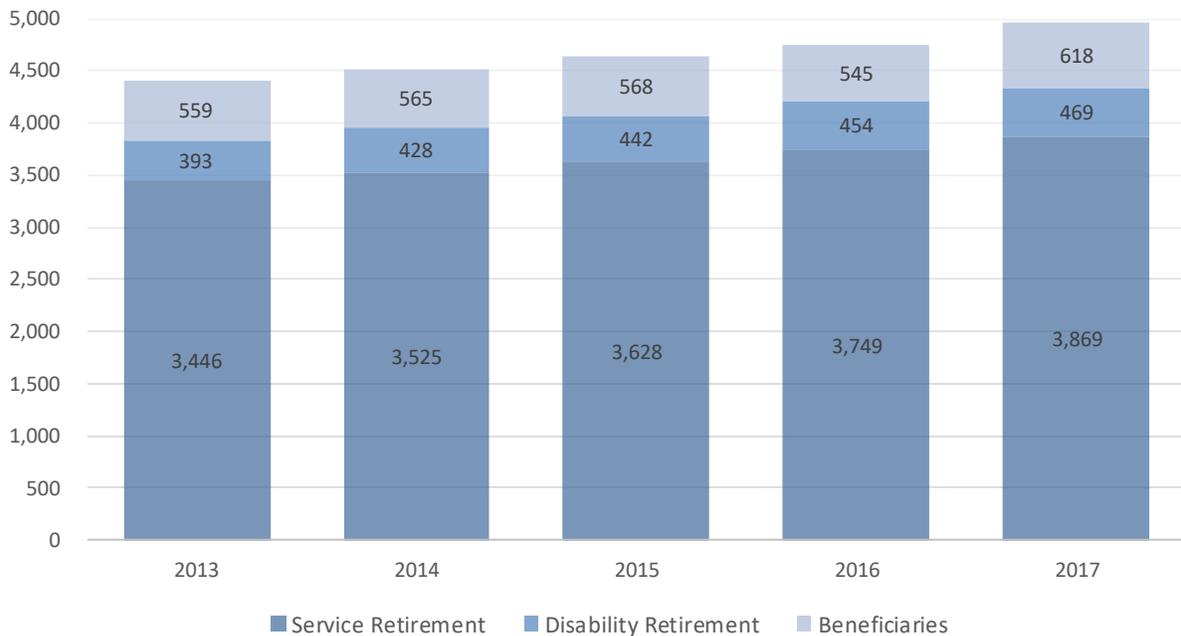
AVERAGE MONTHLY RETIREE BENEFIT PAYMENT

For the Fiscal Years Ended June 30



NUMBER OF RETIREES BY CATEGORY

As of June 30



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STATISTICAL SECTION



THE STATISTICAL SECTION

Introduction

This section provides detailed information for a more thorough understanding of the financial statements, note disclosures, and required supplementary information. Most of the information in this section is compiled by SamCERA's actuary based on the information provided by SamCERA.

The information presented in this section normally covers ten years of data. Certain schedules may have data less than ten years when the ten-years information is unavailable.

CHANGES IN FIDUCIARY NET POSITION

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

	2017	2016	2015	2014	2013
Additions					
Employer Contributions	\$198,727	\$191,094	\$180,704	\$202,877	\$144,308
Member Contributions	62,160	56,069	48,012	46,594	55,408
Total Contributions	260,887	247,163	228,716	249,471	199,716
Investment Income, net of Expenses	436,603	24,112	111,320	482,050	326,983
Security Lending Income	46	278	310	435	622
Miscellaneous Additions	27	4,910	0	179	160
Total Additions	697,563	276,463	340,346	732,135	527,481
Deductions					
Retiree and Other Benefits	190,364	179,498	168,109	159,342	149,266
Member Refunds	2,876	3,366	3,357	3,214	5,750
Administrative Expenses	5,983	5,962	5,350	4,914	4,260
Information Technology Expenses	996	714	629	731	654
Other Expenses	30	11	119	65	29
Total Deductions	200,249	189,551	177,564	168,266	159,959
Changes in Pension Plan Net Assets	\$497,314	\$86,912	\$162,782	\$563,869	\$367,522

CHANGES IN FIDUCIARY NET POSITION (CONTINUED)

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

	2012	2011	2010	2009	2008
Additions					
Employer Contributions	\$150,950	\$150,475	\$106,265	\$106,123	\$105,340
Member Contributions	49,687	49,013	50,319	50,372	60,111
Total Contributions	200,637	199,488	156,584	156,495	165,451
Investment Income, net of expenses	(11,024)	437,654	195,412	(457,309)	(177,923)
Security Lending Income	721	530	743	1,631	1,699
Miscellaneous Additions	29	73	41	(16)	181
Total Additions	190,363	637,745	352,780	(299,199)	(10,592)
Deductions					
Retiree and Other Benefits	139,208	129,835	122,141	113,991	103,970
Member Refunds	3,627	2,474	2,736	2,795	3,075
Administrative Expenses	4,675	3,547	3,373	3,287	3,231
Information Technology Expenses ⁽¹⁾	325	0	0	0	0
Other Expenses	0	10	33	67	8
Total Deductions	147,835	135,866	128,283	120,140	110,284
Changes in Pension Plan Net Assets	\$42,528	\$501,879	\$224,497	(\$419,339)	(\$120,876)

⁽¹⁾ Prior to fiscal year 2012, information technology expenses were included in administrative expenses. Since fiscal year 2012, information technology expenses are detached from administrative expenses and are separately accounted for.

SCHEDULE OF ADDITIONS TO FIDUCIARY NET POSITION BY SOURCE

(Dollars in Thousands)

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income/(Loss)	Other	Total Additions
2008	\$60,111	\$105,340	\$(177,923)	\$1,880	\$(10,592)
2009	50,372	106,123	(457,309)	1,615	(299,199)
2010	50,319	106,265	195,412	784	352,780
2011	49,013	150,475	437,654	603	637,745
2012	49,687	150,950	(11,024)	750	190,363
2013	55,408	144,308	326,983	782	527,481
2014	46,594	202,877	482,050	614	732,135
2015	48,012	180,704	111,320	310	340,346
2016	56,069	191,094	24,112	5,188	276,463
2017	62,160	198,727	436,603	73	697,563

SCHEDULE OF DEDUCTIONS FROM FIDUCIARY NET POSITION BY TYPE

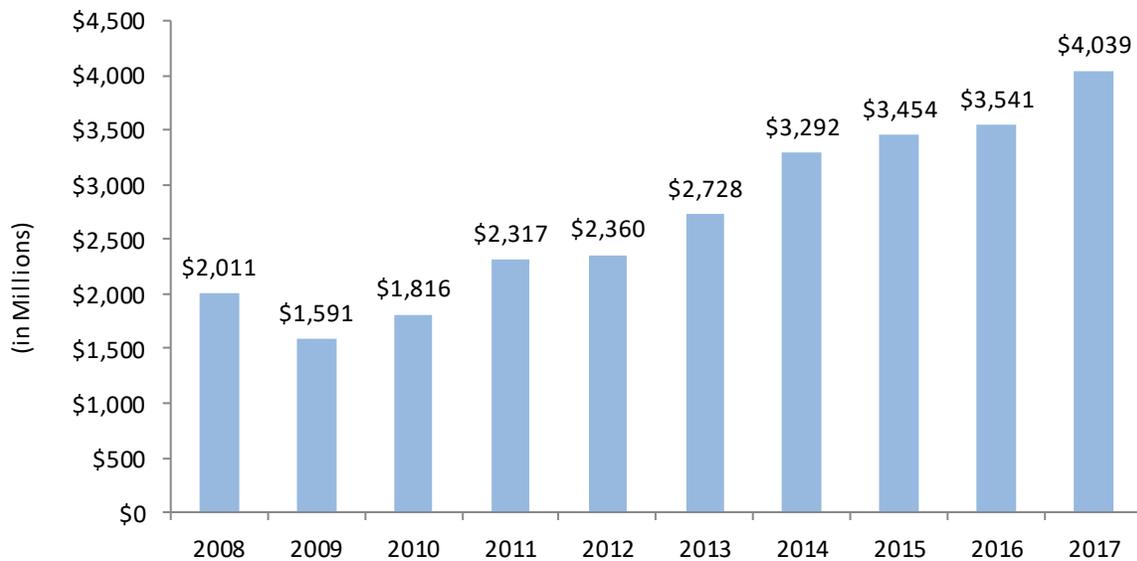
(Dollars in Thousands)

Fiscal Year ended June 30	Retirement and Other Benefits	Member Refunds	Administrative Expenses ⁽¹⁾	Information Technology Expenses	Other Expenses	Total Deductions
2008	\$103,970	\$3,075	\$3,231	\$0	\$8	\$110,284
2009	113,991	2,795	3,287	0	67	120,140
2010	122,141	2,736	3,373	0	33	128,283
2011	129,835	2,474	3,547	0	10	135,866
2012	139,208	3,627	4,675	325	0	147,835
2013	149,266	5,750	4,260	654	29	159,959
2014	159,342	3,214	4,914	731	65	168,266
2015	168,109	3,357	5,350	629	119	177,564
2016	179,498	3,366	5,962	714	11	189,551
2017	190,364	2,876	5,983	996	30	200,249

⁽¹⁾ Administrative expenses related to investments were classified as investment expenses in fiscal years 2008-2011. Effective June 30, 2012, these expenses are reported as Administrative Expenses.

TOTAL FIDUCIARY NET POSITION

June 30



SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollars in Thousands)

Fiscal Year Ended June 30	Actuarially Required Contributions (ARC)	Actual Contribution Received ⁽¹⁾	Contributions Made As a % of ARC
2008	\$105,340	\$105,340	100%
2009	106,123	106,123	100%
2010	106,265	106,265	100%
2011	150,475	150,475	100%
2012	139,407	150,950	108%
2013	131,448	144,308	110%
2014	152,877	202,877	133%
2015	169,814	180,704	106%
2016	170,046	191,094	112%
2017	164,877	198,727 ⁽²⁾	121%

⁽¹⁾ The County of San Mateo made additional contributions to accelerate the pay down of Unfunded Actuarial Accrued Liability (UAAL) since fiscal year 2012.

⁽²⁾ In fiscal year 2016-17, the County and the San Mateo County Mosquito and Vector Control District contributed supplemental contributions of \$33.6 million and \$0.25 million, respectively, to accelerate the pay down of UAAL.

SUMMARY OF RETIRED BENEFITS, REFUNDS, AND INACTIVE MEMBERS

	Fiscal Year				
	2017	2016	2015	2014	2013
RETIRED MEMBERS					
Service Retirement					
Number (as of June 30)	3,869	3,749	3,628	3,525	3,446
Annual Benefit:					
Basic Only	\$ 122,893,000	\$ 119,212,000	\$ 112,557,000	\$ 105,556,000	\$ 100,411,000
COLA	33,352,000	32,949,000	30,835,000	28,027,000	26,594,000
Total	<u>\$ 156,245,000</u>	<u>\$ 152,161,000</u>	<u>\$ 143,392,000</u>	<u>\$ 133,583,000</u>	<u>\$ 127,005,000</u>
Average Monthly Benefit	\$ 3,527	\$ 3,382	\$ 3,294	\$ 3,158	\$ 3,071
Disability Retirement					
Number (as of June 30)	469	454	442	428	393
Annual Benefit:					
Basic Only	\$ 14,634,000	\$ 14,040,000	\$ 13,303,000	\$ 12,508,000	\$ 10,733,000
COLA	4,657,000	4,590,000	4,208,000	3,800,000	3,564,000
Total	<u>\$ 19,291,000</u>	<u>\$ 18,630,000</u>	<u>\$ 17,511,000</u>	<u>\$ 16,308,000</u>	<u>\$ 14,297,000</u>
Average Monthly Benefit	\$ 3,469	\$ 3,420	\$ 3,301	\$ 3,175	\$ 3,032
Beneficiaries					
Number (as of June 30)	618	545	568	565	559
Annual Benefit:					
Basic Only	\$ 8,669,000	\$ 8,944,000	\$ 8,610,000	\$ 7,986,000	\$ 7,668,000
COLA	6,245,000	6,462,000	6,367,000	5,892,000	5,804,000
Total	<u>\$ 14,914,000</u>	<u>\$ 15,406,000</u>	<u>\$ 14,977,000</u>	<u>\$ 13,878,000</u>	<u>\$ 13,472,000</u>
Average Monthly Benefit	\$ 2,128	\$ 2,356	\$ 2,197	\$ 2,047	\$ 2,008
TOTAL RETIRED MEMBERS					
Number (as of June 30)	4,956	4,748	4,638	4,518	4,398
Annual Benefit:					
Basic Only	\$ 146,196,000	\$ 142,196,000	\$ 134,470,000	\$ 126,050,000	\$ 118,812,000
COLA	44,254,000	44,001,000	41,410,000	37,719,000	35,962,000
Total	<u>\$ 190,450,000</u>	<u>\$ 186,197,000</u>	<u>\$ 175,880,000</u>	<u>\$ 163,769,000</u>	<u>\$ 154,774,000</u>
Average Monthly Benefit	\$ 3,347	\$ 3,268	\$ 3,160	\$ 3,021	\$ 2,933
REFUND ⁽¹⁾					
General	2,511,145	\$ 2,991,126	\$ 3,011,758	\$ 3,396,690	\$ 5,161,430
Safety	364,742	375,311	345,253	155,265	588,346
Total	<u>\$ 2,875,887</u>	<u>\$ 3,366,437</u>	<u>\$ 3,357,011</u>	<u>\$ 3,551,955</u>	<u>\$ 5,749,776</u>
INACTIVE MEMBERS (as of June 30)	1,487	1,486	1,384	1,304	1,306

Note: Beginning in fiscal year 2017, the annual benefit amounts shown above are provided by SamCERA and reflect actual benefit payments made during the year. The number of retired members and average payment amounts are calculated by Milliman as of the valuation date.

⁽¹⁾ Refund by type is not available prior to fiscal year 2009-10.

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

	Fiscal Year				
	2012	2011	2010	2009	2008
RETIRED MEMBERS					
Service Retirement					
Number (as of June 30)	3,355	3,242	3,108	3,032	2,958
Annual Benefit:					
Basic Only	\$ 94,234,000	\$ 87,254,000	\$ 79,007,000	\$ 73,038,000	\$ 66,704,000
COLA	24,748,000	23,212,000	22,542,000	22,964,000	21,289,000
Total	<u>\$ 118,982,000</u>	<u>\$ 110,466,000</u>	<u>\$ 101,549,000</u>	<u>\$ 96,002,000</u>	<u>\$ 87,993,000</u>
Average Monthly Benefit	\$ 2,955	\$ 2,839	\$ 2,723	\$ 2,639	\$ 2,479
Disability Retirement					
Number (as of June 30)	374	370	365	369	361
Annual Benefit:					
Basic Only	\$ 9,909,000	\$ 9,414,000	\$ 8,988,000	\$ 8,722,000	\$ 8,214,000
COLA	3,225,000	3,005,000	2,926,000	3,070,000	2,847,000
Total	<u>\$ 13,134,000</u>	<u>\$ 12,419,000</u>	<u>\$ 11,914,000</u>	<u>\$ 11,792,000</u>	<u>\$ 11,061,000</u>
Average Monthly Benefit	\$ 2,927	\$ 2,797	\$ 2,720	\$ 2,663	\$ 2,553
Beneficiaries					
Number (as of June 30)	546	535	529	534	523
Annual Benefit:					
Basic Only	\$ 7,235,000	\$ 6,672,000	\$ 6,309,000	\$ 6,052,000	\$ 5,757,000
COLA	5,494,000	5,118,000	5,116,000	5,206,000	4,805,000
Total	<u>\$ 12,729,000</u>	<u>\$ 11,790,000</u>	<u>\$ 11,425,000</u>	<u>\$ 11,258,000</u>	<u>\$ 10,562,000</u>
Average Monthly Benefit	\$ 1,943	\$ 1,836	\$ 1,800	\$ 1,757	\$ 1,683
TOTAL RETIRED MEMBERS					
Number (as of June 30)	4,275	4,147	4,002	3,935	3,842
Annual Benefit:					
Basic Only	\$ 111,378,000	\$ 103,340,000	\$ 94,304,000	\$ 87,812,000	\$ 80,675,000
COLA	33,467,000	31,335,000	30,584,000	31,240,000	28,941,000
Total	<u>\$ 144,845,000</u>	<u>\$ 134,675,000</u>	<u>\$ 124,888,000</u>	<u>\$ 119,052,000</u>	<u>\$ 109,616,000</u>
Average Monthly Benefit	\$ 2,823	\$ 2,706	\$ 2,601	\$ 2,521	\$ 2,378
REFUND ⁽¹⁾					
General	\$ 3,399,163	\$ 2,379,790	2,623,439	N/A	N/A
Safety	228,329	94,655	112,586	N/A	N/A
Total	<u>\$ 3,627,492</u>	<u>\$ 2,474,445</u>	<u>\$ 2,736,025</u>	<u>\$ -</u>	<u>\$ -</u>
INACTIVE MEMBERS (as of June 30)	1,212	1,190	1,207	1,230	1,225

