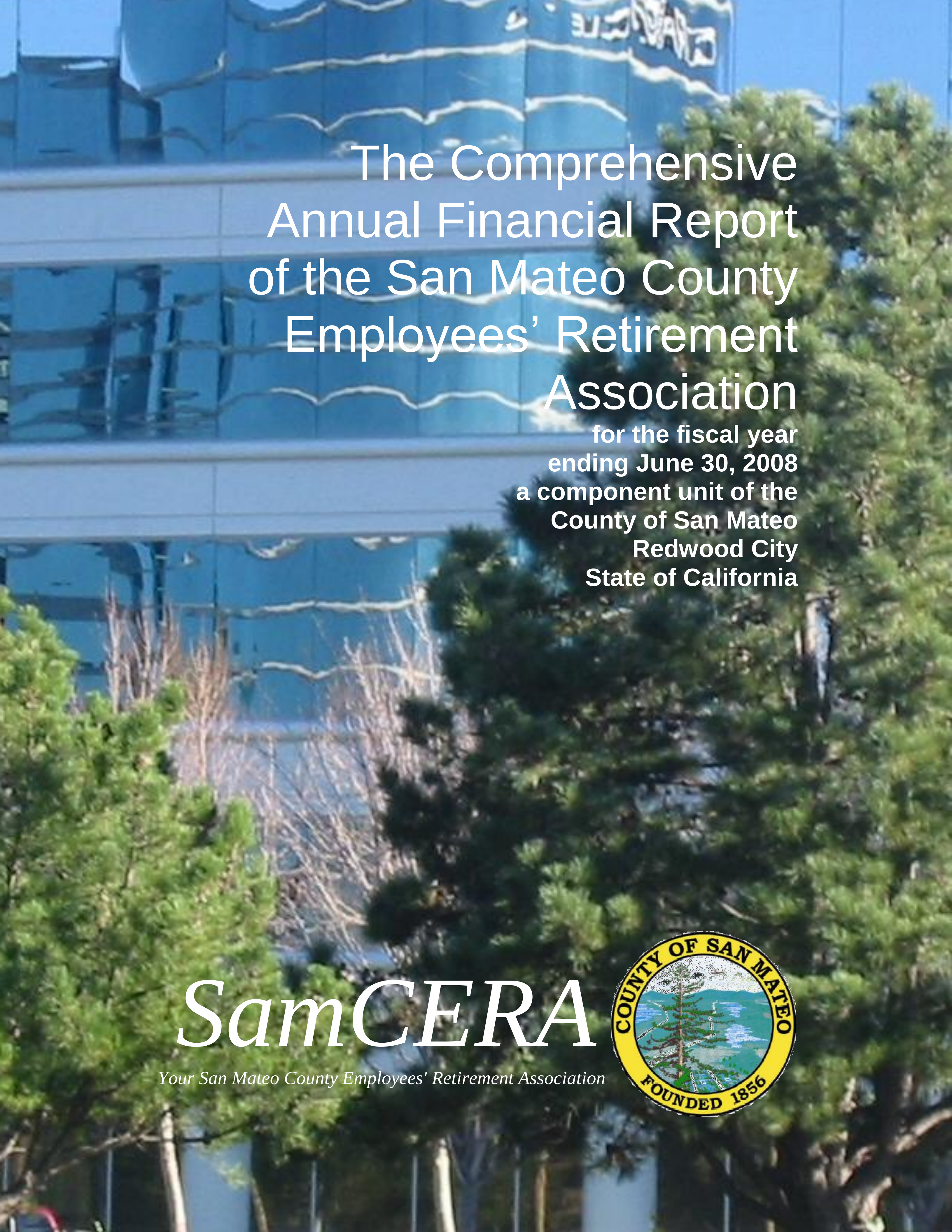

The Comprehensive Annual Financial Report of the San Mateo County Employees' Retirement Association

for the fiscal year ending June 30, 2008
a component unit of the County of San Mateo
Redwood City
State of California

SamCERA

Your San Mateo County Employees' Retirement Association

COUNTY OF SAN MATEO
FOUNDED 1856

San Mateo County
Employees' Retirement Association

A Component Unit of the County of San Mateo

Comprehensive
Annual
Financial Report
for the year ended June 30, 2008

C. David Bailey
Chief Executive Officer

Gary L. Clifton
Investment and Finance Manager

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

San Mateo County Employees' Retirement Association

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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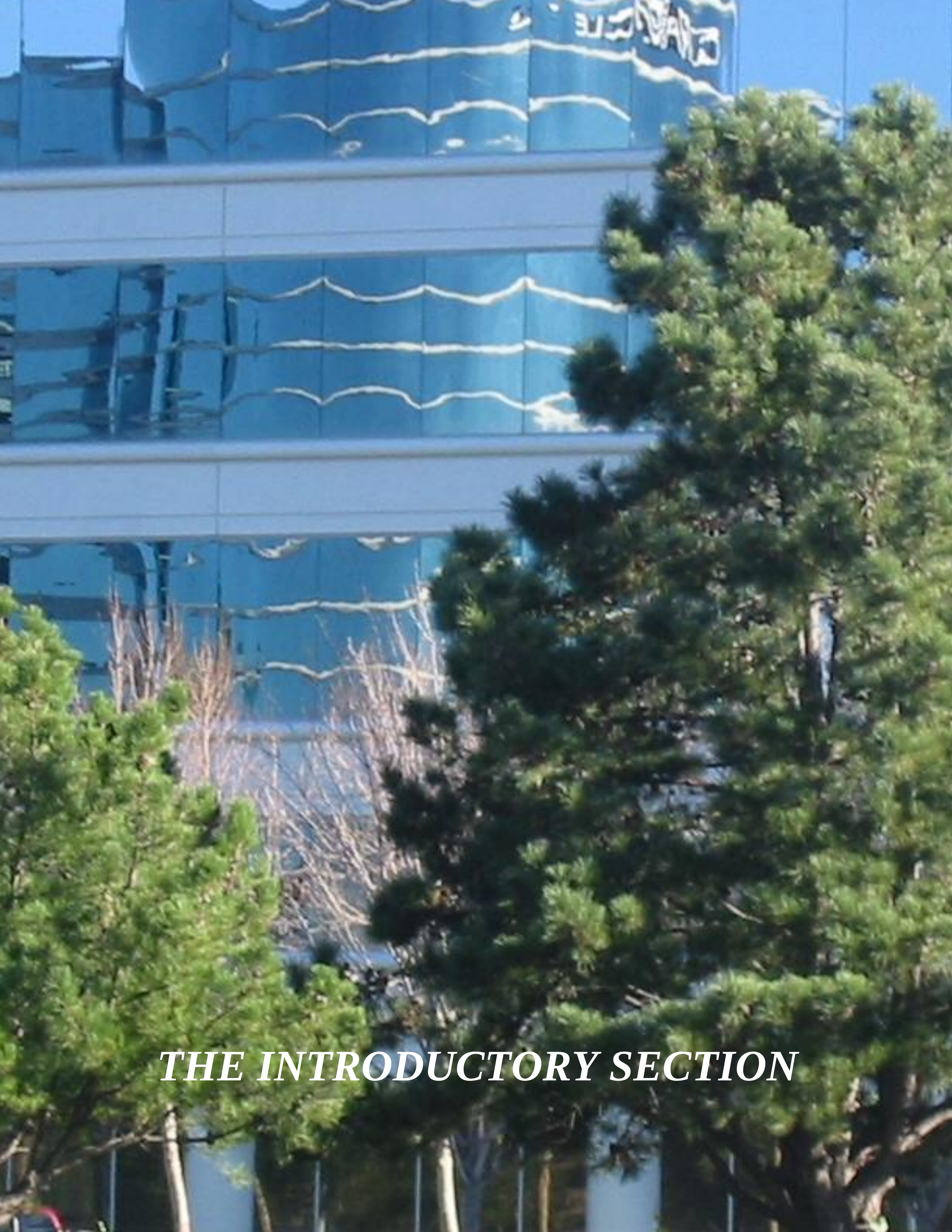


THE INTRODUCTORY SECTION

SamCERA's Mission

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

SamCERA's Goals

Provide caring, fair, accurate, timely and knowledgeable professional service to SamCERA's clients and the public.

Prudently manage the 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 its employers.

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

October 30, 2008

Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

I am pleased to present you the *Comprehensive Annual Financial Report of the San Mateo County Employees' Retirement Association* for the fiscal years ending June 30, 2008, and June 30, 2007.

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 18-26.

SamCERA's management is responsible for establishing and maintaining an internal control structure designed to ensure that *SamCERA*'s assets are protected from loss, theft, or misuse. 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 accounting firm of Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter, Certified Public Accountants, 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 safe-guard *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) and its predecessor the National Council on Governmental Accounting.

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 supporting schedules.

SamCERA's senior management has chosen to early implement the new GASB *Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27*, also known as GASB Statement No. 50. *SamCERA* early implemented this GASB statement for the year ended June 30, 2007.

SamCERA's funding objective is to satisfy all benefit commitments by following an actuarially prudent funding plan, by obtaining superior investment returns, in light of current markets, consistent with established risk controls and by minimizing employer contributions to the retirement fund.

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. *SamCERA* strives to provide the most recent financial and actuarial data in its annual report. Therefore, the actuarial valuation of June 30, 2008, is used in this CAFR.

AUTHORITY, RESPONSIBILITIES & DUTIES

SamCERA was created by the Board of Supervisors in 1944, pursuant to the provisions of California's County Employees' Retirement Law of 1937 (the '37 Act) and County Ordinance 564.

SamCERA provides retirement, disability and death benefits for its eligible members in accordance with the provisions of the Constitution of the State of California and the '37 Act as well as applicable statutes, regulations and case law.

The Board of Retirement serves as fiduciary for all of *SamCERA's* members. The board is responsible for administering the provisions of the '37 Act that the Board of Supervisors has made applicable to San Mateo County. The Board of Retirement has adopted its *Mission & Goals; Statement of Strategic Services; Regulations of the Board of Retirement; SamCERA's Investment Policy; SamCERA's Sources, Uses and Budget Report; Conflict of Interest Code; Code of Fiduciary Conduct* and *Delegation of Authority, et al* to document the board's policies. In addition, the board has executed contracts for the professional services of an actuary, investment consultant, investment managers, and a global custodian to help the board fulfill its duties. The board's professional consultants are highlighted in the organizational chart on page 14.

SamCERA's Chief Executive Officer 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 in accordance with the board's *Delegation of Authority*. *SamCERA*'s staff of sixteen 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 permanent employees of the County of San Mateo and the San Mateo County Mosquito Abatement and Vector Control District, vested former employees who elected deferred retirement, and all current retirees and benefit recipients. More than 85% of *SamCERA*'s members are classified as General Members. General Members are covered by the applicable provisions set forth in the '37 Act and the laws and rules governing federal Social Security benefits. The remainder of *SamCERA*'s members are law enforcement employees classified as Safety members or Probation Safety members. These members are covered by specific Safety Member provisions of the '37 Act but are not covered by Social Security.

SamCERA's Membership as of June 30, 2008

Plan (Tier)		One	Two	Three	Four	Total
Retirees and beneficiaries currently receiving benefits:						
	General	2,132	1,130	77	46	3,385
	Safety	283	78	0	6	367
	Probation	66	24	0	0	90
	Subtotal	2,481	1,232	77	52	3,842
Terminated employees entitled to but not currently receiving benefits (Deferred):						
	General	55	539	127	391	1,112
	Safety	8	36	0	29	73
	Probation	0	15	0	25	40
	Subtotal	63	590	127	445	1,225
Current employees:						
Vested:						
	General	132	1,327	56	1,258	2,773
	Safety	16	166	0	140	322
	Probation	8	90	0	130	228
Non-Vested:						
	General	1	2	83	1,884	1,970
	Safety	0	0	0	110	110
	Probation	0	0	0	97	97
	Subtotal	157	1,585	139	3,619	5,500
Total *SamCERA* Membership		2,701	3,407	343	4,116	10,567

I encourage you to review the following narrative introduction as well as the Management Discussion and Analysis beginning on page 18.

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The report consists of six sections, as follows.

