2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2014, and June 30, 2013
A Pension Trust Fund of the County of San Mateo and Participating Employers
Redwood City, State of California

SamCERA
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

On the cover:

Pacifica Pier
Pacifica, San Mateo County, California

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 years ended June 30, 2014, and June 30, 2013

C. David Bailey
Chief Executive Officer

Mabel Wong
Finance Officer

Michael Coultrip
Chief Investment Officer

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

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INTRODUCTORY SECTION

Purisima Creek Redwoods Open Space Preserve, San Mateo County

SamCERA's Mission

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

SamCERA's Goals

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.

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

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

ADMINISTRATOR'S LETTER OF TRANSMITTAL

SamCERA
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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C. David Bailey
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 years ending June 30, 2014, and June 30, 2013.

SamCERA's management is responsible for the accuracy of the data; the complete, full disclosure of all matters of material consequence and the fairness of the presentation. Management's discussion and analysis of the data may be reviewed on pages 25-35.

SamCERA's management is also responsible for establishing and maintaining appropriate internal controls designed to provide reasonable assurance that SamCERA's assets are protected from loss, theft, or misuse. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. Sufficient internal controls exist to provide reasonable assurance regarding the safekeeping of assets and the fair presentation of the financial statements and supporting schedules. As Chief Executive Officer, I hereby certify that SamCERA's system of internal controls is adequate and that this report accurately, completely, fully and fairly discloses all matters of material consequence.

The Brown Armstrong Accountancy Corporation provides audit services to SamCERA. The financial audit ensures that SamCERA's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatements. Internal controls are reviewed to ensure that SamCERA's operating policies and procedures are being adhered to and that the controls are sufficient to ensure accurate and reliable financial reporting and to safeguard SamCERA's assets. This report has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

SamCERA's financial statements are prepared on the accrual basis of accounting. Revenues are taken into account when earned, regardless of the date of collection. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investments are reported at fair value. The Financial Section of this report contains SamCERA's financial statements, required supplementary schedules, and other supplemental information. Additionally, SamCERA has implemented GASB Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25. The associated schedules and additional information for this new requirement are shown in the Financial Section.

SamCERA's funding goal is to prudently manage plan assets in order to appropriately fund the actuarial liabilities of the retirement system and assure the ability to pay all earned benefits while minimizing the costs to employers.

SamCERA engages an independent actuarial consulting firm, Milliman, Inc., to conduct an annual actuarial valuation of the plan. The purpose of the 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. Every third year SamCERA instructs its actuarial firm to perform an actuarial experience study. Additionally, SamCERA engages a second independent actuarial consulting firm to perform an actuarial audit every third year, in order to validate the calculations and results of the actuarial valuation. Segal Consulting performed the April 30, 2014, experience study, as well as the June 30, 2014, actuarial audit. Segal's report noted that, "Our audit confirms that the results of the actuarial calculations as of June 30, 2014 are reasonable, and that those calculations are based on generally accepted actuarial principles and practices." SamCERA strives to provide the most recent financial and actuarial data in its annual report. Therefore, the experience study of April 30, 2014, and the actuarial valuation of June 30, 2014, are used in this CAFR.

Authority, Responsibilities & Duties

The San Mateo County Board of Supervisors created SamCERA in 1943, by adopting an ordinance making the provisions of Government Code section 31450 et seq., California's County Employees Retirement

Law of 1937 (the "'37 Act"), effective in San Mateo County.

SamCERA provides retirement, disability and death benefits for its eligible members and beneficiaries in accordance with the '37 Act, the California Public Employees' Pension Reform Act of 2013 ("PEPRA," Government Code section 7522 et seq.) and other applicable statutes, regulations and case law.

Pursuant to the California Constitution Article XVI Section 17 and '37 Act, the Board of Retirement (the "Board") serves as fiduciary for all of SamCERA's members. The Board is responsible for administering the system. The Board has adopted its *Mission & Goals*; *Regulations of the Board of Retirement*; SamCERA's *Investment Policy Statement*; *Conflict of Interest Code*; *Code of Fiduciary Conduct* and *Delegation of Authority, et al* to document the Board's policies. The Board annually adopts an operating budget for the administration of SamCERA, which is described in the Financial Section beginning on page 46—and a breakdown of the budget allotment versus expenditures can be found on page 67. In addition, the Board has executed contracts for the professional services of an actuary, auditing actuary, investment consultant, investment managers, a global custodian, financial auditor and a medical advisor to help the Board fulfill its duties. The Board's professional consultants are highlighted in the organizational chart on page 20.

SamCERA's Chief Executive Officer (CEO) is responsible for the day-to-day operations of the association. The CEO serves at the pleasure of the Board of Retirement and manages SamCERA's operations.

SamCERA's staff of 21 full-time employees is responsible for assuring that the needs of the members, employers and Board are met in accordance with the high standards set forth in SamCERA's *Mission & Goals* statement. SamCERA's staff is sworn to carry out its fiduciary duties in accordance with staff's *Code of Fiduciary Conduct* and the staff's own high *Performance Standards*.

SamCERA's members include all active permanent employees of the County of San Mateo, the San Mateo County Mosquito and Vector Control District, the Superior Court of the County of San Mateo, all current and deferred retirees, and all beneficiaries. More than 85% of SamCERA's members are classified as General Members. General Members are covered by Social Security. The remainder of SamCERA's members are law enforcement employees classified as Safety Members or Probation Safety Members. These members are not covered by Social Security.

Looking Backward and Forward

For a summary of SamCERA's recent fiscal year, I encourage you to review the following narrative introduction, as well as Management's Discussion and Analysis beginning on page 25. More details on SamCERA's investment portfolio can be found in the Chief Investment Officer's Report, beginning on page 75.

Trustees

The SamCERA Board of Retirement consists of nine Trustees. 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 publically elected office; all other Trustees serve for a term of three years. In addition, there is one elected Safety member alternate and one elected Retired member alternate. The Board had no changes in its membership during the 2013-2014 fiscal year.

The officers for the Board of Retirement for FY 2013-2014 were: **Natalie Kwan Lloyd**, Chair; **Lauryn Agnew**, Vice Chair; and **Paul Hackleman,** Secretary. Other members of the Board were: **Sandie Arnott, Benedict J. Bowler, Albert David, Michal Settles, David Spinello, and Eric Tashman.** Alternate trustees were **Christopher Miller**, Safety Alternate, and **Alma Salas**, Retiree Alternate.

Investments

For the second fiscal year running, SamCERA enjoyed healthy double-digit returns, with the 2013-2014 gains due mostly to robust global equity market returns. For the period ending in June 2014, the fund returned 17.3% net of investment manager fees (17.7% before deducting for investment manager fees). These results are above median among large (greater than $1 billion in assets) public plans. Over the most recent five-year period ending in June 2014, SamCERA has performed in the upper 27th percentile of its peers.

During the year, SamCERA undertook an in-depth asset liability study to analyze the current risk profile and asset allocation of the plan. The Board reconfirmed that the current risk profile of the plan is appropriate. The Board also approved a new asset allocation policy with modest changes intended to further diversify the plan. The new asset allocation policy is incorporated into SamCERA's updated Investment Policy Statement, which helps guide the manner in which SamCERA invests. A number of other changes were also made to the Investment Policy Statement, to further clarify SamCERA's investment beliefs and define the Board's fiduciary duties to SamCERA's plan beneficiaries and plan sponsors.

SamCERA changed its custodian bank from State Street Bank & Trust to Northern Trust, effective July 1, 2014. The custodian bank provides services that include asset safekeeping, accounting, securities settlement, cash management, corporate actions, class actions and proxy processing, securities lending, and performance and risk analytics.

Staffing

Late in the fiscal year, SamCERA announced a recruitment for its CEO position after I announced my retirement plans. I plan to retire in spring 2015 after more than 26 years in pension administration, the first 16 at the Oregon Public Employees' Retirement System and the last 10 at SamCERA. It has been a wonderful journey.

The nationwide recruitment for a successor concluded in September 2014, when the Retirement Board chose Scott Hood to fill the CEO position. Mr. Hood has been with SamCERA for 14 years, and has served as Assistant Executive Officer since 2002. He holds a BS in Engineering from the US Military Academy and an MS in Computer Information Systems from Boston University. Last year, he retired from the US Army Reserve as a Colonel after serving over 30 years of combined active and reserve service. Mr. Hood said, "I am both humbled and honored that the Board has chosen me to be the next leader of such an outstanding organization. I look forward to working with the Board of Trustees and all stakeholders to maintain SamCERA's high level of performance, while building for the future."

Additionally, after hiring JulieAnne Nagal to fill the vacant Retirement Support Specialist position, SamCERA has been fully-staffed with 21 employees.

Actuarial

SamCERA was pleased to be ranked 3rd most actuarially conservative among California retirement systems in a March 2014 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 at the time of the survey of 7.5%. In June 2014, the Board of Retirement lowered the assumed rate further to 7.25%.

Supplemental Contributions

In November 2013, the Board of Supervisors and the Board of Retirement entered into a Memorandum of Understanding addressing a planned $140 million in contributions from the County over and above the actuarially (and statutorily) required employer contributions. This supplemental contribution will be paid over a ten-year period. The first lump-sum deposit of $50 million was received in May 2014, with additional lump-sum contributions of $10 million to be paid annually over the next nine years. The supplemental contributions are projected to reduce by two years the amount of time it will take for San Mateo County to pay off its Unfunded Actuarial Accrued Liability (UAAL) and achieve 100% funded status.

Pension Legislation and Reporting Standards

Fiscal year 2013-2014 marked the second fiscal year under PEPRA—the major pension reform statutes that apply primarily to new members who do not have reciprocity. This year, California lawmakers adopted clean-up legislation addressing the application of PEPRA in conjunction with the '37 Act. This legislation gives guidance on PEPRA implementation issues.

Additionally, SamCERA has been working with its financial auditor, Brown Armstrong, its actuary, Milliman, Inc., as well as its three employers and the County's auditor to ensure the smooth implementation of the new GASB pension standards, which address financial reporting by government pension plans. The parties formed a task force which meets regularly to discuss issues related to the implementation of GASB Statements No. 67 and 68. These standards will change the way pension liabilities and expenses are reported for both the association and the employers. The changes from GASB 67 are implemented in SamCERA's current CAFR, and GASB 68 changes for the employers will be implemented in their 2015 financial statements.

Cost of Living Adjustment

The Bay Area experienced modest inflation during 2013, according to the Federal Bureau of Labor Statistics, resulting in a cost of living adjustment (COLA) of 2.0% for most SamCERA retirees. The amount of the COLA is the same for most retirement plans, except for Plan 3, which does not provide for a COLA. Any applicable COLA is applied to benefits received by retirees who retired before April 1, 2014.

Information Technology

SamCERA is progressing with its multi-year Technology Modernization Project. The major component of the project is the replacement of SamCERA's aging PASS (Pension Administration Software System). SamCERA completed the PASS RFP process and has hired Vitech, Inc., for the design and implementation of the new system. The PASS project is estimated to last nearly three years. Additionally, SamCERA has been working with San Mateo County as they transition to a new payroll and human resources system. SamCERA has been collaborating with County staff on the member demographic, payroll and contribution interface of the new system.

Tax Determination Letter

SamCERA is pleased to report that the system received a favorable tax determination letter from the IRS during the 2013-2014 fiscal year. The favorable determination letter represents a critical step in maintaining the tax-favored status of the plan, which in turn provides three very important things. First, it means members' pension contributions are deducted pre-tax and not counted as income. Second, it allows members to roll over money upon leaving SamCERA. Finally, it means that SamCERA's investment earnings are tax-free.

In order to maintain its tax qualified status, SamCERA must satisfy the requirements of the Internal Revenue Code (IRC). SamCERA will need to re-file between February 1, 2015, and January 31, 2016, and at subsequent points in future years.

Strategic Planning

SamCERA's staff held a retreat in April 2014 and began working through the steps in a strategic planning process as recommended by the Government Finance Officers Association (GFOA). The result of these discussions was an update of SamCERA's Strategic Plan Action Matrix, along with the creation of a new, visual slide presentation of the strategic planning goals of the association. Progress on these goals will be tracked and updated throughout the 2014-2015 fiscal year.

Moving forward, SamCERA will continue to pursue its three major goals, 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.

Major projects under this goal include the transition to a new custodial bank, revising the Investment Policy, and building a risk dashboard to monitor the level and trend of various portfolio risks over time.

2. CUSTOMER SERVICES GOAL

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

Over the coming years, meeting this goal will involve providing input to the Enterprise

Content Management (ECM) and Pension Administration Software System (PASS) vendors in order to ensure that the new systems provide users and members with new tools that improve efficiency, accuracy and customer service.

3. OPERATIONS GOAL

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

This will involve updates to some of SamCERA's core technologies, including the creation of a new SamCERA website with integrated Web Member Services. It will also include filing a new tax determination letter with the IRS, to ensure that the laws governing SamCERA are consistent with federal guidelines.

Certificate of Achievement and Acknowledgements

For the seventeenth 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 year ended June 30, 2013. The certificate is reproduced on page 16.

SamCERA is also the recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the eleventh year running. The association received this honor for the PAFR for the fiscal year ended June 30, 2013.

Additionally, the Public Pension Coordinating Council (the Council) presented SamCERA its Public Pension Standards Award for 2013. The 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 17.

These awards recognize SamCERA's contributions to the practice of government finance exemplifying outstanding financial management and reporting; in doing so, they 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 staff under the leadership, dedication and support of the Board of Retirement.

The association continues to maintain the highest financial reporting standards while providing quality services to its members. I am sincerely grateful to the SamCERA Board of Retirement and staff who perform so diligently to ensure the successful operation and financial soundness of SamCERA.

Respectfully submitted,

C. David Bailey
Chief Executive Officer
October 22, 2014

GFOA Certificate of Achievement

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Mateo County

Employees' Retirement Association

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

PPCC Public Pension Standards Award

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
_2013_

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)

Alan H. Winkle

Alan H. Winkle
Program Administrator

MEMBERS OF THE BOARD OF RETIREMENT

Sandie Arnott

Ex Officio per the 1937 Act, First Member

Sandie Arnott is the San Mateo County Treasurer/ Tax Collector. She first began serving in this office in January 2011. She served as Assistant County Treasurer for many years during which she was also active on the Retirement Board. Her current term as Treasurer/Tax Collector runs through the end of 2014.

Albert David

Elected by the General Members, Second Member

Albert David is Director of Administrative and Information Services for the San Mateo County Human Services Agency (HSA). He is also a retired Army Reserve Lieutenant Colonel. He joined the Board in 2008, and was re-elected in 2009 and 2012. He is chair of the Investment Committee. His term expires on June 30, 2015.

Natalie Kwan Lloyd

Elected by the General Members, Third Member

Natalie Kwan Lloyd is a Senior Appraiser in the San Mateo County Assessor's Office. She is currently the Board Chair. She joined the Board in 2008. She was elected in 2010 and reelected in 2013. Her current term expires on June 30, 2016.

Eric Tashman

Appointed by the Board of Supervisors, Fourth Member

Eric Tashman is a public finance partner in the San Francisco office of law firm Sidley Austin LLP, where he is head of the firm's West Coast public finance practice group. He was appointed by the Board of Supervisors in 2009, and reappointed in 2012. He is chair of the Audit Committee. His term expires June 30, 2015.

Benedict J. Bowler

Appointed by the Board of Supervisors, Fifth Member

Benedict Bowler is the Treasurer of Matson, Inc. He was appointed in August 2008 to fill the unexpired term of Scott Lee. He was reappointed in 2010 and 2013. His term expires June 30, 2016.

Lauryn Agnew

Appointed by the Board of Supervisors, Sixth Member

Lauryn Agnew is a Principal at Seal Cove Financial and Chair of the Investment Committee at United Way of the Bay Area. She was appointed by the Board of Supervisors in 2009, and reappointed in 2012. She is currently the Board Vice Chair. Her term expires June 30, 2015.

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 in 2009 and reelected in 2012. He has served on the Audit Committee and the CEO Review Committee. His term expires on June 30, 2015.

Paul Hackleman

Elected by the Retired Members, Eighth Member

Paul Hackleman was elected in June 2010 to serve as the Retired Member of the Board, and reelected in 2013. Paul served as the County Benefits Manager from 1982 through March 2008. Today he is the head of I.C. Benefits Consulting. He is currently the Board Secretary. His term will expire June 30, 2016.

Michal Settles

Appointed by the Board of Supervisors, Ninth Member

Michal Settles is a business professor at the City College of San Francisco. Her teaching experience also includes The University of San Francisco, Saint Mary's College, and San Francisco State University. For more than 10 years she served as the chair of the San Francisco Bay Area Rapid Transit District (BART) Investment Plans Committee. She was appointed by the Board of Supervisors in June 2011. Her term will expire June 30, 2016.

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 has served as Board Chair. She was elected in June 2013 to serve as the Retiree Alternate. In this role she substitutes in the absence of the Eighth Member. Her term will expire June 30, 2016.

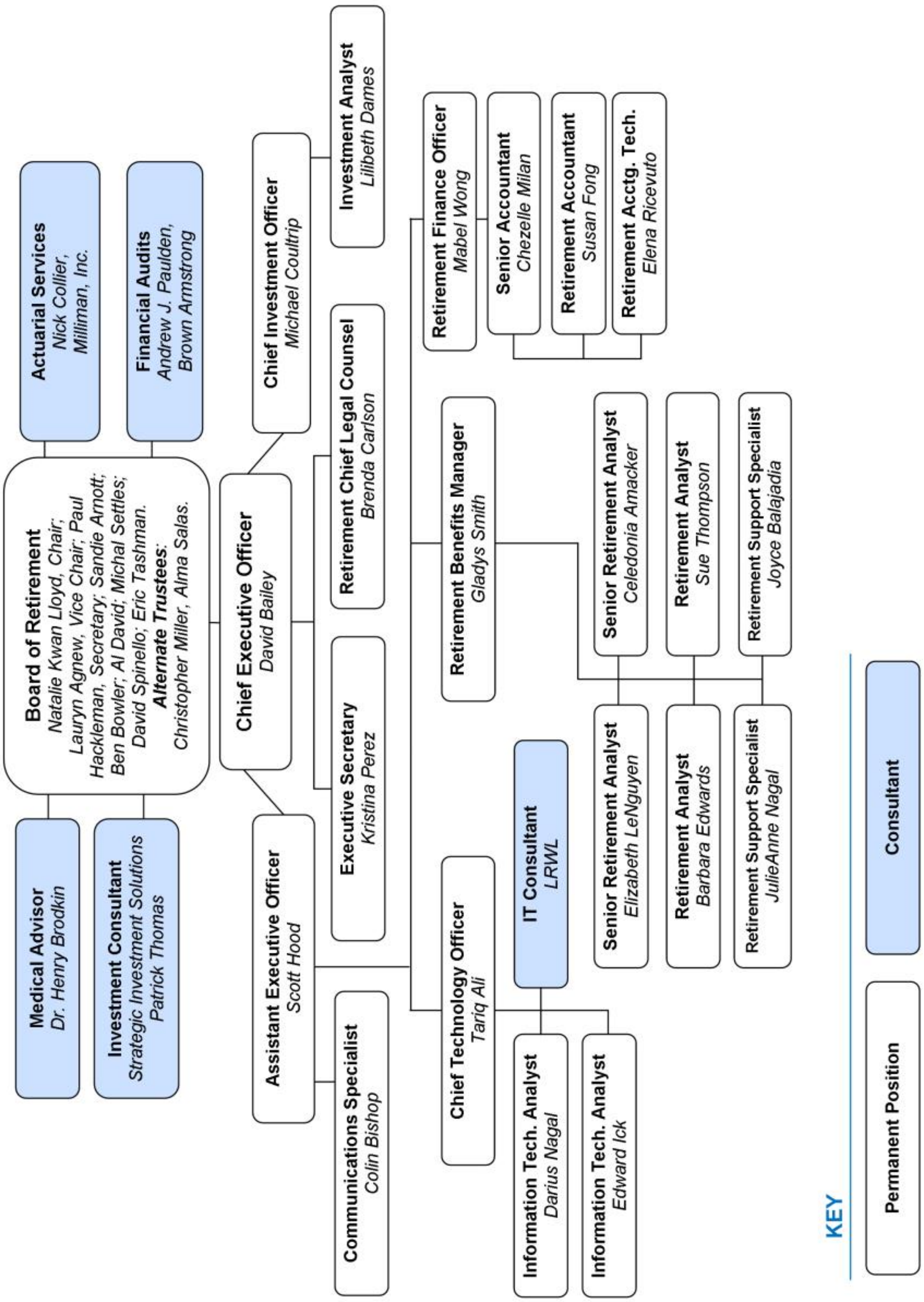
Christopher Miller

Elected by the Safety Members, Safety Alternate

Chris Miller is a Group Supervisor II for the San Mateo County Probation Department. He was elected by the Safety membership and began his term in July 2012. His term will expire June 30, 2015.

SamCERA 2013-2014 Organizational Chart

as of June 30, 2014



FINANCIAL SECTION

Filoli Gardens, Woodside, San Mateo County

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of the San Mateo County Employees' Retirement Association (SamCERA) as of June 30, 2014 and 2013, the Statement of Changes in Fiduciary Net Position for the years 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 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 ($411,647,268, $33,072,584, $244,670,882, $47,432,953, respectively) included in the Governmental Accounting Standards Board (GASB) Statement No. 68 schedules listed as other information in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 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 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 the SamCERA's preparation and fair presentation of the financial statements 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 SamCERA'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 statements.

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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, 2014 and 2013, and their changes in fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2014, SamCERA implemented GASB Statement No. 67, *Financial Reporting for Pension Plans,* which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

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 GASB, 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.

Other 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 other 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 other 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, and statistical 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 22, 2014, 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 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2013-2014

As fiduciaries of the San Mateo County Employees' Retirement Association (SamCERA), we offer readers of SamCERA's financial statements this narrative overview and analysis of its financial position and results of operation for the fiscal years ended June 30, 2014, and 2013. The information presented here, in conjunction with the Notes to the Financial Statements beginning on page 38, provide a clear picture of SamCERA's overall financial status and activities.

Financial Highlights

- $3.29 billion in net position as of June 30, 2014, are held in trust for pension benefits. All of the assets are available to meet SamCERA's ongoing obligation to plan participants and their beneficiaries.
- SamCERA's total net position restricted for pensions increased by $563.9 million or 20.67% primarily as a result of appreciation in assets and contributions received.
- SamCERA's funding objective is to meet long-term benefits obligations through contributions and investment income. As of June 30, 2014, the actuarial funded ratio for SamCERA increased from 73.3% to 78.8%. The increase in the funding ratio is due to contributions in excess of the value of benefits earned as well as investment earnings in excess of the assumed rate. The funded ratio also included the amount in the County Supplementary Contribution Account (CSCA).
- Revenues (Additions to Fiduciary Net Position) for the year were $732.1 million which includes employer contributions of $202.9 million, member contributions of $46.6 million, investment gains of $508.6 million (excluding investment expense of $26.5 million), security lending income of $435,459 and other additions of $178,636. The 38.8% increase in additions to net position over the prior year is mainly due to appreciation in assets and contributions received.
- Expenses (Deductions from Fiduciary Net Position) increased from $160 million to $168.3 million over the prior year, or approximately 5.19%. The fiscal year 2014 expenses include $159.3 million in benefit payments, $3.2 million in member refunds, $5.6 million in administrative expenses and $65,292 for other expenses. The majority of this increase was due to an increase in the amount of benefits paid in the fiscal year as well as increase in administrative expenses as SamCERA begins to replace its existing pension benefit system over the next several years.
- SamCERA's actuarial value of assets was $3.02 billion with a $268.3 million of unrecognized investment gain as of June 30, 2014, compared to $2.62 billion and a $109.2 million of unrecognized investment gain in the prior year. The $3.02 billion includes $30.2 million of non-valuation reserves and $50.5 million of CSCA valuation assets.
- Based on the Governmental Accounting Standards Board (GASB) No. 67, SamCERA has a net pension liability (NPL) of $411.6 million, and the NPL as a percentage of covered payroll was 97.54% as of June 30, 2014.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to SamCERA's financial statements, which are comprised of these components:

1. Comparative Statement of Fiduciary Net Position
2. Comparative Statement of Changes in Fiduciary Net Position
3. Notes to the Financial Statements
4. Required Supplementary Information
5. Other Supplementary Information

Please note, however, that this report also contains clarifying information to supplement the basic financial statements listed above.

The implementation of GASB Statement No. 67 (GASB 67) increased the number of schedules in the Required Supplementary Information section. These new schedules provide a spectrum of financial information, including a pension liability measurement and changes to the liability, historical contributions, money-weighted investment return and additional actuarial related disclosures.

The Comparative Statement of Fiduciary Net Position is a snapshot of account balances at year-end. It discloses the assets available for future payments to retirees and their beneficiaries and any current liabilities that are owed as of June 30, 2014. The net position, which is assets less liabilities, reflects the funds available for future use.

The Comparative Statement of Changes in Fiduciary Net Position provides a view of all the activities that occurred during the fiscal year and shows the impact of those activities as additions and deductions to the plan. Both statements are in compliance with GASB pronouncements.

The Comparative Statement of Fiduciary Net Position and the Comparative Statement of Changes in Fiduciary Net Position report information about SamCERA's activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current fiscal year's revenues and expenses are recognized when they are incurred, regardless of when cash is received or paid. All investment purchases and sales are reported as of the trade date, not the settlement date. Investments are reported at current fair value. Both realized and unrealized investment gains and losses are recognized. Each component of capital assets is depreciated over its useful life.

These two statements report SamCERA's net position restricted for pensions as one way to measure the plan's financial position. Over time, increases and decreases in SamCERA's net position are one indicator of whether its financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring SamCERA's overall financial position. The increase in SamCERA's plan net position for the year ended June 30, 2014, was 20.67%. This increase is due to market appreciation of assets as well as contributions received. SamCERA's total net fund return of 17.3% outperformed SamCERA's 7.5% actuarial assumed interest rate. The net deferred investment gains from the past five years increased from $109.2 million in fiscal year (FY) 2013 to $268.3 million of deferred investment gains in FY 2014, which reflects the addition of the current year's actuarial gain. Deferred investment gains will be spread over the next five years.

SamCERA's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position appear on pages 36 and 37.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the year. Asset allocation, the long-term expected rate of return, discount rate, key actuarial assumptions, and the Schedule of Net Pension Liability based on GASB 67 are also included in this section. Notes to the Financial Statements appear on pages 38-62.

Required Supplementary Information follows the notes and includes several new GASB 67 schedules. The newly added Schedule of Net Pension Liability in the Notes section together with and the Schedule of Changes in Net Pension Liability and Related Ratios provide an up-to-date financial indication of the extent to which the total pension liability is covered by the fiduciary net position of the Pension Plan. This information will improve the financial statement users' ability to compare the total pension liability for similar types of pension plans. Please note that liabilities on these schedules are calculated solely for financial reporting purposes and are not intended to provide information about the funding of SamCERA's benefits.

Another new schedule, the Schedule of Employer Contributions, helps the reader determine if plan sponsors are meeting the actuarially determined contributions over a period of time. New information about rates of return on pension plan investments, taking account of monetary flows into and out of the market, is provided. The Schedule

SAMCERA'S NET POSITION(CONDENSED): TABLE 1

For the Years Ended June 30, 2014 and 2013

	2014	2013	Amount Increase/ Decrease	Percent Increase/ Decrease
Investments at Fair Value	$3,203,688,290	$2,702,492,485	$501,195,805	18.55%
Other Assets	$121,006,391	$323,937,334	($202,930,943)	-62.65%
Total Assets	$3,324,694,681	$3,026,429,819	$298,264,862	9.86%
Total Liabilities	$33,000,727	$298,604,487	($265,603,760)	-88.95%
Net Position	$3,291,693,954	$2,727,825,332	$563,868,622	20.67%

For the Years Ended June 30, 2013 and 2012

	2013	2012	Amount Increase/ Decrease	Percent Increase/ Decrease
Investments at Fair Value	$2,702,492,485	$2,323,607,764	$378,884,721	16.31%
Other Assets	$323,937,334	$383,515,763	($59,578,429)	-15.53%
Total Assets	$3,026,429,819	$2,707,123,527	$319,306,292	11.80%
Total Liabilities	$298,604,487	$346,819,873	($48,215,386)	-13.90%
Net Position	$2,727,825,332	$2,360,303,654	$367,521,678	15.57%

of Investment Returns includes a money-weighted return performance calculation which is net of investment expenses.