SCHEDULE OF AVERAGE PENSION BENEFIT PAYMENTS

Retirement Date	Years of Service Credit						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
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	N/A	N/A
Average Final Compensation	\$2,152	\$3,564	\$2,251	\$3,852	\$3,474	N/A	N/A
Number of Beneficiaries	8	6	5	1	1	0	0
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	N/A	\$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	N/A	\$3,587	\$3,867	\$6,994	\$4,521	\$8,971	\$8,071
Number of Beneficiaries	11	3	3	6	5	5	6
7/1/2013 - 6/30/2014							
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	\$1,608	\$1,758	\$2,384	\$3,351	\$4,613	\$6,349	\$6,713
Average Final Compensation	\$6,920	\$6,729	\$6,570	\$7,614	\$7,740	\$9,292	\$7,528
Number of Retirees	16	61	49	40	32	13	18
Beneficiaries							
Average Monthly Gross Benefit	\$891	\$660	\$1,898	\$946	\$4,457	\$3,550	\$6,239
Average Final Compensation	N/A	\$6,305	\$5,433	\$2,906	\$7,872	\$5,504	\$6,611
Number of Beneficiaries	10	3	6	5	3	2	2
7/1/2012 - 6/30/2013							
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	\$643	\$1,330	\$2,513	\$3,516	\$5,226	\$6,672	\$7,309
Average Final Compensation	\$5,234	\$5,831	\$7,321	\$7,344	\$8,135	\$8,458	\$7,818
Number of Retirees	16	39	59	21	30	24	20
Beneficiaries							
Average Monthly Gross Benefit	\$1,434	\$1,747	\$1,494	\$1,500	\$1,321	\$5,182	\$4,166
Average Final Compensation	\$589	\$5,140	\$5,255	\$4,536	\$3,446	\$7,516	\$6,039
Number of Beneficiaries	16	2	6	4	3	1	4

SCHEDULE OF AVERAGE PENSION BENEFIT PAYMENTS (CONTINUED)

Retirement Date	Years of Service Credit						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/2011 - 6/30/2012							
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	\$897	\$1,427	\$2,328	\$3,597	\$5,175	\$5,611	\$7,527
Average Final Compensation	\$4,235	\$5,896	\$6,667	\$7,228	\$7,812	\$7,344	\$7,763
Number of Retires	19	37	47	25	47	32	29
Beneficiaries							
Average Monthly Gross Benefit	\$1,789	\$736	\$2,382	\$2,390	\$1,658	\$4,347	\$4,878
Average Final Compensation	N/A	\$3,913	\$5,200	\$5,818	\$4,338	\$6,102	\$6,464
Number of Beneficiaries	16	1	5	4	5	3	4
7/1/2010 - 6/30/2011							
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	\$577	\$1,190	\$2,112	\$3,770	\$4,881	\$6,452	\$8,122
Average Final Compensation	\$3,207	\$6,268	\$5,895	\$7,761	\$7,562	\$8,466	\$8,322
Number of Retires	16	25	52	29	52	26	25
Beneficiaries							
Average Monthly Gross Benefit	\$1,190	\$1,407	\$1,333	\$2,101	\$2,082	\$1,951	\$8,657
Average Final Compensation	N/A	\$6,549	\$4,186	\$5,178	\$5,772	\$4,457	\$7,765
Number of Beneficiaries	12	1	6	3	6	1	1
7/1/2009 - 6/30/2010							
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	\$875	\$1,281	\$2,107	\$3,932	\$5,057	\$6,175	\$7,543
Average Final Compensation	\$2,619	\$5,480	\$5,803	\$7,587	\$7,827	\$7,818	\$8,081
Number of Retires	9	35	33	16	41	19	24
Beneficiaries							
Average Monthly Gross Benefit	\$712	\$2,679	\$1,485	\$1,170	\$2,304	\$3,992	\$4,413
Average Final Compensation	N/A	\$7,316	\$5,457	\$3,874	\$5,546	\$5,457	\$5,166
Number of Beneficiaries	8	4	2	2	3	1	4
7/1/2008 - 6/30/2009							
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	\$1,538	\$1,412	\$2,293	\$3,028	\$5,211	\$6,372	\$9,020
Average Final Compensation	\$3,654	\$4,685	\$6,456	\$6,882	\$7,838	\$7,241	\$9,052
Number of Retires	7	32	27	28	22	16	32
Beneficiaries							
Average Monthly Gross Benefit	\$1,854	\$913	\$1,357	\$1,003	\$1,590	\$4,130	\$3,635
Average Final Compensation	N/A	\$2,808	\$5,068	\$3,840	\$6,395	\$6,099	\$4,661
Number of Beneficiaries	12	4	6	3	3	1	1
7/1/2007 - 6/30/2008							
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	\$557	\$1,672	\$2,422	\$3,602	\$3,924	\$5,306	\$7,640
Average Final Compensation	\$5,406	\$5,710	\$5,973	\$7,012	\$6,179	\$6,596	\$7,641
Number of Retires	12	28	22	25	47	35	38
Beneficiaries							
Average Monthly Gross Benefit	\$2,167	\$1,080	\$1,960	\$3,279	\$1,474	\$4,478	\$5,564
Average Final Compensation	N/A	\$4,433	\$7,617	\$6,701	\$5,149	\$8,315	\$7,713
Number of Beneficiaries	13	2	1	2	3	4	2

SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS

(by Plan and Membership Type)

	Fiscal Year				
	2017	2016	2015	2014	2013
General Plan 1	\$11,305	\$9,945	\$9,235	\$8,617	\$8,104
General Plan 2	8,994	8,636	8,186	7,584	7,355
General Plan 3	7,484	7,173	6,747	6,300	6,254
General Plan 4	8,134	7,807	7,386	6,873	6,662
General Plan 5	8,980	8,485	7,735	6,912	6,418
General Plan 7	6,737	6,714	6,315	5,721	5,433
Average Monthly Salary for General Plan	7,869	7,694	7,351	6,884	6,762
Safety Plan 1	14,434	15,810	14,712	14,091	13,185
Safety Plan 2	13,528	12,505	11,545	11,191	10,935
Safety Plan 4	11,381	10,729	9,919	9,581	9,402
Safety Plan 5	10,544	9,940	9,145	8,958	8,699
Safety Plan 6	0	16,793	16,010	14,381	12,374
Safety Plan 7	8,356	7,538	6,701	7,011	6,695
Average Monthly Salary for Safety Plan	10,786	10,364	9,728	9,767	9,630
Probation 1	7,722	7,261	7,038	6,874	6,618
Probation 2	9,069	8,349	8,012	7,699	7,445
Probation 4	8,270	7,454	7,267	6,922	6,622
Probation 5	7,612	6,429	6,106	5,916	5,242
Probation 6	7,347	6,259	5,739	5,216	4,808
Probation 7	6,121	5,962	5,684	5,807	7,742
Average Monthly Salary for General Plan	8,061	7,391	7,216	6,998	6,770
Average Monthly Salary for All Plans	8,154	7,933	7,567	7,151	7,026

SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS (CONTINUED)

(by Plan and Membership Type)

	Fiscal Year				
	2012	2011	2010	2009	2008
General Plan 1	\$7,843	\$7,630	\$7,543	\$7,534	\$7,252
General Plan 2	7,340	7,208	7,193	7,120	6,872
General Plan 3	6,138	5,968	5,818	5,791	5,619
General Plan 4	6,580	6,398	6,348	6,212	5,914
General Plan 5	5,799	N/A	N/A	N/A	N/A
General Plan 7	N/A	N/A	N/A	N/A	N/A
Average Monthly Salary for General Plan	6,726	6,599	6,569	6,468	6,211
Safety Plan 1	12,624	12,073	11,578	10,889	11,113
Safety Plan 2	10,892	10,789	10,548	10,135	9,612
Safety Plan 4	9,351	9,230	8,931	8,610	8,349
Safety Plan 5	9,667	N/A	N/A	N/A	N/A
Safety Plan 6	N/A	N/A	N/A	N/A	N/A
Safety Plan 7	N/A	N/A	N/A	N/A	N/A
Average Monthly Salary for Safety Plan	9,795	9,730	9,525	9,197	8,937
Probation 1	6,618	7,533	8,922	9,751	9,791
Probation 2	7,454	7,349	7,393	7,341	6,960
Probation 4	6,686	6,505	6,456	6,291	5,978
Probation 5	4,949	N/A	N/A	N/A	N/A
Probation 6	5,239	N/A	N/A	N/A	N/A
Probation 7	5,239	N/A	N/A	N/A	N/A
Average Monthly Salary for General Plan	6,844	6,719	6,722	6,634	6,344
Average Monthly Salary for All Plans	6,995	6,872	6,813	6,692	6,433

SCHEDULE OF PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS

June 30

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

Percentage of Membership by Employer

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

SCHEDULE OF PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS (CONTINUED)

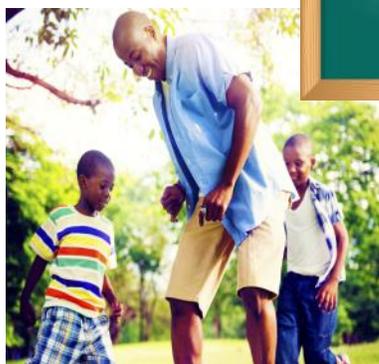
June 30

	2012	2011	2010	2009	2008
COUNTY OF SAN MATEO					
General Members	4,078	4,476	4,589	4,758	4,718
Safety Members	435	446	425	436	432
Probation Members	299	305	313	330	325
Subtotal	4,812	5,227	5,327	5,524	5,475
SAN MATEO COUNTY SUPERIOR COURT					
General Members	268	N/A	N/A	N/A	N/A
SAN MATEO COUNTY MOSQUITO & VECTOR CONTROL DISTRICT					
General Members	15	18	20	19	25
Total Active Membership	5,095	5,245	5,347	5,543	5,500

Percentage of Membership by Employer

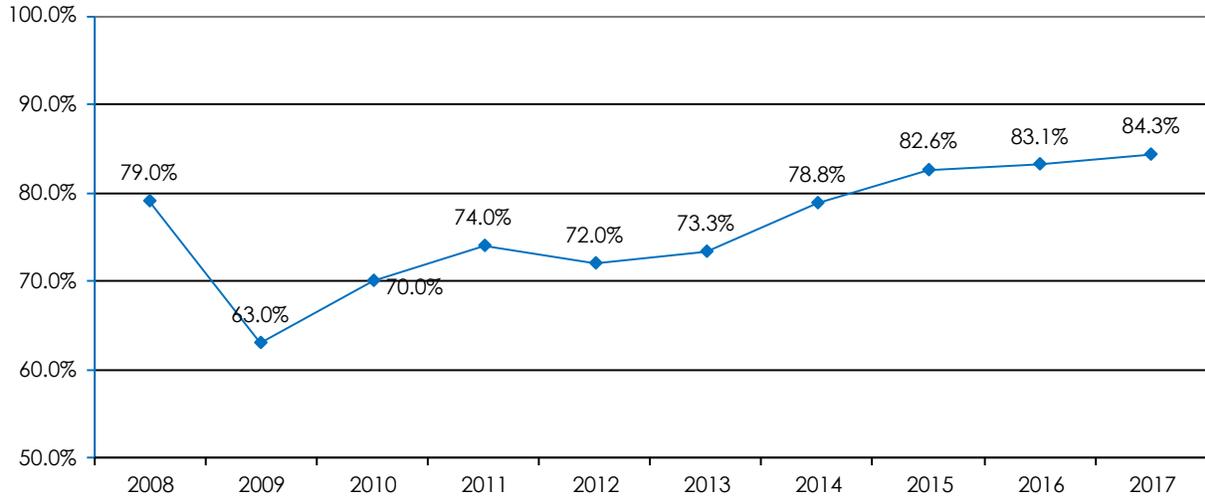
County of San Mateo	94.45%	99.66%	99.63%	99.66%	99.55%
San Mateo County Superior Court	5.26%	N/A	N/A	N/A	N/A
San Mateo County Mosquito and Vector Control District	0.29%	0.34%	0.37%	0.34%	0.45%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

COMPLIANCE SECTION



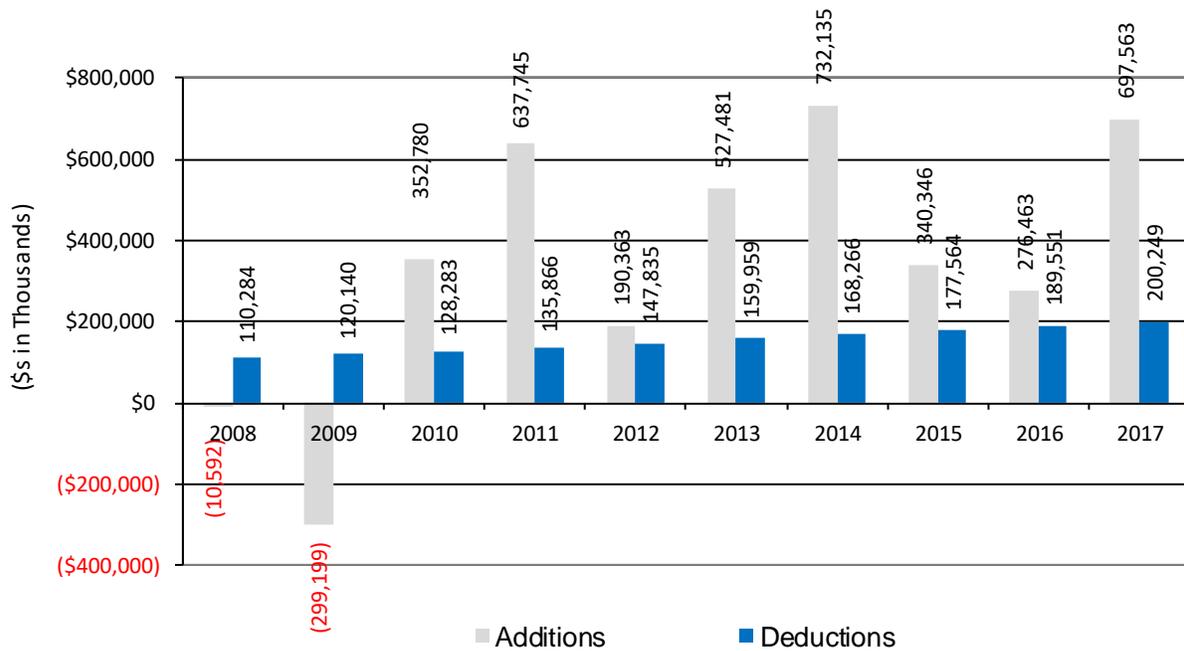
SAMCERA'S FUNDED RATIO

As of June 30



ADDITIONS TO AND DEDUCTIONS FROM SAMCERA'S NET POSITION

For the Fiscal Years Ended June 30



**BROWN
ARMSTRONG**

CERTIFIED
PUBLIC
ACCOUNTANTS

**BAKERSFIELD OFFICE
(MAIN OFFICE)**

1700 TRULOXI AVENUE
SUITE 200
BAKERSFIELD, CA 93309
TEL: 805.334.4977
FAX: 805.334.4597
LPA LICENSE#00353077

FRESNO OFFICE

4670 N. HENRI AVENUE
SUITE 10
FRESNO, CA 93711
TEL: 509.766.0092
FAX: 509.476.1395

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 205
LAGUNA HILLS, CA 92653
TEL: 949.251.1122

STOCKTON OFFICE

590 C. AREYOND AVENUE
SUITE 150
STOCKTON, CA 95207
TEL: 209.411.6831

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

BROWN ARMSTRONG

Certified Public Accountants

**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 financial statements of the San Mateo County Employees' Retirement Association (SamCERA) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SamCERA's basic financial statements, and have issued our report thereon dated October 23, 2017.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SamCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of SamCERA's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SamCERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*

Bakersfield, California
October 23, 2017

Online Information

This report can be found on SamCERA's website,.

www.samcera.org



100 Marine Parkway, Suite 125 | Redwood City, California 94065
Phone: 650-599-1234 | Toll-Free 800-339-0761 | Fax: 650-591-1488

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2017

Agenda Item 7.3

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer 

SUBJECT: Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2017 Business Meeting

Recommendation

Staff recommends the Board designate Ben Bowler as the Voting Delegate, Susan Lee as the First Delegate Alternate and Scott Hood, CEO, as the Second Delegate Alternate to cast SamCERA's votes at the SACRS Fall 2017 Conference.

Background

Prior to each SACRS conference, the retirement boards are asked to select the individuals from each county system who are authorized to serve as voting delegate and alternate voting delegates at the conference business meeting.

Discussion

SamCERA normally selects the highest-ranking board officer who will attend the conference as the voting delegate. Delegates can be either trustees or staff. For this SACRS conference, Ben Bowler will be the highest-ranking Board officer in attendance. Susan Lee is planning to be the only other Trustee remaining at the conference on Friday. We typically recommend that the CEO be the final alternate.

The business meeting will occur on the last morning of the conference at 10:00 a.m., Friday, November 17, 2017.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2017

Agenda Item 7.4

TO: Board of Retirement 
FROM: Scott Hood, Chief Executive Officer
SUBJECT: Discussion of SACRS Business Meeting Topics for the Fall 2017 Conference

Recommendation

Provide direction to SamCERA's Voting Delegate and Alternate on SACRS November 2017 Business Meeting action items.

Background

The SACRS Business Meeting will be held Friday, November 17, 2017. Prior to each Business Meeting, the Board discusses items to be voted on and gives SamCERA's Voting Delegate and Alternates direction. Per SamCERA tradition, because the items can be amended prior to the vote, the Voting Delegate is ultimately bound to vote in a manner that the delegate considers to be in the best interests of SamCERA.

Discussion

There will be three legislative proposals and proposed amendments to the SACRS Bylaws to be voted upon. The attached SACRS Business Meeting Agenda packet contains the SACRS Legislative Committee's analysis and position on each of these proposals and well as a discussion of the proposed Bylaw amendments. Staff is prepared to address any questions that Board may have.

Legislative Proposals

The legislative proposals from the Ventura County Employees' Retirement Association (VCERA) and the Tulare County Employees' Retirement Association (TCERA) and would amend the County Employees Retirement Law as follows:

VCERA #1- Expressly limits the definition of "surviving spouse" so as to include only a spouse who is legally married to the member and is neither divorced nor legally separated from the member.

VCERA #2- Requires an application for disability retirement to be filed within four months after the applicant knows or should have known that his or her illness or injury has become permanent.