•**The Introductory Section** includes *SamCERA*'s *Mission & Goals*, this Letter of Transmittal, a listing of the Members of the Board of Retirement and an organizational chart of *SamCERA*'s staff and the professional organizations which carry out *SamCERA*'s programs. This Letter of Transmittal also provides an overview of *SamCERA* and the significant activities and events that occurred during the fiscal year.

•**The Financial Section** presents information regarding *SamCERA*'s financial condition. This section contains the opinion of *SamCERA's* Independent Auditor, Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter Accountancy Corporation (Brown Armstrong), the Management Discussion and Analysis, *SamCERA*'s financial statements and supplemental financial information. Brown Armstrong concludes that its audit of *SamCERA*'s financial statements, as set forth in the Financial Section, provides a reasonable basis for the auditor to determine that the financial statements present *SamCERA*'s financial position fairly. During the fiscal year, retirement fund assets decreased from $2.132 billion to $2.011 billion.

The collection of employer and employee contributions and investment income provides the reserves needed to finance retirement benefits. Contributions, investment income, and other additions for the fiscal year were a negative $10,592,296.

Additions to SamCERA's Assets

Contributions	
Employer	$ 105,339,570
Employee	60,111,183
Total Contributions	165,450,753
Investment Income	(165,299,935)
Less investment expense	(10,924,162)
Net Investment Income	(176,224,097)
Other Additions	181,048
TOTAL ADDITIONS	($10,592,296)

The '37 Act permits the use of retirement fund assets to pay earned service retirement benefits, disability benefits, death benefits, and refunds of member contributions. In addition the '37 Act permits the payment of administrative and professional expenses from the retirement fund. Benefits and expenses for the fiscal year totaled $110.3 million.

Deductions from SamCERA's Assets

SamCERA Benefits:	
Service retirement allowance	$90,306,502
Disability retirement allowance	12,760,602
Death and other benefits	902,959
Total Association benefits	103,970,063
Refunds of members' contributions	3,074,453
Administrative expense	3,231,136
Other Expenses	7,914
TOTAL DEDUCTIONS	$110,283,566

Please refer to the Management Discussion and Analysis in the Financial Section for a narrative overview and analysis of *SamCERA's* financial activities for the fiscal year ending June 30, 2008.

Note 3 to the Financial Statements includes a discussion of *SamCERA'*s Market Stabilization Account which is used to smooth the actuarial value of assets over a five-year period. As of June 30, 2008, the reserve was a negative $208,198,190. This amount is the unrecognized difference between *SamCERA*'s actual market returns and the returns generated by earnings equal to the actuarial interest rate of 7.75%. These actuarial losses will be transferred onto the actuarial balance sheet over the next 4.5 years. Once on the actuarial balance sheet they will be amortized over *SamCERA*'s actuarial funding period of 15 years. *SamCERA* employs a layered methodology that amortizes actuarial gains and losses over the 15-year period that begins in the year they are recognized on the actuarial balance sheet.

•**The Investment Section** presents information regarding *SamCERA*'s investment program. All investments are made in accordance with the guidelines set forth in *SamCERA's Investment Policy* by discretionary institutional investment advisors retained by the board. The section contains the statement produced by the board's independent investment consultant, Strategic Investment Solutions, along with a summary of *SamCERA*'s asset allocation, investment activity and performance. Strategic Investment Solutions reports that over the past year the Retirement Fund returned -7.65%, approximately 301 basis points less than the Median Public Plan, and 31 basis points less than the performance of its policy benchmark.

SamCERA's Asset Allocation

	Target	June 30, 2008
Equity	67.0%	61.5%
Fixed Income	27.0%	29.5%
Real Estate	6.0%	8.5%
Cash	0.0%	0.5%

•The Actuarial Section presents information regarding the actuarial condition of *SamCERA*. The section contains the certification letter produced by the board's consulting actuary, Milliman, Inc., the funding status and a summary of other key actuarial information.

Milliman reported that as of June 30, 2008, *SamCERA*'s Actuarial Valuation Assets of $2.219 billion were equal to 79.1% of *SamCERA*'s Accrued Actuarial Liabilities of $2.806 billion, with full funding targeted for the year 2022. *SamCERA*'s Unfunded Actuarial Accrued Liability totaled $587.3 million on June 30, 2008. The Market Stabilization Account decreased to -$208.2 million.

The following table reflects recent contribution changes:

Contribution Rates Effective in Fiscal Year:	**2009-2010**	**2008-2009**	**2007-2008**
Employer Rate (Actuary's Estimated Aggregate)	**23.62%**	**23.76%**	**24.71%**
% Decrease	*-0.58%*	*-0.95%*	*1.79%*
Employee Rate (Actuary's Estimated Aggregate)	**9.74%**	**9.70%**	**9.70%**
% Increase	*0.04%*	*0.00%*	*-0.10%*

This report utilizes information from the actuarial valuation of the system as of June 30, 2008.

•The Statistical Section presents general information regarding *SamCERA*'s membership and operations over the past decade as required by the CAFR standards.

•The Compliance Section includes the 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. The report noted no matters involving the internal control over financial reporting and its operations that were considered to be material weaknesses. The results of tests by the auditor disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

LOOKING BACKWARD AND FORWARD

Three *SamCERA* board members left office during the first half of 2008: **Tom Bryan, Paul Hackleman**, and **Scott Lee**.

Tom Bryan had served as a board member since July 1986. When he officially retired at the end of March he had served more than 21 years on the Retirement Board. He served as board chair four different times and held every board office. He departed as the current board chair. When he began his board service, the trust fund held about $290 million. At the time of his departure it had grown to more than $2 billion. **Paul Hackleman**, Benefits Manager for San Mateo County, also retired at the end of March. He was first elected to the board in June 2005. He served on the Investment Committee during the 2006-2007 fiscal year. **Scott Lee,** an appointed member of the board, resigned due to changes in his job duties which made him unable to continue as a board member. He was a Vice President with Franklin Templeton.

In June 2008 the County Elections Division conducted an election to fill two of the vacant positions. As a result of the election, **Natalie Kwan Lloyd** and **Albert David** were elected by the active members of the retirement association. Ms. Lloyd is an Appraiser in the San Mateo County Assessor's Office. She joined the board in July to serve out the unexpired term of Tom Bryan. Her term will expire June 30, 2010. Mr. David is an Information Services Dept. IMS-Health Relationship Manager. He is also a retired Army Reserve Lieutenant Colonel. He joined the board in July to serve out the unexpired term of Paul Hackleman. His term will expire June 30, 2009.

Shortly after the election, the Board of Supervisors appointed Ben Bowler to fill the seat vacated by Scott Lee. Bowler is the Assistant Treasurer of Finance and Planning at Con-Way, Inc. His term will expire June 30, 2010.

The *SamCERA* Board of Retirement consists of nine members. Four positions are appointed by the Board of Supervisors. Four members are elected from the membership. The County Treasurer is a member of the board by virtue of his office.

In addition to those named above, members of the board during the 2007-2008 fiscal year included Board Chair **Emily Tashman**, a finance professional who was appointed in January 2004; Vice Chair **David Wozniak**, a Deputy Sheriff first elected in June 2006; **James Hooley**, Secretary, retired Associate Superintendent of the San Mateo County Office of Education, first appointed in September 2003; San Mateo County Treasurer **Lee Buffington**, a member by virtue of his county office; **Bette Stuart**, the elected Retired Member who was first elected in 1988; and **Margaret Jadallah**, a Principal with the Investment Services Group of Harris My CFO who was first appointed in August 2007. Deputy County Treasurer **Sandra Arnott** substitutes for the Treasurer when needed. Probation Services Manager **Alma Salas** is the Safety Alternate. **John Murphy** is the Retired Alternate.

SamCERA issued its third on-line Customer Services Survey in late 2007. All ratings fell between good and excellent. Consistent with past surveys, members continued to ask for more retirement education. To comply, *SamCERA* has added a retirement seminar for late-career members ("I'm Eligible to Retire-What Now?") and an online video for new hires ("Your *SamCERA* Retirement Plan.") to its regular workshop ("Ready to Retire") for those at the end of their careers. In the next fiscal year *SamCERA* has budgeted to hire a firm to provide a series of financial management seminars.

At the start of the 2007-08 fiscal year, *SamCERA* made available to active members the purchase of Additional Retirement Credit or ARC Time. The purchases are based on section 31658 of the '37 Act. The section allows eligible members to purchase up to five years of additional retirement credit at full actuarial cost. Since adoption, more than 135 *SamCERA* members have purchased ARC time, equivalent to about 2.5% of the active membership.

SamCERA hired Sikich LLP in May to install an upgrade of its Great Plains accounting system software. Working with the county Information Services Division, *SamCERA* staff completed installation of a wireless connection to the county information services center. The wireless connection now provides data transmission capacity that is 45 times greater than the previous link through T-1 lines.

In July *SamCERA* expanded into additional square footage immediately adjacent to its current office in Redwood Shores. The space provides a larger boardroom for conduct of member education programs, expansion space for future growth, more storage, more file space, more server space, sufficient office space to fill two vacant positions, a separate counseling room and a workroom for office equipment.

SamCERA returned -7.65% for the 07-08 fiscal year, but stayed above the $2 billion mark in total assets. *SamCERA* hired Jennison Associates in the early part of 2008 to run approximately $80 million in a core small cap equity portfolio. The Board and Investment Committee are currently working with Strategic Investment Solutions (SIS) to look at the large cap manager structure.

In early 2008, the staff reviewed its Strategic Plan during a one-day retreat and in subsequent in-office meetings. During the 2008 calendar year *SamCERA* will pursue three major goals, all of which are derived from and consistent with *SamCERA's* mission statement:

Customer Services Goal
Provide caring, fair, accurate, timely and knowledgeable professional services to *SamCERA's* clients and the public. Constantly improve the effectiveness of *SamCERA's* services. Significant projects under this goal include the development of a Member Education Master Plan, and development of on-line methods to help members assess the impact of income tax withholding changes.

Operations Goal
Constantly improve the effectiveness and efficiency of *SamCERA's* operations. Significant projects under this goal include upgrading the association's accounting system software, finalizing the move to new office space and filling two vacant staff positions.

Asset Management Goal
Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement association. Major projects include review of the plan's overall asset allocation, review of the oversight process for investment management firms, and provision of trustee education regarding various alternative investment vehicles.

Each goal has a number of specific projects designed to help achieve it. The projects incorporate ideas generated during all three staff retreats held beginning in 2005. In all there are now 45 projects for the staff to initiate and/or complete during the 2008 calendar year. In the previous three years staff has completed a total of 63 projects.

CERTIFICATE OF ACHIEVEMENT AND ACKNOWLEDGEMENTS

For the twelfth 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 our Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2007. The certificate is reproduced on page 11.

SamCERA is also the recipient of the Government Finance Officers Association (GFOA) Award for Outstanding Achievement in Popular Annual Financial Reporting for the sixth year running. We received this honor for our Popular Annual Financial Report (PAFR), for the fiscal year ended June 30, 2007.

These awards recognize contributions to the practice of government finance exemplifying outstanding financial management; 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

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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Members of the Board of Retirement

for the fiscal year ending June 30, 2008

EMILY TASHMAN, CHAIR ***appointed by the Board of Supervisors, Fourth Member***
Emily Tashman is a finance professional who has worked with DIVA Systems, Barclays Bank, Toronto Dominion Bank, Bank of California and SRI International. Emily joined the board in January of 2004. She was elected Vice Chair in July 2006 and Board Chair in April 2008. Her term expires June 30, 2009.

DAVID J. WOZNIAK, VICE CHAIR ***elected by SamCERA's Safety Members, Seventh Member***
David Wozniak is a Deputy with the San Mateo County Sheriff's Office. He was elected to the board in 2006 and began his term in July of that year. He was elected Board Vice Chair in April 2008. He is a member of the Audit Committee. His term expires on June 30, 2009.

JAMES HOOLEY, SECRETARY ***appointed by the Board of Supervisors, Sixth Member***
James Hooley retired as Associate Superintendent of the San Mateo County Office of Education. Jim joined the Board of Retirement in September 2003. His term expires June 30, 2009.

LEE BUFFINGTON ***Ex Officio per the '37 Act, First Member***
Lee Buffington is the elected Tax Collector/Treasurer of San Mateo County. The law designates the County Treasurer as a permanent member of the Board of Retirement. Lee joined the board in October 1985. His term expires June 30, 2010.