The Schedule of Funding Progress for funding purpose is presented in the Actuarial section on page 102.

The postemployment benefit program is administered by the plan sponsor, San Mateo County (the County). Please refer to the County's Comprehensive Annual Financial Report (CAFR) for additional information. Required Supplementary Information appears on page 63.

Other Supplementary Information includes the schedules of administrative expenses, schedule of information technology expenses, schedule of investment expenses, and schedule of payments to consultants. New GASB 68 Schedule of Cost Sharing Employer Allocations, and Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan are added this year.

GASB 68 governs the specifics of accounting for public pension plan obligations for plan sponsors. Plan sponsors are required to implement GASB 68 for fiscal years beginning after June 15, 2014. GASB 68 requires a liability for pension obligations, known as the Net Pension Liability, to be recognized on the balance sheets of participating employers. Changes in the Net Pension Liability will be immediately recognized as Pension Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change. These schedules are presented immediately following the Required Supplementary Information on page 66-72.

Financial Analysis

Tables 1, 2, 3, 4 and 5 summarize and compare SamCERA's financial results for current and prior periods.

SamCERA's fiduciary net position restricted for pensions as of June 30, 2014, totaled $3.29 billion which represents an increase of $563.9 million or 20.67% over the period. The increase during the fiscal year is due to market appreciation of assets as well as contributions received. All of the net position is available to meet SamCERA's ongoing obligations to plan participants and their beneficiaries.

SAMCERA'S RESERVES: TABLE 2

	2014	2013	2012
VALUATION RESERVES			
Member Reserves	584,079,609	534,275,685	498,568,652
Employer Advanced Reserves	570,829,244	422,581,774	361,197,981
County CSCA	50,842,556	0	0
Retiree Reserves	877,161,874	918,589,967	858,440,088
Cost of Living Reserves	1,019,232,798	930,358,294	843,061,707
NON-VALUATION RESERVES			
Unallocated Earnings/Loss Account	(108,622,522)	(187,166,322)	(80,997,723)
Market Stabilization Account	267,936,182	109,185,934	(119,967,051)
Contingency Reserve	30,234,213	0	0
Net Reserves held in Trust for Pension Benefits	**$3,291,693,954**	**$2,727,825,332**	**$2,360,303,654**

In Table 1, total assets are comprised of investments at fair value and "other" assets. The other assets are cash and deposits, security lending cash collateral, receivables, prepaid expense and capital assets. The decrease in other assets from FY 2013 to FY 2014 is due mostly to the decrease in cash transactions for the security lending program offset by the cash management overlay account. Due to a change in custodial banks effective July 1, 2014, SamCERA paused its securities lending program in mid-June and recalled all securities on loan. The decrease in other assets from FY 2012 to FY 2013 is due mostly to the decrease in cash transactions for the security lending program. The total liabilities referred to in Table 1 are the following payables: investment management fees, due to broker for investments purchased, collateral payable for security lending and other miscellaneous payables. The decrease in total liabilities for FY 2014 is due to a decrease in the collateral payable for security lending and in the amount due to broker for investment purchase. The decrease in total liabilities from FY 2012 to FY 2013 is due to a decrease in the collateral payable for security lending.

Despite recent market volatility and good retirement benefits, SamCERA remains in a good financial position to meet its obligations to plan participants and beneficiaries.

Capital Assets

Capital assets with an initial cost of more than $5,000 and an estimated useful life in excess of three years may be capitalized and depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The capital expenditures for FY 2013-2014 were for various technology infrastructures. The purchases were generally expensed in the fiscal year. Year-end balance of capital assets remained at $0.

Reserves

The statement of SamCERA's reserves as shown in Table 2 indicates how SamCERA's fiduciary net position has accumulated in the current fiscal year. SamCERA's reserves are established from employer and member contributions and the accumulation of investment earnings, after deducting investment and administrative expenses (see Table 2). When a member retires, the fiduciary net position attributable to that member is transferred to the Retired Member Reserves from the Member Deposit Reserves and Employers' Advance Reserves. During the past several years the following significant Board of Retirement actions have impacted the reserve accounts:

- The adoption of the GASB Statement No. 25, which mandates that investments be stated at fair value, effective in FY 1995-1996.
- The creation of the Market Stabilization Account as recommended by William M. Mercer, SamCERA's actuary at that time.
- The Board of Retirement adopted a policy in 2002, which states that the amount of investment earnings added or subtracted from the Market Stabilization Account cannot exceed 20% of the investment return. If it does, then the excess is allocated to the Valuation Reserves.
- The addition of a County Supplemental Contribution Account to record additional contributions made by the

ADDITIONS TO FIDUCIARY NET POSITION (CONDENSED): TABLE 3

For the Years Ended June 30, 2014 and 2013

	2014	2013	Amount Increase/ Decrease	Percent Increase/ Decrease
Employer Contributions	$202,877,362	$144,308,171	$58,569,191	40.59%
Member Contributions	$46,593,698	$55,407,941	($8,814,243)	-15.91%
Investment Income	$508,574,426	$348,910,089	$159,664,337	45.76%
Less Investment Expense	($26,524,556)	($21,926,630)	($4,597,926)	20.97%
Security Lending Income	$435,459	$621,892	($186,433)	-29.98%
Other Additions	$178,636	$159,510	$19,126	11.99%
Total	$732,135,025	$527,480,973	$204,654,052	38.80%
Current Membership	10,826	10,621	205	1.93%

For the Years Ended June 30, 2013 and 2012

	2013	2012	Amount Increase/ Decrease	Percent Increase/ Decrease
Employer Contributions	$144,308,171	$150,949,761	($6,641,590)	-4.40%
Member Contributions	$55,407,941	$49,687,136	$5,720,805	11.51%
Investment Income	$348,910,089	$9,916,437	$338,993,652	3418.50%
Less Investment Expense	($21,926,630)	($20,940,955)	($985,675)	4.71%
Security Lending Income	$621,892	$721,219	($99,327)	-13.77%
Other Additions	$159,510	$29,025	$130,485	449.55%
Total	**$527,480,973**	**$190,362,623**	**$337,118,350**	**177.09%**
Current Membership	10,621	10,582	39	0.37%

ADDITIONS TO FIDUCIARY NET POSITION

FY 2009-2014

County to accelerate the pay down of its portion of Unfunded Actuarial Accrued Liability (UAAL). The first contribution was received in May 2014.

In December and June of each year, the actuarial assumed investment returns are credited to each of the Valuation Reserves. When actual investment returns differ from the actuarial assumed investment returns, the surplus or deficit is recorded in the Market Stabilization Account. The balance of the account is allocated to the Valuation Reserves over a five-year period. This process reduces the volatility of annual contribution rates for the employers. This year SamCERA's Market Stabilization Account increased by $159 million to $267.9 million of deferred investment gains. The difference between the Market Stabilization Account for reserves and deferred investment gains for actuarial value of assets is due to the treatment of investment returns to the CSCA.

Additions to Fiduciary Net Position

The primary sources of funding for SamCERA member benefits are employer contributions, member contributions, and net investment income. Total additions to fiduciary net positions for the fiscal years ended June 30, 2014, and 2013 were $732.1 million and $527.5 million, respectively. The increase in FY 2014 is primarily due to market appreciation of assets and contributions received. The increase in total additions to fiduciary assets from FY 2012 to FY 2013 is due to market appreciation of assets.

Employer contributions for FY 2014 were $202.9 million, an increase of $58.6 million over the prior year. The increase is mostly due to the supplemental county contribution of $50 million this fiscal year and higher employer contribution rates. Member contributions were $46.6 million. The -$8.8 million decrease over FY 2013 is due to termination of member optional Additional Retirement Credit (ARC) purchases with the implementation of California Public Employees' Pension Reform Act (PEPRA) in FY2013.

SamCERA's total members in 2014 increased by 205 members compared to FY 2013. Active members increased 1.8% from 4,917 to 5,004, retired members increased 2.7%, from 4,398 to 4,518, and inactive members decreased .2% from 1,306 to 1,304.

Deductions from Fiduciary Net Position

SamCERA was created to provide lifetime retirement annuities, survivor benefits, and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the plan, refund of contributions to terminated members, and the cost of administering the system. Deductions for the fiscal year ended June 30, 2014, totaled $168.3 million, an increase of 5.19% over the prior fiscal year (refer to Table 4).

Retirement annuities, survivor benefits, and permanent disability benefits were $159.3 million in 2014, an increase of $10.1 million or 6.75% over 2013. The growth in benefit payments was due to the combined effects of the following: (1) the net increase in the number of retirees and beneficiaries for the year and (2) the increase in the average retirement allowance of those who were added to the retirement payroll. Retiree benefits in 2013 totaled $149.3 million, which is a $10.1 million, or 7.2%, increase over FY 2012. The sharp increase was due to the same trend. There has been a steady increase in the number of retirees, a 14.8% increase over the last five years.

Member refunds were $3.2 million in 2014, a decrease of $2.5 million or -44.1% over 2013. Member refunds were higher in fiscal year 2013 due to a higher amount of terminated members, due mostly to the closing of the San Mateo County's long-term care facilities, who requested withdrawals. Also terminated members with a few years of service often withdraw their accounts.

Administrative expense was $5.6 million for 2014. Administrative expense covers the basic costs of operating the retirement system, including information technology systems. Operating costs include staffing, office expense, depreciation, and miscellaneous expenses. Approximately half of the administrative expense is for staffing (wages, fringe benefits, and temporary workers).

The system's administrative expenses increased by $730,817 or 14.87% in fiscal year 2014. The increase is due to hiring of additional staff, the return of SamCERA's Assistant Executive Officer (AEO) from military leave, and implementation of technology projects.

The decrease of -$118,860 or -2.36% in administrative expenses between FY 2013 and FY 2012 was due to SamCERA's filling several vacancies during the fiscal year offset by the savings from the AEO's military leave.

Expenses for SamCERA's professional services are included with investment expense. For the fiscal year ended June 30, 2014, the expenditures for actuarial services, custodian services and investment consultant services decreased by -$14,000 compared to 2013. This slight decrease is due to lower actuarial fees this fiscal year. Investment management fees are driven by contractual agreements and based on total fair value of assets under management. The combination of the implementation of alternative investments (private equity, hedge funds, commodities and risk parity) as well as market appreciation of assets resulted in higher investment management fees in 2014.

Deductions of $168.3 million are less than additions of $732.1 million, resulting in an increase of $563.9 million in fiduciary net position for the fiscal year ended June 30, 2014.

Change in Fiduciary Net Position

The change in fiduciary net position consists of total additions reduced by total deductions. Table 5 shows condensed information about this financial activity. Fiduciary net position increased by $563.9 million for the year ended June 30, 2014. This increase is due to market appreciation of assets this fiscal year as well as contributions received. Fiduciary net position increased by $367.5 million from FY 2012 to FY 2013. The increase is due to the same reasons – appreciation of assets and contributions received.

DEDUCTIONS FROM FIDUCIARY NET POSITION: TABLE 4

For the Years Ended June 30, 2014 and 2013

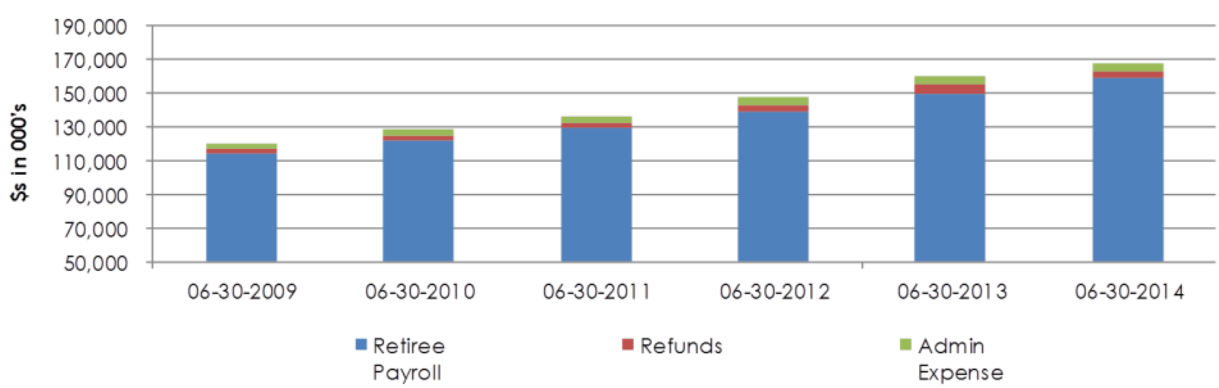
	2014	2013	Amount Increase/ Decrease	Percent Increase/ Decrease
Retiree Benefits	$159,341,978	$149,265,647	$10,076,331	6.75%
Member Refunds	$3,214,129	$5,749,776	($2,535,647)	-44.10%
Administrative Expenses	$5,645,004	$4,914,187	$730,817	14.87%
Other Expenses	$65,292	$29,685	$35,607	119.95%
Total	**$168,266,403**	**$159,959,295**	**$8,307,108**	**5.19%**
Benefit Recipients	4,518	4,398	120	2.73%

For the Years Ended June 30, 2013 and 2012

	2013	2012	Amount Increase/ Decrease	Percent Increase/ Decrease
Retiree Benefits	$149,265,647	$139,207,590	$10,058,057	7.23%
Member Refunds	$5,749,776	$3,627,492	$2,122,284	58.51%
Administrative Expenses	$4,914,187	$5,033,047	($118,860)	-2.36%
Other Expenses	$29,685	($33,331)	$63,016	189.06%
Total	**$159,959,295**	**$147,834,798**	**$12,124,497**	**8.20%**
Benefit Recipients	4,398	4,275	123	2.88%

DEDUCTIONS FROM FIDUCIARY NET POSITION

FY 2009-2014



Changes in Fiduciary Net Position (Condensed): Table 5

For the Years Ended June 30, 2014 and 2013

	2014	2013	Amount Increase/ Decrease	Percent Increase/ Decrease
Beginning Plan Net Position	$2,727,825,332	$2,360,303,654	$367,521,678	15.57%
Total Additions	$732,135,025	$527,480,973	$204,654,052	38.80%
Total Deductions	$168,266,403	$159,959,295	$8,307,108	5.19%
Ending Plan Net Position	**$3,291,693,954**	**$2,727,825,332**	**$563,868,622**	**20.67%**

For the Years Ended June 30, 2013 and 2012

	2013	2012	Amount Increase/ Decrease	Percent Increase/ Decrease
Beginning Plan Net Position	$2,360,303,654	$2,317,775,829	$42,527,825	1.83%
Total Additions	$527,480,973	$190,362,623	$337,118,350	177.09%
Total Deductions	$159,959,295	$147,834,798	$12,124,497	8.20%
Ending Plan Net Position	**$2,727,825,332**	**$2,360,303,654**	**$367,521,678**	**15.57%**

New Accounting Standards

SamCERA's Board and management, working with professional consultants and its employers has implemented GASB 67 in the current CAFR. The standard addresses accounting and financial reporting requirements for pension plans. The requirements for GASB 67 require changes and additions in the Notes to the Financial Statements, Required Supplementary Information, Other Supplementary Information and Notes to Other the Supplementary Information sections.

Significant changes include calculation of total and net pension liability for financial reporting, comprehensive footnote disclosure regarding pension liability, sensitivity of net pension liability to the discount rate, additional investment disclosure, expected long-term discount rate, and annual money-weighted rate of return on investment. The net pension liability and related ratios as determined by GASB 67 is presented on page 63. Other requirements are reflected in the Notes to the Financial Statements, Required Supplementary Information, Other Supplementary Information and Notes to the Other Supplementary Information sections.

Participating employers will implement GASB 68, Accounting and Financial Reporting for Pensions for fiscal years beginning after June 15, 2014. GASB 68 schedules and information based on June 30, 2014, valuation for financial reporting are included in the Other Supplementary Information section.

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

These Financial Statements are designed to provide SamCERA's Board, membership, taxpayers, investment managers, and interested parties a general overview of SamCERA's financial position and to show accountability for the funds it receives.

Additional information is available on our 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

Respectfully submitted,

Mabel Wong

Mabel Wong
Finance Officer
October 22, 2014

Statement of Fiduciary Net Position

As of June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and deposits	$78,671,477	$39,405,154
Cash Management Overlay	21,446,466	0
Security lending cash collateral	0	136,413,481
Total cash	100,117,943	175,818,635
Receivables		
Contributions	4,648,233	3,611,259
Due from broker for investments sold	12,596,153	139,326,538
Investment income	3,483,030	4,998,825
Security lending income	39,953	60,596
Other receivables	113,410	113,812
Total Receivables	20,880,779	148,111,030
Prepaid Expense	7,669	7,669
Investments, at fair value		
Domestic fixed income securities	493,024,480	428,578,645
International fixed income securities	100,023,249	112,393,585
Domestic equities	1,229,039,423	1,135,856,342
International equities	653,569,353	494,939,553
Real estate	183,566,990	166,154,482
Private Equities	138,490,534	64,325,070
Risk parity	197,597,402	157,444,012
Hedge funds	117,896,816	73,717,734
Commodities	90,480,043	69,083,062
Total Investments	3,203,688,290	2,702,492,485
Total Assets	3,324,694,681	3,026,429,819
LIABILITIES		
Payables		
Investment management fees	2,787,598	2,519,194
Due to broker for investments	27,187,226	154,293,081
Collateral payable for securities	0	136,413,481
Other	3,025,903	5,378,731
Total Liabilities	33,000,727	298,604,487
Net Position Restricted for Pensions	**$3,291,693,954**	**$2,727,825,332**

The accompanying Notes to the Financial Statements beginning on page 38 are an integral part of these financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Years Ended June 30, 2014 and 2013

	2014	2013
ADDITIONS		
Contributions (Note 3)		
Employer	$202,877,362	$144,308,171
Member	46,593,698	55,407,941
Total Contributions	249,471,060	199,716,112
Investment Income		
Interest and dividends	54,492,076	55,101,945
Net appreciation/(depreciation) in fair value of investments	$454,082,350	$293,808,144
	$508,574,426	$348,910,089
Less investment expense	($26,524,556)	($21,926,630)
Net Investment Income	$482,049,870	$326,983,459
Security Lending Income		
Earnings	253,687	402,803
Less security lending expense	181,772	219,089
Net Security Lending Income	435,459	621,892
Other Additions	178,636	159,510
Total Additions	732,135,025	527,480,973
DEDUCTIONS		
Association benefits		
Service retirement allowance	139,036,410	131,638,612
Disability retirement allowance	19,266,623	16,705,247
Survivor, death and other benefits	1,038,945	921,788
Total Association Benefits	159,341,978	149,265,647
Refunds of members' contributions	3,214,129	5,749,776
Administrative expense (Note 3)	5,645,004	4,914,187
Other Expense	65,292	29,685
Total Deductions	168,266,403	159,959,295
Net Increase	563,868,622	367,521,678
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	2,727,825,332	2,360,303,654
End of Year	$3,291,693,954	$2,727,825,332

The accompanying Notes to the Financial Statements beginning on page 38 are an integral part of these financial statements.

Notes to the Financial Statements

Note 1: Plan Description

The following description of the San Mateo County Employees' Retirement Association (the Association or SamCERA) is provided for general information purposes. The Association is governed by the California Constitution, the County Employees' Retirement Law of 1937 (the 1937 Act - a component of the California Government Code) and the bylaws, procedures and policies adopted by the Board of Retirement.

General

The Association 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 (Primary Employer), the San Mateo County Mosquito and Vector Control District, and the Superior Courts of the County of San Mateo. The Association is a Pension Trust Fund of the participating employers. Management of the Association is vested in the Board of Retirement consisting of nine members. The 1937 Act states one member shall be the County Treasurer; the second and third members shall be general members of the Association elected by their peers; the fourth, fifth, sixth and ninth members shall be qualified electors of the County and shall be appointed by the Board of Supervisors; the seventh member shall be elected by and be a member of the Association's safety membership; and the eighth member shall be a retired member elected from the retired membership.

The Association has seven tiers, which cover members classified as general, safety or probation. Members hired on or before July 6, 1980, became members of Tier 1. Members hired after July 6, 1980, and before July 13, 1997, became members of Tier 2. Members hired on or after July 13, 1997, become members of Tier 4, until Tier 5 and Tier 6 became effective in fiscal year (FY) 2011-2012. The California Public Employees' Pension Reform Act (PEPRA) created a new tier, Tier 7, which took effect on January 1, 2013. All new members hired on and after January 1, 2013 become members of Tier 7. Tier 3, a non-contributory plan for General members, is closed effective December 23, 2012.

The County implemented a number of new tiers for new hires beginning in FY 2011-2012. The new tiers are mostly pension formulas prior to the adoption of enhanced formulas in the middle of the last decade with some cost shifting. Existing Tier 4 closed simultaneously. General employees hired between August 7, 2011 to December 31, 2012 are members of Tier 5. Employees appointed to positions of active law enforcement between January 8, 2012 to December 31, 2012 become safety members under Tiers 5 or 6. In 1990, probation officers were given the choice of remaining in the general plan or electing safety status for future service under a new probation plan. All new probation officers became members under Tier 4 for probation officers until Tier 5 and Tier 6 were effective. Probation members hired on and after January 1, 2013 become members of Tier 7. From January 1, 1993, general members in Tier 3 with five years of continuous service have the option to change to the plan they were eligible for at entry date. Former Tier 3 members are authorized to purchase service credit in their current plan. Earned Tier 3 service credit is forfeited in an amount

ASSOCIATION MEMBERSHIP PROFILE

For the Year Ended June 30, 2014

	Tier 1*	Tier 2*	Tier 3*	Tier 4*	Tier 5	Tier 6	Tier 7	Total
RETIREES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS								
General	1,780	1,629	125	393	0	0	0	3,927
Safety	277	146	N/A	27	0	0	0	450
Probation	71	56	N/A	14	0	0	0	141
Subtotal	2,128	1,831	125	434	0	0	0	4,518
TERMINATED MEMBERS ENTITLED TO BUT NOT RECEIVING BENEFITS (DEFERRED)								
General	16	411	96	639	11	0	8	1,181
Safety	1	28	N/A	44	3	0	0	76
Probation	0	13	N/A	32	2	0	0	47
Subtotal	17	452	96	715	16	0	8	1,304
CURRENT MEMBERS								
Vested								
General	30	861	86	2,260	2	0	2	3,241
Safety	3	98	N/A	231	0	0	0	332
Probation	1	57	N/A	199	0	0	0	257
Non-Vested								
General	0	2	31	249	264	0	485	1,031
Safety	0	0	N/A	49	45	1	25	120
Probation	0	0	N/A	3	6	2	12	23
Subtotal	34	1,018	117	2,991	317	3	524	5,004
Total	**2,179**	**3,301**	**338**	**4,140**	**333**	**3**	**532**	**10,826**

* Plans closed to new entrants except Tier G4 for Mosquito District eligible reciprocal members.

equivalent to the purchase. Tier 3 is closed and there is no longer a non-contributory tier.

New employees hired on and after January 1, 2013 join PEPRA Tier 7. General members go into a 2% @ 62 plan, and can retire at age 52 with 5 years of service. New Safety and Probation members now go into a 2.7% @ 57 plan, and Safety and Probation members are eligible to retire at age 50 with 5 years of service. General employees hired between August 7, 2011 and December 31, 2012, chose between an existing non-contributory plan or a 2% @ 61.25 contributory plan, Tier 5. Safety members hired between January 8, 2012 to December 31, 2012 were enrolled in a 3% @ 55 Tier 5, or a 2% at 50 Tier 6, contributory plan. Probation members hired between July 10, 2011 and December 31, 2012, were offered the option to choose between the 3% @ 55 formula with an additional cost-share contribution of 3.5% of pay, Tier 5, or a 2% @ 50 formula with no cost-share provision, Tier 6. All members in Tiers 5, 6, and 7 and certain re-entry members in Tiers 1, 2, and 4 also pay half the actuarial cost of Cost of Living Adjustments (COLA). Members in Tiers 1 2, and 4 pay a cost share contribution and members of certain bargaining units pay 25% of the actuarial cost of the COLA benefit.

The Association is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

As of June 30, 2014, the Association membership is shown in the table on page 39.

Benefit Provisions

The Association provides 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, the Association provides annual COLA upon retirement for members of Tiers 1, 2, 4, 5, 6 and 7. The benefits of Tier 3 are reduced by a portion of Social Security benefits received by the member. The 1937 Act vests the Board of Supervisors with the authority to initiate benefits, while Government Code Section 31592.2 empowers the Board of Retirement to provide certain ad hoc benefits when the Section 31592 reserve exceeds 1% of assets.

Members in Tiers 1, 2, 3, 4, 5 and 6 with 10 years of continuous service (permanent part-time employees need equivalent of 5 years of full-time service and 10 years of membership), and members in Tier 7 with 5 years of service are eligible to retire at the following minimum ages:

Tier One	Age 50
Tier Two	Age 50
Tier Three	Age 55
Tier Four	Age 50
Tier Five	Age 50
Tier Six	Age 50
Tier Seven	Age 52

General members in Tiers 1, 2, 4, 5 and 6 may retire at any age after 30 years of service.

Safety members and Probation members may retire at any age after 20 years of service.

A member who leaves service may withdraw his or her contributions, plus any accumulated interest.

Members with five years of service or permanent part-time employees who have the equivalent of five years of full-time service or non-contributory members (Tier 3) with 10 years of service who terminate their employment may elect a deferred retirement.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The Association follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of SamCERA. Investment income is recognized when earned, and expenses are recognized when incurred. Employer and member contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each tier.

SamCERA is an independent public employee retirement system with its own governing board. SamCERA's financial statements are included in the County's financial statements as a pension trust fund of the County. Maintaining appropriate controls and preparing the Association's financial statements are the responsibility of SamCERA's management.

Cash and Investments

The Board of Retirement (Board) has exclusive control of the investments of the Association. Government Code Section 31595 of the 1937 Act authorizes the Board to invest, or delegate the authority to invest, the assets of the Association in any investment allowed by statute and deemed prudent in the informed opinion of the Board.

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

Investments: The Association records investment transactions on the trade date. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By policy, an independent appraisal is obtained once every quarter to determine the fair market value of the real estate assets.

Private equity partnerships are reported in SamCERA's financials based on the fair value provided by the General Partner on a quarterly basis. The management assumptions are based upon the nature of the investment and the underlying business.

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

Asset Allocation Policy: In June 2014, the Board approved a new asset allocation policy with modest changes intended to further diversify the plan. The new asset allocation policy is incorporated into SamCERA's updated Investment Policy Statement, which helps guide the manner in which SamCERA invests.

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Domestic Equity	30%	7.6%
Intl Equity	20%	8.0%
Fixed Income	20%	3.4%
Alternatives	16%	7.0%
Risk Parity	8%	6.5%
Real Estate	6%	6.1%
Cash	-	0.0%
	100%	

Long-term expected rate of return net of investment expenses: 7.45%

Long-term Expected Rate of Return by Asset Class: The long-term expected rate of return on pension plan investments was determined using a building-block approach in which 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 percentages. Estimates of the median geometric rates of return for each major asset class at the time the asset allocation targets were selected are shown in the table. The asset class return assumptions are presented on a nominal basis, and all assumptions include a base inflation rate assumption of 2.2%.

Discount Rate: The investment rate of return assumption used for actuarial funding was 7.45 percent, for the fiscal year ended June 30, 2014. GASB 67 requires determination that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

Money-Weighted Rate of Return: For the fiscal year ended June 30, 2014, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 17.18 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Concentrations: SamCERA does not hold investments in any one organization that represent 5 percent or more of the Plan's Fiduciary Net Position.