TCERA- Authorizes Boards of Retirement to exclude Assistant Chief Executive Officers and Chief Investment Officers from County civil service rules and procedures.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

Bylaw Amendments

The significant changes to the Bylaws, as recommended by the SACRS Board of Directors, include:

- Increases the number of Directors from five to seven, two (2) regular members will serve in addition to the President, Vice-President, Secretary and Treasurer, and immediate Past Present.
- Changes the process for electing Directors-nominee must be submitted by noon March 1st, to the Nominating Committee. The Nominating Committee will report its slate along with names of all nominees to the retirement systems by March 25th.
- Limits the number of representatives from each system to one on the Nominating Committee.
- If the immediate Past Presented is unable to Chair the Nominating Committee, the Chair of the Audit Committee will appoint an alternate trustee to serve as the Chair.
- After serving the two-year term, members of the Nominating Committee must wait one year before reapplying.
- Members can only apply to serve on one committee.

Attachment

SACRS Business Agenda Packet



SACRS Business Meeting Agenda

Friday, November 17, 2017

10 am-Adjournment

Hyatt Regency San Francisco Airport Hotel, Burlingame, CA

SACRS Parliamentarian – Lance Kjeldgaard
Sergeant at Arms – Bob Goodchild, San Diego CERA

1. SACRS County Roll Call

Kathryn Cavness, SACRS Secretary

2. SACRS Secretary's Report – Receive and File

- Spring 2017 SACRS Business Meeting Minutes

3. SACRS Treasurer's Report – Receive and File

Harry Hagen, SACRS Treasurer

- SACRS Financials July – August 2017
- SACRS Annual Budget 2017-2018

4. Board of Director's Report – No Action

Dan McAllister, SACRS President

- Board of Directors Update

5. SACRS Legislative Report & Legislative Proposals 2018 – Action Item

Tracy Towner, Legislative Committee Chair

- Ventura #1- This proposal would add a provision to County Employees Retirement Law (CERL) to define "surviving spouse" so as to include only a spouse who is legally married to the member, is neither divorced nor legally separated from the member, has lived with the member continuously from the date of marriage to the date of the member's death, and who meets all other requirements of CERL pertaining to the length of the marriage and the spouse's age at the time of the member's death

Recommendation: The Committee voted to recommend that SACRS sponsor legislation to define "surviving spouse" so retirement systems are not confused by the conflicting case law. The Committee did recommend a modified version of the proposed language.

- Ventura #2 – This proposal would require an application for disability retirement to be filed within four months after the applicant knows or should have known that his or her illness or injury



has become permanent. The proposal is intended to address a recent court case where a member waited eight years after discontinuance of service to file for disability retirement.

Recommendation: The Committee voted to recommend that SACRS not sponsor legislation reflecting this proposal.

- Tulare #1- Current law allows San Diego, Sacramento, Kern, San Joaquin, and Marin retirement systems the authority to exclude assistant administrators and chief investment officers from civil service. Employees working in these positions serve at the pleasure of, and may be dismissed at the will of, the appointed retirement board. TCERS proposed legislation to apply this law to all 1937 Act Systems.

Recommendation: The Committee voted to recommend that SACRS not sponsor legislation reflecting this proposal. However, they voted to recommend SACRS support legislation that provides this authority to TCERS if they introduced a Tulare specific bill.

6. SACRS Audit Committee Report – Receive and File

Steve Delaney, SACRS Audit Committee Chair

- SACRS Annual 2015-2016 Audit

7. SACRS Bylaws Committee Report – Action Item

Vivian Gray, SACRS Bylaws Committee Chair

- SACRS Board of Directors proposed Bylaw amendments

8. SACRS Education Committee Report – No Action

Christie Porter, SACRS Education Committee Chair

- SACRS Fall Conference Evaluations 2017

9. SACRS Program Committee Report – No Action

Gabe Rodrigues, SACRS Program Committee Chair

- SACRS Fall Conference 2017

10. SACRS Affiliate Committee Report – No Action

Michael Keough, SACRS Affiliate Committee Chair

- Affiliate Committee Update

11. SACRS Nomination Committee Report – No Action

Ray McCray, SACRS Nomination Committee Chair

- Update on 2018-2019 Elections



12. SACRS Fall Conference Breakout Reports – No Action

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

- Administrators
- Counsel
- Disability
- Internal Auditors
- Investment Officers
- Operations & Benefits
- Safety Trustees
- General Trustees

13. Adjournment

Next scheduled SACRS Association Business Meeting will be held Friday, May 18, 2018 at the Anaheim Marriott Hotel in Anaheim, CA.



2. SACRS Secretary's Report – Receive and File

- Spring 2017 SACRS Business Meeting Minutes



SACRS Business Meeting Minutes
Friday, May 19, 2017
10:00 AM - Upon Adjournment
Napa Valley Marriott Hotel
Napa, CA

SACRS Parliamentarian – Lance Kjeldgaard
Sergeant at Arms – Derwin Brown, Los Angeles CERA

Meeting called to order at 10:12 am by Dan McAllister, SACRS President

Board members present:
Gabe Rodrigues, Art Goulet, Dan McAllister, Larry Walker

1. SACRS System Roll Call
Art Goulet, SACRS Secretary

20 systems present

2. Secretary's Report - Receive and File
Art Goulet, SACRS Secretary

A. November 2016 SACRS Business Meeting Minutes

Motion: A motion to receive and file the SACRS Fall 2016 Business Meeting Minutes was made by San Diego.

2nd: Orange

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

Motion Passed

3. Treasurer's Report - Receive and File
Larry Walker, SACRS Treasurer

A. July 2016 – February 2017

Motion: A motion to receive and file the SACRS Treasurers report was made by Contra Costa.

2nd: Los Angeles

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

Motion Passed



4. SACRS President Report - No Action

Dan McAllister, SACRS President

- **Board of Directors Update, Verbal Update**

5. SACRS Audit Report - Receive and File

Steve Delaney, SACRS Audit Committee Chair

A. June 30, 2015 and 2014 Audit

Motion: A motion to receive and file the Audit Committee report on the annual audit report was made by Fresno.

2nd: Alameda

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

No: 0

Motion Passed

6. SACRS Legislative Committee Update - No Action

Richard Stensrud, SACRS Legislative Committee Chair

A. 2017 Legislative Update

SACRS Legislative Committee Update – Verbal update only

7. SACRS Bylaws Committee Report - Vote

Vivian Gray, SACRS Bylaws Committee Chair

A. Amendment to Article XI - Standing Committees,
Section 4. Program Committee

Motion: A motion to approve and accept the amendment to Article X-Standing Committee, Section 4. Program Committee was made by Contra Costa.

2nd: San Diego

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

No: Merced, Santa Barbara

Motion Passed

B. Amendment to Article III – Membership,
Section 7. Membership Code of Conduct

Motion: A motion to approve and accept the amendment to Article III-Membership, Section 7. Membership Code of Conduct was made by Fresno.

2nd: Imperial

Discussion: Orange requested that the Board of Directors develop a procedure for managing complaints, violations and a full review of the investigation process.



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

No: 0

Abstain: Alameda

Motion Passed

8. SACRS Nomination Committee - 2017-2018 SACRS BOD Elections - Vote
Ray McCray, Nomination Committee Chair

A. SACRS BOD 2017 – 2018 Ballot

Motion: A motion to approve the positions of President, Vice President and Treasurer per the recommendation of the Nomination Committee was made by San Diego.

- Dan McAllister, SACRS President
- Gabe Rodrigues, SACRS Vice President
- Harry Hagen, SACRS Treasurer

2nd: Fresno

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

No: 0

Abstain: Los Angeles

Motion Passed

Motion: A motion to vote for either Art Goulet or Kathryn Cavness per system was made by San Diego.

2nd: San Joaquin

Yes: All

Motion Passed

Voice Roll Call Vote for position of Secretary;

Goulet – Contra Costa, Orange, Sacramento, San Diego, San Joaquin, Sonoma, Ventura

Cavness – Alameda, Fresno, Imperial, Kern, Marin, Mendocino, Merced, San Bernardino, San Mateo, Santa Barbara, Stanislaus, Tulare

Abstain: Los Angeles

Cavness 12 Goulet 7 Abstain 1

Upon completion of the vote, Art Goulet stepped down and left meeting. Art noted that he questioned the Nomination Committee election process this year, but would discuss with the bylaws chair.



9. SACRS Committee & Breakout Reports:

Committee		Breakout Reports	
Affiliate	Mike Keough reported that the group voted and added 3 new members to their committee. They've established the new 3-year term and will hold their elections in November	Administrators	Sonoma CERA will be hosting the administrator's breakout in the Fall
Audit	Agenda item served as report.	Counsels	San Mateo will be hosting the counsel's breakout in the Fall
Bylaws	Agenda item served as report.	Disability Operations & Benefits	Great presentations, liked the combo sessions and Jackie Purter will host in the Fall
Education	Christie Porter reported that the committee received great feed back on the conference, thanked staff for their help	Internal Auditors	No report
Legislative	Agenda item served as report.	Investment Officers	Nancy Calkins reported on behalf of the group. Session was well attended.
Nomination	Agenda item served as report. Ray also mentioned well done to the program committee. great conference.	Safety Trustees	Gabe Rodrigues reported that the group held a roundtable and really enjoyed the ability to share information.
Program	Gabe Rodrigues thanked the committee members for a great conference. Encouraged attendees to submit potential topics and speaker ideas to the committee for the Fall 2017 conference. Larry Walker thanked the program committee as well	General Trustees	No report

Next scheduled SACRS Association Business Meeting will be held Friday, November 17, 2017, at the Hyatt Regency San Francisco Airport, Burlingame, CA



3. SACRS Treasurer's Report – Receive and File

Harry Hagen, SACRS Treasurer

- SACRS Financials July – August 2017
- SACRS Annual Budget 2017-2018

**State Association of County Retirement Systems
Balance Sheet
As of August 31, 2017**

	Aug 31, 17
ASSETS	
Current Assets	
Checking/Savings	
1000 · Community 1st Bank - Checking	258,470.28
1001 · BofA Interest Checking 4389	138,918.29
1002 · Community 1st Bank - ICS Account	57,281.45
Total Checking/Savings	454,670.02
Other Current Assets	
1099 · CalTrust - BlackRock TempFund	7,811.83
1100 · CalTrust - Medium Term	1,131,342.62
1103 · CalTrust - Short Term	391.96
1104 · CalTrust - BlackRock FedFund	753,701.58
1102 · Deposits in Transit	5,470.00
Total Other Current Assets	1,898,717.99
Total Current Assets	2,353,388.01
TOTAL ASSETS	2,353,388.01
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
2150 · Refund Liability	1,020.00
Total Other Current Liabilities	1,020.00
Total Current Liabilities	1,020.00
Total Liabilities	1,020.00
Equity	
32000 · Retained Earnings	2,174,622.69
Net Income	177,745.32
Total Equity	2,352,368.01
TOTAL LIABILITIES & EQUITY	2,353,388.01

**State Association of County Retirement Systems
Profit & Loss
August 2017**

	Aug 17
Ordinary Income/Expense	
Income	
4100 · Membership Dues	
4101 · Affiliates	74,000.00
4102 · Non Profit - Organizations	750.00
4103 · Non Profit - Systems	1,500.00
4105 · Systems - Large	18,000.00
Total 4100 · Membership Dues	94,250.00
4270 · UC Berkeley Program	
4271 · Registrations	15,000.00
4272 · Sponsorships	6,000.00
Total 4270 · UC Berkeley Program	21,000.00
4300 · Fall Conference Registration	
4301 · Affiliates - Early	81,600.00
4304 · Non Profit	240.00
4305 · Systems	5,160.00
4306 · Non-Members	32,040.00
4307 · Fun Run	230.00
Total 4300 · Fall Conference Registration	119,270.00
4350 · Spring Conference Registration	
4353 · Affiliates - Late/Onsite	2,560.00
Total 4350 · Spring Conference Registration	2,560.00
4900 · Interest Earned	2,236.37
Total Income	239,316.37
Gross Profit	239,316.37
Expense	
5000 · Administrative Fee - SYAi	14,605.58
5001 · Administrative Services	29.00
5003 · Bank Charges/Credit Card Fees	3,866.56
5010 · Berkeley & Symposium	
5015 · Materials/Printing/Design	578.88
5016 · Travel	219.00
Total 5010 · Berkeley & Symposium	797.88
5041 · Consulting	1,986.00
5070 · Insurance	3,414.12
5072 · Legislative Advocacy	4,603.71
6000 · Board & Committees	
6001 · Board of Directors	
6001.1 · Food & Beverage	1,114.06
6001.2 · Printing/Supplies	422.18
6001.3 · Travel - BOD Meetings	3,472.89
6001.4 · Travel - Miscellaneous BOD	434.11
Total 6001 · Board of Directors	5,443.24

**State Association of County Retirement Systems
Profit & Loss
August 2017**

	<u>Aug 17</u>
Total 6000 · Board & Committees	5,443.24
6010 · Office Expenses / Supplies	439.06
6011 · Postage & Delivery	127.20
6020 · Spring Conference	
6021 · Audio/Visual	34,600.00
Total 6020 · Spring Conference	<u>34,600.00</u>
6053 · Technology/AMS/Website	875.00
9000 · BofA Credit Card Holding Acct	3,075.21
Total Expense	<u>73,862.56</u>
Net Ordinary Income	<u>165,453.81</u>
Net Income	<u><u>165,453.81</u></u>

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
Profit & Loss Budget Overview
July 2017 through June 2018

	Jul '17 - Jun 18
Ordinary Income/Expense	
Income	
4100 · Membership Dues	
4101 · Affiliates	215,000.00
4102 · Non Profit - Organizations	3,000.00
4103 · Non Profit - Systems	6,000.00
4104 · Systems - Medium	52,000.00
4105 · Systems - Large	42,000.00
Total 4100 · Membership Dues	318,000.00
4250 · Product Income	
4255 · Magazine Advertising	2,000.00
Total 4250 · Product Income	2,000.00
4270 · UC Berkeley Program	
4271 · Registrations	75,000.00
4272 · Sponsorships	50,000.00
Total 4270 · UC Berkeley Program	125,000.00
4300 · Fall Conference Registration	
4301 · Affiliates - Early	185,000.00
4302 · Affiliates - Regular	82,500.00
4303 · Affiliates - Late/Onsite	36,000.00
4304 · Non Profit	500.00
4305 · Systems	22,500.00
4306 · Non-Members	237,500.00
4307 · Fun Run	1,000.00
Total 4300 · Fall Conference Registration	565,000.00
4350 · Spring Conference Registration	
4351 · Affiliates - Early	185,000.00
4352 · Affiliates - Regular	82,500.00
4353 · Affiliates - Late/Onsite	36,000.00
4354 · Non Profit	500.00
4355 · Systems	22,500.00
4356 · Non-Members	237,500.00
4357 · Fun Run	1,000.00
Total 4350 · Spring Conference Registration	565,000.00
Total Income	1,575,000.00
Gross Profit	1,575,000.00
Expense	
5000 · Administrative Fee - SYAi	175,267.01
5001 · Administrative Services	21,000.00
5002 · Awards	1,000.00
5003 · Bank Charges/Credit Card Fees	45,000.00

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
Profit & Loss Budget Overview
 July 2017 through June 2018

	Jul '17 - Jun 18
5010 · Berkeley & Symposium	
5011 · Audio/Visual	500.00
5013 · Hotel	4,000.00
5016 · Travel	500.00
5017 · UC Berkeley	190,000.00
Total 5010 · Berkeley & Symposium	195,000.00
5030 · CERL	
5031 · Materials/Printing/Design	20,000.00
5032 · Shipping	5,000.00
Total 5030 · CERL	25,000.00
5040 · Commissions & Fees	15,000.00
5041 · Consulting	20,000.00
5042 · Dues & Subscriptions	3,700.00
5050 · Fall Conference	
5051 · Audio/Visual	42,500.00
5054 · Hotel	
5054.1 · Wednesday Night Event	75,000.00
5054 · Hotel - Other	275,000.00
Total 5054 · Hotel	350,000.00
5055 · Program Material	30,000.00
5056 · Speakers	50,000.00
Total 5050 · Fall Conference	472,500.00
5070 · Insurance	6,000.00
5071 · Legal & Professional Fees	25,000.00
5072 · Legislative Advocacy	55,244.00
5080 · Magazine	25,000.00
6000 · Board & Committees	
6001 · Board of Directors	
6001.1 · Food & Beverage	1,000.00
6001.2 · Printing/Supplies	2,000.00
Total 6001 · Board of Directors	3,000.00
6002 · Legislative Committee Meetings	500.00
6003 · Program Committee Meetings	600.00
Total 6000 · Board & Committees	4,100.00
6010 · Office Expenses / Supplies	4,000.00
6011 · Postage & Delivery	3,200.00

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
Profit & Loss Budget Overview
 July 2017 through June 2018

	Jul '17 - Jun 18
6020 · Spring Conference	
6021 · Audio/Visual	42,500.00
6024 · Hotel	
6024.1 · Wednesday Night Event	75,000.00
6024 · Hotel - Other	275,000.00
Total 6024 · Hotel	350,000.00
6025 · Program Material	30,000.00
6026 · Speakers	50,000.00
Total 6020 · Spring Conference	472,500.00
6051 · Taxes & Licenses	100.00
6053 · Technology/AMS/Website	21,596.00
6054 · Travel	35,900.00
Total Expense	1,626,107.01
Net Ordinary Income	-51,107.01
Net Income	-51,107.01

State Association of County Retirement Systems
Budget vs. Actuals
July through August 2017