MARGARET JADALLAH ***appointed by the Board of Supervisors, Ninth Member***
Margaret Jadallah is a Principal with the Investment Services Group of Harris My CFO. She was formerly Director of Manager Research with Strategic Investment Solutions and in that role provided investment advice to the *SamCERA* board. Margaret was first appointed in August 2007. She is a member of the Investment Committee. Her term expires June 30, 2010.

BETTE PERROTON STUART ***elected by SamCERA's Retired Members, Eighth Member***
Bette Perroton Stuart retired as Retirement Officer in 1988 after nearly 20 years with San Mateo County. Bette joined the board in December of 1990. She served as Chair from 1996 – 1998. Her term expires June 30, 2010.

TOM E. BRYAN ***elected by SamCERA's General Members, Third Member***

Tom Bryan is a Principal Appraiser with the county and a Steward with SEIU Local 715. Tom joined the board in July of 1986. He served as Chairman from 1989 – 1990 and 2002 – 2003 and 2006-2007. He retired in March 2008.

PAUL HACKLEMAN ***elected by SamCERA's General Members, Second Member***
Paul Hackleman was the San Mateo County Benefits Manager. He was elected to the Board of Retirement in June 2006. In fiscal year 2006-2007 Paul served as Chair of the Investment Committee. He retired in March 2008.

SCOTT LEE ***appointed by the Board of Supervisors, Fifth Member***

Scott Lee was appointed by the Board of Supervisors in March 2007 to complete the term of Kenneth Lewis, then was appointed to a full term beginning July 1, 2007. Scott is a Chartered Financial Analyst and a Senior Vice President with Franklin Resources. He resigned his position on the board in May 2008.

Members of the Board of Retirement (continued)
Alternate Board Members

for the fiscal year ending June 30, 2008

SANDRA ARNOTT ***constitutional alternate for County Treasurer***

Sandra Arnott is the San Mateo County Deputy Treasurer and substitutes for the County Treasurer on the Board of Retirement in his absence.

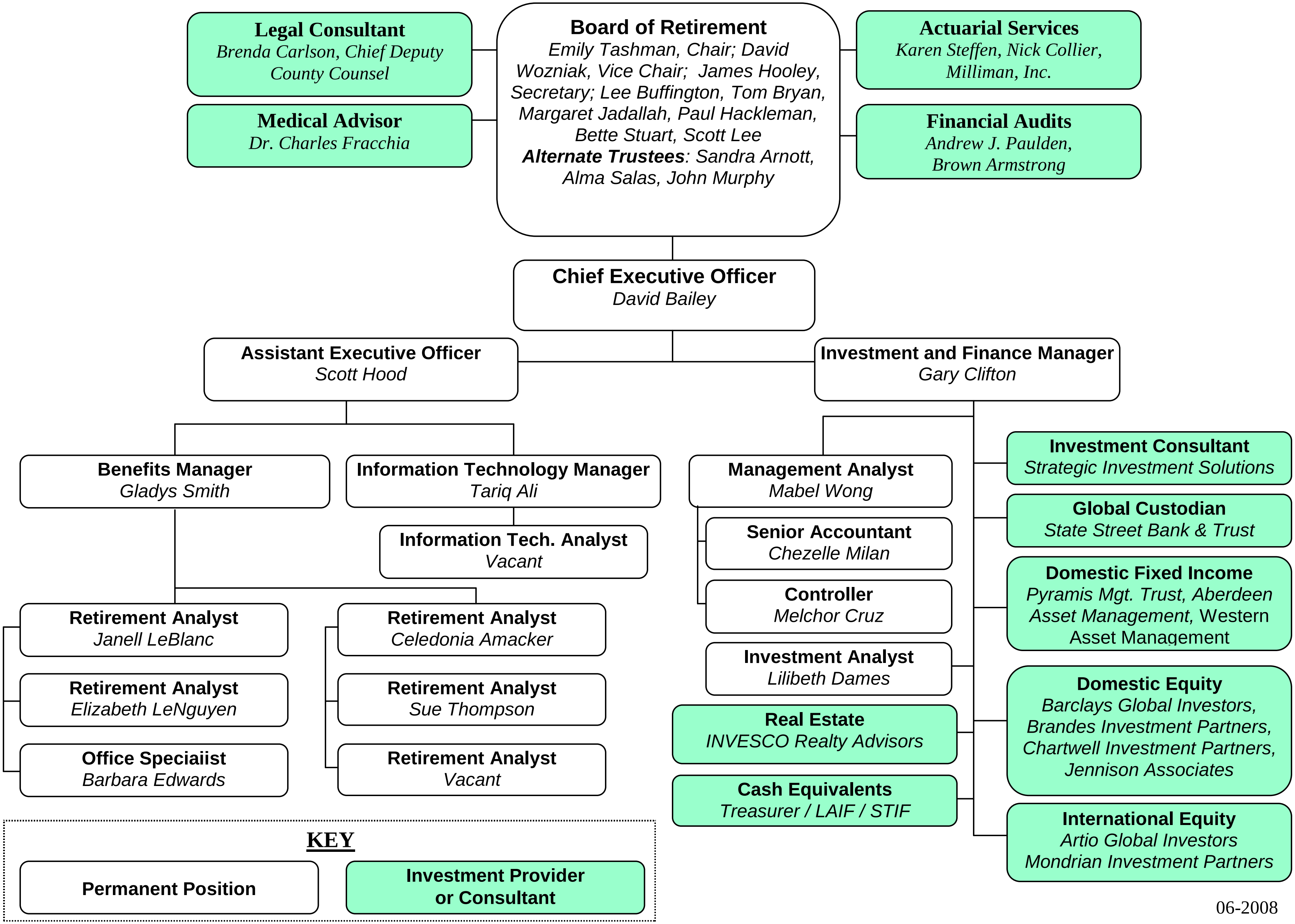
JOHN MURPHY ***elected by SamCERA's Retired Members, as Eighth Member Alternate***

John Murphy is a retired member of *SamCERA*. John was appointed by the Board of Retirement in July of 2006 to serve as the Retired Alternate. He serves in the absence of the Eighth Member. He was elected to the alternate retiree position in June 2007. His term expires June 30, 2010.

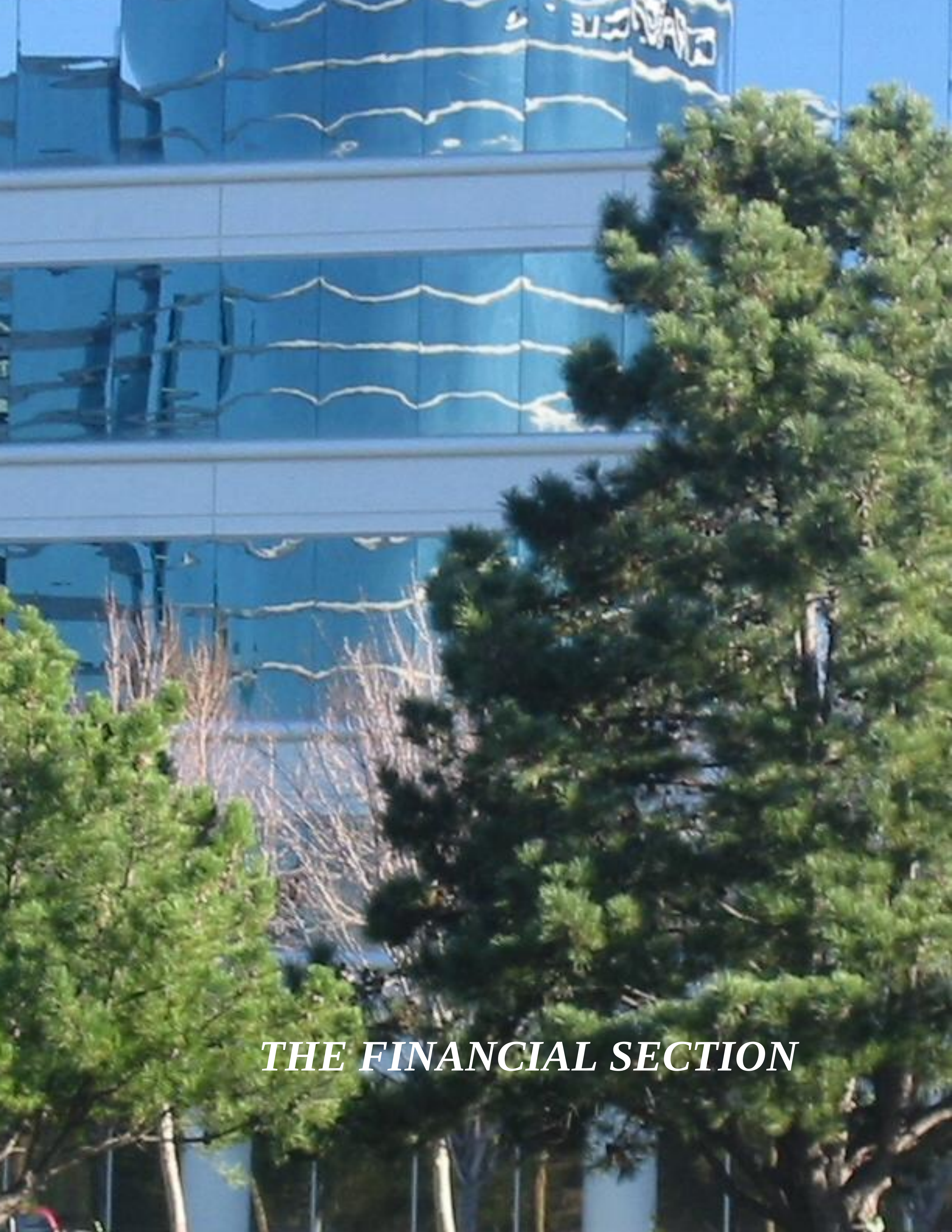
ALMA R. SALAS ***elected by SamCERA's Safety Members, Seventh Member Alternate***

Alma Salas is a Deputy Probation Officer III with San Mateo County Probation and President of the Probation & Detention Association. Alma joined the board in May 2001. She served as board chair during the 2004-2005 fiscal year. She was elected to serve as the "Safety Alternate" for a term beginning July 2006. She serves in the absence of the Second, Third and Seventh members. Her term expires June 30, 2009.

SamCERA Organizational Chart 2007-2008



A Schedule of Professional Services and Fees may be found on page 66 of the Investment Section.



THE FINANCIAL SECTION

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MCCOWN STARBUCK THORNBURGH & KEETER
Certified Public Accountants

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Shafter, California 93263
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INDEPENDENT AUDITOR'S REPORT

To the Members of the
San Mateo County Employees' Retirement Association
Audit Committee/Board of Retirement

We have audited the accompanying Statement of Plan Net Assets of the San Mateo County Employees' Retirement Association (SamCERA) as of June 30, 2008 and 2007 and the related Statement of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of SamCERA management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of SamCERA as of June 30, 2008 and 2007 and its changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Required Supplementary Information as listed in the table of contents is presented for purposes of additional analysis, as required by GASB, and is not a required part of the basic financial statements. This information is the responsibility of SamCERA's management. Such information has been subjected to the auditing procedures applied by us in the audit of the 2008 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2008 basic financial statements taken as a whole. The Other Supplementary information as listed in the table of contents, and the Investment, Actuarial and Statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of SamCERA. The Other Supplementary information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the information contained in the investments, actuarial and statistical sections and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of SamCERA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
October 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2007– 2008

As fiduciaries of the San Mateo County Employees' Retirement Association, 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, 2008, and 2007. The information presented here, in conjunction with the Notes to the Financial Statements beginning on page 13, provides a clear picture of *SamCERA's* overall financial status and activities.