Security Lending Activity

Security lending transactions are short-term collateralized loans of SamCERA securities for the purpose of generating additional investment income. For each lending transaction, SamCERA receives either cash collateral or non-cash collateral. The underlying securities out on loan are reported on SamCERA's statement of fiduciary net position as if the lending transaction had not occurred.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, cash collateral held (or any security that can be sold or pledged without a default by the borrower) 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 as a liability.

Non-cash collateral held is not reported on the statement of fiduciary net position nor is there a corresponding liability reported on this statement. Note 4 – Deposit and Investment Risk Disclosure discloses the amount of securities lending non-cash collateral.

Income Taxes

The Internal Revenue Service has ruled that plans such as SamCERA qualify under Section 401(a) of the Internal Revenue Code and are not subject to tax under present income tax laws. On January 6, 1988, the Internal Revenue Service issued a favorable Tax Determination Letter. Accordingly, no provision for income taxes has been made in the accompanying basic financial statements, as the plan is exempt from federal and state income taxes under provisions of the Internal Revenue Code, Section 401, and the California Revenue and Taxation Code, Section 23701, respectively.

Receivables

Receivables consist primarily of interest, dividends, investments in transition, i.e., traded but not yet settled, and contributions owed by the employing entities as of June 30, 2014, and 2013.

Capital Asset (including Intangible Assets)
Capital Assets are items with an initial cost of more than $5,000 and an estimated useful life in excess of three years. Capital assets are valued at historical cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, from three to ten years. Most capital assets are information technology related. The routine upgrade of information technology systems, hardware, software and maintenance are reviewed and deemed appropriate as being expenses for the current year.

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

Foreign Currency Transactions
Gains earned and losses incurred resulting from foreign currency transactions during the year are recorded as a component of investment income. Gains and losses from translation of international investments at fiscal year-end rates of exchange are included in investment income.

Forward currency contracts are used by our 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 and from movements in exchange and interest rates.

Reclassification
Certain financial statement items from the prior year's financial statements have been reclassified for comparative purposes. Such reclassifications had no effect on previously reported fiduciary net position.

Summarized Prior Year Information
The accompanying financial statements include certain prior year summarized information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SamCERA financial statements as of and for the year ended June 30, 2013, from which the summarized information was derived.

Implementation of New Accounting Pronouncements
For the year ended June 30, 2014, SamCERA implemented GASB Statement No. 67, *Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25.* The requirements for GASB 67 require changes and addition in the Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information. Significant changes include calculation of total and net pension liability for financial reporting, comprehensive footnote disclosure regarding pension liability, sensitivity of net pension

liability to the discount rate, additional investment disclosure, expected long-term discount rate, and annual money-weighted rate of return on investment. The net pension liability and related ratios as determined by GASB 67 is presented on page 63. Other requirements are reflected in the Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information sections.

Note 3: Contributions, Net Pension Liability, Administrative Expenses and Reserves

Contributions

The 1937 Act establishes the basic obligations for employers and members to make contributions to the pension trust fund. The employer and member contribution rates are based on recommendations made by an independent actuary and adopted by the Board of Retirement. The employer and member rates are based on membership type (General, Safety, Safety/Probation) and tier (Tier 1, Tier 2, Tier 3, Tier 4, Tier 5, Tier 6 and Tier 7). The funding objective of the plan is to establish employer and member contribution rates which, over time, will remain level as a percentage of payroll, unless plan benefit provisions change.

For Tiers 1, 2, 4, 5, 6 and 7 active members are required by statute to contribute toward their retirement benefits. Tier 3 is a non-contributory plan. The member contribution rates are formulated on the basis of age at the date of entry and the actuarially calculated benefits. Members in Tier 7 pay 50% of the actuarial determined cost of retirement benefit as required by PEPRA. Member contributions along with credited interest are refundable upon termination of membership.

Interest Crediting is explained in this Note under Reserves & Accounts. The Association's Tier 3 is a non-contributory plan for members. For the other tiers, the member basic contribution rates are based on age at entry into the Association and are a percentage of covered compensation. Under a Memorandum of Understanding with San Mateo County, its General members in Tiers 1, 2, and 4 contribute an additional 3%, and Safety and Probation members contribute an additional 3% to 5% of covered salary to help offset benefits. San Mateo County Mosquito and Vector Control District implemented the enhanced benefits formula effective July 1, 2010, but the employees do not make additional contributions.

The participating employers are required by statute to contribute the amounts necessary to fund the estimated benefits accruing to

Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost Method	Entry Age
Amortization method	Layered Closed 15-year periods
Remaining amortization period	Layered 15-year periods
Asset valuation method	5-year smoothed market with 20% corridor
Inflation	3.00%
Salary increases	3.50%
Investment rate of return, gross of administrative expense	7.45%
Mortality	Various rates based on RP-2000 mortality tables. See June 30, 2014 Valuation Report for details.

SamCERA members not otherwise funded by member contributions or expected investment earnings. Employer contribution rates for each tier are determined pursuant to Government Code Section 31453 of the 1937 Act. Contribution rates are actuarially determined using the entry age normal method and consist of an amount for normal cost (the estimated amount necessary to finance benefits earned by members during the current year) and an amount required to amortize the unfunded actuarial accrued liability (UAAL). Beginning with the June 30, 2008 actuarial valuation, SamCERA converted to closed15-year layered amortization methodology. Under this methodology, the original unfunded amount (UAAL) is amortized over closed 15 years as of the valuation date. Future actuarial gains and losses are amortized over new closed 15 year periods. Details of the funding progress, annual required member contribution and employer contribution, and the latest actuarial valuation are presented in the Required Supplementary Information Schedules.

The normal cost and UAAL contribution rates are shown in the following table. Effective May 2, 2010, the County reduced from 100% to 75% the percentage it pays of management employees', unrepresented attorneys' and sheriff's sergeants' contributions. Effective September 2, 2012, the County further reduced the percentage it pays from 75% to 50% of the basic member contribution for the same group. Effective September 2, 2012, the County reduced the percentage it pays of confidential employees' contribution from 70% to 50%. Both are on a refundable basis. In addition, members of certain bargaining units who are in a contributory retirement plan have a portion of their retirement deduction paid by the County based on individual years of service using schedules set forth in a Memorandum of Understanding. Effective April 23, 2006, the County pays 20% of Safety/Probation contributions on a non-refundable basis.

NORMAL COST AND UAAL RATES

	2014	2013	Change
Normal Cost	11.63%	11.19%	0.44%
UAAL Amortization	23.93%	26.28%	-2.35%
Total Contribution Rate	**35.56%**	**37.47%**	**-1.91%**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution (unit $000)	Percentage Contributed
2014	$152,877	133%
2013*	$131,294	110%
2012*	$139,407	108%

*Updated 2013, 2012 ARC reflects actual ARC. Actual contributions were reported in prior years.

For the fiscal year ended June 30, 2014, the County paid its employer contributions owed to SamCERA in two semi-annual prepayments in July 2013 and January 2014. The prepayment is based on the adopted actuarial contribution rates and the estimated remaining covered payroll by tier discounted by the actuarial assumption rate. Throughout the rest of the year, the prepayment was reduced by actual contributions owed reflective of actual payroll. At fiscal year-end, there is a true-up based on the actual contributions owed. At the end of the 2013-2014 fiscal year, the prepayment account had an excess balance of $2.2 million which included a credit to the County of $188,660 for the replacement benefits program. The excess in the prepayment account will be credited towards the 2014-2015 fiscal year employer contribution.

The County will continue with the semi-annual prepayment in FY 2014-2015.

The County was interested to accelerate the pay down of its UAAL and reached an agreement with SamCERA to contribute additional funds to reach this goal. In May 2014, the County gave SamCERA an additional $50 million dollars to put into the County Supplementary Contribution Account (CSCA). The money will be invested in SamCERA's fund and will receive interest based on market rate return. As of June 2014, the account has a balance of $50.8 million. The County plans to give an additional $10 million dollars per year to be credited to this account for the next nine years. In addition, the County plans to pay the higher of aggregate of 38% of payroll or the statutory contribution rate as determined by SamCERA's actuary.

Net Pension Liability

GASB 67 requires public pension plans to provide a net pension liability. The net pension liability is measured as the total pension liability less the amount of the pension plan's fiduciary net position. The net pension liability is an accounting measurement for financial statement reporting purposes. The components of SamCERA's net pension liability at June 30, 2014, are shown on page 47.

Administrative Expenses

The SamCERA Board of Retirement annually adopts the operating budget for the administration of SamCERA. The administrative expenses are charges against earnings of the retirement fund and are limited to twenty-one hundredth of one percent (0.21%) of the accrued actuarial liability as set forth under Government Code Section 31580.2. SamCERA's policy is to assess compliance with the limitation based on the prior year accrued actuarial liability as determined in the latest annual valuation. SamCERA's administrative expenses totaled 0.14% of accrued actuarial liability for the fiscal year ended June 30,

Analysis of Actual Administrative Budget

As of June 30, 2014 and 2013 (Amounts in Thousands)

	2014	2013
Actual Accrued Liability at Prior Year-End	$3,573,000	$3,442,000
Projected Net Asset Base at Fair Value	n/a	n/a
Maximum Limit in Basis Point	21 bp	21 bp
Maximum Admin Expense	$7,503	$7,228
Operating Budget	$5,533	$5,392
Actual Admin. Expense	$4,914	$4,260
Under-expended Operating Budget	**$619**	**$1,132**

Administrative Budget

	2014	2013
Salaries and member benefits	$4,068,503	$3,895,420
Services and supplies	1,464,537	1,496,380
Administrative Budget	**$5,533,040**	**$5,391,800**

Information Technology Budget

	2014	2013
Property and Equipment	$78,000	$48,000
IT Infrastructure	3,273,200	2,039,200
IT Budget	**$3,351,200**	**$2,087,200**

Analysis of Actual Information Technology Expenses

As of June 30, 2014 and 2013

	2014	2013
Property and Equipment	$13,733	$22,983
IT Infrastructure	717,396	631,583
IT Expenses	**$731,129**	**$654,566**

SCHEDULE OF NET PENSION LIABILITY

The schedules of changes in net pension liability display the components of the total pension liability and plan fiduciary net position for the Plan, calculated in conformity with the requirements of GASB 67. Covered employee payroll represents the collective total of the Plan eligible wages of all Plan employers.

The components of net pension liability of the plan at June 30, 2014 were as follows:

Net Pension Liability:	**June 30, 2014**	**June 30, 2013**
Total Pension Liability	$3,703,341,222	$3,506,515,307
Plan Fiduciary Net Position	3,291,693,954	2,727,825,332
Employers' Net Pension Liability	411,647,268	778,689,975
Plan net position as a % of the total pension liability	88.88%	77.79%
Covered payroll	422,021,990	406,921,529
Net pension liability as a % of covered payroll	97.54%	191.36%

The total liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate shown below.

Discount Rate		
Discount rate	7.45%	7.65%
Long-term discount rate of return, net of expenses	7.25%	7.50%
Municipal bond rate	N/A	N/A

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses of 7.45%.

Other Key Actuarial Assumptions		
Validation date	June 30, 2014	June 30, 2013
Measurement date	June 30, 2014	June 30, 2013

Actuarial Methods and Assumptions

Key assumptions and methods used in this GASB analysis

Valuation Timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	
Level percent or level dollar	Level percent
Closed, open, or layered periods	Layered
Amortization Period for Each Layer	15 years
Amortization Growth Rate	3.50%
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	80% to 120% of market value
Inflation	3.00%
Investment Rate of Return	7.45%*
Cost of Living Adjustments	As described in the June 30, 2014 actuarial valuation
Mortality	Various rates based on RP-2000 mortality tables See June 30, 2014 Valuation Report for details.

** Differs from actuarial valuation due to addition of administrative expense load of 0.20%.*

SENSITIVITY ANALYSIS

The following presents the net pension liability of SamCERA, calculated using the discount rate of 7.45%, as well as what SamCERA's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.45%) or 1 percentage point higher (8.45%) than the current rate.

($ in thousands)	1% Decrease: 6.45%	Current Discount Rate: 7.45%	1% Increase: 8.45%
Total pension liability	$ 4,211,206	$ 3,703,342	$ 3,285,015
Fiduciary net position	$3,291,694	$3,291,694	$3,291,694
Net Pension liability	$919,512	$411,648	$(6,679)

2014.

The passage of Assembly Bill 609 in October 2010 changed the 1937 Act system administration expense limit from 23 basis points of total assets to 21 basis points of Accrued Actuarial Liability. Since the system's liability is more consistent from year to year and not affected by capital market volatility, the change will allow SamCERA to manage its administrative expenses more effectively. With the implementation of Government Code Section 31580.2, information technology expenses are not included in administrative expenses. Hence, there is a separate information technology budget that started in fiscal year 2012. Administrative expenses of the Association are financed through employer and member contributions and investment earnings. Administrative expenses reported in the statement of changes in fiduciary net position include those shown in the nearby tables. An analysis of budget to actual administrative expenses is shown on page 67.

Reserves and Accounts

The reserves represent the components of SamCERA's net position. Reserves are established from employer and member contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due. SamCERA's major classes of reserves are valuation and non-valuation. The valuation reserves will be credited interest at the assumed actuarial interest rate. The interest crediting and allocation process will be discussed below. The valuation reserves are as follows:

Member Deposit Reserve: This reserve represents the total accumulated member contributions of current active and inactive (deferred) members. Additions include member contributions and credited interest. Deductions include refunds to members and transfers to Retired Member Reserve made at the time the member retires.

Employers' Advance Reserve: This reserve represents the total accumulated employer contributions for future retirement payments to active and deferred members. Additions include contributions from the employers and credited interest. Deductions include lump-sum death benefit payments to member's survivors, supplementary disability payments, and transfers to the Retired Member Reserve made at the time each member retires. When a terminating member elects to receive a refund of member contributions, there is no corresponding effect on the balance of the Employers' Advance Reserve because the employers' contribution rates are based on an actuarial assumption that takes into account the expected rate of member terminations.

Retired Member Reserve: This reserve represents funds accumulated to pay retirement benefits for retired members. Additions include the total accumulated transfers from the Member Deposit Reserve, the Employers' Advance Reserve (both made at the time each member retires) and credited interest. Deductions include payments to retired members, beneficiaries and survivors.

COLA Reserve: This reserve represents the total accumulated employer contributions for future cost of living adjustments under provisions of the 1937 Act. Additions include contributions from employers and credited interest. Deductions include payments to retired members, beneficiaries and survivors. Effective April 1 of each year, for those members retired on or prior to April 1, the Board adjusts the retirement allowances by a percentage of the total allowance to approximate the nearest one-half of one percent of the percentage of the annual increase in the cost of living for the preceding calendar year. The cost of living increase is based on that shown by the Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers in the San Francisco, Oakland, and San Jose Bay Area. The increase is capped at 5.0% for Tier 1 (Probation/Safety Tier 1 is 3.0%), 3.0% for Tier 2 and 2.0% for Tiers 4, 5, 6 and 7. Tier 3 has no COLA.

SamCERA's Non-Valuation Reserves and Accounts

Reserves

Contingency Reserve: This reserve represents reserves accumulated for future earnings deficiencies, investment losses, and other contingencies. Additions include investment income and other revenues. Deductions include investment expenses, administrative expenses, and interest allocated to other reserves. The

RESERVES REQUIRED FOR REPORTING PURPOSES BY THE 1937 ACT

	2014	2013
Member Deposit Reserve	$584,079,609	$534,275,685
Employers' Advance Reserve – Current Service	570,829,244	422,581,774
County CSCA	50,842,556	0
Retiree Member Reserve	877,161,874	918,589,967
COLA Reserve	1,019,232,798	930,358,294
Total Allocated Reserves	3,102,146,081	2,805,805,720
Unallocated Earnings / Losses Account	(108,622,522)	(187,166,322)
Market Stabilization Account	267,936,182	109,185,934
Contingency Reserve	30,234,213	0
Net Assets Held in Trust for Pension Benefits	**$3,291,693,954**	**$2,727,825,332**

Contingency Reserve is used to satisfy the California Government Code requirement to reserve at least 1% of total assets against future earnings deficiencies.

Accounts

Accounting principles generally accepted in the United States of America do not allow for a negative reserve. Therefore, the Board adopted two policies that establish accounts that may have a negative balance. The non-valuation accounts are the Contingency Account and the Market Stabilization Account.

Effective January 1, 1993, the Board provided for the implementation of Actuarial Standards Board Standard of Practice No. 4 and adopted five-year smoothing of all returns for valuing actuarial assets and calculating the UAAL. Effective June 30, 1997, the Board provided for the implementation of GASB Statement No. 25 and authorized the creation of a Market Stabilization Account to reconcile differences between the market value of assets and the actuarial value of assets. Effective retroactive to June 30, 2002, the Board amended its Market Stabilization Account policy to limit the difference between the market value of assets and the actuarial value of assets to not more than ±20% of the market value. The Board's objective in adopting this policy is to minimize the impact of short-term volatility in the market value of the retirement fund on employer and member contribution rates by smoothing market returns over a five-year period. All of the Board's prior decisions regarding the Market Stabilization Account were assembled into a single policy decision as Resolution 03-04-01, which was adopted by the Board on August 26, 2003.
On June 22, 2004, the Board adopted Resolution 03-04-17, *Statement of Interest Crediting Policy.* This policy was amended on September 28, 2004, to establish an Unallocated Earnings / Losses Account.

On July 29, 2014, the Board adopted Resolution 14-15-03, *Interest Crediting Policy* to clarify language in the policy; add a CSCA Reserve and define the crediting to the CSCA Reserve; and delete the Supplemental Benefits Reserve and the potential crediting of "excess earnings" to that reserve. There was no change in the interest crediting rate or method.

Contingency Account: This account was established to facilitate the mandates of the interest crediting policy, which specifies the manner in which interest is credited to the reserves semi-annually. When there are insufficient allocable earnings to credit the reserves as specified in the policy, the Contingency Account may be debited by the amount required. However, in no event may the total of the non-valuation reserves be allowed to drop lower than 1% of the market value of assets.

Market Stabilization Account: This account represents the deferred balance of investment earnings not yet credited to the reserves. This balance arises from the five-year actuarial smoothing process for investment earnings described below. The Market Stabilization Account balance thus represents the difference between (1) the aggregate amounts initially deferred (smoothed) from the ten most recent semi-annual periods and (2) the amounts subsequently recognized for semi-annual interest crediting from these same ten periods.

Actuarial Smoothing: Net investment income reported on the Statement of Changes in Fiduciary Net Position affects the reserves indirectly through an actuarial "smoothing" process approved by the Board. This process operates semi-annually with calculation periods ending December 31 and June 30. It involves spreading the difference between actual and expected market return over ten successive semi-annual periods.

Semi-Annual Interest Crediting: SamCERA updates reserve balances on a semi-annual basis as of December 31 and June 30 each year. At these times, SamCERA carries out a multi-step process to calculate new reserve balances as specified in Article 5 of the 1937 Act. The amount of "net earnings" to be credited for the semi-annual period is calculated based on the actuarial smoothing process described above. To the extent that net earnings are available, interest is credited to all reserves, except the Member Deposit Reserve, at the actuarial assumed interest rate of 3.75% semi-annually for the fiscal year ended June 30, 2014, to specific components of reserves in a prescribed sequence. Pursuant to the Board's interest crediting policy, the Member Deposit Reserve is credited at the lesser of the actuarial smoothed earnings rate or the actuarial assumed interest rate, but the rate credited cannot be less than zero.

Allocation of Earnings/(Losses) to Reserves: For the year ended June 30, 2014, SamCERA distributed allocation of earnings to reserves of $239.7 million which resulted in -$108.6 million as unapplied interest crediting. Earnings on average, resulting from the five-year smoothing process, were sufficient to provide credits to the reserves at the actuarial assumed interest rate in effect during the year, 3.75% semi-annually. The actuarial smoothed interest rate was 5.58% and 5.98% at December 31, 2013, and June 30, 2014, respectively.

Reserves are restricted to specific purposes. Member contributions are credited to the Member Deposit Reserve. Employer contributions are credited to the Employers' Advance Reserve and the COLA Reserve. At retirement, a member's accumulated contributions plus interest and the related employer's contributions are transferred to the Retired Member Reserve. The Retired Member Reserve and the COLA Reserve represent amounts set aside for retirement benefits promised under the plan less benefits paid.

The reserves required by Section 31592 of the 1937 Act represent earnings in excess of the total interest credited to contributions and reserves. The 1937 Act requires that the excess earnings remain in the retirement fund as a reserve against any deficiencies in interest earnings in other years, losses on investments and other contingencies. However, excess earnings exceeding one percent of the total assets of the Association may be transferred into the Employers' Advance Reserve for payment of benefits described under the 1937 Act.

GASB Statement No. 25 mandates the recognition of unrealized gains and losses in the current period. However, on the recommendation of its actuary, SamCERA utilizes a Market Stabilization Account to account for unrealized actuarial investment gains and losses, which are calculated as the difference between the actual market return and the return that would have been generated if earnings had been at the actuarial interest rate. The Market Stabilization Account is designed to smooth the impact on employer annual contribution rates due to volatility in investment returns. Balances in the Market Stabilization Account are amortized over five years in accordance with a schedule established by the actuary.

The June 30, 2014, balance in the Market Stabilization Account of $267.9 million reflects the balance of the current year's and previous four years' net deferred returns.

On June 26, 2004, SamCERA adopted an Interest Crediting Policy which mandates Actuarial Valuation Reserves be credited at the Actuarial Interest Rate. The policy acknowledges that actual earnings may be greater than or less than the Actuarial Interest Rate. An Unallocated Earnings / Losses Account was established to account for periods when Actual Earnings do not equal the Actuarial Interest Rate.

The Board adopted a 0.25% reduction in the assumed interest rate to 7.25% in June 2014 which was applied to investment returns effective July 2015. Interest credit to Unallocated Earnings / Losses and Market Stabilization Accounts used 7.5% since they are associated with earnings assumption. The prior rate of 7.5% was applied to members and employer reserves interest crediting since the contribution rates were determined with 7.5%. Effective July 2015, 7.25% is used for all interest crediting.

Note 4: Deposit and Investment Risk Disclosure

The 1937 Act vests the Board with exclusive control over SamCERA's investment portfolio. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board.

The Board established an investment policy statement in accordance with applicable local, state and federal laws. The trustees exercise authority and control over the management of SamCERA's assets by setting the policy. The Board oversees and guides the plan subject to the following fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- 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.
- Shall diversify the investments of the plan as 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. Diversification is applicable to the deployment of the assets as a whole.

Deposits

Operational cash consists of deposits with financial institutions as well as deposits held in a pooled account with the County. All operational cash is in interest bearing instruments. Deposits with financial institutions are swept into a pooled money market fund, which invests in repurchase agreements and U.S. Treasury bills and notes. All participants in the treasury pool share earnings and losses. The short-term investments consist of cash held in money market accounts and securities readily convertible to cash. All deposits are carried at cost, which approximates fair value.

Investments

The Association's investments are managed by independent investment management firms subject to the guidelines and controls specified in the investment policy and contracts executed with the Board. The Board utilizes a third party institution to be an independent custodian over the plan's assets.

Investment Plan: The Board approved its first comprehensive investment plan on September 29, 1994. The plan specified an asset allocation target of 50% equities, 40% fixed income securities, and 10% real estate. The Board typically undertakes an in-depth asset liability study every three to five years. On August 24, 2010, the Board concluded an asset liability modeling study and adopted a new asset allocation, consisting of 53% equities, 22% fixed income, 5% real estate and a new allocation of 20% to alternative investments. The Board conducted another asset liability study in FY 2014 and made modest changes intended to diversify the plan. The new adopted target asset allocation consists of 50% equities, 20% fixed income, 16% alternatives, 8% risk parity, and 6% real estate. The Board added a new real assets category in alternatives and moved risk parity from alternatives into its own asset class. SamCERA does not have a policy allocation to cash and cash equivalents. As of June 30, 2014, actual asset allocation was 57.8% equities, 18.0% fixed income, 10.4% alternatives, 6.0% risk parity, 5.6% real estate, and 2.2% in cash and cash equivalents.

For financial reporting purposes, the Association's investments are categorized to give an indication of the risk assumed by the Association as of June 30, 2014. GASB Statement No. 3 established custodial credit risk categories. The GASB Statement No. 40 and Statement No. 53 update the custodial credit risk disclosure requirements of Statement No. 3 and establish and modify disclosure requirements related to investment risk, credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk.

SamCERA has chosen to manage the investment risks described by GASB Statements No. 40 and 53 by contractually requiring each separate account portfolio investment manager to abide by investment guidelines specifically tailored to that investment manager rather than adopting across the board investment policies with respect to manager risk. The investment guidelines stipulate the investment style, performance objective, performance benchmarks, and portfolio characteristics.

Each separate account manager is likewise subject to a "manager standard of care" that establishes a fiduciary relationship requiring the manager to act prudently and solely in the best interest of the Association. Separately, SamCERA's guidelines also require manager's investment return performance to compare favorably with performance of a relative passive market index over specific periods.

SamCERA's investment consultant and investment staff continually monitor all investment managers for compliance with respective guidelines.

Derivatives

SamCERA implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Investments*, for the fiscal year ended June 30, 2010. Further disclosure on the derivative positions held at fiscal year-end are contained in the table below. In comparison to SamCERA's total investments at fair value, the fair value of SamCERA's derivative positions as of June 30, 2014 is not material.

SamCERA's investments contain various derivative positions as of and for the fiscal year ended June 30, 2014, primarily in swaps and foreign currency forward positions. As of June 30, 2014, SamCERA held derivatives with a notional amount of $57,394,469 and a fair value of -$27,568 as seen in the table on this page. Changes in fair value during fiscal year 2014 are reported in the statement of changes in fiduciary net position as a component of investment income. No derivatives were held that would be classified as hedging derivatives – all are classified as investment derivatives.

The fair values of the derivatives are determined using a pricing service and validated by SamCERA's custodian. Management of SamCERA accepts these valuations.

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 credit rate swaps, interest rate swaps, warrants, and To Be Announced (TBA) transactions, are determined using the custodian pricing vehicles.

Securities Lending Activity

Beginning on July 1, 2007, the Board policies authorize SamCERA to participate in a securities lending program. Security lending transactions are short-term collateralized loans of SamCERA securities

Investment Derivatives

For the Year Ended June 30, 2014

	Notional Value	Fair Value
Credit Default Swaps Bought	$231,410	$32,397
Fixed Income Futures Long	$82,450,000	$0
Fixed Income Futures Short	-$35,838,301	$0
Fixed Income Options Written	$0	$0
Foreign Currency Futures Long	$4,700,000	$0
Futures Options Bought	$125,500	$8,319
Futures Options Written	-$198,500	-$32,538
FX Forwards	$5,922,810	-$35,746
Index Futures Long	$41,300	$0
Index Futures Short	-$39,750	$0
Pay Fixed Interest Rate Swaps	$0	$0
Receive Fixed Interest Rate Swaps	$0	$0
Rights	$0	$0
Grand Total	**$57,394,469**	**-$27,568**

for the purpose of generating additional investment income. SamCERA has a securities lending agreement in place that authorizes the securities lending agent to lend SamCERA securities to broker-dealers and banks pursuant to a loan agreement. For each securities loan, SamCERA receives either cash or non-cash collateral. SamCERA invests the cash and receives earnings on it in exchange for paying a loan rebate fee to the borrower. In the case of non-cash collateral, the borrower also pays SamCERA a loan premium.

For the year ended June 30, 2014, on behalf of SamCERA, the securities lending agent lent SamCERA securities to borrowers under the securities lending agreement and SamCERA received cash, securities issued or guaranteed by the United States government, and sovereign debt or irrevocable bank letters of credit as collateral.

SamCERA did not have the ability to pledge or sell collateral securities delivered absent a borrower default; therefore, such non-cash collateral is not reported on the statement of fiduciary net position.

Borrowers were required to deliver collateral for each loan (margin) equal to:

- Loaned securities denominated in U.S. dollars or sovereign debt issued by foreign governments, with a margin of at least 102% of the market value of the loaned securities; and
- Loaned securities not denominated in U.S. dollars, or whose primary trading market was not located in the United States, with a margin of at least 105% of the market value of the loaned securities.