	<u>Jul - Aug 17</u>	<u>Annual Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4100 · Membership Dues				
4101 · Affiliates	161,000.00	215,000.00	-54,000.00	74.88%
4102 · Non Profit - Organizations	2,250.00	3,000.00	-750.00	75.0%
4103 · Non Profit - Systems	4,500.00	6,000.00	-1,500.00	75.0%
4104 · Systems - Medium	52,000.00	52,000.00	0.00	100.0%
4105 · Systems - Large	42,000.00	42,000.00	0.00	100.0%
Total 4100 · Membership Dues	<u>261,750.00</u>	<u>318,000.00</u>	<u>-56,250.00</u>	<u>82.31%</u>
4250 · Product Income				
4255 · Magazine Advertising	0.00	2,000.00	-2,000.00	0.0%
Total 4250 · Product Income	<u>0.00</u>	<u>2,000.00</u>	<u>-2,000.00</u>	<u>0.0%</u>
4270 · UC Berkeley Program				
4271 · Registrations	37,500.00	75,000.00	-37,500.00	50.0%
4272 · Sponsorships	23,500.00	50,000.00	-26,500.00	47.0%
Total 4270 · UC Berkeley Program	<u>61,000.00</u>	<u>125,000.00</u>	<u>-64,000.00</u>	<u>48.8%</u>
4300 · Fall Conference Registration				
4301 · Affiliates - Early	83,640.00	185,000.00	-101,360.00	45.21%
4302 · Affiliates - Regular	0.00	82,500.00	-82,500.00	0.0%
4303 · Affiliates - Late/Onsite	0.00	36,000.00	-36,000.00	0.0%
4304 · Non Profit	240.00	500.00	-260.00	48.0%
4305 · Systems	9,480.00	22,500.00	-13,020.00	42.13%
4306 · Non-Members	37,380.00	237,500.00	-200,120.00	15.74%
4307 · Fun Run	240.00	1,000.00	-760.00	24.0%
Total 4300 · Fall Conference Registration	<u>130,980.00</u>	<u>565,000.00</u>	<u>-434,020.00</u>	<u>23.18%</u>
4350 · Spring Conference Registration				
4351 · Affiliates - Early	0.00	185,000.00	-185,000.00	0.0%
4352 · Affiliates - Regular	0.00	82,500.00	-82,500.00	0.0%
4353 · Affiliates - Late/Onsite	7,680.00	36,000.00	-28,320.00	21.33%

State Association of County Retirement Systems
Budget vs. Actuals
July through August 2017

	Jul - Aug 17	Annual Budget	\$ Over Budget	% of Budget
4354 · Non Profit	120.00	500.00	-380.00	24.0%
4355 · Systems	3,360.00	22,500.00	-19,140.00	14.93%
4356 · Non-Members	0.00	237,500.00	-237,500.00	0.0%
4357 · Fun Run	0.00	1,000.00	-1,000.00	0.0%
Total 4350 · Spring Conference Registration	11,160.00	565,000.00	-553,840.00	1.98%
4900 · Interest Earned	4,193.85			
Total Income	469,083.85	1,575,000.00	-1,105,916.15	29.78%
Gross Profit	469,083.85	1,575,000.00	-1,105,916.15	29.78%
Expense				
5000 · Administrative Fee - SYAi	29,211.16	175,267.01	-146,055.85	16.67%
5001 · Administrative Services	389.00	21,000.00	-20,611.00	1.85%
5002 · Awards	0.00	1,000.00	-1,000.00	0.0%
5003 · Bank Charges/Credit Card Fees	4,906.11	45,000.00	-40,093.89	10.9%
5010 · Berkeley & Symposium				
5011 · Audio/Visual	0.00	500.00	-500.00	0.0%
5013 · Hotel	0.00	4,000.00	-4,000.00	0.0%
5015 · Materials/Printing/Design	578.88			
5016 · Travel	219.00	500.00	-281.00	43.8%
5017 · UC Berkeley	0.00	190,000.00	-190,000.00	0.0%
Total 5010 · Berkeley & Symposium	797.88	195,000.00	-194,202.12	0.41%
5030 · CERL				
5031 · Materials/Printing/Design	0.00	20,000.00	-20,000.00	0.0%
5032 · Shipping	0.00	5,000.00	-5,000.00	0.0%
Total 5030 · CERL	0.00	25,000.00	-25,000.00	0.0%
5040 · Commissions & Fees	3,500.00	15,000.00	-11,500.00	23.33%
5041 · Consulting	3,652.00	20,000.00	-16,348.00	18.26%
5042 · Dues & Subscriptions	0.00	3,700.00	-3,700.00	0.0%
5050 · Fall Conference				
5051 · Audio/Visual	0.00	42,500.00	-42,500.00	0.0%

State Association of County Retirement Systems
Budget vs. Actuals
July through August 2017

	Jul - Aug 17	Annual Budget	\$ Over Budget	% of Budget
5054 · Hotel				
5054.1 · Wednesday Night Event	0.00	75,000.00	-75,000.00	0.0%
5054 · Hotel - Other	0.00	275,000.00	-275,000.00	0.0%
Total 5054 · Hotel	0.00	350,000.00	-350,000.00	0.0%
5055 · Program Material	0.00	30,000.00	-30,000.00	0.0%
5056 · Speakers	0.00	50,000.00	-50,000.00	0.0%
Total 5050 · Fall Conference	0.00	472,500.00	-472,500.00	0.0%
5070 · Insurance	3,293.74	6,000.00	-2,706.26	54.9%
5071 · Legal & Professional Fees	5,300.00	25,000.00	-19,700.00	21.2%
5072 · Legislative Advocacy	9,207.42	55,244.00	-46,036.58	16.67%
5080 · Magazine	0.00	25,000.00	-25,000.00	0.0%
6000 · Board & Committees				
6001 · Board of Directors				
6001.1 · Food & Beverage	1,114.06	1,000.00	114.06	111.41%
6001.2 · Printing/Supplies	853.02	2,000.00	-1,146.98	42.65%
6001.3 · Travel - BOD Meetings	3,472.89			
6001.4 · Travel - Miscellaneous BOD	434.11			
Total 6001 · Board of Directors	5,874.08	3,000.00	-1,032.92	195.8%
6002 · Legislative Committee Meetings	0.00	500.00	-500.00	0.0%
6003 · Program Committee Meetings	0.00	600.00	-600.00	0.0%
Total 6000 · Board & Committees	5,874.08	4,100.00	1,774.08	143.27%
6010 · Office Expenses / Supplies	439.06	4,000.00	-3,560.94	10.98%
6011 · Postage & Delivery	145.77	3,200.00	-3,054.23	4.56%
6020 · Spring Conference				
6021 · Audio/Visual	34,600.00	42,500.00	-7,900.00	81.41%
6024 · Hotel				
6024.1 · Wednesday Night Event	0.00	75,000.00	-75,000.00	0.0%
6024.3 · Food & Beverage	168,960.44			
6024 · Hotel - Other	0.00	275,000.00	-275,000.00	0.0%
Total 6024 · Hotel	168,960.44	350,000.00	-181,039.56	48.27%

**State Association of County Retirement Systems
Budget vs. Actuals
July through August 2017**

	Jul - Aug 17	Annual Budget	\$ Over Budget	% of Budget
6025 · Program Material	0.00	30,000.00	-30,000.00	0.0%
6026 · Speakers	12,035.09	50,000.00	-37,964.91	24.07%
6027 · Supplies	319.14			
6028 · Travel	101.32			
Total 6020 · Spring Conference	216,015.99	472,500.00	-256,484.01	45.72%
6051 · Taxes & Licenses	0.00	100.00	-100.00	0.0%
6053 · Technology/AMS/Website	4,508.75	21,596.00	-17,087.25	20.88%
6054 · Travel	813.63	35,900.00	-35,086.37	2.27%
9000 · BofA Credit Card Holding Acct	3,283.94			
Total Expense	291,338.53	1,626,107.01	-1,334,768.48	17.92%
Net Ordinary Income	177,745.32	-51,107.01	228,852.33	-347.79%
Net Income	177,745.32	-51,107.01	228,852.33	-347.79%



4. Board of Director's Report – No Action

Dan McAllister, SACRS President

- Board of Directors Update



Providing insight. Fostering oversight.

No printed materials for this item, verbal report only.



5. SACRS Legislative Report & Legislative Proposals 2018 – Action Item

Tracy Towner, Legislative Committee Chair

- Ventura #1
- Ventura #2
- Tulare #1



STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS LEGISLATIVE COMMITTEE REPORT – SEPTEMBER 2017

By Mike Robson and Trent Smith
September 28, 2017

On September 22, 2017, the SACRS Legislative Committee (Committee) met to consider three Legislative proposals submitted by member systems. The Committee received two proposals; one from the Ventura County Employees' Retirement System (VCERS) and one proposal from the Tulare County Employees' Retirement System (TCERS).

VCERS Proposal 1: This proposal would add a provision to County Employees Retirement Law (CERL) to define "surviving spouse" so as to include only a spouse who is legally married to the member, is neither divorced nor legally separated from the member, has lived with the member continuously from the date of marriage to the date of the member's death, and who meets all other requirements of CERL pertaining to the length of the marriage and the spouse's age at the time of the member's death.

The proposal is intended to address conflicting court cases. A recent court case in Contra Costa concluded that a legally separated spouse qualifies for a survivor continuance as the member's "surviving spouse". This opinion is contrary to the practices of at least eight CERL systems and three prior decisions issued by the Superior Court in Santa Barbara, Contra Costa, and Ventura Counties.

The Committee voted to recommend that SACRS sponsor legislation to define "surviving spouse" so retirement systems are not confused by the conflicting case law. The Committee did recommend a modified version of the proposed language that reads:

"Surviving spouse", as used in this Chapter, means a person who has legally married the member, is neither divorced nor legally separated from the member, is the spouse of the member at the time of the member's death, and who meets all other requirements of this Chapter pertaining to the length of the marriage, and the person's age at the time of the member's death.

VCERS Proposal 2: VCERS' second proposal would require an application for disability retirement to be filed within four months after the applicant knows or should have known that his or her illness or injury has become permanent.

The proposal is intended to address a recent court case where a member waited eight years after discontinuance of service to file for disability retirement.

The Committee agreed that waiting eight years is excessive. However, most committee members were uncomfortable placing a specific time frame in statute, as it would restrict the flexibility of the systems to address specific and unique cases that arise in their systems. The Committee voted to recommend that SACRS not sponsor legislation reflecting this proposal.

TCERS Proposal: Current law allows San Diego, Sacramento, Kern, San Joaquin, and Marin retirement systems the authority to exclude assistant administrators and chief investment officers from civil service. Employees working in these positions serve at the pleasure of, and may be dismissed at the will of, the appointed retirement board. TCERS proposed legislation to apply this law to all 1937 Act Systems.

The Committee voted to recommend that SACRS not sponsor legislation reflecting this proposal. However, they voted to recommend SACRS support legislation that provides this authority to TCERS if they introduced a Tulare specific bill.

The Committee agreed with the underlining policy of TCERS proposal. However, they believe legislation on this matter would likely be opposed by the counties based on their previous opposition of AB 1158; SACRS sponsored legislation in 2016 that would have provided more operational autonomy for 1937 Act Systems. Additionally, the Committee was concerned that a system-wide approach would run contrary to the Governor's veto message on AB 1158, which directed systems to reach agreement locally with their respective counties and then pursue individual legislation.



6. SACRS Audit Committee Report – Receive and File

Steve Delaney, SACRS Audit Committee Chair

- SACRS Annual 2015-2016 Audit

**STATE ASSOCIATION OF
COUNTY RETIREMENT SYSTEMS**

**FINANCIAL STATEMENT
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND 2015**

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

JUNE 30, 2016

EXECUTIVE COMMITTEE

Dan McAllister
President

Gabe Rodrigues
Vice President

Harry Hagen
Treasurer

Kathryn Cavness
Secretary

Ray McCray
Immediate Past President

Michael Keough
Affiliate Chair

* * * *

Sulema Peterson,
Shaw / Yoder / Antwih, Inc.
Association Management

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

JUNE 30, 2016 AND 2015

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James Marta & Company LLP
Certified Public Accountants

Accounting Auditing Tax and Consulting

INDEPENDENT AUDITOR'S REPORT

Board of Directors
State Association of County Retirement Systems
Sacramento, California

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements, of the State Association of County Retirement Systems (SACRS) for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the State Association of County Retirement Systems for the years ended June 30, 2016 and 2015, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Information

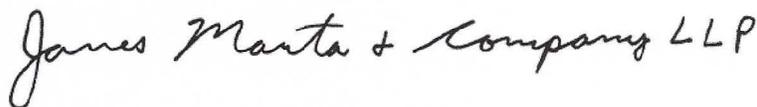
Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report, on pages 7 to 12, are presented for purposes of additional analysis and are not a required part of the financial statement.

The Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements, on pages 7 to 11, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements, on pages 7 to 11 is fairly stated in all material respects in relation to the financial statement as a whole.

The Conference Summary Report, on page 12, has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Restricted Use

This report is intended solely for the information and use of management and the board of directors of State Association of County Retirement Systems and is not intended to be and should not be used by anyone other than these specified parties.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
September 6, 2017

FINANCIAL SECTION

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2015-16</u>	<u>2014-15</u>
<u>Cash Receipts</u>		
Dues	\$ 310,229	\$ 313,500
Conference		
Fall	586,760	600,200
Spring	483,940	509,860
Seminars	123,950	130,500
Other Admin Receipts	1,525	446
Other Conference Receipts	19,590	22,065
Interest	12,519	3,688
Total Cash Receipts	<u>1,538,513</u>	<u>1,580,259</u>
<u>Cash Disbursements</u>		
Conference		
Fall - 2015 and 2014		
Hotel and meals	307,814	259,226
Audio and visual	42,378	38,118
Program materials	44,958	22,546
Spring - 2016 and 2015		
Hotel and meals	50,034	-
Audio and visual	10,033	10,000
Program materials	23,059	13,078
Seminars	264,034	212,516
Conference Administration	26,815	18,108
Prior Year and Other Expenses	299,745	81,853
Total conference disbursements	<u>1,068,870</u>	<u>655,445</u>
Administration	349,771	310,093
Legislative representation	181	511
Lobbying	86,781	81,300
Newsletters	-	11,581
Committee meetings	2,842	2,267
Special projects	17,343	25,255
Total administration disbursements	<u>456,918</u>	<u>431,007</u>
Total Cash Disbursements	<u>1,525,788</u>	<u>1,086,452</u>
Excess (Deficit) of Cash Receipts over Cash Disbursements	12,725	493,807
Cash and Investments, Beginning	<u>2,225,070</u>	<u>1,731,263</u>
Cash and Investments, Ending	<u>\$ 2,237,795</u>	<u>\$ 2,225,070</u>
Supplementary Information		
<u>Cash and Investments at June 30,</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,121,681	\$ 1,119,080
Current portion of investments	-	-
Non current portion of investments	<u>1,116,114</u>	<u>1,105,990</u>
Total Cash and Investments	<u>\$ 2,237,795</u>	<u>\$ 2,225,070</u>

The accompanying notes are an integral part of this financial statement.

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

NOTES TO THE FINANCIAL STATEMENT

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

State Association of County Retirement Systems (SACRS) is a not-for-profit association of 20 California county retirement systems, enacted under the County Employees Retirement Law of 1937. SACRS was formed in the early 1970's to provide forums for disseminating knowledge of, and developing expertise in, the operation of county retirement systems existing under current law, as well as to foster and take an active role in the legislative process. To accomplish SACRS' mission of addressing issues of importance to members, SACRS, contracting with Strategic Local Government Services, provides a variety of association management services, including three magazines a year, membership directory, semi-annual conferences, and oversight of SACRS.org. The Association is supported primarily through membership dues and conference fees.

B. BASIS OF ACCOUNTING

The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under that basis, the only assets recognized are cash and investments, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding dues and obligations for assessments unpaid at the date of the financial statement are not included in the financial statement.

Management has elected to use the cash basis of accounting for this entity given the nature of its receipts and disbursements: revenue is almost always received and earned in the same period (e.g. at the beginning of the year for annual memberships, and shortly prior to events for conference attendance) and most expenses are incurred evenly over the year, with the exception of the billing for the conference hotel expense. Financial results by conference are presented in the Conference Summary Report in the Supplementary Information section of this document.

C. INCOME TAXES

The Association is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code and Section 23701f of the California Revenue and Taxation Code.

D. CONTRACTUAL AGREEMENTS

The Association has entered into various contractual agreements for professional services. These agreements include compensation for services rendered to the Association.

E. COMPARATIVE DATA

Comparative data for the prior year have been presented in certain sections of the accompanying financial statement in order to provide an understanding of changes in the Association's financial position and operations.

Since SACRS uses the cash basis of accounting, the timing of events and the ultimate settlement of bills may vary from year to year. For example; the Spring conference costs could be settled by June (by year end) or be extended into the subsequent year. Also the timing of events could affect when payments are made from year to year. Payments after year end will be paid out of the surplus generated out of the prior year conference receipts. So the surplus cash at year end may have future demands for prior expenses. Management prepares a conference summary report that reconciles these payments when settled; this report is presented as supplementary information.

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

NOTES TO THE FINANCIAL STATEMENT

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

2. CASH AND INVESTMENTS

Cash and Cash Equivalents

SACRS considers short-term highly liquid investments to be cash equivalents provided that they are both readily convertible to cash and had an original maturity of three months or less when purchased. The balance in cash and cash equivalents at June 30 include:

	2016	2015
Bank accounts	\$ 308,090	\$ 307,529
Bank certificates of deposit	57,178	57,106
Money market accounts	756,413	754,445
Total cash and cash equivalents	\$ 1,121,681	\$ 1,119,080

Cash in bank accounts at June 30, 2016 consisted of the following:

	Bank of America	Banner Bank	Total
Per bank	\$ 321,512	\$ 96,110	\$ 417,622
Checks outstanding	(109,538)	-	(109,538)
Deposits in transit	-	6	6
Total bank accounts	\$ 211,974	\$ 96,116	\$ 308,090

Cash in bank accounts at June 30, 2015 consisted of the following:

	Bank of America	Bank of Sacramento	Total
Per bank	\$ 139,911	\$ 169,642	\$ 309,553
Checks outstanding	(2,024)	-	(2,024)
Total bank accounts	\$ 137,887	\$ 169,642	\$ 307,529

Cash balances on interest-bearing accounts held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The amount in excess of FDIC as of June 30, 2016 and 2015 was \$71,512 and \$0 respectively.