Financial Highlights

- $2,010,738,768 in net assets as of June 30, 2008, are held in trust for pension benefits. All of the assets are available to meet S*amCERA's* ongoing obligation to plan participants and their beneficiaries.
- *SamCERA's* total net assets held in trust for pension benefits decreased by $120,875,862 or 5.67% primarily as a result of negative investment returns.
- *SamCERA's* funding objective is to meet long-term benefits obligations through contributions and investment income. As of June 30, 2008, the actuarial funded ratio for *SamCERA* was 79.1%.
- Revenues (Additions to Fiduciary Net Assets) for the year were -$10,592,296 which includes employer contributions of $105,339,570, member contributions of $60,111,183, investment losses of $166,998,502 (excluding investment expense of $10,924,162), and other additions of $181,048.
- Expenses (Deductions in Fiduciary Net Assets) increased from $99,815,173 to $110,283,566 over the prior year, or approximately 10.49%. The fiscal year 2008 expenses include $103,970,063 for benefit payments, $3,074,453 for member refunds, and $3,231,136 for administrative expenses. Most of this increase was due to an increase in benefits paid.
- Post employment benefits are administered by the plan sponsor, San Mateo County. However, for the past two years to provide clarity for the reader, *SamCERA*, as a component unit of San Mateo County, provided information similar to that required under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The information provided added to the confusion rather than provide clarity. *SamCERA* will reduce its note on post employment benefits to indicate that it does not administer post employment benefits.
- *SamCERA* early implemented GASB Statement No. 50, Pension Disclosures, effective for the year ended June 30, 2007. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

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 Statements of Fiduciary Net Assets
2. Comparative Statements of Changes in Fiduciary Net Assets
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 Comparative Statement of Fiduciary Net Assets 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, 2008. The net assets, which are assets less liabilities, reflect the funds available for future use.

The Comparative Statement of Changes in Fiduciary Net Assets 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 Governmental Accounting Standards Board (GASB) pronouncements.

The Comparative Statement of Fiduciary Net Assets and the Comparative Statement of Changes in Fiduciary Net Assets 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 year's revenues and expenses are taken into account 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 assets held in trust for pension benefits as one way to measure the plan's financial position. Over time, increases and decreases in *SamCERA's* net assets 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 decrease in *SamCERA's* plan net assets for the year ended June 30, 2008, was 5.67%. This decrease reflects the overall downturn in the global capital markets. Although it is an indicator that *SamCERA's* financial position deteriorated during the past fiscal year, it does not represent a trend. *SamCERA's* total gross fund return of -7.65% underperformed *SamCERA's* 7.75% actuarial assumed interest rate. Additionally the outlook for the future deteriorated from an actuarial perspective due to a decrease in net deferred investment gains of $363.1 million from $154.9 million in 2007 to -$208.2 million in 2008 which will be used to decrease actuarial assets over the next four to five years.

SamCERA's Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets appear on pages 12-13.

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. Notes to the Financial Statements appear on pages 14-31.

Required Supplementary Information follows the notes and provides additional information and detail concerning *SamCERA's* progress in funding its obligations to provide pension benefits to members, the trend of employers' contributions, pertinent actuarial information as of the latest valuation, and notes to the schedules of trend information. Although the postemployment benefit program is administered by the plan sponsor, San Mateo County, as clarification for the casual reader, *SamCERA's* Notes include a schedule detailing the county's progress in funding its obligation to provide other post employment benefits. Required Supplementary Information appears on pages 32-34.

Other Supplementary Information includes the schedules of administrative expenses, schedule of investment expenses, and schedule of payments to consultants. These schedules are presented immediately following the required supplementary information.

Financial Analysis

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

SamCERA's Fiduciary Net Assets held in trust for pension benefits as of June 30, 2008, totaled $2,010,738,768 which represents a decrease of $120,875,862 or -5.67% over the period. The decrease during the fiscal year is due mostly to market depreciation of investments. All of the net assets are available to meet *SamCERA's* ongoing obligations to plan participants and their beneficiaries.

In the table below 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 substantial increase in other assets from 2007 to 2008 is attributed to the fact that the Association reinstituted a security lending program and discloses the amount of cash collateral held for security lending. The increase in other assets in 2007 from 2006 is due to the increase in receivables from brokers for investments sold. The total liabilities referred to in the table are the following payables: investment management fees, due to broker for investments purchased, collateral payable for securities lending and other payables, which are general small amounts for various reasons. The increase in total liabilities for 2008 is also due to the new securities lending program. SamCERA now discloses the collateral payable for securities lending. The increase from 2006 to 2007 represents an increase in payables due to brokers for investments purchased.

***SamCERA's* Net Assets (Condensed) (Table 1)**

For the Years Ended June 30, 2008 and 2007	2008	2007	Amount Increase/ Decrease	Percent Increase/ Decrease
Investments at Fair Value	$1,992,209,133	$2,145,217,557	-$153,008,424	-7.13%
Other Assets	$413,641,515	$127,435,515	$286,206,001	224.59%
Total Assets	$2,405,850,648	$2,272,653,072	$133,197,577	5.86%
Total Liabilities	$395,111,881	$141,038,442	$254,073,439	180.14%
Net Assets	$2,010,738,768	$2,131,614,630	-$120,875,862	-5.67%

For the Years Ended June 30, 2007 and 2006	2007	2006	Amount Increase/ Decrease	Percent Increase/ Decrease
Investments at Fair Value	$2,145,217,557	$1,799,045,503	$346,172,054	19.24%
Other Assets	$127,435,515	$93,487,581	$33,947,934	36.31%
Total Assets	$2,272,653,072	$1,892,533,084	$380,119,988	20.09%
Total Liabilities	$141,038,442	$102,635,267	$38,403,175	37.42%
Net Assets	$2,131,614,630	$1,789,897,817	$341,716,813	19.09%

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

Capital Assets

As of June 30, 2008, the balance of *SamCERA's* capital assets (net of accumulated depreciation and amortization) remained the same at $0. All capital assets were fully depreciated in 2007. The decrease in the balance of capital assets (net) from 2006 to 2007 was due to the scheduled depreciation of computer hardware & business continuity assets. There were no significant commitments made for capital expenditures in the fiscal year ended June 30, 2008.

Reserves

The statement of *SamCERA's* reserves as shown in Table 2 indicates how *SamCERA's* fiduciary net assets have accumulated. *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 below). When a member retires, the fiduciary net assets attributable to that member are transferred to the Retiree Reserves from the Member Reserves and County Advanced Reserves. During the past several years the following significant board actions have impacted the reserve accounts:

- The adoption of the Governmental Accounting Standard Board Pronouncement 25, which mandates that investments be stated at fair value, effective in Fiscal Year 1996.
- The creation of the Market Stabilization Account as recommended by William M. Mercer, *SamCERA's* actuary at that time.
- The creation of the Ventura Contingency Reserve to pre-fund retroactive retiree benefits that resulted from the adverse decision in the matter of *Teamsters Local 856 vs. Board of Retirement, San Mateo County,* effective Fiscal Year 2000.
- The Board of Retirement adopted a policy in 2002 which states that the amount of investment earnings added or subtracted from the Market Stabilization Reserve cannot exceed 20% of the assumed investment return. If it does, then the excess is allocated to the Valuation Reserves.
- The retroactive implementation of *Ventura* had a total cost of $11,961,371 to the retirement plan. On May 31, 2005, the balance in the Ventura Reserve was transferred to the employer's retiree reserve, pursuant to Resolution 01-02-03 – *Ventura Litigation Contingency Reserve*.

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 declined by $363,081,909.

***SamCERA's* Reserves (Table 2)**

As of June 30	2008	2007	2006
Valuation Reserves:			
Member Reserves	$385,300,221	$359,484,306	$317,520,788
Employer Advanced Reserves	$279,375,884	$267,208,723	$237,937,565
Retiree Reserves	$784,613,246	$662,143,559	$608,740,188
Cost of Living Reserves	$769,647,607	$692,471,430	$630,374,435
Non-Valuation Reserves:			
Unallocated Earnings/Loss Account	$0	-$4,577,107	-$25,551,978
Market Stabilization Account	-$208,198,190	$154,883,719	$20,876,819
Net Reserves held in Trust for Pension Benefits	$2,010,738,768	$2,131,614,630	$1,789,897,817

Additions to Fiduciary Net Assets

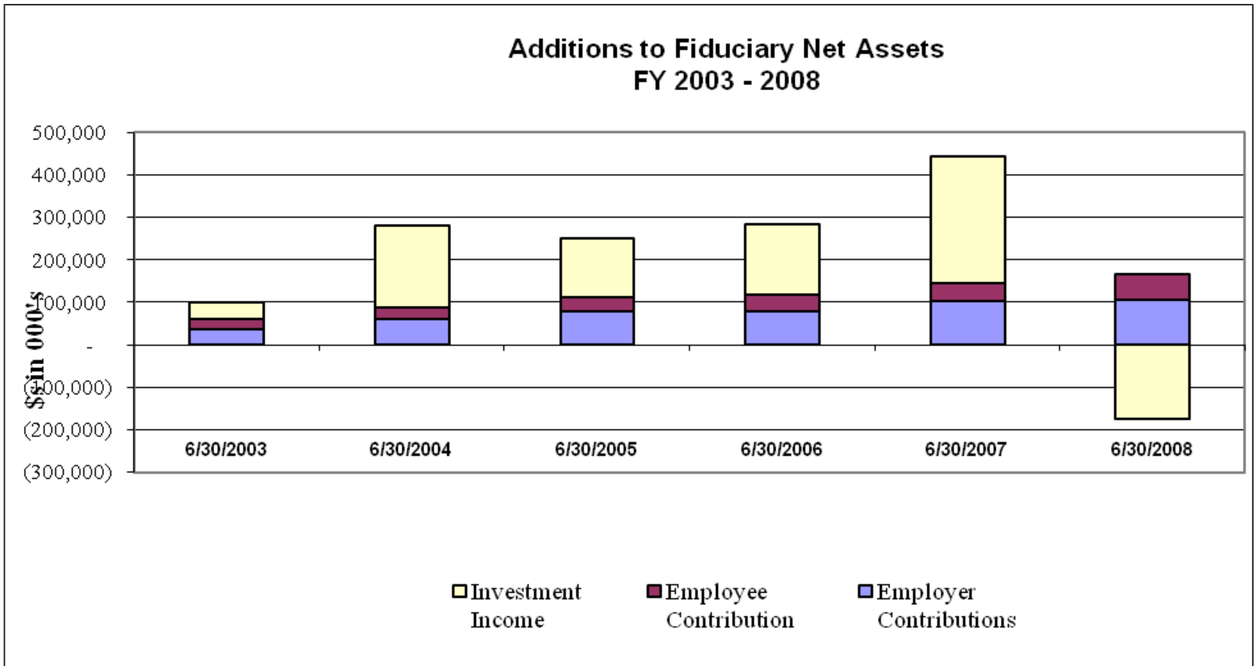
The primary sources of funding for *SamCERA* member benefits are employer contributions, member contributions, and net investment income. Total additions to fiduciary net assets for the fiscal years ended June 30, 2008, and 2007 were -$10,592,296 and $441,531,986, respectively. For 2008, the $452.1 million decrease in additions to fiduciary net assets was primarily due to a decrease in net investment income as the stock market underperformed expectations. For 2007, the $158.6 million increase in additions to fiduciary net assets versus the prior year additions was primarily due to an increase in net investment income as the stock market improved.

Employer contributions for 2008 were $105.3 million, an increase of $4.8 million over the prior year, primarily as a result of a pensionable wage increase of 3.0% over the prior year. Member contributions were $60.1 million. The $17.4 million increase over 2007, is primarily due to the purchase of additional retirement credit (ARC), which was $16.6 million. The increase in employer and member contributions in 2007 over 2006 were primarily due to an increase in the aggregate payroll.