Moreover, borrowers were required to maintain the designated margin percentage of collateral on a daily basis.

SamCERA did not impose any restrictions for the year ended June 30, 2014, on the amount of loans that the securities lending agent made on its behalf. The securities lending agent indemnified SamCERA by agreeing to purchase replacement securities or supplement the amount of cash collateral in the event the borrower failed to return the loaned securities and the collateral was inadequate to replace the securities lent or the borrower failed to pay SamCERA for any income distributions on loaned securities. There were no losses during the year ended June 30, 2014, resulting from a default of the borrowers or the securities lending agent.

SamCERA and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders in a short-term investment pool managed by the securities lending agent. In June 2014, SamCERA paused its securities lending program and recalled its securities on loan due to a change in custodial banks effective July 1, 2014. Therefore, as of June 30, 2014, SamCERA had no securities on loan.

Deposit, Investment and Derivative Risks

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 operation cash deposits to support day-to-day cash management requirements. As of June 30, 2014, cash held with a financial institution in a pooled money market fund totaled $50.4 million. As of June 30, 2013, cash held with a financial institution totaled $1.2 million. Cash held in the County Treasurer's investment pool was $2.1 million and $1.0 million, as of June 30, 2014 and 2013, respectively. These deposits are not exposed to custodial credit risk as they are eligible and covered by insurance in accordance with applicable law and Federal Deposit Insurance Corporation (FDIC) rules and regulations.

Custodial Credit Risk – Investments: The custodial credit risk for investments 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. The individual investment guidelines for each investment manager require that managed investments be held in the name of SamCERA. The master custodian may rely on sub-custodians. The custodial requirement does not apply to real estate investments and investments in pools. As of June 30, 2014, SamCERA had no investments that were exposed to custodial credit risk because all securities held by the Association's custodial bank are in SamCERA's name. SamCERA does not have a general policy addressing custodial credit risk.

Custodial Credit Risk – Derivatives: As of June 30, 2014, SamCERA's derivatives were not subject to custodial credit risk. However, they are subject to other risks.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of SamCERA's investment in a single issuer of securities.

As of June 30, 2014, the Association had the investments categorized for interest rate and credit risk shown in the tables on the following page.

Credit Risk – Investments: 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 in order to obtain the highest total return for the fund at an acceptable level of risk within the asset class. To control credit risk, credit quality guidelines have been established for our separately managed accounts.

On June 30, 2014, the quality breakdown of the Association's investments in bonds were rated as indicated on the following page.

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

ACTIVE FIXED INCOME PORTFOLIO CHARACTERISTICS

Brigade Capital Management, Brown Brothers Harriman, Franklin Templeton, Pyramis Global Advisors & Western Asset Management Bond Portfolios Combined

Investment Type	Fair Value	Coupon	Weighted Average Maturity (Years)	Effective Duration (Years)
AGENCY	$2,992,160	5.19%	10.32	6.91
ASSET BACKED	$4,850,245	1.86%	8.07	3.05
CMBS	$2,564,047	5.76%	3.38	3.04
CMO	$11,762,922	3.01%	7.29	4.17
COMMINGLED FUND	$346,414,684	0.01%	-	-
CORPORATE	$33,722,802	4.82%	9.09	6.41
FOREIGN	$4,012,307	4.22%	16.08	7.97
MORTGAGE PASS-THROUGH	$33,919,362	3.76%	4.91	3.89
OPTIONS	-$18,188	0.00%	-	-
PREFERRED STOCK	$49,168	7.88%	26.33	3.35
SWAPS	$32,397	0.00%	-	-
UNCLASSIFIED	$1,821,265	3.16%	4.49	4.22
US TREASURY	$91,710,074	1.73%	9.32	7.45
YANKEE	$6,323,640	5.21%	11.49	7.47
TOTAL	**$ 540,156,885**	**2.99%**	**8.47**	**6.26**

COMMINGLED FIXED INCOME PORTFOLIO CHARACTERISTICS

Angelo Gordon STAR, OWL Portfolio

Investment Type	Fair Value	Coupon	Weighted Average Maturity (Years)	Effective Duration (Years)
Angelo Gordon	$ 52,890,844	2.52%	6.66	21.9

QUALITY BREAKDOWN FOR SAMCERA'S INVESTMENTS IN BONDS

For the Year Ended June 30, 2014

Credit Risk	Active	Commingled
AAA	0.25%	0.00%
AA	48.94%	0.00%
A	5.86%	2.23%
BBB	6.98%	1.42%
Less than BBB	2.97%	71.06%
NR	35.00%	25.29%
TOTAL	**100.00%**	**100.00%**

counterparty failure, SamCERA would be exposed to the loss of 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 has no general investment policy with respect to netting arrangements or collateral requirements. Netting arrangements legally provide SamCERA with a right of offset in the event of bankruptcy or default by the counterparty.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is the measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of the portfolio, the greater its price sensitivity to changes in interest rates.

SamCERA has investments in six fixed income portfolios containing individual debt securities as well as investments in external investment pools containing debt securities. SamCERA's Investment Policy 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. However, the Association's U.S. active bond portfolios that reside in separate accounts are generally managed to duration limits that are within a narrow band (typically +/- 20% or +/- 1 year) to their respective benchmark.

Foreign Currency Risk: Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair values of an investment or deposit. SamCERA's international equity and global bond managers are permitted to invest in authorized countries. SamCERA's Investment Policy states forward currency contracts and currency futures are permitted for defensive currency hedging to mitigate foreign currency risk on the portfolio.

The foreign currency risk analysis schedule on the following page shows the fair value of investments that are exposed to foreign currency risk by investment type and currency denomination. The schedule offers the magnitude of risk for each foreign currency. The foreign currency positions are denominated in U.S. dollars. They are not denominated in their native currencies.

Foreign Currency Risk – Foreign Exchange Contracts: Foreign currency contracts are subject to foreign currency risk. Foreign exchange 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 reported U.S. dollar fair value of investments denominated in foreign currencies. Spot contracts are generally used when SamCERA is required to make or receive payments in a foreign currency. 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. The Association's exposure to foreign currency risk in U.S. dollars as of June 30, 2014, is shown on the following page.

Security Lending Collateral Credit Risk: All of the cash collateral received for securities lending is invested in the State Street Navigator Securities Lending Prime Portfolio, which is not rated by credit rating

FOREIGN CURRENCY RISK

For the Year Ended June 30, 2014

Trade Country Name	Common Stock	Depository Receipts	Foreign Currency	Government Issues	Grand Total
AUSTRALIA	$16,361,994				$16,361,994
BELGIUM	$360,699				$360,699
BRAZIL				$281,228	$281,228
CANADA	$2,049,326		$627,738		$2,677,064
DENMARK	$10,806,959				$10,806,959
EGYPT			$5		$5
FINLAND	$1,853,722				$1,853,722
FRANCE	$24,072,941				$24,072,941
GERMANY	$13,626,937				$13,626,937
GHANA			$80,957		$80,957
HONG KONG	$6,669,375				$6,669,375
INTERNATIONAL			$1,664,826		$1,664,826
ITALY	$8,730,581				$8,730,581
JAPAN	$50,682,303		$205,691		$50,887,994
KOREA, REPUBLIC OF	$3,053,200				$3,053,200
MEXICO	$1,388,214		$43,751	$1,791,761	$3,223,726
NETHERLANDS	$10,952,209				$10,952,209
NEW ZEALAND	$2,002,615			$501,854	$2,504,469
PHILIPPINES	$1,025,195				$1,025,195
SINGAPORE	$13,526,643				$13,526,643
SOUTH AFRICA	$5,113,544				$5,113,544
SPAIN	$19,078,542				$19,078,542
SWEDEN	$18,271,701				$18,271,701
SWITZERLAND	$31,387,377				$31,387,377
TURKEY	$3,178,155				$3,178,155
UNITED KINGDOM	$73,214,765	$8,550,967	$27,810	$1,437,464	$83,231,006
Grand Total	**$317,406,997**	**$8,550,967**	**$2,650,778**	**$4,012,307**	**$332,621,049**

agencies. All investments will qualify as "eligible securities" within the meaning of Rule 2(a)-7 of the Investment Companies Act of 1940. The portfolio seeks to maintain a stable net asset value per share of $1.00 by valuing its portfolio using an amortized cost method and will comply with the requirements of Rule 2(a)-7.

Security Lending Collateral Interest Rate Risk: Cash collateral from loans of securities are invested in the State Street Navigator Securities Lending Prime Portfolio. Its average effective duration is restricted to 90 days or less. As of June 30, 2014, SamCERA had recalled its securities on loan and, therefore, did not invest any collateral in the reinvestment pool due to an upcoming change in custodial banks effective July 1, 2014.

Note 5: Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. SamCERA manages and finances these risks by purchasing commercial insurance and through the County's self-insurance program.

SamCERA is covered by the County's self-insurance program for general liability and workers' compensation coverage. For general liability coverage, the County maintains a self-insurance retention of $1,000 per occurrence for claims occurring from May 27, 2014 through May 27, 2015. For workers' compensation coverage, the County maintains a self-insured retention of $1,000 per occurrence. Excess coverages for both of the above are provided by commercial companies that are limited to the following:

- Real and personal property in excess of $100 per incident, but limited to a maximum of $500,000.
- Earthquake in excess of $250 or 5.0% of the replacement value, whichever is more per incident, but limited to a maximum of $25,000 in aggregate.
- Flood damage in excess of 5.0% of the replacement value per location, but limited to a maximum of $25,000 in aggregate.
- General liability in excess of $1,000 per incident, but limited to a maximum of $55,000.
- Workers' compensation in excess of $1,000 per incident, but limited to a statutory amount.
- Auto liability in excess of $1,000 per incident, but limited to a maximum of $55,000.
- Malpractice in excess of $500 per incident, but limited to a maximum of $25,000 per claim and aggregate.

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years and there was a slight increase in coverage in fiscal year 2012.

SamCERA pays for risk management administration via a Memorandum of Understanding with the County's Human Resources Department and via a pro-rata share of certain insurances based on the number of employees.

The Board purchases separate Fiduciary Liability coverage for actual or alleged breach of fiduciary duties through a policy provided by Travelers. Limits of coverage are $10,000,000 annual aggregate with a $50,000 deductible.

Note 6: Actuarial Valuation

Pursuant to provisions in the 1937 Act, SamCERA engages an independent actuarial firm, Milliman, Inc., to perform an annual actuarial valuation to monitor its funding status and funding integrity. The purpose of the valuation is to reassess the magnitude of SamCERA's benefit commitments, in comparison with the assets expected to be available to support those commitments so employer and member contribution rates can be adjusted accordingly. For the pension plan, the actuarial assumptions have been selected in order to estimate as closely as possible what the actuarial cost of the plan will be so as to permit an orderly method for setting aside contributions today to provide benefits in the future, and to maintain equity among generations of participants and taxpayers.

Milliman, Inc. completed the actuarial valuation as of June 30, 2013, and June 30, 2014, and determined the funding status (the ratio of system assets to system liabilities) to be 73.3% and 78.8.%, respectively. The June 30, 2014, funding status was established based on entry age normal actuarial cost methods, an assumed 7.25% investment return, an assumed 3.50% annual total payroll growth rate, an inflation rate of 3.00% and an actuarial value on assets using a five-year smoothed method based on the difference between expected and actual market value of the assets as of the valuation date.

The most recent actuarial valuation is June 30, 2014. The valuation discloses the actuarial value of assets at $3.0 billion with an actuarial accrued liability of $3.8 billion for a funded ratio of 78.8%. The UAAL is $803.9 million, which is 190% percent of the $422.0 million covered payroll. The employer contribution rate, which has an effective date of June 30, 2015, was set equal to 23.94% of payroll for the amortization of the UAAL over the new closed 15 years, plus the normal cost rate of 11.62% for a total contribution rate of 35.56% of payroll. A schedule of SamCERA's funding progress may be found in the actuarial section on page 102. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Additional information regarding the actuarial methods and significant assumptions used as of the latest actuarial valuation of plan assets and liabilities is shown below.

GASB Statement No. 50, *Pension Disclosures*, mandates that the above information

LATEST ACTUARIAL VALUATION OF PLAN ASSETS AND LIABILITIES

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	Original unfunded amount (UAAL) as of June 30, 2008, is amortized over closed 15 years as of the valuation date. Future actuarial gains and losses will be amortized over new closed 15-year periods (including the change in UAAL as of June 30, 2014). This is referred to as 15-year layered amortization.
Asset Valuation Method	5-year smoothed market with 20% corridor
ACTUARIAL ASSUMPTIONS	
Investment Rate of Return	7.25%
Price Inflation (CPI)	3.00%
Payroll Increases	3.50%
Average Projected Salary Increases	4.02%
Attributed to Inflation	3.50%
Attributed to Adjustments for Merit and Longevity	1.20%

regarding actuarial methods and significant assumptions appear in the notes to the financial statements. Historically this information appeared in the required supplementary information section following the notes.

Cost of Living Adjustments

The maximum increase in retirement allowance is 5% for Tier 1 (Probation/Safety Tier 1 is 3%), 3% for Tier 2 and 2% for Tiers 4, 5, 6 and 7. The annual adjustments are based on the change in the CPI for the Bay Area.

Note 7: Capital Commitments

During the course of the fiscal year, SamCERA added $97.5 million of additional commitments to four new private equity managers. As of June 30, 2014, the Association's private equity portfolio consisted of fifteen fund managers with a total capital commitment amount reaching $280.5 million. SamCERA is still in its initial stages in developing its private equity portfolio and intends to make additional capital commitments over the duration of the next few years.

Note 8: Related Party Transactions

By necessity, SamCERA is involved in various business transactions with the County, the primary plan sponsor. SamCERA funds the County for the cost of services provided by the following departments: County Counsel, Auditor-Controller, Purchasing, Human Resources, Information Services and the Department of Hospitals and Clinics. In addition, SamCERA reimburses the County for the salary and benefits of SamCERA staff members paid through the County and the costs of services in the areas of reprographics, telecommunications, and the Board elections.

Note 9: Contingent Liability

SamCERA is subject to legal proceedings and claims, which arise in the ordinary course of its business. There are currently no such actions to be adjudicated or reported.

Note 10: 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, which may have a material effect on the financial statements or disclosures contained therein.

Financial Disclosures

Subsequent to June 30, 2014 and through October 22, 2014, the date through which management evaluated subsequent events and the date of the independent auditor's report, SamCERA did not identify any subsequent financial events that required disclosure.

Investment Managers

As part of SamCERA's new allocation to real assets, the Board approved a $20 million capital commitment to Taurus Mining Finance Fund LLC. The Board also approved an initial $70 million investment to PanAgora Diversified Risk Multi-Asset Fund, Ltd. in line with its increased target allocation to risk parity. Finally, as part of SamCERA's ongoing implementation of its private equity program, a $15 million capital commitment to ABRY Partners VIII, L.P. was approved.

Custodial Bank

SamCERA changed custodial banks from State Street Bank & Trust to the Northern Trust effective July 1, 2014.

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Year Ended June 30, 2014

		2014
Total Pension Liability		
Service cost	$	87,512,515
Interest on total pension liability		265,430,896
Effect of plan changes		0
Effect of assumption changes or inputs		37,853,852
Effect of economic/demographic gains or (losses)		(31,415,241)
Benefit payments and refund of contributions		(162,556,107)
Net change in total pension liability		196,825,915
Total pension liability, beginning		3,506,515,307
Total pension liability, ending (a)	$	3,703,341,222
Fiduciary Net Position		
Employer contributions	$	202,877,362
Member contributions		46,593,698
Investment income net of investment expenses		482,663,965
Benefit payments and refund of contributions		(162,556,107)
Administrative (and other non-investment) expenses		(5,710,296)
Net change in plan fiduciary net position		563,868,622
Fiduciary net position, beginning		2,727,825,332
Fiduciary net position, ending (b)		3,291,693,954
Net pension liability, ending = (a)-(b)	$	411,647,268
Fiduciary net position as a % of total pension liability		88.88%
Covered payroll	$	422,021,990
Net position liability as a % of covered payroll		**97.54%**

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Schedule of Employer Contributions

Last 10 Fiscal Years ($ in thousands)

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	As a % of Covered Payroll: Actuarially Determined Contribution	As a % of Covered Payroll: Actual Employer Contribution
2005	$76,930,928	$76,930,928	$0	$334,314,706	23.01%	23.01%
2006	76,089,599	76,089,599	0	368,971,869	20.62%	20.62%
2007	100,549,570	100,549,570	0	407,911,467	24.65%	24.65%
2008	105,339,570	105,339,570	0	416,261,210	25.31%	25.31%
2009	106,123,055	106,123,055	0	436,423,248	24.32%	24.32%
2010	106,265,329	106,265,329	0	428,559,066	24.80%	24.80%
2011	150,474,872	150,474,872	0	424,060,830	35.48%	35.48%
2012	139,406,807	150,949,791	(11,542,984)	419,778,688	33.21%	35.96%[1]
2013	131,293,846	144,308,171	(13,014,325)	406,921,529	32.27%	35.46%[1]
2014	152,877,362	202,877,362	(50,000,000)	422,021,990	36.22%	48.07%[2]

[1]Employers contributed at a higher rate than the Actuarially Determined Contribution rate in order to maintain more stable contributions.
[2]In 2014, the Board of Supervisors implemented a policy to eliminate the County UAAL by 2023. Contributions in excess of the Actuarially Determined Contribution are related to that policy unless noted otherwise.

Schedule of Investment Returns

Last 10 Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual money-weighted rate of return, net of investment expense	**17.18%**	**13.43%**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The Association provides the valuation of plan assets and liabilities, which is normally carried out as of June 30 of each year, and contribution requirements resulting from such valuations become effective on July 1 of the next fiscal year.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation of plan assets and liabilities is in the Actuarial Section.

Cost of Living Adjustments

The maximum increase in retirement allowance is 5% for Tier 1 (Probation/Safety Tier 1 is 3%), 3% for Tier 2 and 2% for Tiers 4, 5, 6 and 7. The annual adjustments are based on the change in the Consumer Price Index for the Bay Area.

LATEST ACTUARIAL VALUATION OF PLAN ASSETS AND LIABILITIES

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	Original unfunded amount (UAAL) as of June 30, 2008, is amortized over closed 15 years as of the valuation date. Future actuarial gains and losses will be amortized over new closed 15-year periods (including the change in UAAL as of June 30, 2014). This is referred to as 15-year layered amortization.
Asset Valuation Method	5-year smoothed market with 20% corridor
ACTUARIAL ASSUMPTIONS	
Investment Rate of Return	7.25%
Price Inflation (CPI)	3.00%
Payroll Increases	3.50%
Average Projected Salary Increases	4.02%
Attributed to Inflation	3.50%
Attributed to Adjustments for Merit and Longevity	1.20%

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Years Ended June 30, 2014 and 2013

	2014*	2013*
Salaries and Member Benefits	$3,695,520	$3,129,111
Services and Supplies	1,218,355	1,130,510
Total Administrative Expense	**$4,913,875**	**$4,259,621**

* As defined in Government Code section 31580.2, excludes Information Technology expenses.

ADMINISTRATIVE BUDGET ANALYSIS

Budget to Actual Expenditures as of June 30, 2014

	Budget Allotment (As Amended)	Fiscal Year Expenditures	Percentage Expended
Salaries	$2,607,570	$2,329,191	89.32%
Benefits	1,460,933	1,366,329	93.52%
Salaries & Benefits	**4,068,503**	**3,695,520**	**90.83%**
Board Expenses	10,500	6,600	62.86%
Insurance	80,000	63,290	79.11%
Medical Evaluation	100,000	45,969	45.97%
Member Education	45,000	45,833	101.85%
Education & Conference	97,215	112,566	115.79%
Transportation & Lodging	177,750	97,183	54.67%
Technology Infrastructure	0	0	0.00%
Property & Equipment	24,000	25,733	107.22%
General Office Supplies	33,500	30,675	91.57%
Postage, Printing & Copying	85,000	51,772	60.91%
Leased Facilities	367,794	331,537	90.14%
County Service	398,278	356,928	89.62%
Audit Services	45,500	50,269	110.48%
Other Administration	0	0	0.00%
Services & Supplies	**1,464,537**	**1,218,355**	**83.19%**
Capital Assets	**0**	**0**	**0.00%**
Depreciation	**0**	**0**	**0.00%**
Grand Total	**$5,533,040**	**$4,913,875**	**88.81%**

SCHEDULE OF INFORMATION TECHNOLOGY EXPENSES

For the Years Ended June 30, 2014 and 2013

	2014	2013
Property and Equipment	$13,733	$22,983
IT Infrastructure	717,396	631,583
Total Information Technology Expense	**$731,129**	**$654,566**

SCHEDULE OF INVESTMENT EXPENSES

For the years ended June 30, 2014 and 2013

	2014	2013
INVESTMENT MANAGER		
Aberdeen Asset Management	$0	$99,035
ABRY Advanced Security Fund II. L.P.	$306,033	$283,339
ABRY Partners VII. L.P.	$116,099	$96,030
Angelo Gordon GECC PPIP Fund	$0	$135,126
Angelo Gordon STAR Fund	$455,265	$226,747
AQR Delta XN Fund L.P.	$956,112	$715,597
AQR Global Risk Premium III L.P.	$693,002	$665,899
Artio Global Management	$0	-$369
Baillie Gifford Overseas	$877,839	$789,014
Barrow, Hanley, Mewhinney & Strauss	$686,543	$711,508
BlackRock Capital Management (S&P500)	$124,763	$101,850
BlackRock Capital Management (EAFE)	$41,384	$0
BlackRock Capital Management (Growth)	$0	$197,443
Brigade Capital Management	$483,492	$453,921
Brown Advisory	$652,364	$112,842
Brown Brothers Harriman	$117,213	$124,095
Cevian Capital L.P.	$449,278	$0
Chartwell Investment Partners	$889,355	$585,085
Clifton Parametric	$143,011	$0
D.E. Shaw Investment Management	$731,914	$667,540
Eaton Vance Management	$655,005	$638,969
Emergence Capital Partners III L.P.	$170,196	$230,383
EnCap Energy Capital IX L.P.	$150,000	$117,799
Franklin Templeton	$499,223	$455,842
General Catalyst Partners L.P.	$119,780	$238,500
Great Hill Partners V L.P.	$18,661	$0
Invesco Realty Advisors	$721,231	$634,472
Jennison Associates	$0	$404,520
Mondrian Investment Partners	$600,689	$296,128
New Enterprise Associates 14, L.P.	$103,642	$114,973
Pyramis Global Advisors	$241,874	$214,840
Pyramis Select	$558,133	$465,257
Regiment Capital Special Situations Fund V, L.P.	$288,338	$297,303
Sheridan Production Partners II-B, L.P.	$375,053	$300,045
SSGA/SSARIS Multisource Commodities	$456,540	$429,739
Sycamore Partners L.P.	$347,288	$367,297
Sycamore Partners II L.P.	$327,584	$0
Third Rock Ventures III L.P.	$118,730	$250,000
T. Rowe Price Associates	$0	$240,184
The Boston Company	$947,664	$604,235
Warburg Pincus XI L.P.	$369,805	$397,470
Western Asset Management	$322,056	$319,960
GLOBAL CUSTODIAN		
State Street Bank	172,619	168,039
INVESTMENT & ACTUARIAL CONSULTANTS	509,631	545,541
Subtotal Professional Expense	**15,797,409**	**13,696,198**
OTHER INVESTMENT RELATED EXPENSE	7,996,711	5,379,365
INTEREST PAID ON PREPAID CONTRIBUTION	2,730,436	2,851,067
Total Investment Expense	**$26,524,556**	**$21,926,630**

SCHEDULE OF PAYMENTS TO CONSULTANTS

For the years ended June 30, 2014 and 2013

	2014	2013
INVESTMENT CONSULTANT EXPENSE		
Strategic Investment Solutions, Inc.	$400,000	$404,608
ACTUARIAL CONSULTANT EXPENSE		
Milliman, Inc.	78,131	92,100
OTHER PROFESSIONAL FEES	31,500	48,833
Total Consultant Expense	**$509,631**	**$545,541**

NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

Administrative Services Budget

The passage of Assembly Bill 609 in October 2010 changed the 1937 Act system administration expense limit from 23 basis points of total assets to 21 basis points of Accrued Actuarial Liability. Since the system's liability is more consistent from year to year and not affected by capital market volatility, the change will allow SamCERA to manage its administrative expenses more effectively. With the implementation of Government Code Section 31580.2, SamCERA no longer classifies internal investment related expenses to asset management. Asset Management Expenses will be reclassified and combined with Administrative Expense. Under the new limit, information technology expenses are not included in administrative expense. Hence, there is a separate information technology budget that started in fiscal year 2012.

Professional Services Budget

Government Code §31596.1 states that "*The expenses of investing its money 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.*

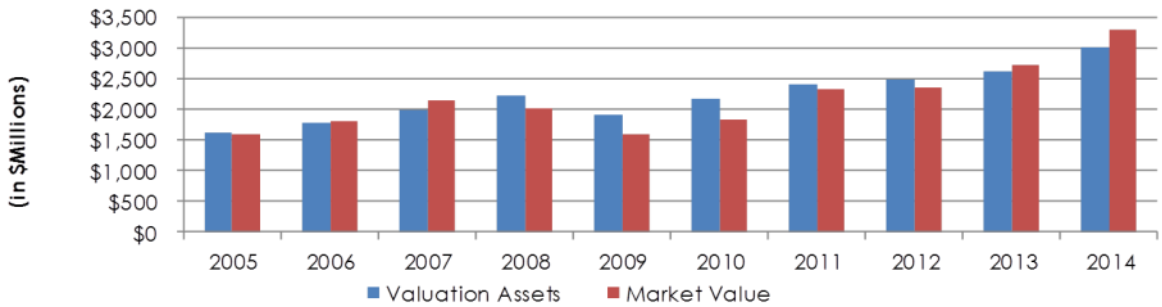
(c) *When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.*

(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.*"

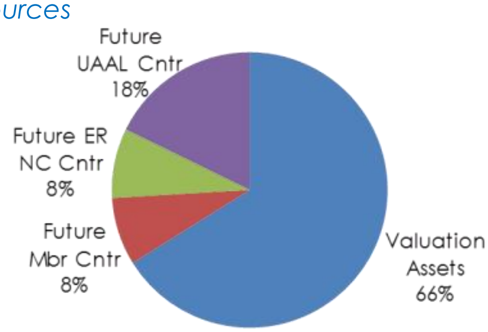
SamCERA's professional services budget is driven by contractual agreements with its actuary, custodian, investment consultant, and investment managers.

APPLICABLE VALUATION ASSETS

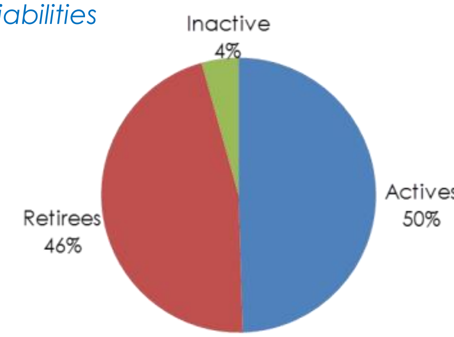


ACTUARIAL RESOURCES AND LIABILITIES

Resources



Liabilities



OTHER INFORMATION

SCHEDULE OF COST SHARING EMPLOYER ALLOCATIONS - GASB 68

Employer/Nonemployer (special funding situation)	2014 Statutory employer contributions	2014 Actual employer contributions	Employer Allocation Percentage*	Net Pension Liability
County of San Mateo*	$146,708,770	$196,708,770	95.97%	$395,057,883
San Mateo Superior Courts	5,704,224	5,704,224	3.73%	15,354,443
Mosquito and Vector Control District	464,368	464,368	0.30%	1,234,942
Total	**$152,877,362**	**$202,877,362**	**100.00%**	**$411,647,268**

* Employer allocation percentage is based on statutory contributions.

SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN - GASB 68

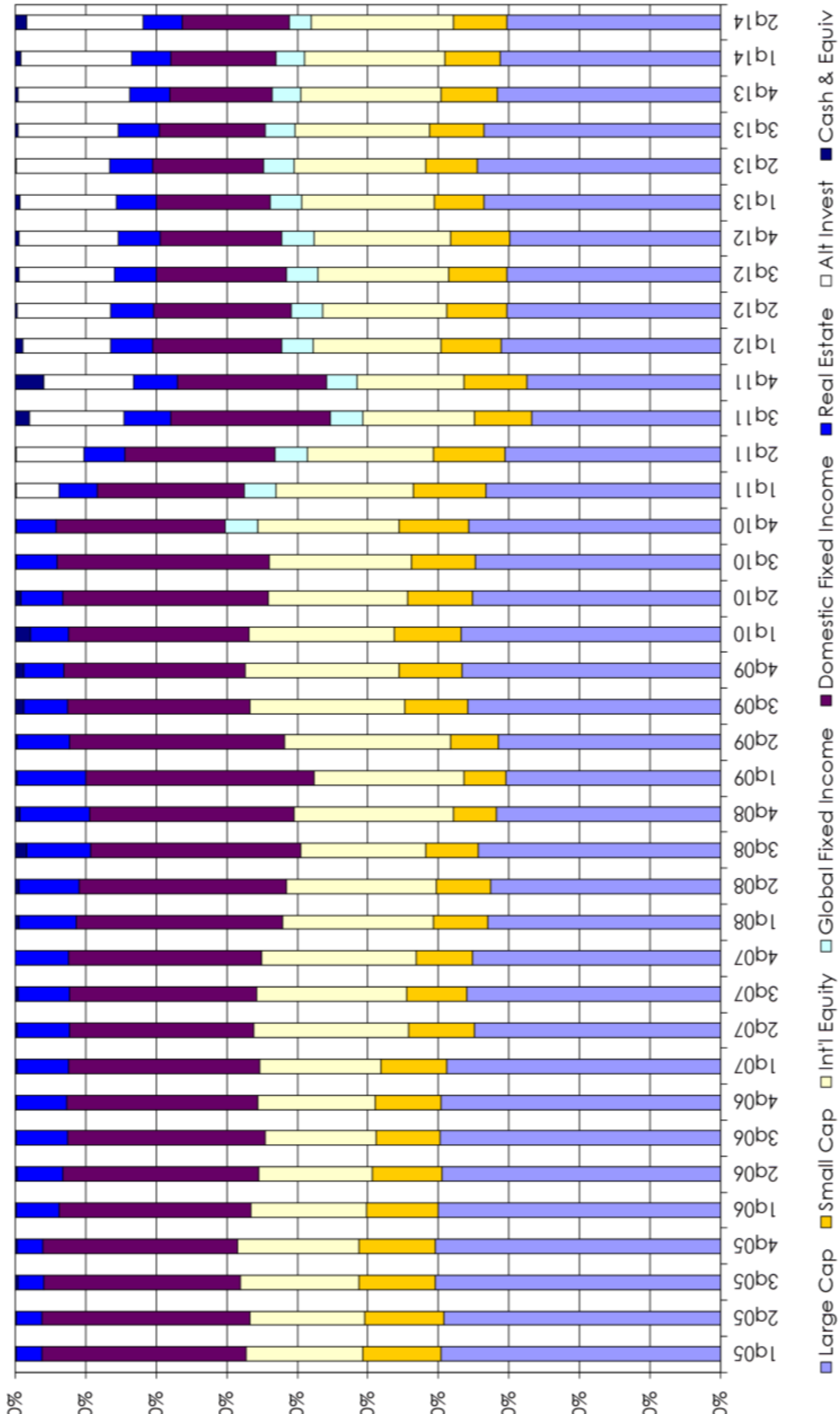
		Deferred Outflow of Resources					Deferred Inflow of Resources					Pension Expense	
Employer/ Nonemployer (special funding situation)	Net Pension Liability	Differences Between Expected and Actual Economic Experience	Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Total Deferred Outflow of Resources	Differences Between Expected and Actual Economic Experience	Differences Between Actual and Projected Investment Earnings	Changes of Assumptions	Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Total Deferred Inflow of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred amounts from Changes in Proportion and Proportionate Share of Pension Expense
County of San Mateo	$395,057,883	-	-	$29,062,674	$996,723	$30,059,397	$24,119,365	$208,014,194	-	$1,605,893	$233,739,452	$45,521,405	$(152,292)
San Mateo Superior Courts	15,354,443	-	-	1,129,559	1,490,482	2,620,041	937,431	8,084,745	-	1,183,609	10,205,785	1,769,249	76,718
Mosquito and Vector Control District	1,234,942	-	-	90,849	302,297	393,146	75,397	650,248	-	-	725,645	142,299	75,574
Total	**$411,647,268**	**-**	**-**	**$30,283,082**	**$2,789,502**	**$33,072,584**	**$25,132,193**	**$216,749,187**	**-**	**$2,789,502**	**$244,670,882**	**$47,432,953**	**-**

INVESTMENT SECTION

Crystal Springs Reservoir, San Mateo County

Actual Historical Quarterly Asset Allocation

Period ending June 30, 2014



CHIEF INVESTMENT OFFICER'S REPORT

SamCERA
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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, 2014. This data was compiled by SamCERA's investment staff, its investment consultant Strategic Investment Solutions, and its custodian bank State Street Bank & Trust.

Following up on last fiscal year's double-digit returns, SamCERA's portfolio again experienced strong absolute returns for the fiscal year ending June 2014 due mostly to robust global equity market returns. The fund returned 17.3% net of investment manager fees (17.7% before deducting for investment manager fees). These results are above median among large (greater than $1 billion in assets) public plans.

While the results for the fiscal year were strong on an absolute basis and compared to our peers, relative to SamCERA's policy benchmark the fund's net return underperformed by 70 basis points (0.70%), mostly due to SamCERA's private equity program, which is being built out and is in the early stages of a multi-year implementation.

The net portfolio market value increased to $3.29 billion, as the combination of positive investment income and net portfolio appreciation added approximately $560 million to the fund.

Fueled by the extraordinary global central bank accommodative monetary policies, developed world equity markets and other "risk" assets had very strong returns despite continued problem headlines. These headlines included such things as geopolitical hotspots Syria and Ukraine, domestic concerns relating to the Federal government shutdown and the congressional showdown regarding increasing the nation's debt ceiling limit, concerns around emerging market capital flows, and uncertainty regarding the Fed's timing on tapering its pace of bond purchases. Through this, the U.S. economy continued its generally steady but slow growth as it continued to recover from the Great Recession. However, many markets look to be fairly-priced (or even over-priced) based on various metrics, which in turn suggests that the go-forward return expectations for a number of markets could be lower than what we have experienced over the past couple of years. This base-case scenario reinforces the need to continue to prudently diversify the portfolio in order to balance out the potential risks. Maintaining appropriate asset allocation and risk exposures across asset classes will continue to be of utmost importance.

During the year, SamCERA undertook an in-depth asset liability study to analyze the current risk profile and asset allocation of the plan. The Board of Retirement (Board) reconfirmed that the current risk profile of the plan is still appropriate. The Board also approved a new asset allocation policy that incorporates modest changes intended to further diversify the plan. The primary changes include adding a new real asset category, increasing the allocation to risk parity and international equity, and slightly reducing both domestic equity and fixed income. These changes are intended to further diversify the portfolio across economic environments, with a modest decrease in the portion of the portfolio geared towards "growth" environments and a modest increase in the portion of the portfolio geared towards "inflation" environments.

Looking at the fiscal year return drivers for the total portfolio, domestic equity was SamCERA's best performing asset class composite this fiscal year, up 24.0%. SamCERA's large-capitalization portfolio composite was up 23.7%, while the small-capitalization composite was up 25.4%. The small-capitalization composite outperformed its benchmark, with both managers outperforming their respective benchmarks. The large-capitalization composite underperformed its benchmark, due primarily to underperformance from SamCERA's large-capitalization growth manager. Within the U.S. equity markets, all sectors again had positive performance for the fiscal year. In addition, similar to last fiscal year, higher risk sectors generally did better (e.g. Technology, Materials, and Energy) than more defensive sectors (e.g. Telecom and Consumer Staples) in response to the continued moderate U.S. economic recovery and accommodative rate policies by the developed world central banks.

Developed market stocks, as measured by the MSCI EAFE Index (a common benchmark for developed markets equity), were up 24.1%. Similar to last fiscal year, European stocks performed best (up 30.7%) as the European Central Bank did its best to soothe market sentiment regarding the stability of the Eurozone banks. Emerging markets, as measured by the MSCI Emerging Markets Index, increased 14.7% over the period. Concerns regarding lower growth expectations in China continued from last year, and combined this year with concerns regarding how the U.S. Federal Reserve tapering of bond purchases would impact foreign capital flows, dragged down emerging markets. This resulted in lower returns versus developed markets, although emerging markets still provided positive double digit returns for the year. SamCERA's international equity composite returned 21.8% for the fiscal year, underperforming its benchmark (which includes both developed and emerging market exposure).

Risk parity, which is designed to provide a more risk-balanced asset allocation profile than a typical equity-centric allocation, was 18.9% higher during the year, and outperformed its policy benchmark. During the asset allocation review, risk parity was moved into its own separate asset class in SamCERA's asset allocation (it was previously a sub-portion within alternatives), as the allocation to risk parity is meant to enhance the overall portfolio diversification by targeting more equal risk factor contributions across equity, nominal bonds, credit, and inflation asset classes.

SamCERA's real estate composite was up 10.9%, which was below its composite benchmark. The strong absolute performance was a continuation from last year as investors, thirsty for yield generating assets, continued to push up commercial property market prices.

SamCERA's alternative composite returned 9.7% for the fiscal year, which was below its benchmark return. The primary factor in the alternative composite underperformance, and in turn the primary cause of underperformance at the total portfolio level, is that SamCERA's private equity portfolio is still in the process of being built out. It will be a number of years before the portfolio will mature and more meaningful performance comparisons can be made. The private equity allocation will take multiple years to fully implement to ensure proper diversification across sub-categories and vintage years. During this implementation period, SamCERA utilizes the S&P 500 Index as a placeholder for the portion of the private equity target allocation that is unfunded. Monies for new private equity partnerships will be sourced from this placeholder until SamCERA is at its private equity asset allocation policy weight.

For the year, commitments to four new private equity partnerships were approved, totaling $97.5 million. This brings total commitments for the program to $280.5 million diversified across venture capital, buyouts, and special situations. Subsequent to June 30, SamCERA committed $15 million to one additional private equity partnership, bringing the total commitments to $295.5 million.

It was another interesting year in the bond market as anxiety regarding the timing of Federal Reserve tapering of their bond purchases resulted in increased interest rate and bond market volatility. The yield on the

10-year Treasury note was basically unchanged when comparing the first and last days of the fiscal year (approximately 2.5%). However, the yield on the 10-year note moved above 3.0% in December as the Federal Reserve finally announced its long-awaited reduction in asset purchases. For the year, the broad fixed income market, as measured by the Barclays Aggregate Index, was 4.4% higher. SamCERA's fixed income portfolio composite outperformed its benchmark return and returned 7.4% for the year, helped in particular by strong positive returns from its global bond and opportunistic credit managers. In fact, all but one of the managers in the fixed income composite outperformed their respective benchmarks for the fiscal year. SamCERA also re-upped with one of its existing credit managers to fund an allocation to their whole-loan credit strategy during the year.

In other investment news, subsequent to June 30, SamCERA changed its custodian bank from State Street Bank & Trust to Northern Trust effective July 1. The custodian bank provides services that include asset safekeeping, accounting, securities settlement, cash management, corporate actions, class actions and proxy processing, securities lending, and performance and risk analytics.

Throughout the year SamCERA has diligently maintained prudent portfolio diversification by rebalancing the portfolio as a result of the large positive move in the markets. These actions, combined with implementing the updated asset allocation policy, should help the fund better weather the uncertainty in the financial markets that seems bound to continue over the foreseeable future.

Respectfully Submitted,

Michael R Coultrip

Michael Coultrip
Chief Investment Officer
October 22, 2014

INVESTMENT CONSULTANT'S REPORT ON INVESTMENT ACTIVITIES

STRATEGIC INVESTMENT SOLUTIONS

PATRICK F. THOMAS
Managing Director

October 22, 2014

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

Dear Board Members:

With its strong capital market returns, fiscal year 2014 provided welcome relief to beleaguered U.S. pension plans. During the year, world economic news continued to be mixed as the developed countries experienced sluggish but sustained growth and many emerging countries still struggled with the prospect of slower capital flows. Global equities enjoyed a robust year, with the United States and Continental Europe leading the way. After last spring's Federal Reserve induced "taper tantrum" by bond investors, and a period of higher-trending yields, the bond markets rebounded nicely towards fiscal year end. In total Treasury yields ended the year close to where they began it. As rates stabilized and moved lower, the prospects for many important emerging markets economies improved, as did returns to emerging market equity investments. The developed equity markets enjoyed a steadier pace to robust performance during the year.

The broad U.S. Equity market, as measured by the Russell 3000 Index, returned 25.2% during the year. The Russell 1000 large cap component of U.S. Equity gained 25.4%, while the small cap Russell 2000 rose 23.6%. International equity investments had mixed success as prospects in the emerging markets remained in doubt: the Developed Markets index gained 23.6%, while Emerging Markets, lagged with a relatively low return of 14.3%. Investment Grade U.S. Bonds (Barclays Aggregate) effectively earned their coupon during the year, returning 4.4%. In fiscal 2014 high yield bonds again fared much better than investment grade, returning 11.7%, as investors preferred securities with less interest rate sensitivity and higher coupon payments. The real estate asset class continued to perform well during the year, as the NCREIF ODCE Index of institutional Real Estate posted a 12.7% return.

PLAN INVESTMENT RESULTS

The San Mateo County Employees' Retirement Association (the Association) total Plan returned 17.7 %, well above the Association's 7.50% actuarial return expectation. The Plan also outperformed the median peer group fund by 130 basis points, ranking in the 23rd percentile for Public Fund DB Plans Greater than $1 billion.

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The Association's U.S. Equity portfolio underperformed its U.S. equity policy benchmark by 1.1% during the fiscal year, which placed it in the 77th percentile of the universe. Within the U.S. Equity asset class, the large cap managers as a group returned 23.7% for the year, lagging the Russell 1000 index by 170 basis points. The Plan's large cap growth manager, Brown Advisory, had a particularly difficult year of relative performance, returning 19.7% compared with the 26.9% return of the Russell 1000 Growth Index. In contrast to the aggregate weak showing of the U.S. large cap managers, the Small Cap Composite's 25.4% return was 180 basis points ahead of the Russell 2000 Index. The small cap growth manager, Chartwell, beat the Russell 2000 Growth by 210 basis points, which placed it in the 30th percentile of the small growth universe.

The International Equity Composite returned 21.8%, behind the benchmark's return of 22.5%, but trailing the median peer return of 22% by only 20 basis points. This performance placed the International Equity Composite in the 54th percentile of its universe. Of the developed markets managers, the international small cap manager, Pyramis, delivered the weakest relative returns. The strategy's 22% return was 450 basis points behind the benchmark and in the bottom quartile of the universe. In contrast, the Plan's emerging markets equity manager, Parametric Clifton, returned16.9% for the fiscal year, which was 220 basis points ahead of the MSCI Emerging Markets Index.

The Plan's Total Fixed Income Composite return of 7.4% was significantly higher than both the Barclays Aggregate Index's 4.4% return, and the plan's Blended Fixed Income Benchmark return of 5.6%. As they have for several years, SamCERA's Core and Core Plus bond managers continued to perform above their benchmark. The two Opportunistic Credit managers also both performed well during the fiscal year. Brigade Capital returned 11.0%, notching another year of benchmark outperformance. Angelo Gordon STAR fund, which focuses on CMBS and non-Agency RMBS, returned 15.8%. Brown Brothers Harriman, the TIPS manager, generated a modest but positive 3.3% return, which was 1.1% behind the index and in the bottom decile of the TIPS manager universe. The Global Fixed Income manager had another respectable year, returning 8.2% which, although 50 basis points ahead of the benchmark, was slightly below the median manager in the Global Fixed Income universe.

The INVESCO Real Estate fund's 10.9% return was 180 basis points behind the NCREIF ODCE index. Finally, the plan's Alternatives composite, which returned 9.7% for the year, was well behind the 17.4% of the Alternatives Allocation Index. In a reversal from the prior year, the Risk Parity manager comfortably outperformed its benchmark, while both the Hedge Fund and Commodities managers underperformed their benchmarks for the year. The 18.6% return of the Private Equity program, while quite impressive given that it is still in its start-up phase, was also a drag on the Alternatives portfolio, as it significantly trailed its long term Public Equity +3% benchmark.

ASSET ALLOCATION AND MANAGER STRUCTURE

This year SamCERA completed a comprehensive Asset Liability Study to reassess its portfolio asset allocation from as many risk and opportunity viewpoints as possible. The purpose of the study and strategic planning process is to ensure that SamCERA considers all its market opportunities, while also looking to identify and hedge the risks to its portfolio.

During fiscal 2014 SamCERA pursued the following strategic initiates in its portfolio:

- Initiated a staged funding program of the new 2% dedicated Real Assets portfolio allocation
- Increased total allocation to Hedge Funds from 3% to 4%
- Increased total allocation to Risk Parity strategies from 6% to 8%
- Continued staged funding program to Private Equity allocation
- Enhanced exposure to Opportunistic Credit allocation of the Fixed Income portfolio

SamCERA continues to increase the diversification of the portfolio in order to produce the highest possible returns in a risk averse, cost effective, and prudent fashion. The SamCERA plan has capitalized on its strengths and, through much hard work, has taken advantage of the investment opportunities made available to it by the recent market crisis and its aftermath. Clearly the Association is reaping the rewards of its hard work and its adherence to its strategic plan. SIS firmly believes that the many strategic enhancements that the Association has recently completed will enable it to continue to serve its participants and produce strong results for years to come.

Sincerely,

Patrick F. Thomas

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 CFAI Global Investment Performance Standards®.

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INVESTMENT OBJECTIVES AND POLICIES

SamCERA's Investment Policy sets forth the Board's investment policy, from which the following extracts have been drawn. The full policy may be viewed on SamCERA's web site at www.samcera.org.

Investment Objectives

It is the primary investment objective of the Board of Retirement to:

A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark on a net-of-fee basis over five-year rolling periods.
B. Move toward full actuarial funding of the Pension Benefit Obligation based on GASB 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.

General Investment Policies

It is the investment policy of the Board to:

A. Consistent with fiduciary standards, always act in the best economic interests of SamCERA's plan beneficiaries and plan sponsors, and refrain from making investment decisions for political, social, or other non-economic reasons.
B. Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the portfolio across a broad selection of distinct asset classes.
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.
E. Reevaluate the asset-liability study every three to five years.
F. Delegate full discretion to each investment manager to the extent authorized in their Investment Management Agreement (IMA).
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 SamCERA's full investment policy.

Asset Allocation as a Percentage of Fair Value

ASSET CLASS	Allocation	June 30 Actual
Equity	50.0%	57.8%
Bonds	20.0%	18.0%
Alternatives	16.0%	10.4%
Risk Parity	8.0%	6.0%
Real Estate	6.0%	5.6%
Cash	0.0%	2.2%
Total	100.0%	100.0%

EQUITY MANAGEMENT STYLE	Allocation	June 30 Actual
Domestic Large Cap		
Indexed	10.5%	16.7%
Actively Managed	13.5%	13.5%
	24.0%	30.2%
Domestic Small Cap (Actively Managed)	6.0%	7.6%
International Equities		
Indexed	4.0%	4.2%
Actively Managed	16.0%	15.8%
	20.0%	20.0%
Total Equity	50.0%	57.8%

BOND MANAGEMENT STYLE	Allocation	June 30 Actual
Domestic Bond Managers (Actively Managed)	17.0%	14.9%
Global Bond Managers (Actively Managed)	3.0%	3.1%
Total Bonds	20.0%	18.0%

ALTERNATIVE INVESTMENT MANAGEMENT STYLE	Allocation	June 30 Actual
Private Equity (Actively Managed)	7.0%	4.0%
Hedge Fund (Actively Managed)	4.0%	3.6%
Commodities (Actively Managed)	3.0%	2.8%
Real Assets (Actively Managed)	2.0%	0.0%
Total Alternative Investment	16.0%	10.4%

RISK PARITY MANAGEMENT STYLE	Allocation	June 30 Actual
Actively Managed	8.0%	6.0%
Total Risk Parity	8.0%	6.0%

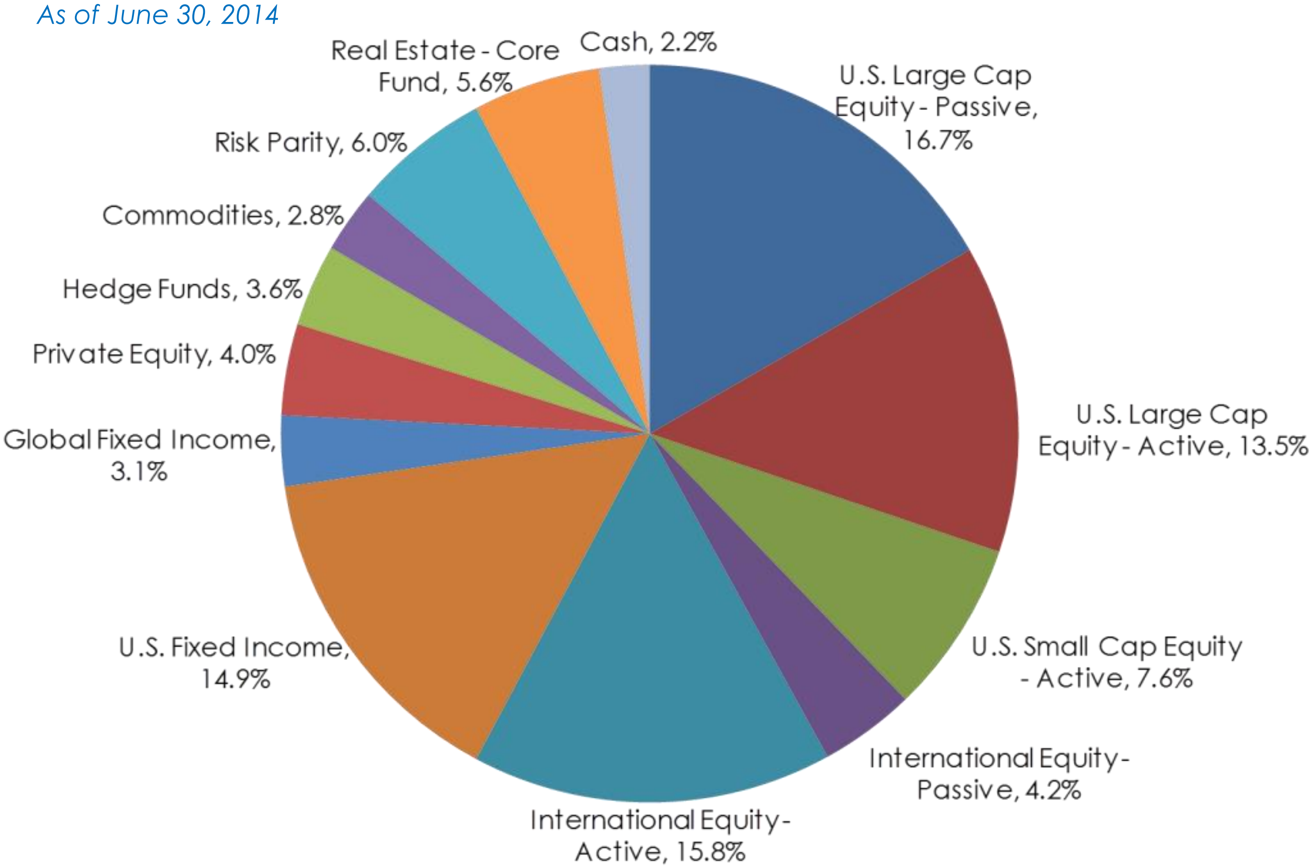
REAL ESTATE MANAGEMENT STYLE	Allocation	June 30 Actual
Actively Managed	6.0%	5.6%
Total Real Estate	6.0%	5.6%
TOTAL CASH & CASH EQUIVALENT	0.0%	2.2%
Total Assets	**100.0%**	**100.0%**

MARKET VALUE OF ASSET ALLOCATION

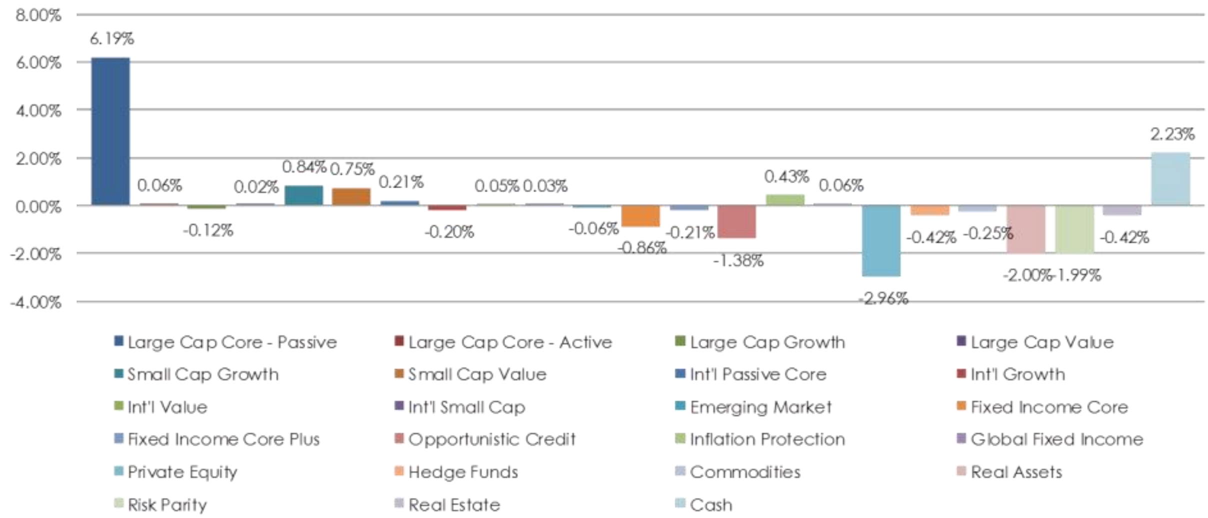
ASSET ALLOCATION	Market Value
Large Capitalized Domestic Equities	$986,092,076
Small Capitalized Domestic Equities	$242,947,347
International Equities	$653,569,353
TOTAL EQUITIES	$1,882,608,776
Domestic Bonds	$493,024,480
Global Bonds	$100,023,249
TOTAL BONDS	$593,047,729
Alternative Investments	$346,867,393
Risk Parity	$197,597,402
Real Estate	$183,566,990
Cash & Cash Equivalents	$88,005,664
Total Assets	**$3,291,693,954**

ASSET ALLOCATION

As of June 30, 2014



PERCENT OF DEVIATION FROM ASSET ALLOCATION



SCHEDULE OF PORTFOLIO RETURNS

Performance as of June 30, 2014 — Net of Fees

Asset Category	One Year	Two Years	Three Years	Five Years
DOMESTIC EQUITY				
Large Cap				
BlackRock S&P 500 Index	24.60%	N/A	N/A	N/A
D.E. Shaw Investment Management	23.80%	23.20%	17.30%	N/A
Barrow, Hanley, Mewhinney & Strauss	23.50%	25.20%	16.00%	N/A
Brown Advisory	19.20%	N/A	N/A	N/A
Large Cap Composite	23.50%	22.70%	15.20%	17.90%
Small Cap				
The Boston Company	23.00%	24.10%	16.80%	N/A
Chartwell Investment Partners	26.00%	25.30%	16.20%	23.10%
Small Cap Composite	24.50%	24.70%	15.40%	21.80%
INTERNATIONAL EQUITY				
BlackRock EAFE Index	N/A	N/A	N/A	N/A
Mondrian Investment Partners	23.50%	18.20%	7.90%	11.60%
Eaton Vance Management	15.80%	10.30%	N/A	N/A
Baillie Gifford Overseas	21.50%	20.70%	N/A	N/A
Pyramis Select	20.90%	19.40%	N/A	N/A
International Composite	21.40%	18.00%	6.10%	10.20%
Total Equity Composite	22.90%	21.40%	12.30%	16.00%
BONDS				
Core				
Pyramis Global Advisors	5.40%	2.80%	4.50%	6.70%
Western Asset Management	6.50%	3.90%	5.40%	8.30%
Credit				
Angelo Gordon STAR Fund	15.80%	N/A	N/A	N/A
Angelo Gordon OWL Fund	N/A	N/A	N/A	N/A
Brigade Capital Management	10.40%	10.60%	9.30%	N/A
Treasury Inflation Protected Securities				
Brown Brothers Harriman	3.20%	-0.80%	3.40%	N/A
Global				
Franklin Templeton	7.80%	9.90%	6.30%	N/A
Total Bond Composite	7.20%	6.00%	6.20%	8.70%
ALTERNATIVE INVESTMENTS				
Private Equity	18.60%	9.80%	6.80%	N/A
Hedge Fund	3.40%	5.10%	2.90%	N/A
AQR Delta XN Fund L.P.	3.40%	5.10%	2.90%	N/A
Risk Parity				
AQR Global Risk Premium III L.P.	18.40%	10.50%	8.60%	N/A
Commodities				
SSGA/SSARIS Multisource Commodities	7.90%	3.30%	N/A	N/A
Total Alternative Composite	9.20%	6.30%	4.40%	N/A
REAL ESTATE				
Invesco Realty Advisors	10.50%	11.80%	10.70%	9.20%
Total Real Estate Composite	10.50%	11.80%	10.70%	9.20%
CASH				
Cash Composite	0.20%	0.40%	0.50%	0.70%
TOTAL FUND				
Composite Investment Portfolio	17.30%	15.50%	9.90%	13.00%
Policy Benchmark	18.00%	15.40%	10.60%	13.50%

Return calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with the Global Investment Performance Standards (GIPS).