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

NOTES TO THE FINANCIAL STATEMENT

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

Investments

In March 2015, SACRS invested in the CalTRUST Medium-Term Fund (the "Fund"), depositing \$1,104,130. The balance as of June 30, 2016 and 2015 presented in the financial statement is \$1,116,114 and \$1,105,990; respectively. This balance includes reinvested interest income totaling \$10,124 and \$1,860, respectively, but does not include changes in fair market value for the year ended June 30, 2016 and 2015 totaling \$7,755 and (\$3), respectively. The fair market value of SACRS' investment in the Fund at June 30, 2016 and 2015 is \$1,123,869 and \$1,105,987, respectively. The current portion of the investment account represents underlying securities which are immediately redeemable (e.g. equities), or will mature within one year. The current portion of investments at June 30, 2016 and 2015 was \$0. The Fund is not rated or insured. Total return on the Fund for the years ended June 30, 2016 and 2015 was 0.78% and 0.65%, respectively.

3. CONTRACTS

SACRS has entered into contracts with various hotels to reserve facilities and guest rooms for its upcoming conferences and events. Cancellation fees associated with these contracts vary by date of notice. All hotel contracts specify the total number of guest room nights reserved at a group rate. If guest nights attributed to the convention fall below a specified minimum, SACRS is obligated to pay a room attrition rate for every guest night below the contracted minimum; standard room rates exceed the attrition rate. The organization is also responsible for food and beverage minimums as specified below. Hotel contracts entered into as of the audit date are summarized here:

<u>Conference</u>	<u>Cancellation Fees</u>	<u>Food and Beverage Minimums</u>	<u>Guest Room Nights Reserved</u>	<u>Guest Room Nights Minimum</u>	<u>Rooms Attrition</u>
Fall 2017	\$187,162-\$274,324	\$100,000	995	796	\$219 plus tax
Spring 2018	\$44,868-\$179,473	\$150,000	935	748	\$192 plus tax
Fall 2018	\$55,418-\$286,672	\$100,000	968	774	\$226 plus tax
Spring 2019	\$156,549-\$281,789	\$100,000	1035	880	\$189 plus tax
Fall 2019	\$84,596-\$181,192	\$120,000	875	700	\$199 plus tax
Fall 2020	\$49,194-\$408,276	\$80,000	890	700	\$226 plus tax

4. DONATED SERVICES

Directors and officers have made a significant contribution of their time to develop the organization and its programs. No amounts have been recognized in the accompanying statement of cash receipts and disbursements as no cash changed hands as a result of the donated services.

5. SUBSEQUENT EVENTS

SACRS' management has evaluated subsequent events through September 6, 2017, the date which the financial statement was issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statement.

SUPPLEMENTARY INFORMATION

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

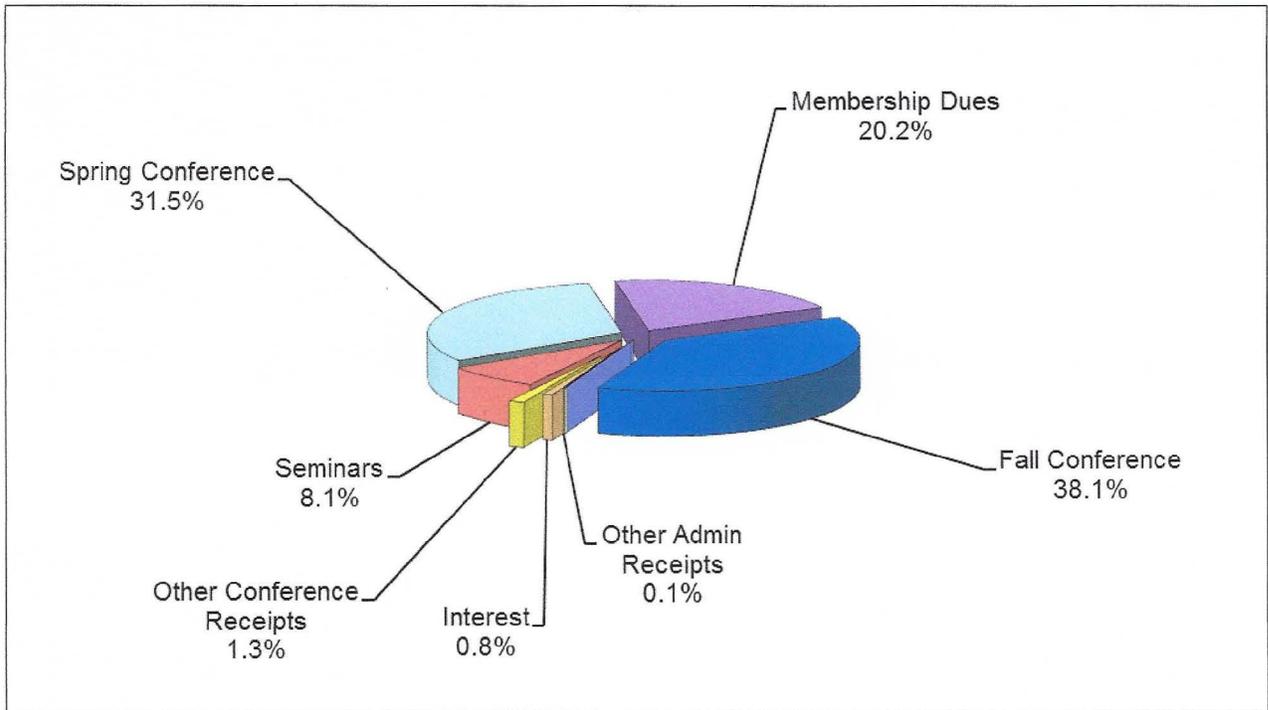
	<u>Conference</u>	<u>Administration</u>	<u>Total</u>
<u>Cash Receipts</u>			
Dues	\$ -	\$ 310,229	\$ 310,229
Conference			
Fall	586,760	-	586,760
Spring	483,940	-	483,940
Seminars	123,950		123,950
Other Admin Receipts	-	1,525	1,525
Other Conference Receipts	19,590	-	19,590
Interest	12,519	-	12,519
Total Cash Receipts	<u>1,226,759</u>	<u>311,754</u>	<u>1,538,513</u>
<u>Cash Disbursements</u>			
Conference			
Fall - 2015			
Hotel and meals	307,814	-	307,814
Audio and visual	42,378	-	42,378
Program materials	44,958	-	44,958
Spring - 2016			
Hotel and meals	50,034	-	50,034
Audio and visual	10,033	-	10,033
Program materials	23,059	-	23,059
Seminars	264,034	-	264,034
Conference Administration	26,815	-	26,815
Prior Year and Other Expenses	299,745	-	299,745
Total conference disbursements	<u>1,068,870</u>	<u>-</u>	<u>1,068,870</u>
Administration	-	349,771	349,771
Legislative representation	-	181	181
Lobbying	-	86,781	86,781
Newsletters	-	-	-
Committee meetings	-	2,842	2,842
Special projects	-	17,343	17,343
Total administration disbursements	<u>-</u>	<u>456,918</u>	<u>456,918</u>
Total Cash Disbursements	<u>1,068,870</u>	<u>456,918</u>	<u>1,525,788</u>
Excess (Deficit) of Cash Receipts over Cash Disbursements	157,889	(145,164)	12,725
Cash and Investments, Beginning	<u>2,583,894</u>	<u>(358,824)</u>	<u>2,225,070</u>
Cash and Investments, Ending	<u>2,741,783</u>	<u>(503,988)</u>	<u>2,237,795</u>

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

GRAPHICAL PRESENTATION OF CASH RECEIPTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CASH RECEIPTS BY SOURCE

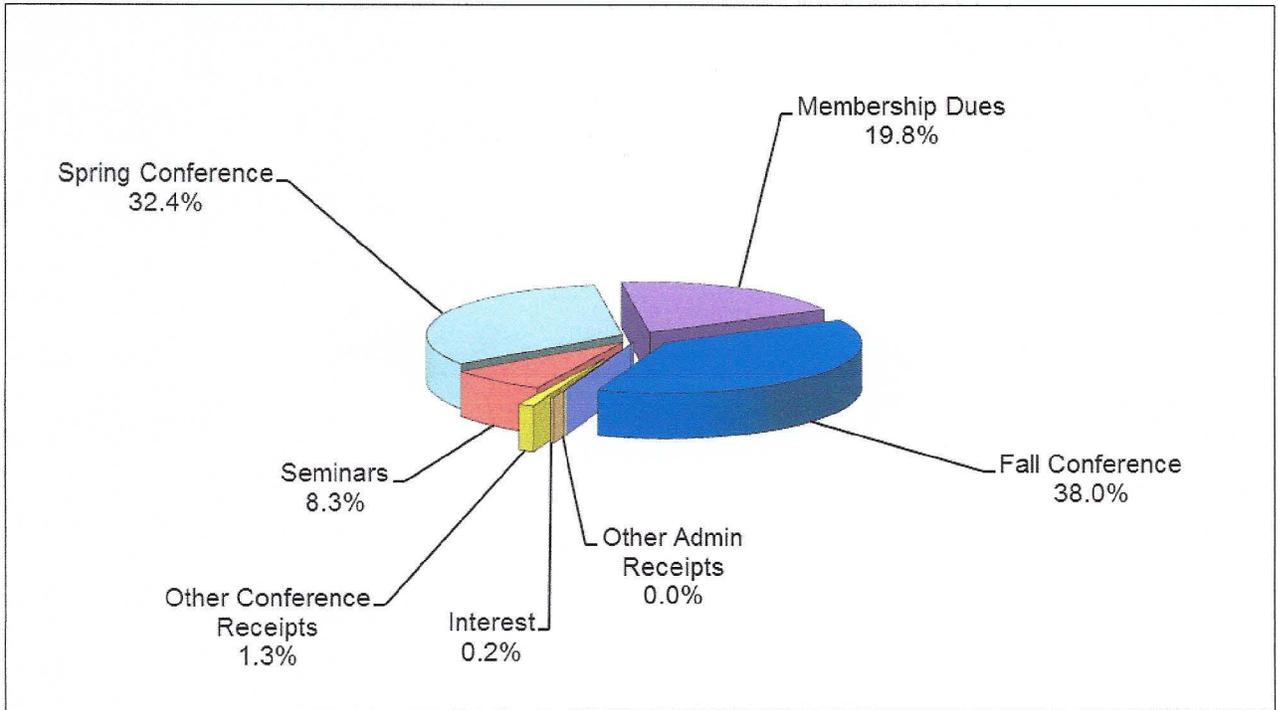


STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

GRAPHICAL PRESENTATION OF CASH RECEIPTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CASH RECEIPTS BY SOURCE

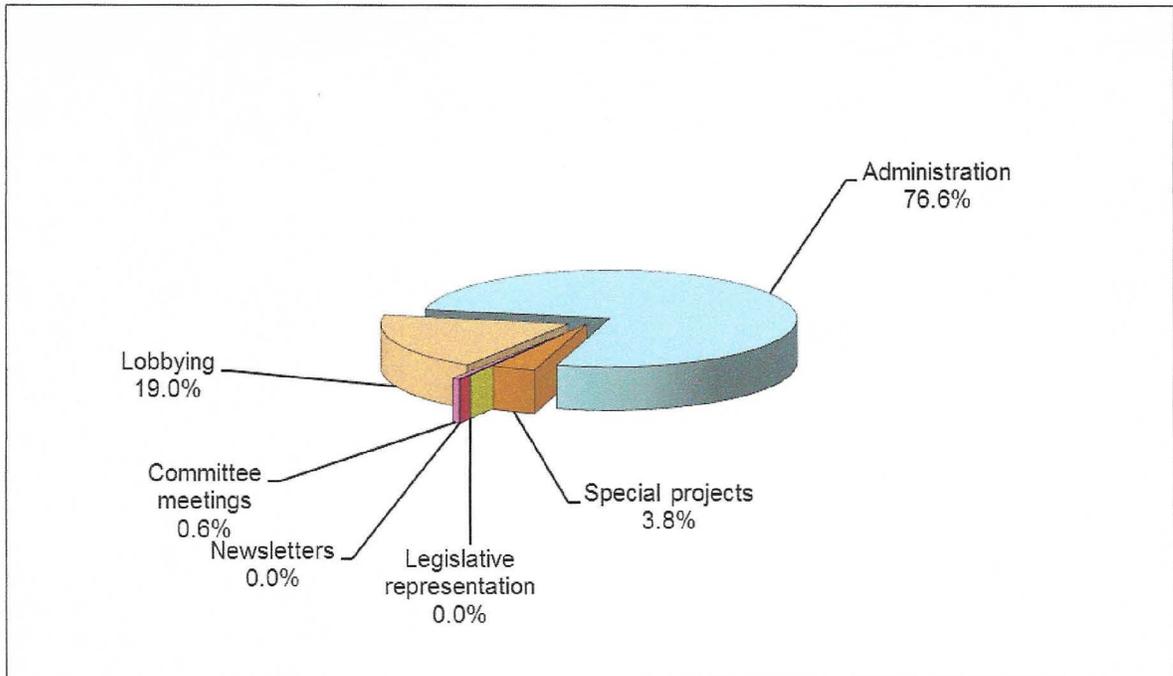


STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

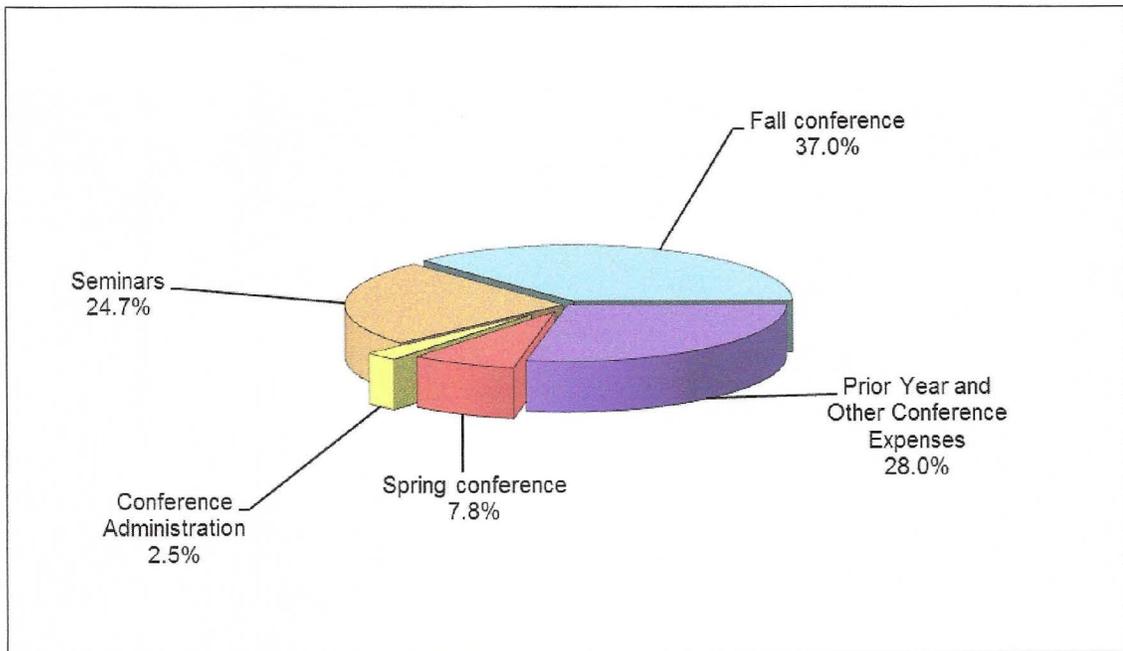
GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