Additions to Fiduciary Net Assets (Condensed) (Table 3)

For the Years Ended June 30, 2008 and 2007	2008	2007	Amount Increase/ Decrease	Percent Increase/ Decrease
Employer Contributions	$105,339,570	$100,549,570	$4,790,000	4.76%
Member Contributions	$60,111,183	$42,696,034	$17,415,149	40.79%
Investment Income/(Loss)	-$166,998,502	$308,936,504	-$475,935,006	154.06%
Less Investment Expenses	-$10,924,162	-$10,676,682	-$247,480	2.32%
Security Lending Income	$1,698,567	$0	$1,698,567	N/A
Other Additions	$181,048	$26,560	$154,488	581.66%
Total	-$10,592,296	$441,531,986	-$452,124,282	102.40%
Current Membership	10,567	10,384	183	1.76%

For the Years Ended June 30, 2007 and 2006	2007	2006	Amount Increase/ Decrease	Percent Increase/ Decrease
Employer Contributions	$100,549,570	$76,089,599	$24,459,971	32.15%
Member Contributions	$42,696,034	$39,962,616	$2,733,418	6.84%
Investment Income/(Loss)	$308,936,504	$175,345,112	$133,591,392	76.19%
Less Investment Expenses	-$10,676,682	-$8,519,247	-$2,157,435	25.32%
Security Lending Income	$0	$0	$0	N/A
Other Additions	$26,560	$49,038	-$22,478	-45.84%
Total	$441,531,986	$282,927,118	$158,604,868	56.06%
Current Membership	10,384	10,057	327	3.25%



Deductions from Fiduciary Net Assets

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, 2008, totaled $110,283,565 an increase of 10.49% over the prior fiscal year (refer to Table 4, page 10.)

Retirement annuities, survivor benefits, and permanent disability benefits were $103.9 million, an increase of $9.2 million or 9.7% over 2007. 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.

Member refunds were $3.1 million in 2008, an increase of $0.8 million or 37.0% over 2007. There was an increase in members requesting refunds in 2008 compared to 2007. In addition, member refunds stem from member contributions taken from their payroll. Each year the average compensation is generally better than the previous year, which results in a higher dollar amount withheld as a member's contribution.

In the fiscal year ended June 30, 2007, both retiree benefits and member refunds increased. Management attributes these trends to the overall enhanced economic environment and implementation of enriched retirement benefits.

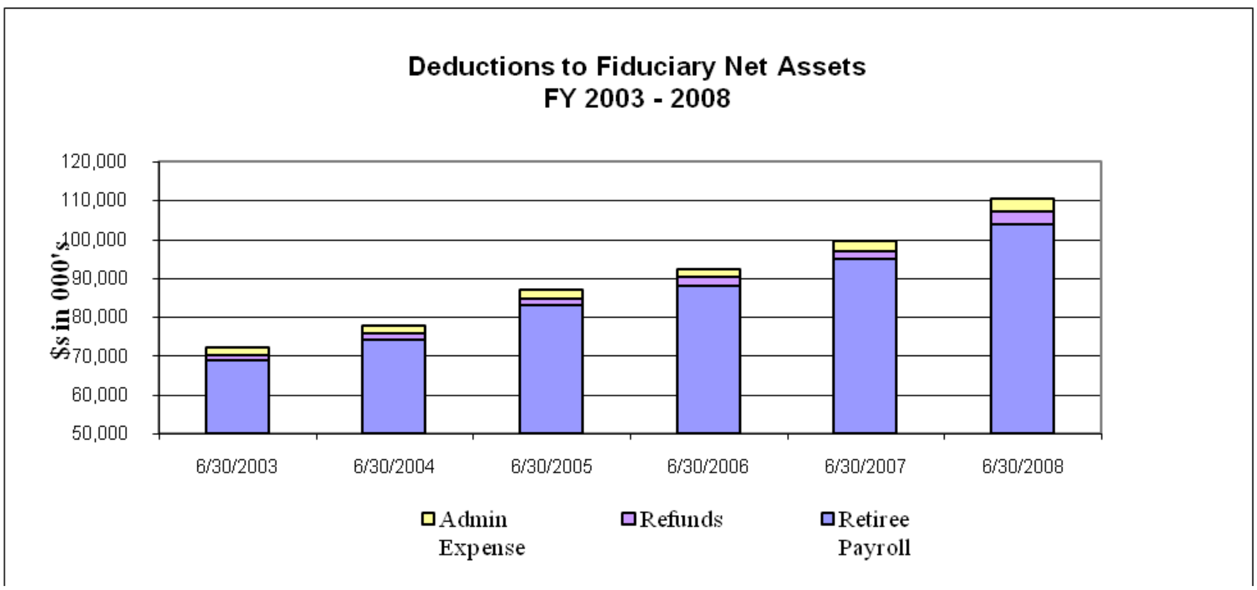
Administrative expense was $3.2 million for 2008. Administrative expense covers the basic costs of operating the retirement system. These include staffing, office expense, information technology systems, depreciation, and miscellaneous expenses. Approximately half of the administrative expense is for staffing (wages, fringe benefits, and temporary labor). During the year *SamCERA* increased its office capacity. Preparing the space and the expense of the additional square footage was the biggest factor in the increased administrative expenses.

The system's administrative expenses increased by $496,056, or 23.8% in the 2006-2007 fiscal year. The increased expenditure for that year was primarily attributable to an increase in the salary and benefit categories, which is a result of filling staff positions that were vacant in the prior fiscal year.

The annual amount of administrative expense is subject to legal and budgetary restrictions. Each year the Board of Retirement approves the annual budget in accordance with legal spending restrictions. The administrative expense represents approximately 0.16% of total assets. The County Employees Retirement Law of 1937 limits *SamCERA's* administrative budget to eighteen-hundredths of 1 percent (0.18%) of the total assets of the retirement system. *SamCERA* has consistently been within its approved administrative budget and within the 18 basis point limitation.

Expenses of *SamCERA's* professional services are included with investment expense. For the fiscal years ended June 30, 2008, and June 30, 2007, the expenditures for actuarial services, custodian services and investment consultant services were consistent with the original appropriations. Investment management fees were slightly lower than budgeted due to assets not appreciating as fast as anticipated. Investment management fees are driven by contractual agreements and based on total fair market value of assets under management.

Deductions of $110,283,566 exceeded additions of -$10,592,296, resulting in a decrease of $120,875,862 in fiduciary net assets for the fiscal year ended June 30, 2008.



Deductions in Fiduciary Net Assets (Table 4)

For the Years Ended June 30, 2008 and 2007	2008	2007	Amount Increase/ Decrease	Percent Increase/ Decrease
Retiree Benefits	$103,970,063	$94,788,302	$9,181,761	9.69%
Member Refunds	$3,074,453	$2,243,677	$830,776	37.03%
Administrative Expenses	$3,231,136	$2,582,026	$649,110	25.14%
Other Expense	$7,914	$201,168	-$193,254	-96.07%
Total	$110,283,566	$99,815,173	$10,468,393	10.49%
Benefit Recipients	3,842	3,694	148	4.01%

For the Years Ended June 30, 2007 and 2006	2007	2006	Amount Increase/ Decrease	Percent Increase/ Decrease
Retiree Benefits	$94,788,302	$87,914,564	$6,876,738	7.82%
Member Refunds	$2,243,677	$2,257,849	-$14,172	-0.63%
Administrative Expenses	$2,582,026	$2,085,970	$496,056	23.78
Other Expense	$201,168	$40,620	$160,548	395.24%
Total	$99,815,173	$92,299,003	$7,516,170	8.14%
Benefit Recipients	3,694	3,613	81	2.24%

The change in fiduciary net assets consists of total additions reduced by total deductions. Table 5 below shows condensed information about this financial activity. Fiduciary net assets decreased by $120.9 million for the year ended June 30, 2008. The magnitude of this decrease is largely due to the depreciation of investment assets during the year.

Changes in Fiduciary Net Assets (Condensed) (Table 5)

For the Years Ended June 30, 2008 and 2007	2008	2007	Amount Increase/ Decrease	Percent Increase/ Decrease
Beginning Plan Net Assets	$2,131,614,630	$1,789,897,817	$341,716,812	19.09%
Total Additions	-$10,592,296	$441,531,986	-$452,124,282	-102.40%
Total Deductions	$110,283,566	$99,815,173	$10,468,393	10.49%
Ending Plan Net Assets	$2,010,738,768	$2,131,614,630	-$120,875,862	-5.67%

For the Years Ended June 30, 2007 and 2006	2007	2006	Amount Increase/ Decrease	Percent Increase/ Decrease
Beginning Plan Net Assets	$1,789,897,817	$1,599,269,701	$190,628,116	11.92%
Total Additions	$441,531,986	$282,927,118	$158,604,868	56.06%
Total Deductions	$99,815,986	$92,299,003	$7,516,171	8.14%
Ending Plan Net Assets	$2,131,614,630	$1,789,897,816	$341,716,813	19.09%

SamCERA's Fiduciary Responsibilities

SamCERA's board 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 the San Mateo County Employees' Retirement Association'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 Shores, CA 94065
Telephone: (650) 599-1234
Facsimile: (650) 591-1488

Respectfully submitted,

Gary Clifton

Gary L. Clifton
Investment and Finance Manager
October 30, 2008

San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets
June 30, 2008 and 2007

	2008	2007
Assets:		
Cash and Deposits	$64,334,888	$60,996,157
Security Lending Cash Collateral	234,500,134	0
Total Cash	298,835,022	60,996,157
Receivables:		
Contributions	6,357,986	5,547,335
Due from broker for investments sold	103,095,295	56,373,356
Investment income	4,902,482	4,275,585
Security Lending Income	193,166	0
Other receivables	249,895	182,570
Total Receivables	114,798,824	66,378,846
Prepaid Expense	7,669	60,512
Investments, at fair value		
Domestic fixed income securities	597,506,051	592,394,012
Domestic equities	818,989,346	944,261,933
International equities	405,738,858	451,951,391
Real estate	169,974,878	156,610,221
Total Investments	1,992,209,133	2,145,217,557
Capital assets, at cost, net of accumulated depreciation of $0 and $28,011 at 2008 and 2007, respectively.	0	0
Total Assets	2,405,850,648	2,272,653,072
Liabilities:		
Payables		
Investment management fees	1,502,949	1,511,285
Due to broker for investments purchased	158,454,659	138,826,805
Collateral Payable for Securities Lending	234,500,134	0
Other	654,138	700,352
Total Liabilities	395,111,880	141,038,442
Net Assets Held in Trust For Pension Benefits (Note 3)	$2,010,738,768	$2,131,614,630

(See Schedule of Funding Progress presented on page 32)

The accompanying Notes to the Financial Statements beginning on page 14 are an integral part of these financial statements.

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets
For The Years Ended June 30, 2008 and 2007

	2008	2007
Additions:		
CONTRIBUTIONS (Note 3)		
Employer	$ 105,339,570	$ 100,549,570
Member	60,111,183	42,696,034
Total Contributions	165,450,753	143,245,604
INVESTMENT INCOME		
Interest and dividends	47,565,116	39,887,256
Net appreciation (depreciation) in Fair value of investments	(214,563,618)	269,049,248
	(166,998,502)	308,936,504
Less investment expense	10,924,162	10,676,682
Net Investment Income	(177,922,664)	298,259,822
Security Lending Income		
Earnings	10,083,125	0
Less Security Lending Expense	8,384,558	0
Net Security Lending Income	1,698,567	
Other Additions	181,048	26,560
Total Additions	(10,592,296)	441,531,986
Deductions:		
ASSOCIATION BENEFITS:		
Service retirement allowance	90,306,502	82,654,968
Disability retirement allowance	12,760,602	11,348,855
Survivor, death and other benefits	902,959	784,479
Total Association Benefits	103,970,063	94,788,302
REFUNDS OF MEMBERS' CONTRIBUTIONS	3,074,453	2,243,677
ADMINISTRATIVE EXPENSE (Note 3)	3,231,136	2,582,026
OTHER EXPENSE	7,914	201,168
Total Deductions	110,283,566	99,815,173
Net (Decrease)	(120,875,862)	341,716,813
Net Assets Held in Trust for Pension Benefits:		
Beginning of year	2,131,614,630	1,789,897,817
End of year	$2,010,738,768	$2,131,614,630

The accompanying Notes to the Financial Statements beginning on page 14 are an integral part of these financial statements.

Note 1 - Plan Description

The following description of the San Mateo County Employees' Retirement Association (the Association) is provided for general information purposes. The Association is governed by the California Constitution, the County Employees' Retirement Law of 1937 (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 (the Primary Employer) and the San Mateo County Mosquito and Vector Control District. The Association is a Component Unit of the Primary Employer. 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; the eighth member shall be a retired member elected from the retired membership.