Schedule of Investment Portfolio by Asset Class and Manager

As of June 30, 2014

Investment Manager		Asset Class	Assets Under Management	
DOMESTIC EQUITY				
BlackRock S&P 500 Index		S&P 500 Index Fund	$ 549,012,353	
D.E. Shaw Investment Management		Large Cap Core	$ 149,733,392	
Barrow, Hanley, Mewhinney & Strauss		Large Cap Value	$ 147,953,640	
Brown Advisory		Large Cap Growth	$ 139,392,691	
The Boston Company		Small Cap Value	$ 122,348,134	
Chartwell Investment Partners		Small Cap Growth	$ 120,599,213	
	Total Domestic Equity			$1,229,039,423
INTERNATIONAL EQUITY				
BlackRock EAFE Index		S&P EAFE Index Fund	$ 138,418,026	
Baillie Gifford Overseas		Large Cap Growth	$ 188,123,682	
Mondrian Investment Partners		Large Cap Value	$ 196,577,899	
Eaton Vance Management		Emerging Markets	$ 63,727,910	
Pyramis Select		Small Cap	$ 66,721,836	
	Total International Equity			$653,569,353
	Total Equity			$1,882,608,776
DOMESTIC BONDS				
Angelo Gordon STAR Fund		Credit Opportunity Bonds	$ 39,476,681	
Angelo Gordon OWL Fund		Credit Opportunity Bonds	$ 11,312,500	
Brigade Capital Management		Credit Opportunity Bonds	$ 66,171,954	
Brown Brothers Harriman		Treasury Inflation Protection Securities	$ 78,361,042	
Pryamis Global Advisors		Enhanced Bond Index	$ 169,063,284	
Western Asset Management		Core Plus Bonds	$ 128,639,019	
	Total Domestic Bonds			$ 493,024,480
GLOBAL BONDS				
Franklin Templeton		Global Bonds	$ 100,023,249	
	Total Global Bonds			$ 100,023,249
	Total Bonds			$ 593,047,729
ALTERNATIVE INVESTMENTS				
ABRY Advanced Security Fund II. L.P.		Private Equity	$ 13,146,436	
ABRY Advanced Security Fund III. L.P.		Private Equity	$ 214,269	
ABRY Partners VII. L.P.		Private Equity	$ 9,409,456	
Cevian Capital II L.P.		Private Equity	$ 31,334,500	
Emergence Capital Partners III L.P.		Private Equity	$ 2,914,343	
EnCap Energy Capital IX L.P.		Private Equity	$ 2,598,306	
General Catalyst Partners L.P.		Private Equity	$ 9,236,662	
Great Hill Partners V L.P.		Private Equity	$ 1,293,839	
New Enterprise Associates 14, L.P.		Private Equity	$ 5,576,437	
Regiment Capital Special Situations Fund V, L.P.		Private Equity	$ 6,488,222	
Sheridan Production Partners II-B, L.P.		Private Equity	$ 14,271,132	
Sycamore Partners L.P.		Private Equity	$ 20,992,994	
Sycamore Partners II L.P.		Private Equity	$ 1,058,765	
Third Rock Ventures III L.P.		Private Equity	$ 1,069,180	
Warburg Pincus XI L.P.		Private Equity	$ 18,885,993	
AQR Delta XN Fund L.P.		Hedge Fund	$ 117,896,816	
SSGA/SSARIS Multisource Commodities		Commodities	$ 90,480,043	
	Total Alternative Investment			$ 346,867,393
RISK PARITY				
AQR Global Risk Premium III L.P.		Risk Parity		$ 197,597,402
REAL ESTATE				
Invesco Realty Advisors		U.S. Core Real Estate Fund		$ 183,566,990
UNEQUITIZED CASH				$ 100,117,943
RECEIVABLES & PREPAID EXPENSES				$ 20,888,448
less Current Liabilities				($ 33,000,727)
Net Portfolio as of June 30, 2014				**$ 3,291,693,954**

Schedule of Top Ten Equities and Fixed Income Securities

As of June 30, 2014

*Top 10 Equity Securities**

Shares	Exchange	Ticker	Company Name	Market Value
197,466	NYSE	ULVR	UNILEVER PLC	$8,950,757
397,570	London	BG.	BG GROUP PLC	$8,395,340
87,236	NASDAQ	AAPL	APPLE INC	$8,106,841
67,744	London	SLB	SCHLUMBERGER LTD	$7,990,405
90,945	NASDAQ	GILD	GILEAD SCIENCES INC	$7,540,250
91,370	Swiss Exchange	NESN	NESTLE SA REG	$7,078,393
177,600	TOKYO	4452	KAO CORP	$6,989,696
94,420	NYSE	FP	TOTAL SA	$6,823,144
144,240	NYSE	C	CITIGROUP INC	$6,793,704
75,700	NYSE	COF	CAPITAL ONE FINANCIAL CORP	$6,252,820

*Some domestic equities are owned in the S&P 500 Index Fund managed by BlackRock Capital Management.

Top 10 Fixed Income Securities

Par/Book Value	Security	Coupon	Maturity	Rating: S&P	Rating: Moody's	Issue ID	Market Value
$10,516,145	TSY INFL IX N/B	1.250	7/15/2020	AA+	Aaa	912828NM8	$11,524,222
$10,030,567	TSY INFL IX N/B	1.875	7/15/2019	AA+	Aaa	912828LA6	$11,290,707
$8,468,823	TSY INFL IX N/B	2.500	7/15/2016	AA+	Aaa	912828FL9	$9,190,028
$8,771,305	TSY INFL IX N/B	0.125	1/15/2022	AA+	Aaa	912828SA9	$8,829,546
$7,224,664	TSY INFL IX N/B	0.125	1/15/2023	AA+	Aaa	912828UH1	$7,199,811
$5,577,279	TSY INFL IX N/B	2.375	1/15/2025	AA+	Aaa	912810FR4	$6,756,761
$4,318,923	TSY INFL IX N/B	2.125	2/15/2040	AA+	Aaa	912810QF8	$5,494,836
$4,475,117	TSY INFL IX N/B	2.000	1/15/2026	AA+	Aaa	912810FS2	$5,272,583
$5,075,844	TSY INFL IX N/B	1.875	7/15/2015	AA+	Aaa	912828EA4	$5,271,721
$3,475,075	TSY INFL IX N/B	3.875	4/15/2029	AA+	Aaa	912810FH6	$5,080,143

A complete list of the portfolio holdings is available through the San Mateo County Employees' Retirement Association.

SCHEDULE OF PROFESSIONAL SERVICES AND FEES

As of June 30, 2014 and 2013

	2014	2013
INVESTMENT MANAGERS		
Aberdeen Asset Management	$0	$99,035
ABRY Advanced Security Fund II. L.P.	$306,033	$283,339
ABRY Partners VII. L.P.	$116,099	$96,030
Angelo Gordon GECC PPIP Fund	$0	$135,126
Angelo Gordon STAR Fund	$455,265	$226,747
AQR Delta XN Fund L.P.	$956,112	$715,597
AQR Global Risk Premium III L.P.	$693,002	$665,899
Artio Global Management	$0	-$369
Baillie Gifford Overseas	$877,839	$789,014
Barrow, Hanley, Mewhinney & Strauss	$686,543	$711,508
BlackRock Capital Management (S&P500)	$124,763	$101,850
BlackRock Capital Management (EAFE)	$41,384	$0
BlackRock Capital Management (Growth)	$0	$197,443
Brigade Capital Management	$483,492	$453,921
Brown Advisory	$652,364	$112,842
Brown Brothers Harriman	$117,213	$124,095
Cevian Capital L.P.	$449,278	$0
Chartwell Investment Partners	$889,355	$585,085
Clifton Parametric	$143,011	$0
D.E. Shaw Investment Management	$731,914	$667,540
Eaton Vance Management	$655,005	$638,969
Emergence Capital Partners III L.P.	$170,196	$230,383
EnCap Energy Capital IX L.P.	$150,000	$117,799
Franklin Templeton	$499,223	$455,842
General Catalyst Partners L.P.	$119,780	$238,500
Great Hill Partners V L.P.	$18,661	$0
Invesco Realty Advisors	$721,231	$634,472
Jennison Associates	$0	$404,520
Mondrian Investment Partners	$600,689	$296,128
New Enterprise Associates 14, L.P.	$103,642	$114,973
Pyramis Global Advisors	$241,874	$214,840
Pyramis Select	$558,133	$465,257
Regiment Capital Special Situations Fund V, L.P.	$288,338	$297,303
Sheridan Production Partners II-B, L.P.	$375,053	$300,045
SSGA/SSARIS Multisource Commodities	$456,540	$429,739
Sycamore Partners L.P.	$347,288	$367,297
Sycamore Partners II L.P.	$327,584	$0
Third Rock Ventures III L.P.	$118,730	$250,000
T. Rowe Price Associates	$0	$240,184
The Boston Company	$947,664	$604,235
Warburg Pincus XI L.P.	$369,805	$397,470
Western Asset Management	$322,056	$319,960
Total	$15,115,159	$12,982,618
INVESTMENT CONSULTANT		
Strategic Investment Solutions	$400,000	$404,608
ACTUARIAL CONSULTING		
Milliman	$78,131	$92,100
MASTER CUSTODIAN		
State Street Bank and Trust Company	$172,619	$168,039
TRADE COST CONSULTANT		
Zeno Consulting Group	$31,500	$35,000
OTHER PROFESSIONAL SERVICES		
CY Yang & Co, CPA	$0	$13,833
Total Professional Services	**$15,797,409**	**$13,696,198**

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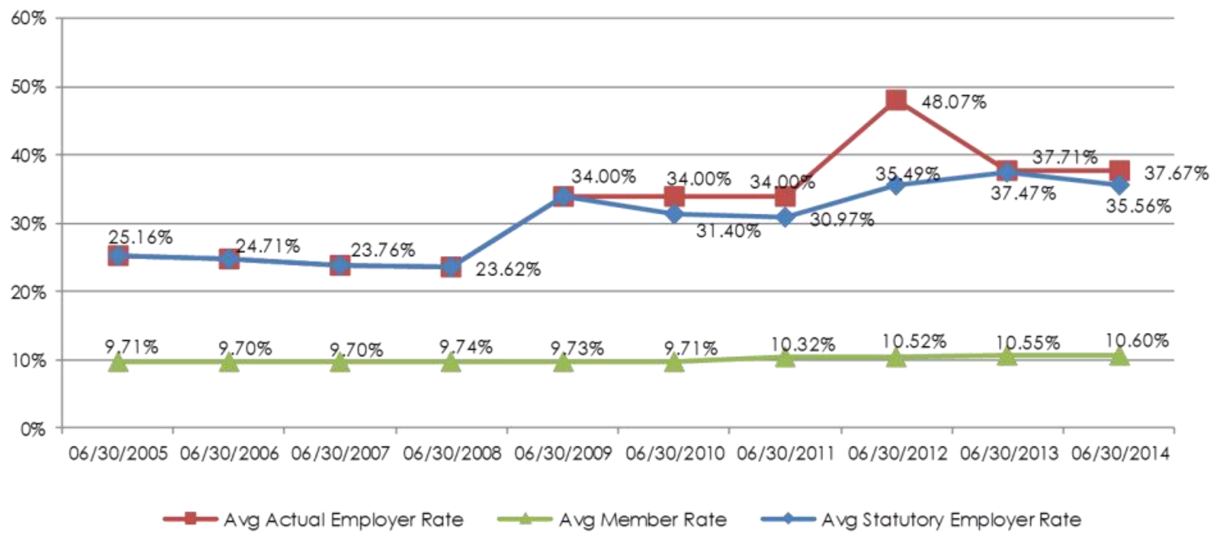
ACTUARIAL SECTION

San Mateo Bridge, San Mateo County

History of Employer and Member Contribution Rates

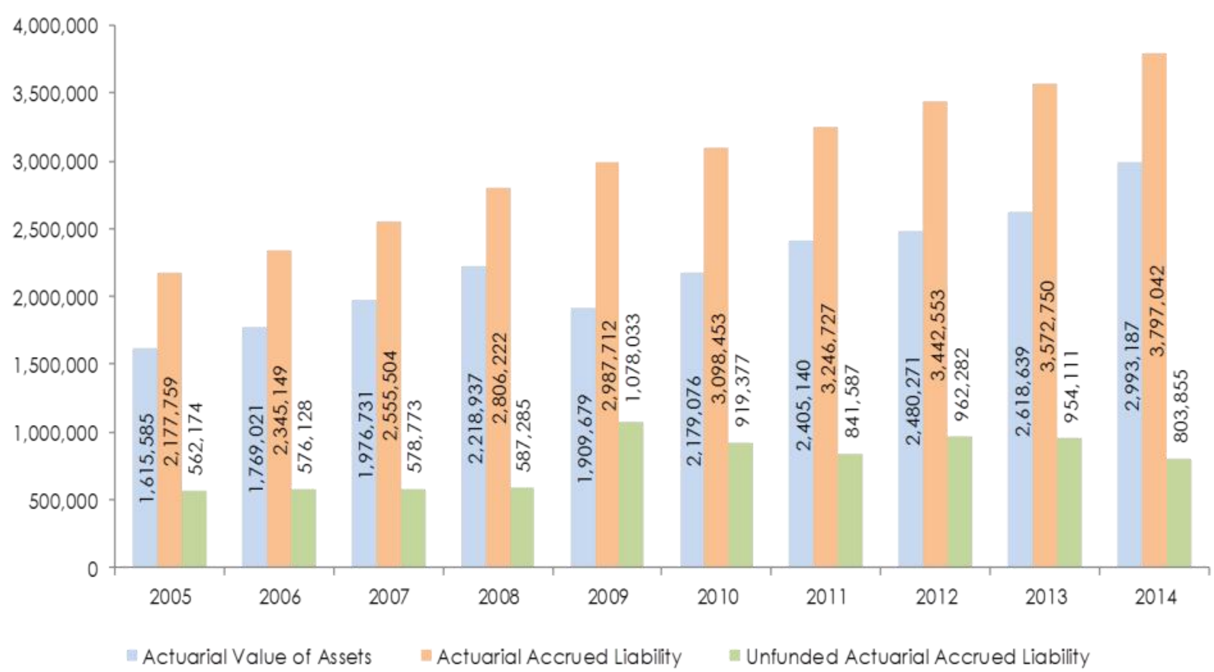


Rates shown are based on valuation year with contribution rates effective the following fiscal year. For example, the valuation as of 6/30/2010 determined the average statutory employer rate of 31.40%, and that rate is effective for FY 2011-2012. The average actual employer contribution of 34.00% shown as of 6/30/2010 is also for FY 2011-2012.

For 6/30/2012 the 48.07% Average Actual Employer Rate includes the $50 million lump-sum payment to the County Supplementary Contribution Account.

Average Actual Employer Rate represents the actual employer contribution received. The rates for FY 2014-2015 and FY 2015-2016 (shown as 6/30/2013, and 6/30/2014, respectively) are projected.

Schedule of Actuarial Assets vs. Liabilities



Milliman

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milliman.com

October 22, 2014

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 funding status as the ratio of the actuarial value of valuation assets over the actuarial accrued liabilities. The funding status based on the past three actuarial valuations is shown below:

Valuation Date	Funded Status
June 30, 2012	72.0%
June 30, 2013	73.3%
June 30, 2014	78.8%

The funded ratio increased in the last year primarily due to contributions in excess of the value of benefits earned and investment returns greater than assumed.

It is our opinion that SamCERA will continue to maintain a sound financial condition as of June 30, 2014 and later, as long as employer contributions are made based on a sound financial policy, such as the current funding policy. Under this policy, the County's contributions are set equal to the 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 period ending June 30, 2023. The amortization of any future changes in the UAAL is funded over separate closed 15-year layers which are determined annually. It should be noted that the 2014 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 2015 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 is also expected to increase the funded status in the future.

The June 30, 2014 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 based on our understanding of SamCERA's current benefit provisions and actuarial assumptions as of June 30, 2014. The actuarial assumptions were last reviewed and adopted by the Board in 2014.

Milliman

Board of Retirement
October 22, 2014
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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 by using a five-year smoothed recognition method of asset gains and losses, determined as the difference of the actual market value to the expected market value. 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.

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 assisted SamCERA staff in preparing the supporting schedules in this section and the trend tables in the financial section are based on information supplied in prior actuarial reports, as well as our June 30, 2014 actuarial valuation report. In particular, it should be noted that many of the June 30, 2005 and earlier statistics were provided by the prior actuary and were on a different basis than we are using. This may affect the comparability between the years prior to 2006 shown in the data summaries and those shown in 2006 and later.

We certify that the June 30, 2014 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	Craig J. Glyde, ASA, EA, MAAA
Consulting Actuary	Consulting Actuary

NJC/CJG/nlo

ACTUARIAL ASSUMPTIONS AND COST METHOD

The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of SamCERA and of SamCERA itself in areas that affect the projected benefit flow and anticipated investment earnings. The actuarial assumptions used to determine the liabilities for the June 30, 2014 valuation are based on the results of the actuarial experience study for the period July 1, 2011, through April 30, 2014. The study was prepared using updated economic and demographic assumptions, and mortality rates adopted by the Board of Retirement (Board) in June 2014. The experience study was adopted by the Board of Retirement on July 29, 2014.

Entry Age Actuarial Cost Method

Entry Age is the age at the member's date of entry. Actuarial accrued liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The normal cost is calculated by summing the normal cost for each individual and dividing this amount by the total payroll for current members expected to earn a benefit during the year. This normal cost rate is then multiplied by the total current salaries. The total Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2008 was amortized over a declining 15-year period. Future changes in the UAAL, including the change in UAAL as of June 30, 2014 is amortized over new closed 15-year periods, referred to as 15-year layered amortization.

Actuarial Asset Valuation Method

The assets are valued using a five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The expected market value,

ACTUARIAL ASSUMPTIONS AND COST METHOD

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	Original unfunded amount (UAAL) as of June 30, 2008, is amortized over closed 15 years as of the valuation date. Future actuarial gains and losses will be amortized over new closed 15-year periods (including the change in UAAL as of June 30, 2014). This is referred to as 15-year layered amortization.
Asset Valuation Method	5-year smoothed market with 20% corridor
ACTUARIAL ASSUMPTIONS	
Investment Rate of Return	7.25%
Price Inflation (CPI)	3.00%
Payroll Increases	3.50%
Average Projected Salary Increases	4.02%
Attributed to Inflation	3.50%
Attributed to Adjustments for Merit and Longevity	1.20%

with a five-year smoothing valuation basis for all assets, was adopted effective for the June 30, 1995, valuation.

Investment Rate of Return

A new investment return assumption rate of 7.25% was adopted in June 2014 and effective with the June 30, 2014 actuarial valuation. Future investment earnings are assumed to accrue at an annual rate of 7.25%, compounded annually, net of both investment and administrative expenses.

Projected Salary Increase

The rate of annual salary increases assumed for the purpose of the valuation is 4.70%. It is comprised of two components, inflation and merit and longevity increases. The inflation for payroll is 3.50%. The merit and longevity component on average is 1.20%. This rate was adopted effective for the June 30, 2014, valuation along with other inflation-based projections.

Cost of Living Adjustments

Post-retirement benefit increases depend upon the tier into which a member is enrolled and the CPI for the San Francisco Bay Area. The maximum increase in retirement allowance is 5% for General and Safety Tier 1, 3% for Probation Tier 1 and Tier 2 for all Classes, and 2% for Tier 4, 5, 6 and 7 members. Tier 5, 6, and 7 employees contribute towards cost of living benefit in their contribution rates. Tier 1, 2, and 4 members contribute towards the cost of living benefit based on bargaining units and date of re-entry. Tier 3 benefits are not eligible for post-retirement increases.

Post-retirement Mortality Rates

The same post-retirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. Beneficiary mortality is assumed to be the same assumption as healthy members. Beneficiaries are assumed to be of the opposite sex, and have the same mortality as General members.

Post-retirement Mortality – Service Retirement

General Males: RP-2000 Healthy Annuitant Mortality Table for Males with adjustment for white collar workers. Ages are set back three years.
Safety Males: Same as General.
General Females: RP-2000 Healthy Annuitant Mortality Table for Females with adjustment for white collar workers. Ages are set back three years.
Safety Females: Same as General.

Post-retirement Mortality – Disability Retirement

General Males: RP-2000 Healthy Annuitant Mortality Table for Males with adjustment for white collar workers and no minimum rate. Ages are set back three years.
Safety Males: RP-2000 Healthy Annuitant Mortality Table for Males with adjustment for white collar workers and minimum 1.00% rate. Ages are not adjusted.
General Females: RP-2000 Healthy Annuitant Mortality Table for Females with adjustment for white collar workers and no minimum rate. Ages are set back three years.

PROJECTED SALARY INCREASE

Actuarial Assumption	06/30/14	06/30/13	Change
Annual Inflation Rate	3.00%	3.25%	-0.25%
Annual Investment Return	7.25%	7.50%	-0.25%
Average Annual Salary Increases	4.70%	4.95%	-0.25%

Safety Females: RP-2000 Healthy Annuitant Mortality Table for Females with adjustment for white collar workers and minimum 0.40% rate. Ages are not adjusted.

Separation from Active Status

The probabilities of separation from active status are shown on page 107.

SUMMARY OF PLAN PROVISIONS

The Association provides basic retirement, disability, and death benefits based on a defined benefit formula which uses final average compensation, years of service, and age to calculate benefits payable and, in addition, provides annual cost of living adjustments upon retirement for members of Tiers 1, 2, 4, 5, 6 and 7. The benefits of Tier 3 are reduced by Social Security benefits received by the member.

The plan sponsor has established twelve defined benefit tiers based on a member's date of entry into SamCERA and membership class. Tiers 1, 2 & 4 are closed to County and Superior Courts new members in FY 2012-2013. Depending on their entry date and membership class (General, Safety or Probation/Safety), new members hired in FY 2012-2013 may enter Tier 5, Tier 6, or Tier 7. General members hired on and after August 7, 2011 and before January 1, 2013, enter Tier 5. Probation members hired on or after July 10, 2011 and before January 1, 2013, enter Tier 5 or Tier 6. Safety members hired on or after January 8, 2012 and before January 1, 2013, enter Tier 5 or Tier 6. New members first hired on or after January 1, 2013 enter Tier 7. General Tier 3 is not open to new members hired after December 22, 2012. Only General members hired on or before December 22, 2012 are eligible for Tier 3.

Employees of the San Mateo County Mosquito and Vector Control District are eligible for participation in General Tier 4 or Tier 7 based on hired date. New members first hired on or after January 1, 2013 enter Tier 7. New hires before January 1, 2013 entered Tier 4.

Eligibility for Tiers is dependent upon the following entry dates

Tier 1 – Employees hired on July 6, 1980, and earlier.

Tier 2 – Employees hired after July 6, 1980, but on or before July 12, 1997.

Tier 3 – General members hired on or before December 22, 2012 may elect to participate in Tier 3. After five years of service, Tier 3 members hired before August 7, 2011 may elect membership under the Tier 4. Tier 3 members hired on and after August 7, 2011 may elect membership in the open contributory tier after 10 years of service. Members currently working in a contributory tier with Tier 3 service may purchase an upgrade of their Tier 3 service.

Tier 4 – Tier 4 is closed for County and Superior Court new employees simultaneously with the implementation of Tier 5 and Tier 6.

Tier 5 General – County and Superior Courts General members hired after August 6, 2011. Members must be first hired before January 1, 2013 to be eligible to elect this Tier. After 10 years of service, General Tier 5 members can elect to transfer to Tier 4 and must pay the total actuarial equivalent cost of the increase in past service benefits at the date of transfer.

Tier 5 and 6 Safety – Safety members hired after January 7, 2012 and before January 1, 2013 are eligible to elect either Tier.

Tier 5 and 6 Probation – Probation members hired after July 9, 2011 and before January 1,2013 are eligible to elect either Tier.
Tier 7 – Employees first hired on or after January 1, 2013.

Eligibility for Service Retirement

Allowance is dependent upon the following:
General Members Tiers 1, 2, 4 & 5: Age 50 with 10 years of service*; Any age with 30 years of service; or Age 70 regardless of service.
Tier 3: Age 65 with 10 years of service. A reduced benefit is also payable at age 55 with 10 years of service.
General Members Tier 7: Tier 7 members are eligible to retire at age 52 with 5 years of service.
Safety & Probation Members Tiers 1, 2, 4, 5 & 6: Age 50 with 10 years of service; Any age with 20 years of service.
Safety & Probation Members Tier 7: Tier 7 members are eligible to retire at age 50 with 5 years of service.
*For part-time employees, age 50 is replaced with age 55.

Final Compensation

Tiers 1 & 2: Monthly average of a member's highest twelve consecutive months of compensation.
Tiers 3, 4, 5 & 6: Monthly average of a member's highest compensation during any three years. Years do not have to be consecutive.
Tier 7: Monthly average of a member's highest 36 consecutive months of compensation.

Monthly Allowance

General Members Tiers 1, 2, 4 & 5: 1/60 x Final Compensation x General Age Factor x Years of Service.
General Members Tier 7: 2% x Final Compensation x General Age Factor x Years of Service.
Safety & Probation Members Tier 1, 2, 4 & 5: 3% x Final Compensation x Safety Age Factor x Years of Service.
Safety & Probation Members Tier 6: 2% x Final Compensation x Safety Age Factor x Years of Service.
Safety & Probation Members Tier 7: 2% x Final Compensation x Safety Age Factor x Years of Service.
Tier 3 General members: (a)+(b)-(c) where:
(a) 2% x Final Compensation x Years of Service (up to 35 years), plus
(b) 1% x Final Compensation x Years of Service in excess of 35 years (up to 10), minus
(c) Estimated Primary Insurance Amount (PIA) x Years of Covered Service (up to 35 years) divided by 35.

The PIA is calculated based on certain assumptions specified by statute, and an assumed Social Security retirement age of 65.

If retirement occurs prior to age 65, benefit amount is adjusted by an actuarial equivalent factor.

A member who leaves service may withdraw the contributions made by the member to the Association, plus accumulated interest.

Members with five years of service or permanent part-time employees who have the equivalent of five years of full-time service or non-contributory members with 10 years of service who terminate their employment may elect to leave their accumulated contributions, if any, with the Association and choose a deferred retirement.