ADMINISTRATION CASH DISBURSEMENTS



CONFERENCE CASH DISBURSEMENTS

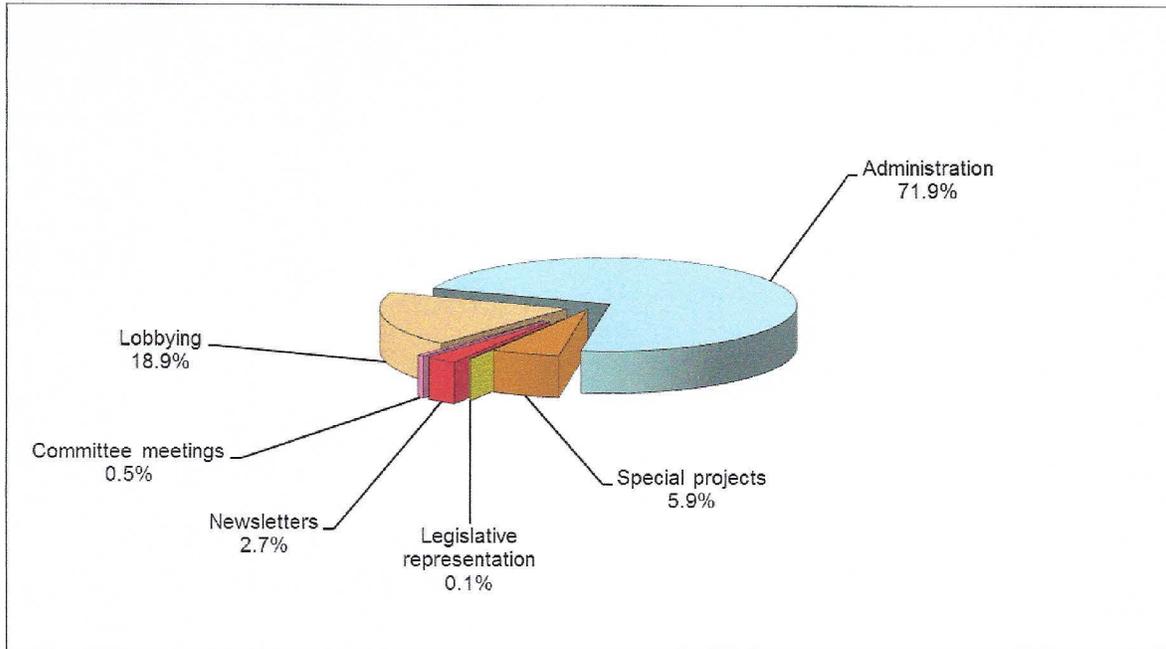


STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

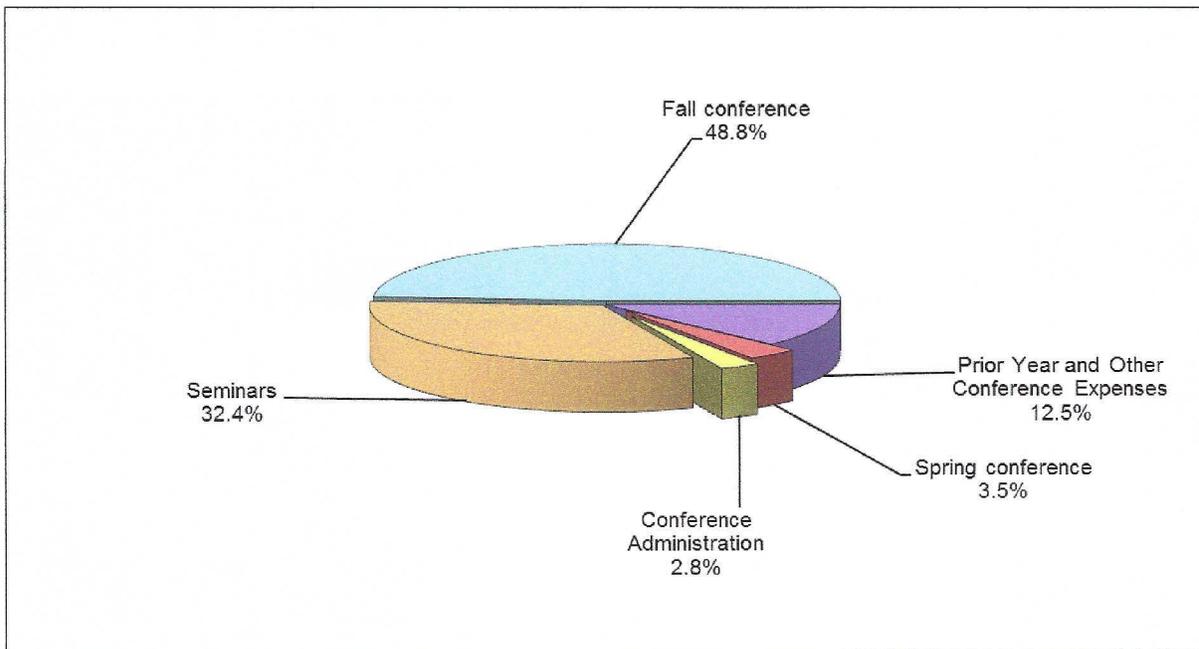
GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

ADMINISTRATION CASH DISBURSEMENTS



CONFERENCE CASH DISBURSEMENTS



STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

CONFERENCE SUMMARY REPORT

	Spring 2016 Costa Mesa	Fall 2015 San Diego	Spring 2015 Anaheim	Fall 2014 Monterey	Spring 2014 Sacramento	Fall 2013 Indian Wells
Cash receipts						
Conference	\$ 494,920	\$ 586,885	\$ 525,675	\$ 600,405	\$ 503,655	\$ 564,440
Total cash receipts	<u>494,920</u>	<u>586,885</u>	<u>525,675</u>	<u>600,405</u>	<u>503,655</u>	<u>564,440</u>
Cash disbursements						
Hotel and meals	236,616	307,120	242,932	256,075	154,322	328,405
Audio and visual	39,483	42,378	40,980	38,118	42,031	36,800
Program materials	36,907	44,441	32,726	25,711	42,182	46,851
Conference Administration	15,958	17,570	12,788	10,201	9,322	16,800
Other			-	4,466	1,750	-
Total cash disbursements	<u>328,963</u>	<u>411,509</u>	<u>329,426</u>	<u>334,571</u>	<u>249,607</u>	<u>428,856</u>
Net cash provided by conference	<u>\$ 165,957</u>	<u>\$ 175,376</u>	<u>\$ 196,249</u>	<u>\$ 265,834</u>	<u>\$ 254,048</u>	<u>\$ 135,584</u>
Total attendees	601	715	604	664	570	631



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
INDEPENDENT AUDITOR'S REPORT

Board of Directors
State Association of County Retirement Systems
Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of State Association of County Retirement Systems (SACRS), as of and for the years ended June 30, 2016 and 2015 the related notes to the financial statement, which collectively comprise the State Association of County Retirement Systems' basic financial statement, and have issued our report thereon dated September 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered SACRS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
September 6, 2017



James Marta & Company LLP
Certified Public Accountants

Accounting Auditing Tax and Consulting

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

Board of Directors
State Association of County Retirement Systems
Sacramento, California

We have audited the financial statement of the State Association of County Retirement Systems (SACRS) for years ended June 30, 2016 and 2015, and have issued our report thereon dated September 6, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 13, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with the cash basis of accounting described in Note 1 to the financial statement. Our audit of the financial statement does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statement is free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of SACRS solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our report on internal control over financial reporting in a separate letter to you dated September 6, 2017.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

We follow the AICPA Ethics Standard Rule 201C, in conjunction with this, we annually review with all engagement staff potential conflicts and obtain a conflict certification. In addition, we inquire on each engagement about potential conflicts with staff. We have not identified any relationships or other matters that in the auditor's judgment may be reasonably thought to bear on independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by SACRS is included in Note 1 to the financial statement. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are typically an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and 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 markedly from management's current judgments. As the accounting of SACRS is prepared on a cash basis, no estimates are necessary for the preparation of the financial statement.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We are not aware of any sensitive disclosures affecting SACRS' financial statement.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statement as a whole and each applicable opinion unit. We did not identify any uncorrected misstatements as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no audit adjustments identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to SACRS' financial statement or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated September 6, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with SACRS, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as SACRS' auditors.

We are contracted to prepare the fiscal year 2016 federal Return of Organization Exempt From Income Tax, and related state filings, as well as the calendar year Forms 1099-MISC for SACRS. These returns will be prepared using audited financial data, where applicable, but our preparation of these returns does not constitute an audit. No audit opinion will be issued on the tax returns referred to above.

James Marta & Company LLP
Certified Public Accountants

This report is intended solely for the information and use of the Board of Directors, and management of State Association of County Retirement Systems and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
September 6, 2017



MANAGEMENT REPRESENTATION LETTER

September 6, 2017

James Marta & Company LLP
Certified Public Accountants
701 Howe Avenue, Suite E3
Sacramento, California 95825

This representation letter is provided in connection with your audit of the statement of cash receipts and disbursements of the State Association of County Retirement Systems (SACRS) for the fiscal year ended June 30, 2016, and the related notes to the financial statement, for the purpose of expressing an opinion on whether the financial statement is presented fairly, in all material respects, in accordance with the cash basis of accounting described in Note 1 to the financial statement.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 6, 2017:

Financial Statement

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 13, 2017, for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1 to the financial statement.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed.



- All events subsequent to the date of the financial statement which requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed.
- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statement all assets under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statement, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statement in accordance with the cash basis of accounting described in Note 1 to the financial statement.
- We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statement.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statement communicated by employees, former employees, analysts, regulators, or others.



- We have no knowledge of any noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statement and we have not consulted legal counsel concerning litigation or claims.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Supplementary Information in Relation to the Financial Statement as a Whole

With respect to the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report accompanying the financial statement:

- We acknowledge our responsibility for the presentation of the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements in accordance with the cash basis accounting as described in Note 1 to the financial statement. We acknowledge our responsibility for the presentation of the Conference Summary Report which presents all cash receipts and expenses related to a specific regardless of timing of the underlying receipt or disbursement.
- We believe the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements, including its form and content, is fairly presented in accordance with the cash basis accounting as described in Note 1 to the financial statement. We believe the Conference Summary Report, including its form and content, is fairly presented and inclusive of all cash receipts and expenses related to a specific regardless of timing of the underlying receipt or disbursement.
- The methods of measurement or presentation have not changed from those used in the prior period.
- When the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report are not presented with the audited financial statement, management will make the audited financial statement readily available to the intended users of the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.



Additional Representations

- We have reviewed, approved, and taken responsibility for the financial statement and related notes.
- We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statement.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- All disbursements have been properly classified in the financial statement and allocations, if any, have been made on a reasonable basis.
- Deposit and investment risks have been properly and fully disclosed.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- We have disclosed to you all guarantees, whether written or oral, under which SACRS is contingently liable.
- SACRS has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have provided to you our views on reported audit findings, conclusions, and recommendations, as well as planned corrective actions.
- Regarding our tax filings prepared by James Marta & Company LLP:
 - We are responsible for complying with tax filing requirements with the Internal Revenue Service, Franchise Tax Board, and other agencies, as applicable.
 - We are responsible for establishing and maintaining effective internal control over compliance.
 - We have performed an evaluation of the Association's compliance with tax filing requirements and we are not aware of any instances of noncompliance.
 - We have reviewed and approved the tax returns prepared by your office.
 - We have made available to you all documentation related to compliance with specified requirements.
 - We assume all management responsibilities in regards to the tax filings and have designated an individual in management who possesses suitable skill, knowledge and experience to oversee these services.
 - We have performed an evaluation of the adequacy and results of the services performed and assume all management responsibilities.
 - We accept responsibility for the results of the services.



Sufema Peterson 9/6/17

Sufema Peterson, SACRS Administrator

Dodie Wishek 9-6-17

Dodie Wishek, SACRS Financial Services



7. SACRS Bylaws Committee Report – Action Item

Vivian Gray, SACRS Bylaws Committee Chair

- SACRS Board of Directors proposed Bylaw amendments



DANNIS WOLIVER KELLEY

Attorneys at Law

MEMORANDUM

555 Capitol Mall, Suite 645
Sacramento, CA 95814

Tel 916.978.4040
Fax 916.978.4039

TO: Dan McAlister, President
State Association of County Retirement Systems

FROM: Marilyn L. Jacobs

DATE: September 25, 2017

RE: Amended and Restated Bylaws

The bylaws of an organization contain the rules that govern its operations. They generally contain provisions for electing directors; holding member, board of directors, and committee meetings; and addressing other essential formalities. As an organization evolves and changes, its bylaws should be periodically reviewed and amended to respond to these changes.

During the last 6 months, SACRS' Board of Directors ("Board") and the members of the various Standing Committees ("Committees") have been working to amend and restate the current Bylaws. It is my understanding that the Board and the Committees undertook this rather daunting project pursuant to their strategic plan, and because the organization is growing and they genuinely desire to see more members actively participate in SACRS.

As you will see in the attached document, the Bylaws were amended and restated to address situations not contemplated by the current Bylaws; eliminate statutory provisions that are not applicable to SACRS; and correct formatting and minor grammatical error contained in the Bylaws.

The significant changes made to the Bylaws include:

- increasing the number of Directors from 5 to 7. As amended, 2 regular members will now serve on the Board in addition to the Officers (President, Vice-President, Secretary and Treasurer) and the immediate Past President.
- streamlining the process for electing Directors. As revised, regular members must submit their nominees to the Nominating Committee no later than noon on March 1st. Write-in candidates are no longer permitted. The Nominating Committee will report its slate of candidates, along with the names of all nominees, to the regular member County Retirement Systems prior to March 25th.
- proposed changes made by the Standing Committees to their respective sections in the Bylaws. For example, the Nominating Committee section was revised to help ensure geographic diversity by restricting the number of representatives from each system. Also, in the event the immediate Past President is unable to Chair the Nominating Committee, the Chair of the Audit Committee is now responsible for appointing an alternate trustee to serve as the Chair. Finally, after serving their 2-year term, members of the Nominating Committee must wait 1 year before reapplying.
- limiting the number of committees that a member may apply to serve on to one (1) in order to encourage participation by more members.



BYLAWS

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

ARTICLE I

NAME, MISSION, PURPOSES AND GENERAL POLICY

Section 1. Name. The name of this corporation is State Association of County Retirement Systems (“SACRS”).

Section 2. Mission. The mission of this organization shall be to serve the 1937 Act Retirement Systems by exchanging information, providing education and analyzing legislation.

Section 3. General Purpose. SACRS is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the California Nonprofit Public Benefit Corporation Law for public purposes.

Section 4. Specific Purpose. The specific and primary purposes of SACRS are to provide forums for disseminating knowledge of and developing expertise in the operation of county retirement systems existing under the County Employees Retirement Law of 1937 as set 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.

Section 5. Limitations. SACRS is organized exclusively for purposes within the meaning of Section 501(c)(4) of the Internal Revenue Code of 1986, as amended (the “Code”), or the corresponding provisions of any future United States Internal Revenue Law. Notwithstanding any other provision of these Bylaws, SACRS shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of SACRS, and SACRS shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(4) of the Code or the corresponding provisions of any future United States Internal Revenue Law.

Section 6. Private Benefit. All of SACRS’ property is irrevocably dedicated to social welfare purposes. No part of the net earnings of SACRS shall inure to the benefit of any of its Directors, or any other person or individual.

ARTICLE II

OFFICES

Section 1. Offices. The principal office for the transaction of the business, activities and affairs of SACRS is located in Sacramento, California. The Board of Directors of SACRS (the “Board”) may change the principal office from one location to another.

Section 2. Branch Offices. Branch or subordinate offices may be established at any time by the Board at any place or places.

ARTICLE III **MEMBERSHIP**

Section 1. Membership. SACRS shall be composed of regular, associate, nonprofit and affiliate members as hereinafter defined.

- A. Regular Membership. Regular membership shall be extended to all duly elected or appointed members of County Retirement and Investment Boards operating under the County Employees Retirement Law of 1937, California Government Code 31450 et seq. Regular membership shall also be extended to the Administrator of a system operating under the County Employees Retirement Law of 1937 when said Administrator is employed by and reports directly to the Retirement Board of the Member county.
- B. Associate Membership. Associate membership shall be extended to (i) the staff of County Retirement and/or Investment Boards; (ii) those staff of the County Treasurer whose specific duties are retirement related; and (iii) legal counsel advising County Retirement and Investment Boards.
- C. Nonprofit Membership. Nonprofit organizations having an active interest in the purpose of SACRS may be extended nonprofit membership upon (i) the appropriate letter of application approved by the majority vote of the Board, and (ii) payment of the annual Nonprofit membership dues as set forth under Article III, Sections 5 and 6 herein. Nonprofit members will be comprised of two distinct tiers as follows: (i) Nonprofit Retirement Systems - defined as public retirement systems not eligible for regular membership; and (ii) Nonprofit Organizations - defined as nonprofit organization other than public retirement systems.
- D. Affiliate Membership. Affiliate membership may be extended to a retirement-related business or institutional investment-related company or firm on a first come, first served basis as follows: (i) submission of an appropriate letter of application approved by a majority vote of the Board; and (ii) payment of the annual Affiliate membership dues as set forth under Article III, Sections 5 and 6 herein.
- E. Past Presidents. Past Presidents who are no longer eligible for regular membership under Article III, Section 1(A), and who are not eligible for associate or affiliate membership under Article III, Section 1(B) and (D), shall be afforded lifetime membership and the privileges of membership held in the name of SACRS; and shall have their annual regular membership dues as defined in Article III, Section 5(A) and conference registration fees waived by SACRS.

Section 2. Rights of Regular Membership. Regular member County Retirement Systems shall have the right to vote, as set forth in these Bylaws, on (i) the election of the Officers/Directors, (ii)

the disposition of all or substantially all of the corporation's assets, (iii) any merger and its principal terms and any amendment of those terms, and (iv) any election to dissolve the corporation. In addition, the regular member County Retirement Systems shall have all rights afforded members under the California Nonprofit Public Benefit Corporation Law.

Section 3. Rights of Associate and Affiliate Membership. Associate and affiliate members shall be accorded all the rights and privileges to which any regular member is entitled except the right to vote and as specifically restricted in the Articles of Incorporation and these Bylaws.

All associate and affiliate memberships shall be held in the name of the County Retirement System, organization or firm. Membership shall not be personal to an individual.

Affiliate member organizations must designate two (2) representatives by name, on their Letter of Application. Only the Affiliate's two (2) designated representatives shall be afforded registration at SACRS meetings unless specific exceptions are made by a majority vote of the Board.

Section 4. Rights of Nonprofit Membership. Nonprofit Retirement Systems may have up to ten (10) delegates attend the regular meetings, and Nonprofit Organizations may have up to two (2) delegates attend the regular meetings. Nonprofit members are not entitled to vote.

Section 5. Membership Dues and Fees.

- A. Regular Members. Regular member County Retirement Systems shall pay annual dues as approved by the organization's delegates at any noticed meeting. This fee shall, in addition to a regular membership, entitle the member systems to an annual associate membership under Article III, Section 1(B) herein.
- B. Nonprofit Members. Nonprofit members shall pay annual dues in any amount determined by the Board.
- C. Affiliates. Affiliate members shall pay annual dues in any amount determined by the Board.
- D. Registration. Registration fees for meetings may be charged to all members in addition to annual dues.

Section 6. Payment of Annual Dues. Annual dues are due and payable July 1 and are delinquent July 31 of each year. Registration fees are due at the discretion of the Board.

Section 7. Membership Code of Conduct.

- A. Policy against Harassment, Discrimination, and Retaliation. SACRS is committed to providing an environment free from harassment and maintains a strict policy that forbids sexual harassment and other harassment, discrimination and retaliation based on race, color, national origin, ancestry, religion and religious creed, political affiliation, citizenship, sex, gender, gender identity, sexual orientation, age,

pregnancy or breastfeeding, medical conditions, marital status, medical condition, physical or mental disability, or any other protected classification under federal, state or local law.