The Association has four tiers, which cover members classified as general, safety or probation. Members hired on or before July 6, 1980, became members of Tier One. Members hired after July 6, 1980, and before July 13, 1997, became members of Tier Two. Members hired on or after July 13, 1997, become members of Tier Four. New General Members may also elect membership under Tier Three, a non-contributory plan. New employees appointed to positions of active law enforcement become safety members under Tier Four. 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 become members under Tier Four for probation officers. From January 1, 1993, general members in Tier Three 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 equivalent to the purchase.

The Association is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). As of June 30, 2008, the Association membership consisted of the following:

Retirees and beneficiaries currently receiving benefits:	Tier One	Tier Two	Tier Three	Tier Four	Total
General	2,132	1,130	77	46	3,385
Safety	283	78	0	6	367
Probation	66	24	0	0	90
Subtotal	2,481	1,232	77	52	3,842
Terminated members entitled to but not currently receiving benefits (deferred):					
General	55	539	127	391	1,112
Safety	8	36	0	29	73
Probation	0	15	0	25	40
Subtotal	63	590	127	445	1,225
Totals Forwarded	2,544	1,822	204	497	5,067

Note 1 - Plan Description – General (Continued)

	Tier One	Tier Two	Tier Three	Tier Four	Total
Totals Forwarded	2,544	1,822	204	497	5,067
Current Members:					
Vested:					
General	132	1,327	56	1,258	2,773
Safety	16	166	0	140	322
Probation	8	90	0	130	228
Non-Vested:					
General	1	2	83	1,884	1,970
Safety	0	0	0	110	110
Probation	0	0	0	97	97
Subtotal	157	1,585	139	3,619	5,500
Total	2,701	3,407	343	4,116	10,567

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 cost-of-living adjustments upon retirement for members of Tiers One, Two and Four. The benefits of Tier Three 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 with 10 years of continuous service (permanent part-time employees need equivalent of 5 years of full-time service and 10 years of membership) 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

General members in Tiers One, Two and Four 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 county 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 Three) with 10 years of service who terminate their employment with the county may elect a deferred retirement.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Association follows the accounting principals and reporting guidelines as set forth by the Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of *SamCERA*. Investment income is recognized when it is earned, and expenses are recognized when they are 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 of San Mateo's financial statements as a component unit 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 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 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 – Investments are reported at fair value.

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 contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets. In the interim quarters, real estate assets are reported at fair value utilizing an income approach to valuation.

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.

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 statements of plan net assets 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 statements of plan net assets 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 statements of plan net assets 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's* qualify under Section 401(a) of the Internal Revenue Code and are not subject to tax under present income tax laws. On January 1, 1987, 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

Property, Plant and Equipment

Capital assets are valued at historical cost, net of accumulated depreciation. Capital assets with an initial cost of more than $3,000 and an estimated useful life in excess of three years are capitalized and depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets. The estimated useful lives for the assets in each category are as follows: office furniture – seven years; office equipment – five years; business continuity assets – three years; computer hardware – three years; and computer software – three years.

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 counter parties to meet the terms of their contracts and from movements in exchange and interest rates.

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, 2007, from which the summarized information was derived.

Note 3 - Contributions, 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 One, Tier Two, Tier Three and Tier Four). 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 One, Two and Four active members are required by statute to contribute toward their retirement benefits. Tier Three 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. 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 Three 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 contribute an additional 3.0% of covered salary to help offset benefits. Employees of the San Mateo County Mosquito and Vector Control District did not receive the enhanced benefits and do not make additional contributions. The average member rate, based on the actuarial valuation as of June 30, 2008, and effective July 1, 2009, increased to 9.74% from the previous rate of 9.70% for the June 30, 2007, valuation, and effective July 1, 2008.

The participating employers are required by statute to contribute the amounts necessary to fund the estimated benefits accruing to *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. Beginning with the June 30, 2008 actuarial valuation *SamCERA* converted to the 15-year layered amortization methodology. Under this methodology, the original unfunded amount (UAAL) is amortized over 15 years as of the valuation date. Future actuarial gains and losses are amortized over new 15-year periods. The San Mateo County Mosquito and Vector Control District contributes a lower percentage of covered payroll than does San Mateo County, due to lower benefits provided to the Mosquito and Vector Control District employees. 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 average employer contribution rate decreased from 23.76% for the valuation ended June 30, 2007, to 23.62% in the valuation ended June 30, 2008. The most important factor causing this decrease in contribution rates was the positive investment return which caused a decrease in the UAAL. The normal cost and UAAL contribution rates are shown in the following table.

	2008	2007	Change
Normal Cost	11.69%	11.82%	0.13%
UAAL Amortization	11.93%	11.94%	0.01%
Total Contribution Rate	23.62%	23.76%	0.14%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	105,340	100%
2007	100,550	100%
2006	76,090	100%

The county pays 100% of management employees', unrepresented attorneys' and sheriff's sergeants' contributions and 50% of confidential employees' contributions 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.

For the fiscal year ended June 30, 2008, the county paid its employer contributions due to *SamCERA* in the form of a prepayment on the first pay date of the fiscal year. The prepayment is based on the adopted actuarial contribution rates and the estimated annual covered payroll by tier discounted by the actuarial assumption rate. Throughout the year, as the bi-weekly payroll becomes known, the prepayment is reduced by actual contributions owed. At year end there is a true-up based on the actual contributions owed. The 2007/2008 prepayment was $3,532,505 less than contributions owed, which includes a credit to the county of $12,260 under the replacement benefits program. The county made up this shortfall on June 30, 2008.

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 eighteen-hundredths of one percent (0.18%) of total system assets as set forth under Government Code Section 31580.2. *SamCERA's* policy is to assess compliance with the limitation based on an asset valuation, which is the average of the Net Assets Held in Trust for Pension Benefits The average is a simple calculation of the sum of the assets at the beginning of the year and the assets at the end of the year divided by two. *SamCERA's* administrative expenses totaled 0.16% for the fiscal year ended June 30, 2008.

Administrative costs of the Association are financed through employer and member contributions and investment earnings. Administrative costs reported in the statement of changes in plan net assets include:

	2008	2007
Salaries and member benefits	$1,914,786	$1,726,564
Services and supplies	1,316,350	846,125
Depreciation	0	9,337
Administrative Expenditures	$3,231,136	$2,582,026

Reserves and Accounts

The reserves represent the components of *SamCERA's* net assets. 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 payment to retired members, beneficiaries and survivors.

Cost of Living Adjustment 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 Tier 4. Tier 3 has no cost of living adjustment.

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

Accounts

Generally Accepted Accounting Principles do not allow for a negative reserve. Therefore, the Board of Retirement 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 of Retirement 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 unfunded actuarial accrued liability. Effective June 30, 1997, the board provided for the implementation of Governmental Accounting Standard 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 of Retirement adopted Resolution 03-04-17, *Statement of Interest Crediting Policy*. This policy was amended on September 28, 2004, to establish an Unallocated Earnings / Loss Account.

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 Assets affects the reserves indirectly through an actuarial "smoothing" process approved by the Board of Retirement. 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 Reserves, at the actuarial assumed interest rate of 3.875% semi-annually for the fiscal year ended June 30, 2007, to specific components of reserves in a prescribed sequence. Pursuant to the Board of Retirement's interest crediting policy Member Deposit Reserves are 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 to Reserves – For the year ended June 30, 2008, *SamCERA's* allocation of earnings to reserves was $162.3 million. 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, 3.875% semi-annually. The actuarial smoothed interest rate was 5.23% and 3.56% at December 31, 2007, and June 30, 2008, respectively. The difference between the actuarial valuation rate and the actuarial smoothed rate was used to bring the Unallocated Earnings / Loss Account from a negative $4.6 million to zero.

Reserves required for reporting purposes by the 1937 Act:

	2008	**2007**
Member Deposit Reserve	$ 385,300,221	$ 359,484,306
Employers' Advance Reserve – Current Service	279,375,884	267,208,723
Retiree Member Reserve	784,613,246	662,143,559
Cost-of-Living Adjustment Reserve	769,647,607	692,471,430
Total Allocated Reserves	2,218,936,958	1,981,308,018
Unallocated Earnings / Losses Account	0	-4,577,107
Market Stabilization Account	-208,198,190	154,883,719
Net Assets Held in Trust for Pension Benefits	$2,010,738,768	$2,131,614,630

Reserves are restricted to specific purposes. Member contributions are credited to the Member Deposit Reserve. County contributions are credited to County Advance Reserve and the Cost of Living Adjustment Reserve. At retirement, a member's accumulated contributions plus interest and the related county contributions are transferred to the Retiree Reserve. The Retiree Reserve and the Cost of Living Adjustment 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 County Advance Reserve for payment of benefits described under the Act.

GASB 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, 2008, balance in the Market Stabilization Account of -$208.2 million reflects the balance of the current year's and previous four years' net deferred returns. It also reflects the implementation of *SamCERA's* 80% to 120% corridor policy.

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 Undistributed Earnings / Losses Account was established to account for periods when Actual Earnings do not equal the Actuarial Interest Rate.

Note 4 – Deposit and Investment Risk Disclosure

The County Employees Retirement Law of 1937 vests the Board of Retirement 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 of San Mateo. 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 plan and contracts executed with the board. The board utilizes third party institutions as custodians over the plan's assets.

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 current asset allocation, which was adopted on January 23, 2007, is 67% equities, 27% fixed income securities and 6% real estate. At June 30, 2008, actual asset allocation was 61.5% equities, 29.5% fixed income securities, 8.4% real estate and 0.6% cash.

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, 2008. The Governmental Accounting Standards Board (GASB) Statement No. 3 established custodial credit risk categories. The Governmental Accounting Standards Board (GASB) Statement No. 40 updates the custodial credit risk disclosure requirements of Statement No. 3 and establishes and modifies disclosure requirements related to investment risk, credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk.

Custodial Credit Risk – 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, 2008, *SamCERA* had no investments that were exposed to custodial risk. *SamCERA* does not have a general policy addressing custodial credit risk, but it is the practice of the Association that all investments are insured, registered, or held by the plan or its agent in the Association's name. Deposits are to be insured, registered or collateralized with securities held at fiscal agents in *SamCERA's* name.

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 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, 2008, and 2007, the actual effective duration was 41 days and 43 days, respectively. SamCERA did not reinstitute its securities lending program until July 1, 2007. It was not in the pool on June 30, 2007.

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. *SamCERA's Investment Plan* states no investment shall constitute more than 5% of a company's outstanding equity. When measuring this aspect of compliance the board will consider its ownership in relation to the "free float" of a particular security. As of June 30, 2008, *SamCERA* did not hold any investments in any one issuer that would represent five percent (5%) or more of total investments.

As of June 30, 2008, the Association had the following investments categorized for interest rate and credit risk:

Active Fixed Income Portfolio Characteristics
Aberdeen Asset Management & Western Asset Management Bond Portfolios Combined

Investment Type	Fair Value	Coupon	Weighted Average Maturity (Years)	Effective Duration (Years)
Agency	$ 4,860,539	4.56	16.50	8.19
Asset Backed Securities	15,343,002	2.86	4.50	3.97
CMBS	31,965,844	5.65	6.23	5.16
CMO	67,139,832	1.81	4.59	3.52
Commingled Funds	11,947,477	8.49		4.34
Convertible	165,970	6.21	24.95	8.49
Corporate Bonds	71,591,992	6.28	10.97	6.01
Mortgage Pass Through	117,809,620	5.07	6.16	4.56
Taxable Municipal Bonds	4,877,844	6.25	10.53	8.05
Preferred Stock	1,048,587			
Private Placement	1,809,203	6.30	7.12	5.13
United States Treasuries	57,836,346	4.50	10.75	7.81
Sovereign Governments	13,498,654	5.23	9.17	5.99
Totals	$399,894,910	4.78	7.90	5.37

Enhanced Index Fixed Income Portfolio Characteristics
Pyramis Global Advisors Broad Market Duration Portfolio

Investment Type	Fair Value	Coupon	Weighted Average Maturity (Years)	Effective Duration (Years)
Pyramis Global Advisors	$197,611,141	4.42%	7.15	4.49

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'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. The Association's active bond portfolios are managed duration neutral to their benchmark, the Lehman Brothers Aggregate Bond Index. Its enhanced index portfolio does not rely on active duration management, but instead maintains duration within a very narrow band around that of the benchmark (for the Lehman Brothers Aggregate Bond Index, approx. +/- 0.20 year of the index). To facilitate this, Pyramis Global Advisors models the option-adjusted durations of the securities that comprise the index on a daily basis, and uses the output to align the portfolio duration to that of the benchmark.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *SamCERA's* investment policy seeks to maintain a diversified portfolio of fixed income instruments 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. *SamCERA's Investment Policy* has three requirements addressing fixed income quality. First, the minimum average rating of the total portfolio of fixed income assets under a manager's supervision must be "A" or better (Standard & Poor's or Moody equivalent), dollar weighted at market value. Second, the minimum quality rating eligible for the portfolio must be "B" or better (as rated by Standard & Poor's or Moody's equivalent). The third requirement is that no more than 10% of *SamCERA's* fixed income assets under a manager's supervision shall be invested in securities with a rating below "Baa3," "BBB-," "P-1" or "A-1." The Association's core plus fixed income manager was given an exemption and may hold more than 10% in assets rated below BBB.