SUMMARY OF RECOMMENDATIONS

EMPLOYER CONTRIBUTION RATES

	06/30/14	06/30/13	Change
Normal Cost Rate	11.62%	11.19%	0.43%
Rate of Contribution to Unfunded Actuarial Accrued Liability	23.94%	26.28%	-2.34%
Total Employer Rate	35.56%	37.47%	-1.91%

MEMBER CONTRIBUTION RATES

		7/1/2014	7/1/2013	Change
GENERAL MEMBERS – COUNTY AND COURTS (1),(2)				
Tier 1 & Tier 2	Age 25	9.34%	9.19%	0.15%
	35	10.60%	10.42%	0.18%
	45	12.13%	11.91%	0.22%
Tier 4	Age 25	9.10%	8.94%	0.16%
	35	10.31%	10.12%	0.19%
	45	11.74%	11.51%	0.23%
Tier 5	Age 25	6.40%	6.21%	0.19%
	35	7.68%	7.45%	0.23%
	45	9.22%	8.94%	0.28%
Tier 7 (3),(7)	All Ages	7.92%	7.58%	0.34%
GENERAL MEMBERS – SMCM&VCD				
Tier 1 & Tier 2	Age 25	6.34%	6.19%	0.15%
	35	7.60%	7.42%	0.18%
	45	9.13%	8.91%	0.22%
Tier 4	Age 25	6.10%	5.94%	0.16%
	35	7.31%	7.12%	0.19%
	45	8.74%	8.51%	0.23%
Tier 7 (3),(7)	All Ages	6.51%	7.58%	-1.07%
SAFETY MEMBERS – OTHER THAN DEPUTY SHERIFF (4)				
Tier 1 & Tier 2	Age 25	13.62%	13.41%	0.21%
	35	15.35%	15.09%	0.26%
	45	17.19%	16.89%	0.30%
Tier 4	Age 25	13.29%	13.07%	0.22%
	35	14.95%	14.68%	0.27%
	45	16.52%	16.20%	0.32%
Tier 5	Age 25	14.84%	14.50%	0.34%
	35	17.01%	16.59%	0.42%
	45	19.06%	18.57%	0.49%
Tier 6	Age 25	10.62%	10.24%	0.38%
	35	12.75%	12.28%	0.47%
	45	14.76%	14.21%	0.55%
Tier 7 (3),(7)	All Ages	14.64%	14.28%	0.36%
PROBATION & DETENTION ASSOCIATION MEMBERS (REFLECTS EMPLOYER PICK-UP) (5)				
Tier 1 & Tier 2	Age 25	12.73%	12.34%	0.39%
	35	14.57%	14.11%	0.46%
	45	16.54%	15.99%	0.55%
Tier 4	Age 25	11.51%	11.28%	0.23%
	35	13.11%	12.83%	0.28%
	45	14.62%	14.29%	0.33%
Tier 5	Age 25	12.69%	12.35%	0.34%
	35	14.54%	14.12%	0.42%
	45	16.27%	15.78%	0.49%
Tier 6	Age 25	8.84%	8.62%	0.22%
	35	10.61%	10.34%	0.27%
	45	12.28%	11.95%	0.33%
Tier 7 (3),(7)	All Ages	13.42%	13.78%	-0.36%
PROBATION MANAGERS (6)				
Tier 1 & Tier 2 (8)	Age 25	12.12%	11.91%	0.21%
	35	13.85%	13.59%	0.26%
	45	15.69%	15.39%	0.30%
Tier 4 (8)	Age 25	11.79%	11.57%	0.22%
	35	13.45%	13.18%	0.27%
	45	15.02%	14.70%	0.32%
Tier 5 (8)	Age 25	14.34%	14.00%	0.34%
	35	16.51%	16.09%	0.42%
	45	18.56%	18.07%	0.49%
Tier 6	Age 25	10.62%	10.24%	0.38%
	35	12.75%	12.28%	0.47%
	45	14.76%	14.21%	0.55%
Tier 7 (3),(7)	All Ages	13.42%	13.78%	-0.36%

(1) The San Mateo County and Courts member contribution rates for Tier 1, 2, and 4 include 3% Cost Share. The San Mateo County and Courts member contribution rates for Tier 5 include 50% COLA Cost. The San Mateo County Mosquito and Vector Control District does not have Cost Share.

(2) Does not include Tier 1, 2, and 4 members of the California Nurses Association (CNA), who also contribute 25% COLA Cost beginning with the 2011 actuarial valuation. Does not include Tier 1, 2, and 4 members of Union of American Physicians and Dentists (UAPD), who also contribute 25% COLA Cost effective with the 2012 actuarial valuation.

(3) Tier 7 is the PEPRA plan effective January 1, 2013 for all new employees with no prior California public employment service.

(4) Rates for non Deputy Sheriff in Tier 1, 2, and 4 include 5% Cost Share and 4% Cost Share in Tier 5. Cost Share varies for Deputy Sheriffs as follows: Members with younger than age 45 with less than 5 years of service pay 3.0%, between 5 and 15 years of service 3.5%, and at least 15 years of service 4.5%. Rates for Tier 1, 2, and 4 do not include COLA Cost as not all members pay COLA Cost. Rates for Safety members in Tier 5 and 6 include 50% COLA Cost.

(5) Rates include 3.5% Cost Share for PDA in Tier 1, 2, 4, and 5. Rates include 25% COLA Cost for PDA in Tier 1, 2, and 4 and 50% COLA Cost for PDA in Tier 5 and 6.

(6) Rates include 3.5% Cost Share for Probation Managers in Tier 1, 2, 4, and 5. Probation Managers rates were the same as PDA until the 2013 actuarial valuation. Probation Managers of Tier 5 and 6 pay 50% COLA Cost, which are included in rates shown.

(7) Tier 7 reflects 2013 updated rate adopted mid-year due to changes in PEPRA law.

(8) 3.0% Cost Share for Probation Managers in Tier 1, 2, 4, and 5 in 2013 CAFR instead of 3.5%.

Summary of Significant Actuarial Statistics and Measures

ASSOCIATION MEMBERSHIP	**6/30/14**	**6/30/13**	**Change**
ACTIVE MEMBERS			
Number of Members	5,004	4,917	1.8%
Average Age	45.8	46.0	-0.4%
Average Credited Service	11.2	11.2	0.0%
Total Active Payroll in Thousands	$429,407	$414,551	3.6%
Average Monthly Salary	$7,151	$7,026	1.8%
RETIRED MEMBERS			
Number of Members			
Service Retirement	3,525	3,446	2.3%
Disability Retirement	428	393	8.9%
Beneficiaries	565	559	1.1%
Average Age	71.3	71.3	0.0%
Total Retiree Payroll in Thousands	$159,342	$149,266	6.8%
Average Monthly Pension	$3,021	$2,933	3.0%
INACTIVE VESTED MEMBERS	1,304	1,306	-0.2%
ASSET AND LIABILITY VALUES			
ASSET VALUES			
Market Value in Thousands	$3,291,694	$2,727,825	20.7%
Return on Market Value	17.30%	13.60%	370bps
Valuation Assets in Thousands	$2,993,187	$2,618,639	14.3%
Return on Valuation Assets	10.8%	3.7%	710bps
LIABILITY VALUES			
Actuarial Accrued Liability in Thousands	$3,797,042	$3,572,750	6.3%
Unfunded Actuarial Accrued Liability in Thousands	$803,855	$954,111	-15.7%
Deferred Asset (Gains)/Losses	($298,507)	($109,186)	
REQUIRED COUNTY CONTRIBUTION RATE FOR ALL PLANS AS A PERCENTAGE OF TOTAL PAYROLL			
Gross Normal Cost	22.22%	21.74%	48bps
Member Contributions	(10.60)%	(10.55)%	-5bps
County Normal Cost	11.62%	11.19%	43bps
UAAL Amortization	23.94%	26.28%	-234bps
Total County Rate	35.56%	37.47%	-191bps
FUNDED RATIO			
GASB Statement Number 25 (1)	78.8%	73.3%	5.5%

(1) Based on actuarial value of assets for June 30, 2014, and June 30, 2013, respectively.

The table below compares the Actuarial Value of Assets to the types of Actuarial Accrued Liabilities, applying them first to Active Member contributions, then to retirees and beneficiaries, and then the remaining amount to the Active Member benefits.

SHORT-TERM SOLVENCY TEST (IN THOUSANDS)

Valuation Date	Valuation Assets	Active Member Contributions	Retirees and Beneficiaries (1)	Active Members (Employer Financed Portion)	Portion of Accrued Liability Covered by Valuation Assets		
		(A)	(B)	(C)	(A)	(B)	(C)
6/30/05	$1,615,585	$281,231	$1,133,351	$763,177	100%	100%	26%
6/30/06	$1,769,021	$317,521	$1,234,005	$793,623	100%	100%	27%
6/30/07	$1,976,731	$359,484	$1,348,013	$848,007	100%	100%	32%
6/30/08	$2,218,937	$385,300	$1,550,875	$870,047	100%	100%	32%
6/30/09	$1,909,679	$412,147	$1,670,547	$905,018	100%	90%	0%
6/30/10	$2,179,076	$449,355	$1,745,146	$903,952	100%	99%	0%
6/30/11	$2,405,140	$485,126	$1,866,219	$895,382	100%	100%	6%
6/30/12	$2,480,271	$498,569	$2,022,791	$921,193	100%	98%	0%
6/30/13	$2,618,639	$534,276	$2,157,590	$880,884	100%	97%	0%
6/30/14	$2,993,187	$584,080	$2,285,328	$927,634	100%	100%	13%

(1) Includes deferred vested.

SCHEDULE OF FUNDING PROGRESS (IN THOUSANDS)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Ratio of Assets to Actuarial Accrued Liability	Annual Active Member Compensation	UAAL as a Percentage of Covered Payroll
6/30/05	$1,615,585	$2,177,759	$562,174	74.2%	$334,315	168.16%
6/30/06	$1,769,021	$2,345,149	$576,128	75.4%	$368,972	156.14%
6/30/07	$1,976,731	$2,555,504	$578,773	77.4%	$407,812	141.92%
6/30/08	$2,218,937	$2,806,222	$587,285	79.1%	$416,243	141.09%
6/30/09	$1,909,679	$2,987,712	$1,078,033	63.9%	$436,424	247.02%
6/30/10	$2,179,076	$3,098,453	$919,377	70.3%	$428,559	214.53%
6/30/11	$2,405,140	$3,246,727	$841,587	74.1%	$424,061	198.46%
6/30/12	$2,480,271	$3,442,553	$962,282	72.0%	$419,779	229.24%
6/30/13	$2,618,639	$3,572,750	$954,111	73.3%	$406,921	234.47%
6/30/14	$2,993,187	$3,797,042	$803,855	78.8%	$422,022	190.48%

Funded Ratio is a measurement of the funded status of the plan. The Funded Ratio is calculated by dividing the Valuation Assets by the Actuarial Accrued Liability. In the table above, SamCERA's Funded Ratio indicates assets are approximately 21% less than liabilities. The Funded Ratio has increased considerably from June 30, 2009. The most significant reasons for the increase in the funded ratio have been the market appreciation of investments and contributions by the employer and employee.

History of Employer Contribution Rates

Important Terms

Normal Cost is that portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Actuarial Present Value is the value of an amount or series of amounts payable or receivable at various times, determined as of a given date by application of a particular set of Actuarial Assumptions.

Actuarial Cost Method employed by SamCERA is the Entry Age Normal Method. The actuarial accrued liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.

Unfunded Actuarial Accrued Liability is the excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Actuarial Accrued Liability is that portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by the future Normal Costs.

Actuarial Value of Assets is the value of cash, investments and other property belonging to a pension plan, as used by the actuary for purposes of an Actuarial Valuation.

Actuarial Valuation is the determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

History of Employer Contribution Rates: General

	County & Courts General (excluding Nurses & UAPD)			County General Nurses & UAPD			San Mateo County Mosquito and Vector Control District General		
Year	**Normal**	**UAAL**	**Total**	**Normal**	**UAAL**	**Total**	**Normal**	**UAAL**	**Total**
2005	10.36%	10.38%	20.74%	Same as County General			Same as County General		
2006	10.49%	9.97%	20.46%	Same as County General			Same as County General		
2007	10.19%	9.46%	19.65%	Same as County General			8.50%	7.76%	16.26%
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%	18.46%	28.51%	Same as County General			11.70%	16.35%	28.05%
2011	9.71%	18.80%	28.51%	8.70%	19.81%	28.51%	11.48%*	16.96%*	28.44%*
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%

*Revised by actuary in 2012.

History of Employer Contribution Rates: Safety and Probation

	Safety Member			Probation Member (excluding Managers)			Probation Managers		
Year	**Normal**	**UAAL**	**Total**	**Normal**	**UAAL**	**Total**	**Normal**	**UAAL**	**Total**
2005	20.43%	32.02%	52.45%	21.10%	16.43%	37.53%	21.10%	16.43%	37.53%
2006	20.18%	30.52%	50.70%	21.59%	14.85%	36.44%	21.59%	14.85%	36.44%
2007	19.94%	29.32%	49.26%	20.83%	14.06%	34.89%	20.83%	14.06%	34.89%
2008	19.32%	27.31%	46.63%	20.05%	12.81%	32.86%	20.05%	12.81%	32.86%
2009	19.21%	51.83%	71.04%	19.92%	23.84%	43.76%	19.92%	23.84%	43.76%
2010	19.01%	52.03%	71.04%	19.85%	21.62%	41.47%	19.85%	21.62%	41.47%
2011	18.97%	52.07%	71.04%	19.50%	22.30%	41.80%	19.50%	22.30%	41.80%
2012	19.05%	48.51%	67.56%	18.47%	26.71%	45.18%	18.47%	26.71%	45.18%
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%

ACTIVE MEMBER VALUATION DATA

Valuation Date		Members (1)	Annual Salary	Average Annual Salary	% Change Average Salary
2005	General	4,411	$304,289,437	$68,984	1.80%
	Safety	409	$39,999,593	$97,799	-1.40%
	Probation	278	$20,123,863	$72,388	0.20%
	Total	5,098	$364,412,893	$71,482	1.40%
2006	General	4,614	$312,934,324	$67,823	-1.70%
	Safety	428	$41,407,772	$96,747	-1.10%
	Probation	313	$22,009,210	$70,317	-1.60%
	Total	5,355	$376,351,306	$70,280	-1.70%
2007	General	4,767	$346,319,017	$72,649	7.10%
	Safety	443	$45,386,411	$102,452	5.90%
	Probation	329	$24,364,268	$74,056	5.30%
	Total	5,539	$416,069,696	$75,116	6.90%
2008	General	4,743	$353,518,525	$74,535	2.60%
	Safety	432	$46,326,906	$107,238	4.70%
	Probation	325	$24,741,003	$76,126	2.80%
	Total	5,500	$424,586,434	$77,198	2.80%
2009	General	4,777	$370,760,830	$77,614	4.10%
	Safety	436	$48,120,081	$110,367	2.90%
	Probation	330	$26,270,802	$79,608	4.60%
	Total	5,543	$445,151,713	$80,309	4.00%
2010	General	4,609	$363,305,740	$78,825	1.60%
	Safety	425	$48,576,912	$114,299	3.60%
	Probation	313	$25,247,595	$80,663	1.30%
	Total	5,347	$437,130,248	$81,752	1.80%
2011	General	4,494	$355,876,715	$79,189	0.50%
	Safety	446	$52,073,940	$116,758	2.20%
	Probation	305	$24,591,392	$80,628	0.00%
	Total	5,245	$432,542,046	$82,468	0.90%
2012	General	4,361	$351,965,689	$80,708	1.90%
	Safety	435	$51,129,267	$117,539	0.70%
	Probation	299	$24,554,583	$82,122	1.90%
	Total	5,095	$427,649,539	$83,935	1.80%
2013	General	4,173	$338,595,633	$81,140	0.50%
	Safety	452	$52,233,510	$115,561	-1.70%
	Probation	292	$23,722,165	$81,240	-1.10%
	Total	4,917	$414,551,308	$84,310	0.40%
2014	General	4,272	$352,918,558	$82,612	1.80%
	Safety	452	$52,974,475	$117,200	1.40%
	Probation	280	$23,514,343	$83,980	3.40%
	Total	5,004	$429,407,376	$85,813	1.80%

(1) Numbers prior to 2006 were reported on a different basis.

DEMOGRAPHIC ACTIVITY OF RETIREES AND BENEFICIARIES

	Retirees and Beneficiaries (1)								
Year	**At Beginning of Year**	**Addition**	**Withdrawal**	**At End of Year**	**Annual Payroll Increase (in 000s)**	**Annual Payroll Decrease (in 000s)**	**Total Retiree Payroll (in 000s)**	**Percent Increase In Payroll**	**Average Annual Allowance**
6/30/05	3,539	238	95	3,682	N/A	N/A	$84,183	11.5%	$22,860
6/30/06	3,519	206	112	3,613	N/A	N/A	$91,006	8.1%	$25,188
6/30/07	3,613	155	74	3,694	N/A	N/A	$98,790	8.6%	$26,748
6/30/08	3,694	218	70	3,842	N/A	N/A	$109,616	11.0%	$28,536
6/30/09	3,842	159	66	3,935	$12,717	$3,281	$119,052	8.6%	$30,252
6/30/10	3,935	163	96	4,002	$9,076	$3,240	$124,888	4.9%	$31,212
6/30/11 (2)	4,002	209	64	4,147	$12,703	$2,916	$134,675	7.8%	$32,472
6/30/12	4,147	218	90	4,275	$14,379	$4,209	$144,845	7.6%	$33,876
6/30/13	4,275	186	63	4,398	$13,024	$3,095	$154,774	6.9%	$35,196
6/30/14	4,398	203	83	4,518	$12,474	$3,479	$163,769	5.8%	$36,252

(1) For 6/30/2005, retirees/beneficiaries who are entitled to multiple benefits are counted more than once. The 6/30/06 beginning of year count was revised to reflect only one retiree per benefit in 6/30/2006.
(2) Revised from 2011 valuation for corrections.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE ($000)

Summary of (Gains) / Losses	**Change In Liability**				
	2014	**2013**	**2012**	**2011**	**2010**
Unfunded Liability as of July 1	$954,111	$962,282	$841,587	$919,377	$1,078,033
Expected Change in UAAL	($88,525)	($34,535)	($39,621)	($31,508)	$27,388
Salary (Gain) / Loss	($15,884)	($59,411)	($45,526)	($51,831)	($43,598)
Retiree COLA more / (less) than expected	($15,603)	($8,606)	($11,756)	($27,561)	($41,258)
Assets (Gain) / Loss	($88,035)	$93,999	$171,268	$12,548	($88,485)
Change due to Assumption Changes	$59,345	$0	$36,443	$19,402	
Miscellaneous Experience	($1,554)	$382	$9,887	$1,160	($12,703)
Change Due to New Formula					
Unfunded Liability as of June 30	$803,855	$954,111	$962,282	$841,587	$919,377

RATES OF SEPARATION FROM ACTIVE SERVICE

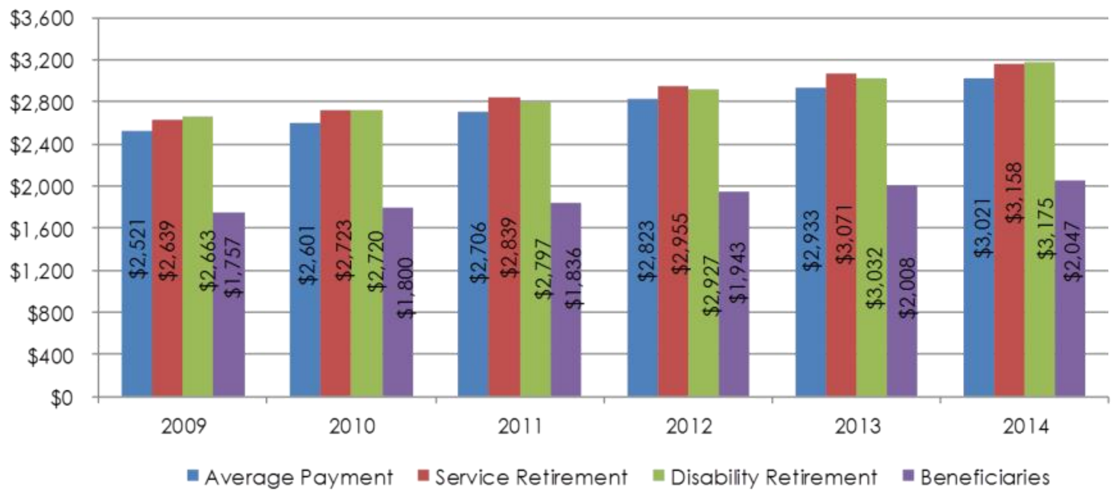
Service Retirement: Member retires after meeting age and service requirements for reasons other than disability.
Withdrawal: Member terminates and elects a refund of member contributions, or a deferred vested retirement benefit.
Service Disability: Member receives disability retirement; disability is 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.

In the table below each rate represents the probability that a member will separate from service at each age due to a particular cause.

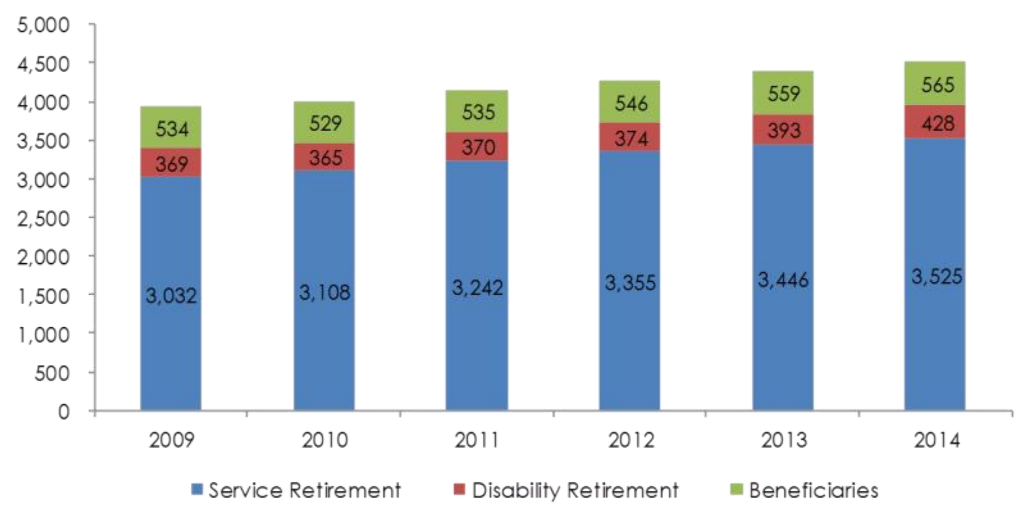
PROBABILITY OF SEPARATION DURING ACTIVE SERVICE

Years of Service	Other Terminations		Age	Disability		Death while Active		Service Retirement
	Ordinary	Vested		Ordinary	Service	Ordinary	Service	
General Plan 1, 2, 4, 5 & 7 Male Members								
0	0.1300	0.0000	20	0.0003	0.0004	0.0003	0.0000	0.0000
5	0.0285	0.0348	30	0.0004	0.0005	0.0004	0.0000	0.0000
10	0.0172	0.0238	40	0.0008	0.0011	0.0009	0.0000	0.0000
15	0.0099	0.0191	50	0.0013	0.0019	0.0017	0.0000	0.0500
20	0.0040	0.0150	60	0.0018	0.0027	0.0036	0.0000	0.1500
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
General Plan 1, 2, 4, 5 & 7 Female Members								
0	0.1200	0.0000	20	0.0003	0.0004	0.0002	0.0000	0.0000
5	0.0285	0.0348	30	0.0003	0.0004	0.0002	0.0000	0.0000
10	0.0153	0.0212	40	0.0006	0.0008	0.0006	0.0000	0.0000
15	0.0088	0.0172	50	0.0020	0.0029	0.0013	0.0000	0.0400
20	0.0040	0.0150	60	0.0032	0.0048	0.0030	0.0000	0.1500
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
General Plan 3 Male Members								
0	0.1300	0.0000	20	0.0000	0.0000	0.0003	0.0000	0.0000
5	0.0285	0.0348	30	0.0000	0.0000	0.0004	0.0000	0.0000
10	0.0172	0.0238	40	0.0000	0.0000	0.0009	0.0000	0.0000
15	0.0099	0.0191	50	0.0000	0.0000	0.0017	0.0000	0.0000
20	0.0040	0.0150	60	0.0000	0.0000	0.0036	0.0000	0.0300
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
General Plan 3 Female Members								
0	0.1200	0.0000	20	0.0000	0.0000	0.0002	0.0000	0.0000
5	0.0285	0.0348	30	0.0000	0.0000	0.0002	0.0000	0.0000
10	0.0153	0.0212	40	0.0000	0.0000	0.0006	0.0000	0.0000
15	0.0088	0.0172	50	0.0000	0.0000	0.0013	0.0000	0.0000
20	0.0040	0.0150	60	0.0000	0.0000	0.0030	0.0000	0.0400
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Plan 1, 2 & 4 Male Members								
0	0.0700	0.0000	20	0.0000	0.0017	0.0003	0.0010	0.0000
5	0.0082	0.0151	30	0.0000	0.0020	0.0004	0.0010	0.0000
10	0.0050	0.0105	40	0.0000	0.0031	0.0009	0.0010	0.0000
15	0.0016	0.0094	50	0.0000	0.0058	0.0017	0.0010	0.1500
20 & Above	0.0000	0.0000	60	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Plan 1, 2 & 4 Female Members								
0	0.0700	0.0000	20	0.0000	0.0017	0.0002	0.0010	0.0000
5	0.0082	0.0151	30	0.0000	0.0020	0.0002	0.0010	0.0000
10	0.0050	0.0105	40	0.0000	0.0031	0.0006	0.0010	0.0000
15	0.0016	0.0094	50	0.0000	0.0058	0.0013	0.0010	0.1500
20 & Above	0.0000	0.0000	60	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Plan 5, 6 & 7 Male Members								
0	0.0700	0.0000	20	0.0000	0.0017	0.0003	0.0010	0.0000
5	0.0082	0.0151	30	0.0000	0.0020	0.0004	0.0010	0.0000
10	0.0050	0.0105	40	0.0000	0.0031	0.0009	0.0010	0.0000
15	0.0016	0.0094	50	0.0000	0.0058	0.0017	0.0010	0.0500
20 & Above	0.0000	0.0000	60	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Plan 5, 6 & 7 Female Members								
0	0.0700	0.0000	20	0.0000	0.0017	0.0002	0.0010	0.0000
5	0.0082	0.0151	30	0.0000	0.0020	0.0002	0.0010	0.0000
10	0.0050	0.0105	40	0.0000	0.0031	0.0006	0.0010	0.0000
15	0.0016	0.0094	50	0.0000	0.0058	0.0013	0.0010	0.0500
20 & Above	0.0000	0.0000	60	0.0000	0.0000	0.0000	0.0000	1.0000

AVERAGE MONTHLY BENEFIT PAYMENT



RETIREES BY CATEGORY



STATISTICAL SECTION

Hills near Crystal Springs Reservoir, San Mateo County

Introduction to the Statistical Section

This section provides additional detailed information for a more thorough understanding of the financial statements, note disclosures and required supplementary information. The schedules presented on the following pages show trends in changes of plan net position, revenues and expenses by category, detailed active member salary and retiree benefit information, as well as general membership populations over the past ten years. Most of the information presented is compiled by the actuary based on information from the pension administration system.