- B. Standard of Decorum and Professionalism. SACRS members, representatives, family members, and guests are expected to maintain appropriate decorum and professionalism to improve the deliberative process and foster the integrity of the SACRS community. Verbal or non-verbal conduct which has the purpose or effect of affecting a person's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment will not be tolerated, regardless of whether such behavior amounts to unlawful conduct. Such inappropriate behavior includes, but is not limited to, the use of profanity, threats, offensive gestures, racial slurs, ethnic jokes, posting of offensive statements or pictures, derogatory remarks, insults, epithets, verbal or physical conduct that a reasonable person would find threatening, intimidating, or humiliating, assault or other unwelcome physical conduct, or other similar conduct.
- C. Penalties for Violation. Any person found in violation of the SACRS Code of Conduct by the Board of Directors may, within the discretion of Board of Directors and as permitted by law, be temporarily or permanently barred from attending or participating in any SACRS conference, meeting, function, or event. Any member found in violation of the SACRS Code of Conduct by the Board of Directors may be subject to penalty within the discretion of Board of Directors and as permitted by law, including but not limited to:
- (1) Warning and/or Censure;
 - (2) Suspension or revocation of the privileges of any member or their designated representatives;
 - (3) Suspension of membership; and,
 - (4) Termination of membership.
- D. Affiliate Guidelines. Affiliate Members are and remain subject to additional guidelines as have been or may be approved by the Board.
- E. No Duty. Although SACRS endeavors to create a respectful and welcoming environment for its membership, representatives, and other guests, it does not by this Code of Conduct or any other act, voluntarily assume a duty to do so, except as otherwise required by federal, state, or local law.

ARTICLE IV DELEGATES

Section 1. Delegates. Regular member County Retirement Systems shall be entitled to one (1) voting delegate. The delegate shall be designated in writing by the County Retirement Board and shall be a regular member from the member County Retirement System consistent with Article III, Section 1(A) herein.

Section 2. Alternate Delegates. Alternate delegates may be designated in writing by the member County Retirement Board.

Section 3. Voting by Delegates/Alternative Delegates. Voting delegates serve as a proxy for their respective County Retirement System. The delegate or alternative delegate shall vote as directed by their respective County Retirement System.

Section 4. Credentials. Credentials for the delegates who are voting participants shall be filed with the Credentials Committee in writing prior to any meeting of SACRS at which voting will take place. Credentials shall include the names of the member County Retirement System, the delegate and alternate delegates, if any, consistent with Article IV, Sections 1 and 2 of these Bylaws.

ARTICLE V **MEMBER MEETINGS**

Section 1. Regular Meetings. The membership shall meet to conduct SACRS business once in the Spring and once in the Fall of each calendar year. These meetings shall be referred to as regular meetings.

Section 2. Special Meetings. Special meetings of the membership may be called by (i) a resolution of the membership at a meeting, or (ii) a majority vote of the Board.

Section 3. Site Selection for Meetings. The meeting sites shall be designated by the Board.

Section 4. Agenda for Business Meetings. The Board shall be responsible for the final agenda of all SACRS meetings. The business meeting agendas shall be mailed by first-class postage or provided by Electronic Transmission (as defined in Article XVII, Section 2) to all members no later than ten (10) days prior to any meeting.

Section 5. Quorum. The presence of eleven (11) credentialed delegates (as defined in Article IV, Section 4) shall constitute a quorum for the transaction of business at all SACRS meetings. If, however, the attendance at any SACRS meeting, whether in person or by proxy, is less than one-third (1/3) of the voting power, the members may vote only on those matters specified in the meeting agenda described in Article V, Section 4 herein. Meetings may be restricted to regular members only by a majority vote of the quorum present.

Section 6. Voting. Voting at meetings of SACRS shall be the exclusive privilege of the delegates or alternate delegates. Voting delegates or alternate delegates must have proper credentials on file consistent with Article IV, Section 4 herein prior to voting. Each delegate or alternate delegate may cast one (1) vote on each matter submitted to vote of the members. Voting shall be by open roll-call. A simple majority vote of the quorum present shall pass all issues considered by the regular membership unless otherwise specified in the Articles of Incorporation or these Bylaws. A roll-call vote of delegates and alternate delegates shall decide any voice vote in doubt by the regular members present.

Section 7. Proxy. A delegate may issue his or her proxy to an alternate delegate from the same member County Retirement System. All proxies must be in writing, signed and filed with the Credentials Committee prior to voting.

Section 8. Procedures. All meetings of SACRS shall be governed by Robert's Rules of Order unless other rules are specifically provided herein. The rules shall be interpreted at meetings, as necessary, by a parliamentarian appointed by the President prior to the first order of business.

Section 9. Resolutions. Any regular, associate and non-profit member may submit resolutions for consideration by the regular membership at any meeting. Submission of such resolutions shall be made in writing and sent by certified mail to the President at least thirty (30) days prior to any meeting of SACRS.

Section 10. Travel Expenses. The travel expenses incurred by officers and committee members may be reimbursed in accordance with the current SACRS travel policy.

ARTICLE VI **OFFICERS**

Section 1. Officers. The officers of SACRS, upon being elected, shall serve on the Board. The officers of SACRS shall be the President, Vice-President, Secretary, and Treasurer.

Section 2. Election and Qualification. The officers of SACRS shall be regular members of SACRS. The officers shall be elected pursuant to the procedure described in Article VIII, Section 2 by a majority vote of the quorum of delegates and alternate delegates present at the first meeting in each calendar year.

Section 3. Resignation of Officers. Any officer may resign pursuant to the procedure described in Article VIII, Section 7, however said Article VIII, Section 7 shall be superseded by any conflicting terms of a contract which has been approved or ratified by the Board relating to the employment of any officer of SACRS.

Section 4. President. The President shall be the Chief Executive Officer of SACRS and shall preside over all membership meetings and Board meetings. The President shall appoint committee members subject to the approval of the Board, and shall serve as an ex-officio member of all committees with the exception of the Nominating Committee. The President shall be responsible for the general administration of SACRS.

Section 5. Vice-President. The Vice-President shall, in the absence or inability of the President, perform the duties of the President.

Section 6. Secretary. The Secretary shall keep, prepare and publish prior to the next immediate regular meeting an accurate record of the proceedings of all SACRS meetings defined under Article V herein. In addition, the Secretary, together with the SACRS' Administrator, shall prepare and maintain a current list of members in good standing.

Section 7. Treasurer. The Treasurer shall be the Chief Financial Officer of SACRS. The Treasurer shall act as custodian of all funds and financial records of SACRS; collect, deposit and disperse funds consistent with SACRS direction; prepare and present a written detailed financial report at each meeting of SACRS.

ARTICLE VII **BOARD ADVISORS**

Section 1. Chair of Affiliate Committee. The Chair of the Affiliate Membership Committee shall serve as an advisor and/or consultant to the Board for educational (not legislative) purposes.

Section 2. Vice Chair of Affiliate Committee. The Vice Chair of the Affiliate Membership Committee shall, in the absence or inability of the Chair of the Affiliate Committee, perform the duties of the Chair.

Section 3. Members of the Board. Neither the Chair nor the Vice Chair of the Affiliate Membership Committee is a member of the Board.

ARTICLE VIII **BOARD 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.

Section 3. General Powers. Subject to limitations of the Articles of Incorporation and these Bylaws, the activities and affairs of SACRS shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of SACRS to any person, persons, management company, or committees however composed, provided that the activities and affairs of SACRS shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

Section 4. Special Powers. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws:

- A. To select and remove all the agents and employees of SACRS, prescribe powers and duties for them as are consistent with law, the Articles of Incorporation or these Bylaws, and fix their compensation.
- B. To conduct, manage, and control the affairs and activities of SACRS and to make such rules and regulations that are consistent with the law, the Articles of Incorporation, or these Bylaws, as they may deem best, including, but not limited to, executing all motions, resolutions, association positions and/or direction passed on by the membership at any meeting.
- C. To incur indebtedness, including but not limited to extensions of credit, for the purposes of SACRS, and to cause to be executed and delivered in SACRS' name.
- D. To change the principal office of SACRS in Sacramento County, California, from one location to another.
- E. To accept on behalf of SACRS any contribution, gift, bequest, or devise for the social welfare purposes of SACRS.
- F. To report to the regular membership, in writing, as soon as possible, all actions taken by the Board under this Article VIII.

Section 5. Term. The Directors shall hold office for one (1) year and until a successor Director has been designated and qualified.

Section 6. Vacancies. Vacancies on the Board shall exist in the event of:

- A. the death, resignation or removal of any Director;

- B. the declaration by resolution of the Board of a vacancy in the office of a Director who has been (i) declared of unsound mind by a final order of a court; (ii) convicted of a felony; (iii) found by a final order of judgment of any court to have breached any duty arising under Article 3 of the California Nonprofit Public Benefit Corporations Law; or (iv) absent without good cause, as determined by the remaining Directors, from regular Board meetings for either two (2) consecutive meetings or four (4) meetings in any one twelve (12) month period; and
- C. the vote of a majority of the delegates or alternate delegates to remove the Director(s).

Except for a vacancy created by the removal of a Director by the delegates and alternate delegates, vacancies occurring on the Board may be filled by Board approval or, if the number of Directors then in office is less than a quorum, by the affirmative vote of a majority of the Directors then in office at a meeting held pursuant to these Bylaws, or a sole remaining Director. The delegates and alternate delegates may fill any vacancy not filled by the Directors.

A person elected to fill a vacancy as provided by this Section shall hold office for the remaining term of the vacating Director, or until his or her death, resignation or removal from office.

Section 7. Resignation of Directors. Except as provided below, any Director may resign effective upon giving written notice to the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, the Board may appoint a successor before such time, to take office when the resignation becomes effective and for the remaining term of the vacating Director. Except on notice to the California Attorney General, no Director may resign if the corporation would be left without a duly elected Director.

Section 8. Conflicts of Interest.

- A. All Directors shall comply with the disclosure requirements of California Corporation Code Section 5234 concerning transactions between SACRS and any other entity in which a Director is an officer or director; and
- B. SACRS will not lend money or other property, or guarantee the obligation, of any Director or officer, except as authorized by California Corporation Code Section 5236.

Section 9. Compensation/Travel Policy. Directors shall serve without compensation however they are allowed reasonable advancement or reimbursement for food and beverage, transportation, and lodging expenses incurred in the performance of their regular duties as specified in these Bylaws.

Section 10. Non-Liability of Directors. The Directors shall not be personally liable for the debts, liabilities, or other obligations of SACRS.

Section 11. Insurance for Corporate Agents. SACRS shall purchase and maintain Directors and Officers Insurance (D&O) and Errors and Omissions Insurance (E&O) on behalf of SACRS' Directors, officers, employee or other agents.

ARTICLE IX
MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Place of Meeting. All Board meetings shall be held at SACRS' office or at such other place as may be designated for that purpose in the notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be designated in the Bylaws or by resolution of the Board.

Section 2. Annual Meeting. Immediately following the election of the Directors at the first meeting of the calendar year, the Board shall hold a general meeting for the purposes of conducting any business or transactions as shall come before the meeting. Other general meetings of the Board may be held without notice at such time and place as the Board may fix from time to time.

Section 3. Special Meetings. Special meetings of the Board for any purpose or purposes may be called by the President, the Secretary, or any two (2) or more Directors.

Section 4. Notice of Meetings. Written notice of the time and place of any special meeting shall be given to each Director by one of the following methods (i) personal delivery, (ii) first class mail, postage prepaid, (iii) telephone, including a voice messaging system or other system or technology designed to record and communicate messages, or (iv) Electronic Transmission if the Director has consented to accept notice in this manner. All notices shall specify the purpose of the special meeting and shall be given or sent to the Director's address, phone number, facsimile number or e-mail address as shown on SACRS' records.

Notices sent by first class mail shall be deposited into a United States mail box at least four (4) days prior to the time set the meeting. Notices given by personal delivery, telephone, voice messaging system, Electronic Transmission, or other similar means of communication shall be delivered at least forty-eight (48) hours prior to the time set for the meeting. Any notice given personally or by telephone may be communicated directly to the Director or to a person who would reasonably be expected to promptly communicate such notice to the Director.

Section 5. Meeting by Telephone or Other Telecommunications Equipment. Any Board meeting may be held by conference telephone, video screen communication, or other communications equipment. Participation in a meeting under this Section 5 shall constitute presence in person at the meeting if both the following apply:

- A. Each member participating in the meeting can communicate concurrently with all other members; and
- B. Each member is provided the means of participating in all matters before the Board, including the capacity to propose, or to interpose an objection to, a specific action to be taken by the Board.

Section 6. Validation of Meeting. Transactions of the Board at any meeting, however called or noticed or wherever held, shall be as valid as though the meeting had been properly called and noticed and duly held if (i) a quorum is present, and (ii) either before or after the meeting, each Director who was not present at the meeting signs a written waiver of notice, a consent to the holding the meeting, or an approval of the minutes. All waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 7. Waiver of Notice. Notice of a meeting is not required to be given to any Director who (i) attends the meeting without protesting, before or at its commencement, about the lack of adequate notice, (ii) signs a waiver of notice or a written consent to holding the meeting, or (iii) signs an approval of the minutes whether before or after the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 8. Quorum. A majority of the Directors present in person or pursuant to Article IX, Section 5 shall constitute a quorum for the transaction of business, except as provided in Article IX, Section 11. A meeting, at which a quorum is initially present, may continue to transact business notwithstanding the withdrawal of Directors as long as the action is approved by at least a majority of the required quorum for the meeting.

Section 9. Majority Action as Board Action. Every act or decision done or made by a vote of the majority of the Directors present at a meeting duly held at which a quorum is present is the act of the Board, unless a greater number is expressly required by SACRS' Articles of Incorporation, these Bylaw, or provisions of the California Nonprofit Public Benefit Corporation Law.

Section 10. Prohibition against Voting by Proxy. Directors may not vote by proxy.

Section 11. Adjournment. A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place of the next meeting are fixed at the adjourned meeting and if the adjourned meeting is held no more than twenty-four (24) hours from the time of the original meeting. Notice shall be given of any adjourned regular or special meeting to Directors absent from the original meeting if the meeting is adjourned for more than twenty-four (24) hours from the time of the original meeting.

ARTICLE X **POWERS OF COMMITTEES**

Section 1. Powers of Committees. The committees described in these Bylaws shall have the authority described herein, and any additional authority of the Board to the extent provided in a Board resolution. Notwithstanding the preceding sentence, no committee may do the following:

- A. Take any final action on any matter that, under the California Nonprofit Corporation Law, also requires approval of the members or approval of a majority of all members;
- B. Fill vacancies on the Board or any committee of the Board;

- C. Amend or repeal Bylaws or adopt new Bylaws;
- D. Amend or repeal any resolution of the Board that by its express terms cannot be amended or repealed by a committee;
- E. Create any other committees of the Board or appoint the members of committees of the Board; and
- F. Expend corporate funds to support a nominee for Director if more people have been nominated for Director than can be elected.

Section 2. Ratification of Committee Activities. All activities and actions of the committees shall be reported to and ratified by the full Board at a duly scheduled Board meeting.

ARTICLE XI STANDING COMMITTEES

Section 1. Legislative Committee. The Legislative Committee shall be comprised of not less than three (3) members but not more than thirteen (13) members. The Legislative Committee Chair shall be appointed by the President, with Board approval. The Legislative Committee membership shall be appointed annually by the President, with Board approval, from names submitted from the Legislative Committee Chair, and shall be seated by September 1st. The President may remove Legislative Committee members who miss twenty-five percent (25%) or more of the Legislative Committee meetings in any given year. The Legislative Committee shall be responsible for the legislative activities of SACRS.

Section 2. Nominating Committee. The Nominating Committee shall be responsible for ascertaining the availability and interest of regular members to serve as Directors and officers of SACRS. The Nominating Committee shall consist of the following five (5) members: (i) the immediate Past President; (ii) one (1) member of the Program Committee appointed by the Program Committee Chair; (iii) one (1) member of the Legislative Committee appointed by the Legislative Committee Chair; (iv) one (1) member of the Bylaws Committee appointed by the Bylaws Committee Chair; and (v) one (1) member of the Education Committee appointed by the Education Committee Chair.

The immediate Past President shall serve as the Nominating Committee Chair. In the event the immediate Past President is unable to serve as the Nominating Committee Chair and there is no other qualified immediate Past President to serve in that capacity, the Chair of the Audit Committee shall appoint an alternate trustee (who satisfies the geographic diversity requirements in the immediately following paragraph) to chair the Nominating Committee.

To help ensure geographic diversity on the Nominating Committee, the immediate Past President and the Chairs of the Program Committee, the Legislative Committee, the Bylaws Committee and the Education Committee shall ensure that (i) only one (1) representative from a system serves on the Nominating Committee (this prohibition also applies to the system represented by the immediate Past President); (ii) Committee Chairs do not serve on the Nominating Committee, and (iii) no one from their respective systems serves on the Nominating Committee.

The members of the Nominating Committee shall serve a two (2)-year term, and may reapply for appointment following a one (1)-year break. The members of the Nominating Committee may not run for an office.

The Chairs of the Program Committee, the Legislative Committee, the Bylaws Committee and the Education Committee shall appoint members to the Nominating Committee no later than ninety (90) days prior to the second business meeting of SACRS each calendar year.

If there is a vacancy on the Nominating Committee (other than the immediate Past President), the Committee Chair responsible for appointing the seat that is being or has been vacated shall submit the name of his or her appointee to the Board for its consideration and approval.

Section 3. Bylaws Committee. The Bylaws Committee shall be comprised of not less than three (3) members, with at least one (1) regular trustee member, one (1) regular administrative member, and one (1) associate member. The President shall appoint the Bylaws Committee Chair, with Board approval. The Bylaws Committee shall be comprised of appointees selected from names submitted by the Bylaws Committee Chair, with Board approval, within forty-five (45) days after the President is notified of the vacancy. The Bylaws Committee shall be responsible for the maintenance of the Articles of Incorporation and the Bylaws.

Section 4. Program Committee. The Program Committee shall be comprised of not more than twenty-five (25) members from names submitted by the Program Committee Chair, with Board approval, and shall include the Education Committee Chair and Vice Chair and the Affiliate Committee Chair and Vice Chair.