On June 30, 2008 the quality breakdown of the Association's investments in bonds were rated as indicated in the table below.

Credit Risk	Active Management	Commingled Management
AAA	46.6%	61.8%
AA	27.7%	10.2%
A	3.7%	9.6%
BBB	19.0%	18.2%
Less than BBB	0%	0.2%
NR	3.0%	0%
	100.00%	100.00%

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 managers are permitted to invest in authorized countries. *SamCERA's* 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 below 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.

Local Currency	Common Stock	Foreign Currency	Mutual Fund	Preferred Stock	Rights	Total
Australian Dollar	$25,661,892	$2,318,857	$265,299			$28,246,049
Brazilian Real		$14,893		$2,289,988		$2,304,881
Canadian Dollar	$6,035,883	$1,672,830				$7,708,713
Czech Koruna	$4,587,884					$4,587,884
Danish Krone	$3,205,301	$27,475				$3,232,776
Euro Currency	$130,426,792	$325,499	$5,908,095	$384,959	$8,450	$137,053,798
Hong Kong Dollar	$8,474,012	$809,866				$9,283,879
Hungarian Forint	$6,398,824	$3,277				$6,402,102
Indonesian Rupiah	$119,305	$3,571				$122,876
Japanese Yen	$53,237,887	$532,363	$3,050,878			$56,821,129
Mexican Peso	$2,072,692	$5,157				$2,077,850
New Bulgarian Lev	$2,288,032	$182,799				$2,470,831
Romanian Leu	$1,809,447	$8,781	$164,880			$1,983,110
Russian Ruble	$1,644,005					$1,644,005
New Zealand Dollar	$1,910,847					$1,910,847
Norwegian Krone	$5,421,682	$489,705				$5,911,387
Philippine Peso		$6,296				$6,296
Polish Zloty	$8,237,597					$8,237,597
Pound Sterling	$56,172,236	$178,072	$454,050		$23,244	$56,827,604
Singapore Dollar	$2,979,829					$2,979,829
South Korean Won	$540,724	$8,418				$549,142
Swedish Krona	$2,592,858	$1,274,593		$178,323		$4,045,775
Swiss Franc	$18,534,83	$246,452				$18,781,292
Thailand Bhat		$2,450				$2,450
Total	$342,352,582	$8,111,362	$9,843,206	$2,853,270	$31,695	$363,192,114

Securities Lending Activity

Beginning on July 1, 2007, the Board of Retirement policies authorize *SamCERA* to participate in a securities lending program. Security Lending transactions are short-term collateralized loans of *SamCERA* securities 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, 2008, 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 statements of plan net assets.

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, 2008, 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, 2008, 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. As of June 30, 2008, this investment pool had an average duration of 59.9 days, and an average weighted maturity of 40.7 days. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral. For the year ended June 30, 2008, *SamCERA* had no credit risk exposure to borrowers because, for each borrower, the value of borrower collateral held exceeded the value of the securities on loan to the borrower.

As of June 30, 2008, *SamCERA* had securities on loan with a total value of $230.2 million and the cash and other collateral held against the loaned securities of $234.5.

Note 5 – Actuarial Valuation

Pursuant to provisions in the County Employees Retirement Law of 1937, *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, 2007, and June 30, 2008, and determined the funding status (the ratio of system assets to system liabilities) to be 77.4% and 79.1%, respectively. The June 30, 2008, funding status was established based on entry age normal actuarial cost methods, an assumed 7.75% investment return, an assumed 4.0% annual total payroll growth rate, an inflation rate of 4.0% 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 June 30, 2008, valuation, which determined a funded ratio of 79.1%, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $587.3 million. The employer contribution rate, which has an effective date of June 30, 2009, was, therefore, set equal to 11.93% of payroll for the amortization of the UAAL over the remaining 13 years, plus the normal cost rate of 11.69% for a total contribution rate of 23.62% of payroll. A schedule of *SamCERA's* funding progress may be found in the required supplementary information on page 32.

Additional information regarding the actuarial methods and significant assumptions used as of the latest actuarial valuation of plan assets and liabilities follows:

Latest Actuarial Valuation of Plan Assets & Liabilities

Valuation Date	June 30, 2008	
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 15 years as of the valuation date. Future actuarial gains and losses will be amortized over new 15-year periods. This is referred to as 15-year layered amortization.	
Asset Valuation Method	5-year smoothed market	
Actuarial Assumptions:		
Investment Rate of Return	7.75%	
Price Inflation (CPI)	3.50%	
Payroll Increases	4.00%	
Average Projected salary Increases	5.20%	
Attributed to Inflation		4.00%
Attributed to Adjustments for Merit and Longevity		1.20%

Statement No. 50 of the Governmental Accounting Standards Board, *Pension Disclosures*, mandates that the above information 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. For this transition year, the information will appear in both sections.

Cost of Living Adjustments

The maximum increase in retirement allowance is 5% for Tier One (Probation/Safety Tier One is 3.0%), 3% for Tier Two and 2% for Tier Four. The annual adjustments are based on the change in the Consumer Price Index for the Bay Area.

Note 6 – Post Employment Benefits Other Than Pensions

In the Notes to the Financial Statements for the fiscal years ended June 30, 2007 and 2006 *SamCERA* attempted to provide clarity that it does not administer other post employment benefits (OPEB). The benefits are administered by and the responsibility of the plan sponsor, San Mateo County. It is management's belief that providing that information contributed to confusion for the casual reader. After this year *SamCERA* will no longer refer to the OPEB in these notes.

Note 7 – Administrative Expense

SamCERA's Board of Retirement annually adopts an administrative expense budget covering the expenses to be incurred in the following fiscal year. The administrative expenses are charged against *SamCERA's* investment earnings is normally limited to 0.18% of the assets of the retirement system in accordance with Section 31580.2 of the 1937 Act. Only a portion of the administrative expense is actually subject to the statutory limit (based on exclusions specified in the 1937 Act.) *SamCERA's* policy is to assess its compliance with the limitation based on a simple average of the asset valuation as of June 30 of the prior fiscal year and June 30 of the year for which the budget is adopted.

Note 8 – Capital Commitments

SamCERA's real estate investment is in a core fund. The core fund manager identifies and acquires investments on a discretionary basis. The manager's investment activity is controlled by core fund documents. The investment activities are further restricted by the amount of capital allocated or committed. The core fund's investment documents and *SamCERA's* capital commitments are subject to approval by the Board of Retirement. As of June 30, 2008, *SamCERA* had no outstanding capital commitments to the core fund.

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

Events or transactions that occur subsequent to the balance sheet date, but prior to the issuance of the financial statements, that have a material effect on the financial statements require adjustment or disclosure in the statements. The following are disclosures of conditions that did not exist at the balance sheet date but arose subsequent to that date.

Recent Market Events

Certain events since June, together with the weight of the ongoing slowdown in consumer spending and weakness in the housing sector have allowed the economy to slip into a recession, which will likely last into 2009. Some uncertainty stems from the fact that is not yet clear when and how much the unprecedented monetary and fiscal stimulus being provided by the government will impact economic growth. In today's increasingly intertwined global economy, the decisions of foreign governments and the fortunes of developed and developing countries will continue to have a significant impact on both the economy and *SamCERA's* portfolio results.

Since June 30, 2008, through October 15, 2008 *SamCERA's* market value decreased from $2,003.7 million to $1,533.4. To understand the degree of market value change in *SamCERA's* investment portfolio one must be mindful that the plan sponsor prepaid $107.8 million of required employer contributions on July 3, 2008. Taking the contribution prepayment into consideration, the $470.4 depreciation in asset value is a decline of 23.5%.

Significant uncertainty still exist in the markets and hence in *SamCERA's* portfolio. A major uncertainty is the length and severity of the U.S. and global recession. More specific to *SamCERA's* portfolio is that securities are required to provide information to the public. Recent events have shown that the public information has not always reflected the actual health of a company. For that reason, while we are not aware of any significant uncertainties in the pricing or value of the portfolio, we cannot be certain.

SamCERA will continue to professionally manage the portfolio but be subject to the markets beta movements.

Staff Reclassifications and Compensation Study

On August 28, 2007, *SamCERA's* Retirement Board approved the request for position reclassifications and salary adjustments for the *SamCERA* staff. The purpose in recommending these changes is to maintain a stable and effective workforce to serve *SamCERA's* active and retired members. In order to accomplish this, pay salaries should be competitive and appropriate to each position's job duties. *SamCERA's* management staff worked with the county's Human Resources Department to achieve this goal.

The Board of Supervisors, who govern the salary ordinance, gave their final approval to the proposed reclassifications and salary adjustment on August 12, 2008. The effective date of the study is January 17, 2008. Approximately $100,000 of the retroactive pay will be attributed to the fiscal year 2007-2008.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Required Supplementary Information
(Amounts in thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/03	$1,353,941	$1,781,544	$427,603	76.0%	$323,896	132.02%
6/30/04	$1,452,621	$1,921,328	$468,707	75.6%	$365,385	128.28%
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%	$407,912	141.92%
6/30/08	$2,218,937	$2,806,222	$587,285	79.1%	$416,243	141.09%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	$36,070	100%
2004	$60,042	100%
2005	$76,931	100%
2006	$76,090	100%
2007	$100,550	100%
2008	$105,340	100%

Notes to Required Supplementary Information

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

Latest Actuarial Valuation of Plan Assets & Liabilities

Valuation Date	June 30, 2008
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 15years as of the valuation date. Future actuarial gains and losses will be amortized over new 15-year periods. This is referred to as 15-year layered amortization.
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Price Inflation (CPI)	3.50%
Payroll Increases	4.00%
Average Projected alary Increases	5.20%
Attributed to Inflation	4.00%
Attributed to Adjustments for Merit and Longevity	1.20%

Cost of Living Adjustments

The maximum increase in retirement allowance is 5% for Tier One (Probation/Safety Tier One is 3.0%), 3% for Tier Two and 2% for Tier Four. The annual adjustments are based on the change in the Consumer Price Index for the Bay Area.

Schedule of Funding Progress

A schedule of funding progress presents a consolidated snapshot of a retirement system's ability to meet current and future liabilities with the assets of the plan. Of particular interest to most is the funded status ratio. This ratio quickly conveys a retirement system's level of assets to liabilities which is important in determining the financial health of a retirement system. The closer a retirement system is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

As of June 30, 2008, the date of the last actuarial valuation, the San Mateo County Employees' Retirement Association had a 79.1% funded status. Overall, the financial condition of *SamCERA* continues to be sound in accordance with the actuarial principles of entry age normal cost funding.

SamCERA currently has an unfunded actuarial accrued liability (UAAL), resulting from actuarial accrued liabilities (AAL) exceeding the actuarially determined value of assets. With the actuarial valuation of June 30, 2008, *SamCERA* is converted to the 15-year layered amortization methodology, which is explained above.