Change in Pension Plan Net Position Last Ten Fiscal Years

as of June 30 (in thousands of dollars)

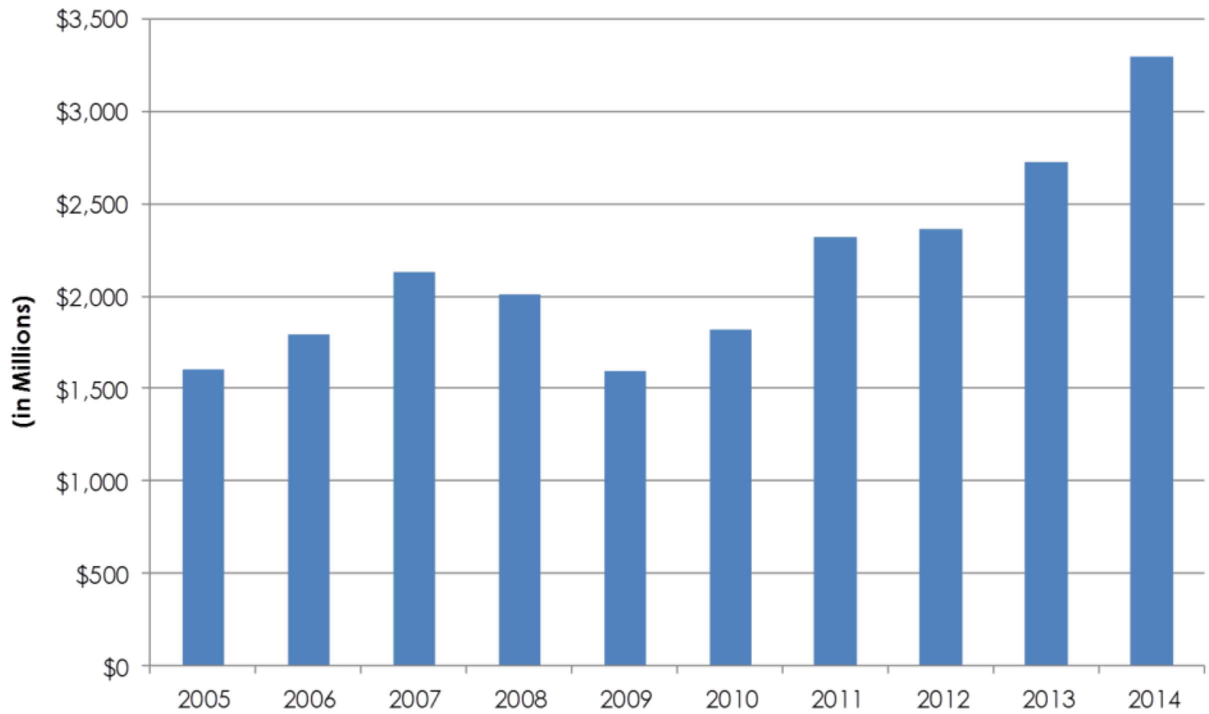
	2014	2013	2012	2011	2010
Additions					
Employer Contributions	$202,877	$144,308	$150,950	$150,475	$106,265
Member Contributions	46,594	55,408	49,687	49,013	50,319
Total Contributions	249,471	199,716	200,637	199,488	156,584
Investment Income/(Loss) (net of expenses)	482,050	326,983	(11,024)	437,654	195,412
Security Lending Income	435	622	721	530	743
Miscellaneous Additions/(Declines)	179	160	29	73	41
Total Additions/(Declines)	732,135	527,481	190,363	637,745	352,780
Deductions					
Retiree Benefits	159,342	149,266	139,208	129,835	122,141
Member Refunds	3,214	5,750	3,627	2,474	2,736
Administrative Expenses	5,645	4,914	5,033	3,547	3,373
Other Expenses	65	29	(33)	10	33
Total Deductions	168,266	159,959	147,835	135,866	128,283
Change in Pension Plan Net Position	**$563,869**	**$367,522**	**$42,528**	**$501,879**	**$224,497**

CHANGE IN PENSION PLAN NET POSITION LAST TEN FISCAL YEARS (CONTINUED)

as of June 30 (in thousands of dollars)

	2009	2008	2007	2006	2005
Additions					
Employer Contributions	$106,123	$105,340	$100,550	$76,090	$76,931
Member Contributions	50,372	60,111	42,696	39,962	33,647
Total Contributions	156,495	165,451	143,246	116,052	110,578
Investment Income/(Loss) (net of expenses)	(457,309)	(178,379)	298,260	166,826	140,132
Security Lending Income	1,631	1,699	0	0	0
Miscellaneous Additions/(Declines)	(16)	181	26	49	79
Total Additions/(Declines)	(299,199)	(11,048)	441,532	282,927	250,789
Deductions					
Retiree Benefits	113,991	103,970	94,788	87,915	83,182
Member Refunds	2,795	3,075	2,244	2,258	1,458
Administrative Expenses	3,287	2,774	2,582	2,086	2,235
Other Expenses	67	8	201	40	4
Total Deductions	120,140	109,827	99,815	92,299	86,879
Change in Pension Plan Net Position	**$(419,339)**	**$(120,875)**	**$341,717**	**$190,628**	**$163,910**

Total Plan Net Position



Schedule of Employer Contributions

(in thousands of dollars)

Year End	Actuarially Required Contributions (ARC)	Actual Contribution Received*	Contributions Made As a % of ARC
06/30/2005	$76,931	$76,931	100%
06/30/2006	$76,090	$76,090	100%
06/30/2007	$100,550	$100,550	100%
06/30/2008	$105,340	$105,340	100%
06/30/2009	$106,123	$106,123	100%
06/30/2010	$106,265	$106,265	100%
06/30/2011	$150,475	$150,475	100%
06/30/2012	$139,407	$150,950	108%
06/30/2013	$131,448	$144,308	110%
06/30/2014	$152,877	$202,877	133%

* Additional contribution received from County to accelerate paydown of UAAL in 2012, 2013, 2014.

Schedule of Revenue by Source

(in thousands of dollars)

Year End	Employee Contribution	Employer Contribution	Investment Income/(Loss)	Total
06/30/2005	$33,647	$76,931	$140,211	$250,789
06/30/2006	$39,963	$76,090	$166,874	$282,927
06/30/2007	$42,696	$100,550	$298,286	$441,532
06/30/2008	$60,111	$105,340	($176,043)	($10,592)
06/30/2009	$50,372	$106,123	($455,694)	($299,199)
06/30/2010	$50,319	$106,265	$196,196	$352,780
06/30/2011	$49,013	$150,475	$438,257	$637,745
06/30/2012	$49,687	$150,950	($10,274)	$190,363
06/30/2013	$55,408	$144,308	$327,765	$527,481
06/30/2014	$46,594	$202,877	$482,664	$732,135

Schedule of Expenses by Type

(in thousands of dollars)

Year End	Administrative Expenses	Other Expenses	Retirement Benefits Paid	Member Refunds	Total
06/30/2005	$2,235	$4	$83,182	$1,458	$86,879
06/30/2006	$2,086	$40	$87,915	$2,258	$92,299
06/30/2007	$2,582	$201	$94,788	$2,244	$99,815
06/30/2008	$3,231	$8	$103,970	$3,075	$110,284
06/30/2009	$3,287	$67	$113,991	$2,795	$120,140
06/30/2010	$3,373	$33	$122,141	$2,736	$128,283
06/30/2011	$3,547	$10	$129,835	$2,474	$135,866
06/30/2012	$5,033	($33)	$139,208	$3,627	$147,835
06/30/2013	$4,914	$29	$149,266	$5,750	$159,959
06/30/2014	$5,645	$65	$159,342	$3,214	$168,266

Note: Administrative expenses related to investments were classified as investment expense in 2008-2011. Effective 6/30/2012 these expenses are included as Administrative Expenses.

Summary of Retired Benefits, Refunds, and Inactive Members

RETIRED MEMBERS	2014	2013	2012	2011	2010
Service Retirement					
Number	3,525	3,446	3,355	3,242	3,108
Annual Allowance					
Basic Only	$105,556,000	$100,411,000	$94,234,000	$87,254,000	$79,007,000
COLA	$28,027,000	$26,594,000	$24,748,000	$23,212,000	$22,542,000
Total	$133,583,000	$127,005,000	$118,982,000	$110,466,000	$101,549,000
Average Monthly Payment	$3,158	$3,071	$2,955	$2,839	$2,723
Disability Retirement					
Number	428	393	374	370	365
Annual Allowance					
Basic Only	$12,508,000	$10,733,000	$9,909,000	$9,414,000	$8,988,000
COLA	$3,800,000	$3,564,000	$3,225,000	$3,005,000	$2,926,000
Total	$16,308,000	$14,297,000	$13,134,000	$12,419,000	$11,914,000
Average Monthly Payment	$3,175	$3,032	$2,927	$2,797	$2,720
Beneficiaries					
Number	565	559	546	535	529
Annual Allowance					
Basic Only	$7,986,000	$7,668,000	$7,235,000	$6,672,000	$6,309,000
COLA	$5,892,000	$5,804,000	$5,494,000	$5,118,000	$5,116,000
Total	$13,878,000	$13,472,000	$12,729,000	$11,790,000	$11,425,000
Average Monthly Payment	$2,047	$2,008	$1,943	$1,836	$1,800
Total Retired Members					
Number	4,518	4,398	4,275	4,147	4,002
Annual Allowance					
Basic Only	$126,050,000	$118,812,000	$111,378,000	$103,340,000	$94,304,000
COLA	$37,719,000	$35,962,000	$33,467,000	$31,335,000	$30,584,000
Total	$163,769,000	$154,774,000	$144,845,000	$134,675,000	$124,888,000
Average Monthly Payment	$3,021	$2,933	$2,823	$2,706	$2,601
Type of Refund*					
General	$3,396,690	$5,161,430	$3,399,163	$2,379,790	$2,623,439
Safety	$155,265	$588,346	$228,329	$94,655	$112,586
Total Refund	$3,551,955	$5,749,776	$3,627,492	$2,474,445	$2,736,025
INACTIVE MEMBERS	1,304	1,306	1,212	1,190	1,207

For 6/30/2005, retirees/beneficiaries who are entitled to multiple benefits are counted more than once. Beginning in 6/30/2006, a retiree is counted only once even if that retiree has multiple benefits from different tiers.

The data in the table above originates from PensionGold, SamCERA's retirement benefit administration system. For year 2005, it also appears in SamCERA's actuarial valuation reports. The total payroll above will differ from the actual payroll due to a last month projection used by the actuary.

* Type of Refund not available prior to FY 2009-2010.

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

RETIRED MEMBERS	2009	2008	2007	2006	2005
Service Retirement					
Number	3,032	2,958	2,835	2,783	2,865
Annual Allowance					
Basic Only	$73,038,000	$66,704,000	$59,687,000	$54,942,000	$49,760,000
COLA	$22,964,000	$21,289,000	$19,382,000	$18,188,000	$17,759,000
Total	$96,002,000	$87,993,000	$79,069,000	$73,130,000	$67,519,000
Average Monthly Payment	$2,639	$2,479	$2,324	$2,190	$1,964
Disability Retirement					
Number	369	361	351	342	334
Annual Allowance					
Basic Only	$8,722,000	$8,214,000	$7,571,000	$6,915,000	$6,575,000
COLA	$3,070,000	$2,847,000	$2,569,000	$2,356,000	$2,205,000
Total	$11,792,000	$11,061,000	$10,140,000	$9,271,000	$8,780,000
Average Monthly Payment	$2,663	$2,553	$2,407	$2,259	$2,191
Beneficiaries					
Number	534	523	508	488	483
Annual Allowance					
Basic Only	$6,052,000	$5,757,000	$5,220,000	$4,659,000	$4,084,000
COLA	$5,206,000	$4,805,000	$4,361,000	$3,946,000	$3,800,000
Total	$11,258,000	$10,562,000	$9,581,000	$8,605,000	$7,884,000
Average Monthly Payment	$1,757	$1,683	$1,572	$1,469	$1,360
Total Retired Members					
Number	3,935	3,842	3,694	3,613	3,682
Annual Allowance					
Basic Only	$87,812,000	$80,675,000	$72,478,000	$66,516,000	$60,419,000
COLA	$31,240,000	$28,941,000	$26,312,000	$24,490,000	$23,764,000
Total	$119,052,000	$109,616,000	$98,790,000	$91,006,000	$84,183,000
Average Monthly Payment	$2,521	$2,378	$2,229	$2,099	$1,905
Type of Refund*					
General	N/A	N/A	N/A	N/A	N/A
Safety	N/A	N/A	N/A	N/A	N/A
Total Refund	$2,794,916	$3,074,453	$2,243,677	$2,257,849	$1,458,227
INACTIVE MEMBERS	1,230	1,225	1,151	1,089	872

Schedule of Average Pension Benefit Payments

Retirement Date	Years of Service Credit						
7/1/2013 - 6/30/2014	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$1,544	$1,669	$2,230	$3,187	$4,373	$6,030	$6,363
Average Final Compensation	$6,920	$6,698	$6,555	$7,614	$7,740	$9,292	$7,528
Number of Retirees	16	62	50	40	32	13	18
Beneficiaries							
Average Monthly Gross Benefit	$795	$634	$1,807	$869	$4,103	$3,362	$5,909
Average Final Compensation	N/A	$6,305	$5,433	$2,913	$7,872	$5,504	$6,611
Number of Beneficiaries	11	3	6	6	3	2	2
7/1/2012 - 6/30/2013	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$613	$1,297	$2,391	$3,337	$4,877	$6,228	$6,929
Average Final Compensation	$5,234	$5,790	$7,270	$7,344	$8,001	$8,317	$7,818
Number of Retirees	16	40	60	21	31	25	20
Beneficiaries							
Average Monthly Gross Benefit	$1,380	$1,668	$1,415	$1,421	$1,709	$4,908	$3,946
Average Final Compensation	$442	$5,140	$5,255	$4,536	$4,566	$7,516	$6,039
Number of Beneficiaries	20	2	6	4	4	1	4
7/1/2011 - 6/30/2012	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$859	$1,362	$2,231	$3,408	$4,898	$5,319	$7,134
Average Final Compensation	$4,235	$5,843	$6,667	$7,228	$7,793	$7,344	$14,439
Number of Retirees	19	38	47	25	48	32	29
Beneficiaries							
Average Monthly Gross Benefit	$1,613	$697	$2,272	$2,264	$1,595	$4,117	$4,423
Average Final Compensation	N/A	$3,913	$5,200	$5,818	$14,671	$6,102	$6,315
Number of Beneficiaries	19	1	5	4	6	3	5
7/1/2010 - 6/30/2011	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$552	$1,141	$2,018	$3,553	$4,628	$6,124	$7,669
Average Final Compensation	$3,207	$6,268	$5,895	$7,727	$7,562	$8,466	$8,295
Number of Retirees	16	25	52	31	52	26	26
Beneficiaries							
Average Monthly Gross Benefit	$1,074	$1,333	$1,173	$1,831	$1,988	$3,177	$8,200
Average Final Compensation	N/A	$6,549	$4,186	$4,714	$5,772	$5,278	$7,765
Number of Beneficiaries	13	1	7	4	6	2	1
7/1/2009 - 6/30/2010	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$833	$1,203	$2,010	$3,729	$4,792	$5,849	$7,159
Average Final Compensation	$2,619	$5,409	$5,803	$7,587	$7,827	$7,818	$8,081
Number of Retirees	9	36	33	16	41	19	24
Beneficiaries							
Average Monthly Gross Benefit	$680	$2,544	$1,416	$1,109	$2,182	$3,782	$4,180
Average Final Compensation	N/A	$7,316	$5,457	$3,874	$5,546	$5,457	$5,166
Number of Beneficiaries	9	4	2	2	3	1	4

SCHEDULE OF AVERAGE PENSION BENEFIT PAYMENTS (CONTINUED)

Retirement Date	Years of Service Credit						
7/1/2008 - 6/30/2009	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$1,477	$1,414	$2,180	$2,836	$4,938	$5,870	$8,897
Average Final Compensation	$3,654	$4,581	$7,728	$6,798	$7,838	$7,141	$10,247
Number of Retirees	7	34	27	29	22	17	34
Beneficiaries							
Average Monthly Gross Benefit	$1,757	$615	$1,285	$950	$1,508	$3,912	$3,443
Average Final Compensation	N/A	$3,744	$5,068	$3,840	$6,395	$6,099	$4,661
Number of Beneficiaries	12	3	6	3	3	1	1
7/1/2007 - 6/30/2008	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$530	$1,558	$2,320	$3,423	$3,723	$5,026	$7,187
Average Final Compensation	$5,406	$5,570	$5,922	$6,995	$6,179	$6,596	$7,641
Number of Retirees	12	30	23	26	47	35	38
Beneficiaries							
Average Monthly Gross Benefit	$1,823	$1,033	$1,856	$3,106	$1,396	$4,264	$5,270
Average Final Compensation	N/A	$4,433	$7,617	$6,701	$5,149	$14,071	$7,713
Number of Beneficiaries	16	2	1	2	3	4	2
7/1/2006 - 6/30/2007	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$1,116	$1,768	$1,930	$2,881	$3,845	$6,703	$8,245
Average Final Compensation	$3,705	$7,601	$5,323	$5,870	$6,703	$8,390	$7,839
Number of Retirees	9	15	31	29	24	25	25
Beneficiaries							
Average Monthly Gross Benefit	$1,783	$2,435	$1,251	$1,513	$2,708	$3,612	$3,921
Average Final Compensation	$1,494	$2,882	$3,961	$5,028	$5,536	$4,056	$5,016
Number of Beneficiaries	9	3	5	5	3	2	2
7/1/2005 - 6/30/2006	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$1,011	$1,278	$1,743	$2,758	$3,626	$6,103	$6,808
Average Final Compensation	$4,352	$4,630	$5,193	$5,929	$5,688	$6,845	$6,863
Number of Retirees	4	19	33	26	24	21	37
Beneficiaries							
Average Monthly Gross Benefit	$1,337	$220	$1,452	$1,344	$2,259	$2,902	$3,829
Average Final Compensation	N/A	$753	$4,320	$3,206	$4,742	$7,374	$4,659
Number of Beneficiaries	16	2	5	1	3	1	5
7/1/2004 - 6/30/2005	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$478	$1,223	$1,774	$2,626	$4,123	$6,909	$7,556
Average Final Compensation	$2,821	$4,738	$4,805	$5,336	$6,850	$7,963	$7,015
Number of Retirees	10	27	19	42	30	33	46
Beneficiaries							
Average Monthly Gross Benefit	$1,371	$447	$1,689	$1,887	$2,194	$4,633	$0
Average Final Compensation	N/A	$3,345	$3,349	$2,589	$5,317	$7,222	$0
Number of Beneficiaries	9	1	2	1	6	3	0

SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS

(by tier and membership type)

	2014	2013	2012	2011	2010
General Tier 1	$8,617	$8,104	$7,843	$7,630	$7,543
General Tier 2	$7,584	$7,355	$7,340	$7,208	$7,193
General Tier 3	$6,300	$6,254	$6,138	$5,968	$5,818
General Tier 4	$6,873	$6,662	$6,580	$6,398	$6,348
General Tier 5	$6,912	$6,418	$5,799	N/A	N/A
General Tier 7	$5,721	$5,433	N/A	N/A	N/A
General Tier Total	$6,884	$6,726	$6,726	$6,599	$6,569
Safety Tier 1	$14,091	$13,185	$12,624	$12,073	$11,578
Safety Tier 2	$11,191	$10,935	$10,892	$10,789	$10,548
Safety Tier 4	$9,581	$9,402	$9,351	$9,230	$8,931
Safety Tier 5	$8,958	$8,699	$9,667	N/A	N/A
Safety Tier 6	$14,381	$12,374	N/A	N/A	N/A
Safety Tier 7	$7,011	$6,695	N/A	N/A	N/A
Safety Tier Total	$9,767	$9,630	$9,795	$9,730	$9,525
Probation Tier 1	$6,874	$6,618	$6,618	$7,533	$8,922
Probation Tier 2	$7,699	$7,445	$7,454	$7,349	$7,393
Probation Tier 4	$6,922	$6,622	$6,686	$6,505	$6,456
Probation Tier 5	$5,916	$5,242	$4,949	N/A	N/A
Probation Tier 6	$5,216	$4,808	$5,239	N/A	N/A
Probation Tier 7	$5,807	$7,742	N/A	N/A	N/A
Probation Tier Total	$6,998	$6,770	$6,844	$6,719	$6,722
Average Monthly Salary	**$7,151**	**$7,026**	**$6,995**	**$6,872**	**$6,813**

SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS (CONTINUED)

(by tier and membership type)

	2009	2008	2007	2006	2005
General Tier 1	$7,534	$7,252	$7,175	$6,749	$6,582
General Tier 2	$7,120	$6,872	$6,688	$6,148	$6,045
General Tier 3	$5,791	$5,619	$5,287	$4,988	$5,216
General Tier 4	$6,212	$5,914	$5,714	$5,315	$5,476
General Tier 5	N/A	N/A	N/A	N/A	N/A
General Tier 7	N/A	N/A	N/A	N/A	N/A
General Tier Total	$6,468	$6,211	$6,054	$5,652	$5,747
Safety Tier 1	$10,889	$11,113	$10,212	$10,019	$9,701
Safety Tier 2	$10,135	$9,612	$9,299	$8,585	$8,482
Safety Tier 4	$8,610	$8,349	$7,882	$7,403	$7,564
Safety Tier 5	N/A	N/A	N/A	N/A	N/A
Safety Tier 6	N/A	N/A	N/A	N/A	N/A
Safety Tier 7	N/A	N/A	N/A	N/A	N/A
Safety Tier Total	$9,197	$8,937	$8,538	$8,062	$8,150
Probation Tier 1	$9,751	$9,791	$8,522	$7,735	$7,216
Probation Tier 2	$7,341	$6,960	$6,899	$6,479	$6,390
Probation Tier 4	$6,291	$5,978	$5,766	$5,444	$5,741
Probation Tier 5	N/A	N/A	N/A	N/A	N/A
Probation Tier 6	N/A	N/A	N/A	N/A	N/A
Probation Tier 7	N/A	N/A	N/A	N/A	N/A
Probation Tier Total	$6,634	$6,344	$6,171	$5,860	$6,032
Average Monthly Salary	**$6,692**	**$6,433**	**$6,260**	**$5,857**	**$5,955**

The data in the table above originates from PensionGold, SamCERA's retirement benefit administration system. For the year 2005, it also appears in SamCERA's actuarial valuation reports.

Schedule of Participating Employers and Active Members

	2014	2013	2012	2011	2010
COUNTY OF SAN MATEO					
General Members	4,014	3,906	4,078	4,476	4,589
Safety Members	452	452	435	446	425
Safety/Probation Members	280	292	299	305	313
Total	4,746	4,650	4,812	5,227	5,327
SAN MATEO COUNTY SUPERIOR COURTS*					
General Members Total	239	249	268	N/A	N/A
SAN MATEO COUNTY MOSQUITO & VECTOR CONTROL DISTRICT					
General Members Total	19	18	15	18	20
Total Active Membership	**5,004**	**4,917**	**5,095**	**5,245**	**5,347**

* San Mateo County Superior Courts Members were included in County of San Mateo prior to 2012.

Schedule of Participating Employers and Active Members (Continued)

	2009	2008	2007	2006	2005
COUNTY OF SAN MATEO					
General Members	4,758	4,718	4,742	4,594	4,391
Safety Members	436	432	443	428	409
Safety/Probation Members	330	325	329	313	278
Total	5,524	5,475	5,514	5,335	5,078
SAN MATEO COUNTY SUPERIOR COURTS*					
General Members Total	N/A	N/A	N/A	N/A	N/A
SAN MATEO COUNTY MOSQUITO & VECTOR CONTROL DISTRICT					
General Members Total	19	25	25	20	20
Total Active Membership	**5,543**	**5,500**	**5,539**	**5,355**	**5,098**

* San Mateo County Superior Courts Members were included in County of San Mateo prior to 2012.

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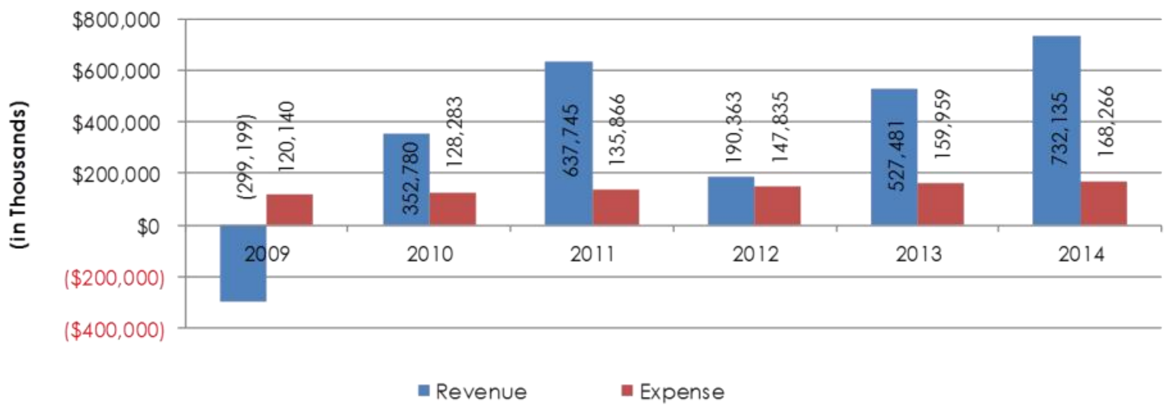
COMPLIANCE SECTION

Pulgas Water Temple, Redwood City, San Mateo County

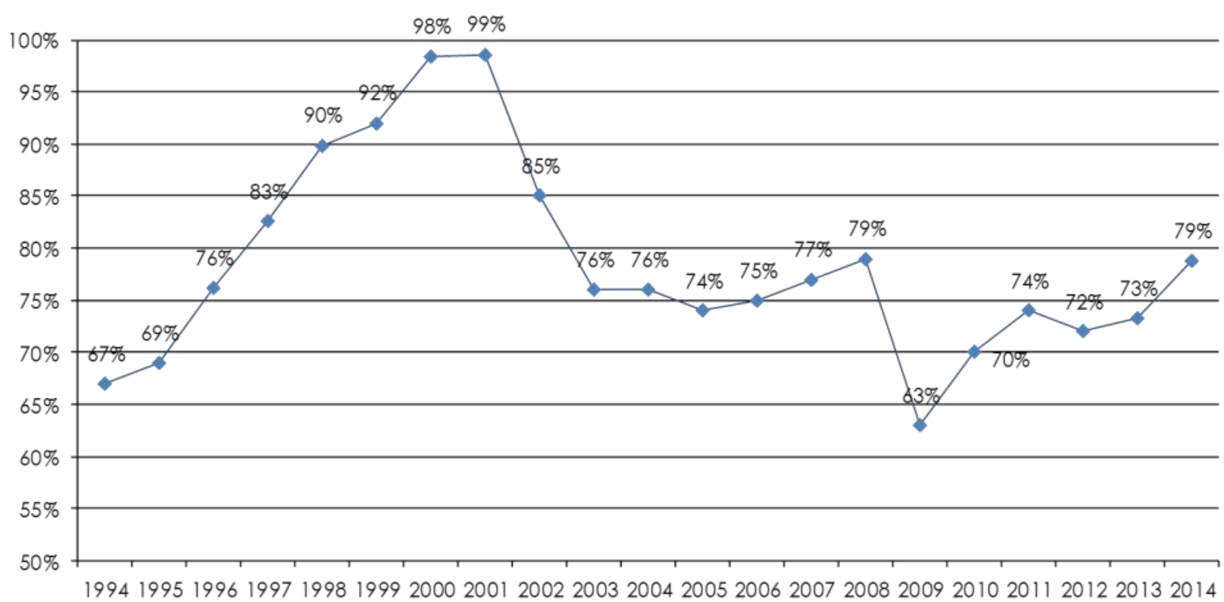
SamCERA's Revenue and Expense

FY 2009-2014



SamCERA's Funding Ratio (GASB Statement no. 25 Basis)

FY 1994-2014



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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 of the
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 year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise SamCERA's basic financial statements, and have issued our report thereon dated October 22, 2014.

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*.

We noted certain matters that we reported to management in a separate letter dated October 22, 2014.

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 22, 2014

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Order Information

To order your own copy of SamCERA's *2014 Comprehensive Annual Financial Report*, contact SamCERA at:

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

You can also find this report on SamCERA's website, www.samcera.org.

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SamCERA

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