The President shall fill mid-term vacancies, with Board approval, within forty-five (45) days of taking office. The President shall appoint the Program Committee Chair, with the approval of the Board, within forty-five (45) days of taking office. The Program Committee Chair shall serve a one (1) year term that expires on the last day of the Spring regular meeting. The President may remove Program Committee members missing twenty-five percent (25%) or more of the Program Committee meetings in any given year, with Board approval. If an Affiliate member changes their firm mid-term, he/she may be subject to committee membership review, with Board approval.

The Program Committee shall be responsible for the planning and developing the SACRS conferences.

Participation on the committee includes: Pre-conference planning; brainstorming content and topics for General and Concurrent sessions; recruitment of speakers and moderators for all conference sessions; and attending quarterly Program Committee meetings, and as needed. Participation at conference includes: collecting feedback forms, assisting the moderator with question and answer component during sessions; coordinating the distribution of materials and; participating at networking events.

Length of appointment to committee: Committee members will serve three (3) year terms, and the terms are on a staggered basis of one (1), two (2) and three (3) year rotation. A committee member

may reapply for appointment upon completion of his or her term. Ex-Officio members are exempt from the term limitation process. Terms end at the completion of the Fall Conference.

Section 5. Audit Committee. The Audit Committee shall be comprised of two (2) regular members appointed by the Board from names submitted by the Audit Committee Chair within forty-five (45) days of the President taking office. The President shall appoint the Audit Committee Chair, with Board approval. Audit Committee members shall be familiar with auditing procedures; shall not receive, directly or indirectly, any consulting, advisory, or other compensatory fees from SACRS; and shall not be from the same County as SACRS' Treasurer. The Audit Committee shall be responsible for SACRS' audits, and its duties shall include, but shall not be limited to, the following:

- A. Assisting the Board in choosing an independent auditor and recommending termination of the auditor, if necessary;
- B. Negotiating the auditor's compensation;
- C. Conferring with the auditor regarding SACRS' financial affairs; and
- D. Reviewing and accepting or rejecting the audit.

If SACRS establishes a finance committee, the Chair of the Audit Committee may not serve on such committee, nor may a majority of the members of the Audit Committee serve concurrently as members of such committee.

Section 6. Credentials Committee. The Credentials Committee shall be comprised of SACRS' Secretary as the Chair and SACRS' Treasurer who shall verify designated voting delegates at all meetings where a delegate vote is conducted.

Section 7. Affiliate Membership Committee. The Affiliate Membership Committee shall be comprised of nine (9) affiliate member delegates, appointed by the President to serve three (3)-year terms on a staggered basis. If a committee member becomes ineligible to serve or resigns, a successor may be appointed by the Board for the remaining term of the outgoing member. The Affiliate Membership Committee shall provide counsel and advice to the Board regarding educational (not legislative) activities, and shall represent the Affiliate membership. Additional information regarding the Affiliate Membership Committee is located in the Affiliate Member Guidelines, as amended September 15, 2015.

Section 8. Education Committee. The Education Committee shall be comprised of not more than ten (10) members from names submitted by the Education Committee Chair, with Board approval. Such appointments shall be made within forty-five (45) days of the President being notified of the vacancy. The President shall appoint the Education Committee Chair, with Board approval.

The President may remove Education Committee members who miss twenty-five percent (25%) or more of the Education Committee meetings in any given year. The Education Committee shall be responsible for the educational activities of SACRS.

Participation on the Education Committee includes: Determining training needs of the SACRS community with input from the community itself through conference feedback and networking. Summary reports of feedback forms will be prepared by the Education Committee Chair and presented to the Board and Program Committee after each conference.

Meeting at each SACRS Conference, with additional meetings held as workload or needs require. Participating at conferences including review and summary of feedback forms at meetings, collection of feedback forms, and coordination of the distribution of materials.

Working closely with the Program Committee for pre-conference planning, brainstorming content and topics for general and concurrent sessions, and recruitment of speakers and moderators for all conference sessions.

Participating in subcommittees/workgroups as identified to address education/program issues needing specialized knowledge/focused efforts.

Attendance: Committee members accept the responsibility for carrying out the goals of the Education Committee when appointed, and meeting attendance is part of that responsibility. If a Committee member will be absent from a meeting, a written notice shall be submitted to the Committee Chair before the meeting date (email suffices as a written notice). If a Committee member is absent from two (2) consecutive regularly scheduled Committee meetings without providing notice to the Committee Chair, the Committee Chair may request that the President remove Education Committee members, with Board approval.

Length of appointment to the Education Committee. Members shall be reviewed by the Education Committee Chair every three (3) years. The President, with Board approval, may remove individuals if it is determined to be in the best interest of SACRS. Any member removed from the Education Committee may be eligible to be reappointed to the Education Committee following the next annual meeting at which the Board is elected.

Section 9. Resolutions Committee. The President may appoint a Resolutions Committee, comprised of regular members, to analyze proposed resolutions and make recommendations for adoption, rejection or amendment prior to consideration by the delegates and alternate delegates.

Section 10. Meetings and Action of Committees. Committee meetings and actions shall be governed by, noticed, held and taken in accordance with the provisions of Article IX, with such changes in the context of Article IX as are necessary to substitute the committee and its members for the Board and its members, except that the time for regular meetings and special meetings of committees may be fixed by the Board or the committee. The minutes of all committee meetings shall be filed with the corporate records. The Board may also adopt rules and regulations for conducting committee meetings that are consistent with the provisions of these Bylaws. Committee expenditures of SACRS funds require prior Board approval.

Section 11. Members Serving on Committees. A member may not simultaneously serve on more than one (1) standing committee.

Section 12. System Representation on a Committee. Each standing committee shall not have more than one (1) representative from each system.

ARTICLE XII **CORPORATE RECORDS**

Section 1. Maintenance of Corporate Records. SACRS shall keep at its principal office in California:

- A. Minutes of all meetings of the Board and the committees, indicating the time and place of holding such meetings, whether regular or special, how called, the notice given, and the names of those present and the proceedings thereof;
- B. Adequate and correct books and records of account, including accounts of its properties and business transactions and accounts of its assets, liabilities, receipts, disbursements, gains and losses;
- C. A copy of SACRS' Articles of Incorporation and Bylaws, as amended to date, which shall be open to inspection at all reasonable times during office hours;
- D. A copy of its federal and state tax exemption application and determination letters, and, for the last three (3) years from their date of filing, its annual federal and state information returns. These documents shall be open to public inspection and copying to the extent required by the Code.

Section 2. Inspection Rights. Every Director and member shall have the right at any reasonable time to inspect and copy all books, records, and documents of every kind and to inspect the physical properties of SACRS.

Section 3 Right to Copy and Make Extracts. Any inspection under the provisions of this Article may be made in person or by agent or attorney, and the right to inspection includes the right to copy and make extracts.

ARTICLE XIII **FISCAL YEAR AND ANNUAL AUDIT**

Section 1. Fiscal Year. The fiscal year of SACRS shall be July 1 through June 30.

Section 2. Annual Audit. There shall be an annual audit of SACRS.

ARTICLE XIV **INDEMNIFICATION**

Section 1. Indemnification. SACRS may, to the maximum extent permitted under the Nonprofit Public Benefit Corporations Law and general California Corporation Law, as now or

hereafter in effect, indemnify each person who is or was a Director or officer of SACRS against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising against any one or more of them, based on their conduct as Directors or officers, or by reason of the fact that any one or more of them is or was a Director or officer of SACRS. "Proceeding" means any threatened, pending, or completed action or proceeding whether civil, criminal, administrative or investigative; and "expenses" includes without limitation attorney's fees and any expenses of establishing a right to receive indemnification from SACRS.

ARTICLE XV **WINDING UP AND DISSOLUTION**

Section 1. Irrevocable Dedication. SACRS' property is irrevocably dedicated to social welfare purposes. Upon the winding up and dissolution of SACRS, its assets remaining after payment or adequate provision for payments of all debts and obligations of SACRS shall be distributed in accordance with the plan of liquidation to an organization which is organized and operated exclusively for social welfare purposes and exempt from federal income tax under Section 501(c)(4) of the Code, as the Board may select. In any event, no assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if the organization carries on any other activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(4) of the Code or the corresponding provisions of any future United States Internal Revenue Law.

ARTICLE XVI **AMENDMENTS**

Section 1. Amendment of Articles of Incorporation and Bylaws. Amendments to the Articles of Incorporation and Bylaws may be proposed by the Board, any regular member of SACRS, or any standing committee. Proposed amendments shall be submitted in writing by certified mail to the President at least sixty (60) days before any meeting of SACRS. The President shall submit the proposed amendments to the membership at least thirty (30) days before any meeting of SACRS. A two-thirds (2/3) vote of a quorum present at any meeting of SACRS is required to adopt an amendment.

Section 2. Certain Amendments. Notwithstanding Article XVI, Section 1, SACRS shall not amend its Articles of Incorporation to alter any statement which appears in the original Articles of Incorporation relating to the name and address of its initial agent, except to correct an error in such statement or to delete such statement after SACRS has filed a "Statement of Information" pursuant to Section 6210 of the California Nonprofit Corporation Law.

ARTICLE XVII **CONSTRUCTION AND DEFINITIONS**

Section 1. Construction and Definitions. Except as provided in these Bylaws and/or unless the context requires otherwise, the general provisions, rules of construction, and definitions of the California Nonprofit Corporation Law shall govern the construction of these Bylaws. Without

limiting the generality of the above, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both SACRS and the natural person.

Section 2. Specific Definitions. For purposes of these Bylaws, the following terms have the following meanings specified:

- A. Business Day. Any day other than a Saturday, Sunday, or a day on which banking institutions in the State of California are authorized or obligated by law or executive order to be closed.

- B. Electronic Transmission. Notice given by SACRS by Electronic Transmission shall be valid only if:
 - (1) delivered by (i) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, for that recipient on record with SACRS; (ii) posting on an electronic message board or network that SACRS has designated for those communications, together with a separate notice to the recipient of the posting, which transmission shall be validly delivered on the later of the posting or delivery of the separate notice of it; or (iii) other means of electronic communications;
 - (2) to a recipient who has provided an unrevoked consent to the use of those means of transmission for communications; and
 - (3) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

Notwithstanding the foregoing, an Electronic Transmission by SACRS to a recipient is not authorized unless, in addition to satisfying the requirements of this Subsection B, the transmission satisfies the requirements applicable to consumer consent to electronic record as set forth in the Electronic Signatures in Global and National Commerce Act (15 United States Code Section 7001(c)(1)). Notice shall not be given by Electronic Transmission by SACRS after either of the following: (i) SACRS is unable to deliver two (2) consecutive notices to the recipient by that means, or (ii) the inability so to deliver the notices to the recipient becomes known to the Secretary or any other person responsible for the giving of the notice.

CERTIFICATE OF THE SECRETARY

I, the undersigned, do hereby certify that:

1. I am the Secretary of the State Association of County Retirement Systems, a California nonprofit public benefit corporation (“SACRS”); and
2. The foregoing is a true and correct copy of the Bylaws of SACRS and that such Bylaws were duly adopted by the Board of Directors on May 13, 2016.

IN WITNESS WHEREOF, I have hereunto subscribed and affixed my name on _____, 2017.



8. SACRS Education Committee Report – No Action

Christie Porter, SACRS Education Committee Chair

- SACRS Fall Conference Evaluations 2017



Providing insight. Fostering oversight.

No printed materials for this item, verbal report only.



9. SACRS Program Committee Report – No Action

Gabe Rodrigues, SACRS Program Committee Chair

- SACRS Fall Conference 2017



Providing insight. Fostering oversight.

No printed materials for this item, verbal report only.



10. SACRS Affiliate Committee Report – No Action

Michael Keough, SACRS Affiliate Committee Chair

- Affiliate Committee Update



Providing insight. Fostering oversight.

No printed materials for this item, verbal report only.



11. SACRS Nomination Committee Report – No Action

Ray McCray, SACRS Nomination Committee Chair

- Update on 2018-2019 Elections



No printed materials for this item, verbal report only.



12. SACRS Fall Conference Breakout Reports – No Action

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

- Administrators
- Counsel
- Disability
- Internal Auditors
- Investment Officers
- Operations & Benefits
- Safety Trustees
- General Trustees



13. Adjournment

Next scheduled SACRS Association Business Meeting will be held Friday, May 18, 2018 at the Anaheim Marriott Hotel in Anaheim, CA.

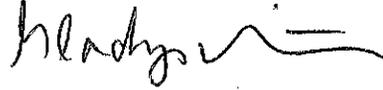
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2017

Agenda Item 7.5

TO: Board of Retirement

FROM: Gladys Smith, Assistant Executive Officer



SUBJECT: Approval of Board of Retirement Meeting Schedule for 2018

Recommendation

Approve the meeting schedule of the Board of Retirement for calendar year 2018

Background

Board regulation 3.4 provides that the regular meetings of the Board shall be held on the Fourth Tuesday of each month and shall begin at 10:00 am. It further provides that the Board may cancel and/or approve a change in the date, time and/or location of meetings within the County, if the proposed change is included on the agenda of a regular meeting.

Historically, the Board combines its November and December meetings due to conflicts with the Thanksgiving and Christmas holidays, and has combined the meetings in May and June due to conflicts with the Memorial holiday and recent conferences. It is prudent to anticipate these changes by adopting a meeting schedule and placing it on the SamCERA website to provide public notice.

Consistent with recent years, the 2018 proposed schedule includes:

- Eleven total meetings (includes two meeting days for the retreat);
- Holding most of the meetings on the fourth Tuesday of the month;
- Convening the meetings at 10:00 a.m., except for the Board/Staff Retreat meetings;
- Holding the annual Board/Staff Retreat on April 24th (fourth Tuesday) and 25th, with regular business taken up at 2:30 p.m., Tuesday, April 24th;
- Holding **no** meeting in June 2018;
- Holding the October meeting on October 30, 2018, the fifth Tuesday of that month, to give additional time for the completion of the financial audit and the CAFR;
- Holding **no** meeting in November due to the Thanksgiving Day holiday; and
- Holding the December meeting on December 4, 2018, the first Tuesday of that month; because of the holidays and to space the time between the October and December meeting.

Attachment

2018 SamCERA Board Meeting Schedule

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

2018 SamCERA Board Meeting Schedule

**All meetings to be held at
100 Marine Parkway, Suite 160
Redwood City, CA 94065**

MONTH	DAY	WEEK & DAY	TIME
JANUARY	23	FOURTH TUESDAY	10:00 A.M.
FEBRUARY	27	FOURTH TUESDAY	10:00 A.M.
MARCH	27	FOURTH TUESDAY	10:00 A.M.
APRIL (BOARD/STAFF RETREAT)	24 & 25	FOURTH TUESDAY & WEDNESDAY	9:00 A.M. FOR RETREAT TOPICS, 2:30 P.M., APRIL 24, FOR BUSINESS ITEMS
MAY	22	FOURTH TUESDAY	10:00 A.M.
JUNE	NO MEETING	NONE	
JULY	24	FOURTH TUESDAY	10:00 A.M.
AUGUST	28	FOURTH TUESDAY	10:00 A.M.
SEPTEMBER	25	FOURTH TUESDAY	10:00 A.M.
OCTOBER	30	FIFTH TUESDAY	10:00 A.M.
NOVEMBER	NO MEETING	NONE	
DECEMBER	4	FIRST TUESDAY	10:00 A.M.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2017

Agenda Item 8.4

TO: Board of Retirement
FROM: Brenda B. Carlson, Chief Legal Counsel 
SUBJECT: Counsel Report- Legislative Update

The following is a summary of chaptered legislation in relation to county retirement systems and public agencies that are applicable to or of interest to SamCERA.

All code sections referred to are sections of the Government Code.

CERL LEGISLATION

SB 671 (Moorlach) (All Systems) --Adds Section 31582

CERL authorizes the county to make an advance payment of all or part of the its estimated annual contribution if the payment is made within 30 days after the county's fiscal year begins. Newly added section 31582 clarifies that the authority to make advance payments does not prevent the board of supervisors or governing body of a district from making advance payments for the estimated annual county or district contributions for an additional year or partial year if certain requirements are satisfied.

AB 995 (Limon) (VCERA) --Amends Section 31522.10

VCERA is now a "district" under CERL. VCERA can hire specified employees. Some of those employees may come from the county. Amended section 31522.10 requires that any leave balance accrued by a county employee prior to employment by VCERA be transferred from the county to VCERA and requires the county to pay VCERA amount equal to the value of the accrued leave.

PERL LEGISLATION (of interest)

AB 1309 (Cooley) (CalPERS) -amends Section 21220

Existing law permits a retired person to serve without reinstatement from retirement or loss or interruption of benefits if certain conditions are met. If a retired person is employed without reinstatement without meeting those conditions, PERL requires the retired person to reimburse the system for any retirement allowance received and requires both the retired person and the employer to make contributions due and, to the extent each is determined to be at fault, contribute toward reimbursement of the system for administrative expenses incurred. PERL requires fees and other amounts received by CALPERS to be credited to the Retirement Fund.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Amended Section 21220 authorizes CALPERS to assess a \$200 per month fee on an employer that fails to enroll a retired member employed without reinstatement within 30 days after the effective date of hire, or that fails to report the pay rate and number of hours worked by the retired member within 30 days of the last day of the pay period in which the retired member worked. Employers cannot pass the fees on to the employee.

AB 20 (Kalra) (CalPERS and STERS) - adds Section 7513.72

Section 7513.72 requires CalPERS and STERS to make a report, on or before April 1, 2018, to the Legislature and the Governor regarding investments in the Dakota Access Pipeline. It declares that it is the intent of the Legislature that the boards, on or before April 1, 2018, review and consider factors related to tribal sovereignty and indigenous tribal rights as part of the boards' investment policies related to environmental, social, and governance issues. It does not require a board to take any action unless the board determines in good faith that the action is consistent with the board's fiduciary responsibilities established in the constitution.