Schedule of Employers' Contributions

The sources of revenues that fund a retirement system are employer contributions, member contributions, and investment earnings on plan assets. Each year, *SamCERA's* actuary determines the amount of employer contributions required to fund a given schedule of benefits (current and future liabilities). The calculation for the benefit schedule is based on the following factors: (i) the Association's benefit structure, (ii) statistical data about members of the system, and (iii) current and predicted future retirees and beneficiaries of *SamCERA*. Assumptions must be made to estimate how many members terminate employment, leave on a disability retirement or service retirement, and the average ages of members at retirement and at mortality. Finally, the preceding data is combined with an actuarially assumed investment rate of return and assumed salary increases of *SamCERA's* members. All of this information taken together is presented in an annual actuarial valuation in which the actuary recommends an employer contribution rate (percentage) to the participating employers. This contribution rate percentage is applied to the valuation payroll for each of the participating members. The resulting dollar amounts, as depicted in the Schedule of Employer Contributions above, are the actuarially calculated required employer contributions necessary to fund the promised benefits to *SamCERA*'s members.

The employers' contribution schedule contains six years of historical information with respect to *SamCERA's* actuarially calculated, required contributions versus the actual employer contributions made on an annual basis. Over the past six years, the employer has contributed 100% percent of the amount recommended by the actuary.

Schedule of Administrative Expenses
as of June 30, 2008 and 2007

	2008	2007
Salaries and Member Benefits	$1,914,786	$1,726,564
Services and Supplies	1,316,350	846,125
Depreciation	0	9,337
Total Administrative Expense	$3,231,136	$2,582,026

Administrative Budget Analysis
Budget to Actual Expenditure
As of June 30, 2008

	Budget Allotment (As Amended)	Fiscal Year Expenditures	Percentage Expended
Salaries	$1,487,072	$1,312,776	88.3%
Benefits	627,128	602,010	96.0%
Salaries & Benefits	**2,114,200**	**1,914,786**	**90.6%**
Board Expenses	9,200	$5,500	59.8%
Insurance	85,000	$91,156	107.2%
Medical Evaluation	20,000	$27,183	135.9%
Member Education	10,000	$3,165	31.6%
Education & Conference	94,730	$56,960	60.1%
Transportation & Lodging	70,382	$61,050	86.7%
Software License & Maintenance	132,500	$123,881	93.5%
Property & Equipment	87,500	$75,886	86.7%
General Office Supplies	15,000	$20,196	134.6%
Postage, Printing & Copying	100,000	$63,665	63.7%
Leased Facilities	255,000	$266,466	104.5%
County Service	350,388	$360,240	102.8%
Audit Services	40,500	$37,196	91.8%
Other Administration	110,000	$123,806	112.6%
Services & Supplies	**1,380,200**	**1,316,350**	**95.4%**
Capital Assets	**200,000**	**0**	**0.0%**
Depreciation	**0**	**0**	**0.0%**
Grand Total	**$3,694,400**	**$3,231,136**	**87.5%**

Schedule of Investment Expenses
For the Year Ended June 30, 2008 and 2007

	2008	2007
Investment Manager		
Aberdeen Asset Management	$ 463,943	$ 429,638
Artio Global Management (1)	1,099,093	894,621
Barclays Global Investors	1,634,707	1,267,658
Brandes Investment Partners	339,160	413,349
Chartwell Investment Partners	404,444	395,009
Goldman Sachs Asset Management	196,908	510,318
INVESCO Realty Advisors	734,242	746,411
Jennison Associates	159,741	0
Mondrian Investment Partners	602,635	555,543
Pyramis Global Advisors	284,472	270,184
Western Asset Management	446,405	429,326
Global Custodian		
State Street Bank	132,108	129,693
Investment Consultant	273,367	237,250
Professional Expense	6,497,858	6,279,000
Other Investment Related Expense	893,799	768,863
Interest Paid on Prepaid Contribution	3,532,505	3,628,819
Total Investment Expense	$10,924,162	$10,676,682

(1) Formerly known as Julius Baer Investment Management

Schedule of Payments to Consultants
For the Year Ended June 30, 2008 and 2007

	2008	2007
Investment Consultant Expense		
Strategic Investment Solutions	$197,500	$185,000
Actuarial Consultant Expense		
Milliman, Inc.	75,867	52,250
Total Consultant Expense	$273,367	$237,250

Notes to the Other Supplementary Information

Administrative Services Budget

Government Code §31580.2 states in part, *". . . the respective board or boards shall annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund. The expense incurred in any year may not exceed eighteen-hundredths of 1 percent of the total assets of the retirement system."* *SamCERA* has always been well within the eighteen basis points restriction on administrative expenditures.

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.

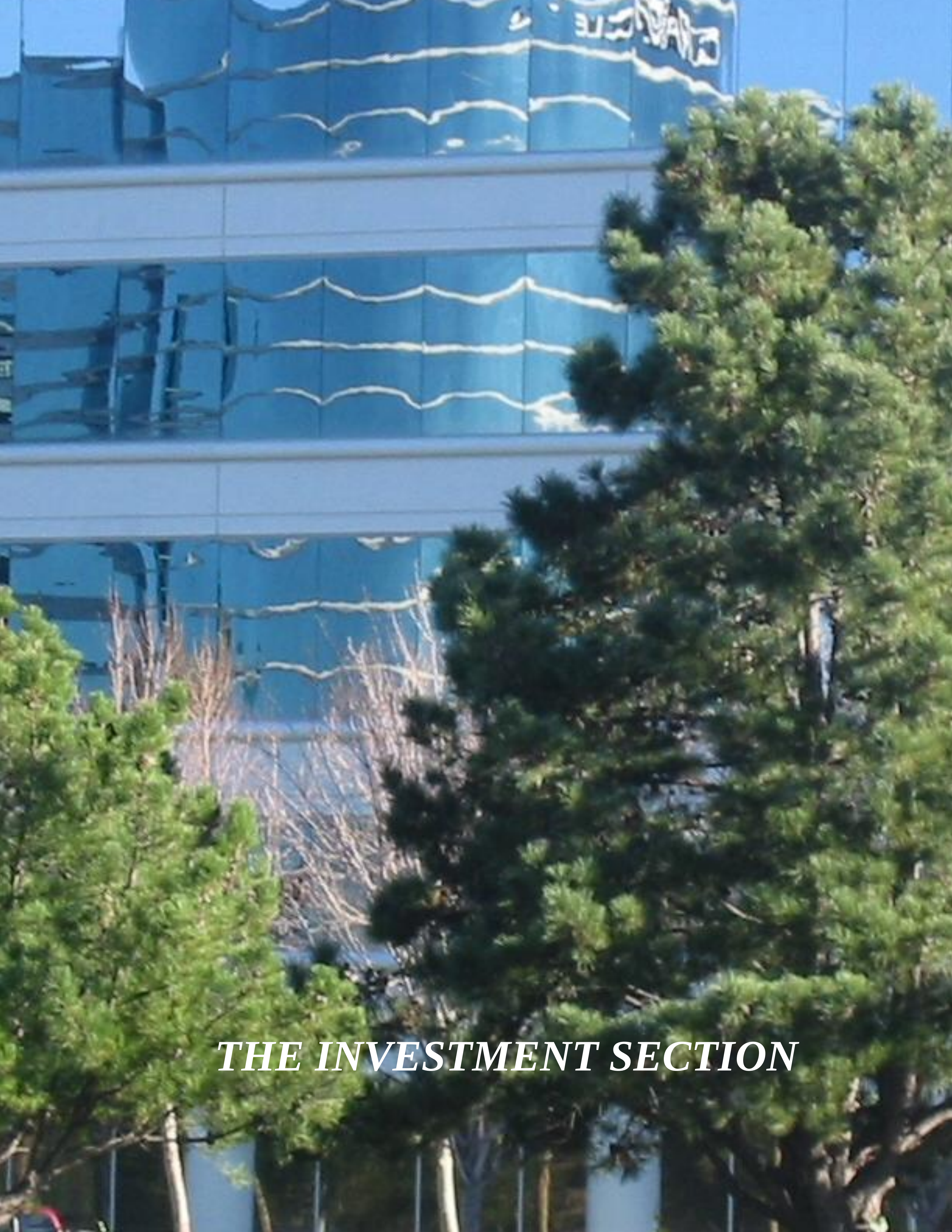
(b) The compensation of any bank or trust company performing custodial services.

(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."

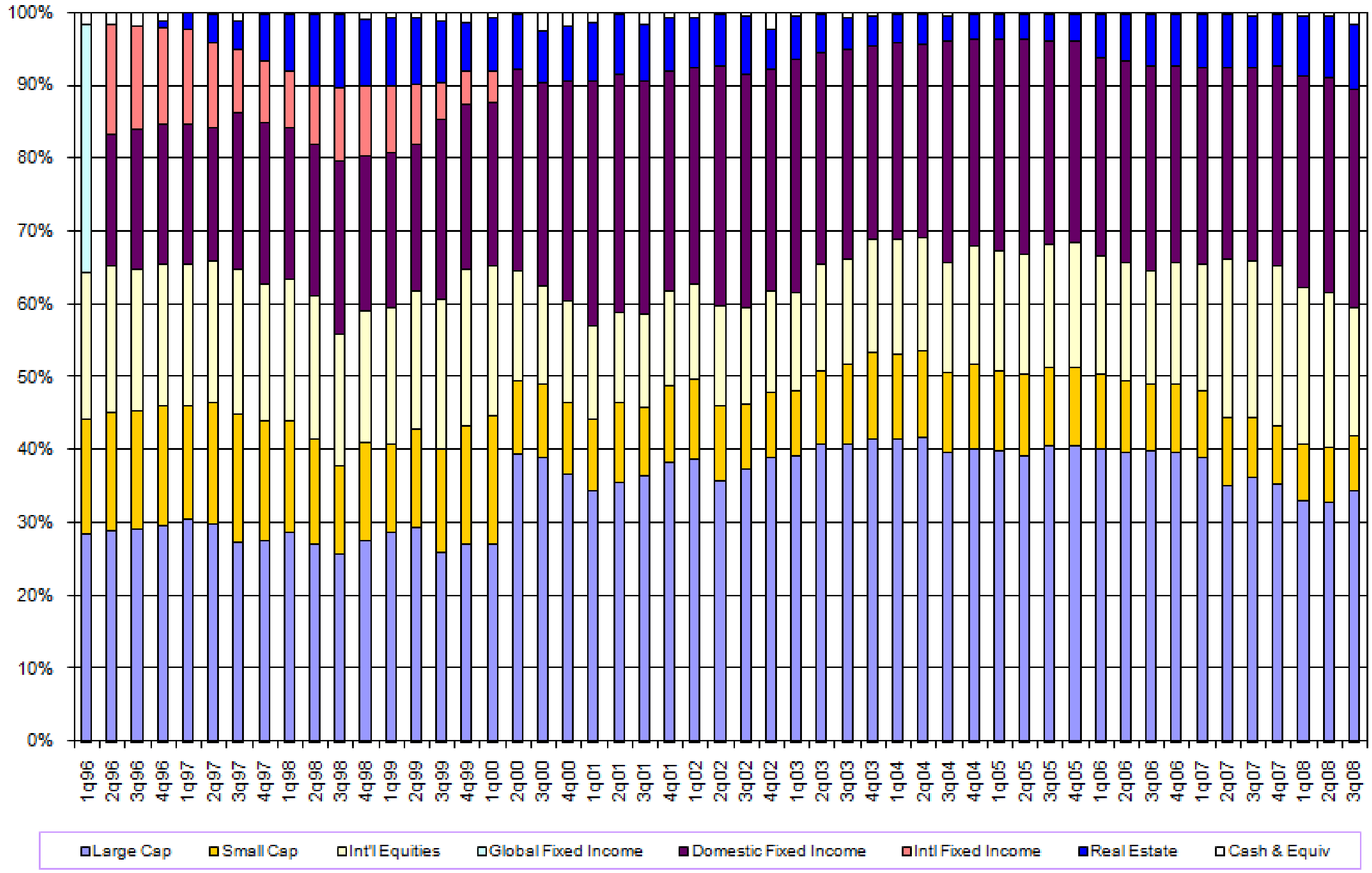
SamCERA's professional services budget is driven by contractual agreements with its actuary, custodian, investment consultant, and investment managers.



THE INVESTMENT SECTION

Actual Historical Quarterly Asset Allocation

Periods Ended June 30, 2008



Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

On behalf of *SamCERA's* investment operations, I am pleased to present reports on the pension fund's investments and portfolio performance for the period ended June 30, 2008. This data was compiled by *SamCERA's* investment staff; investment consultant, Strategic Investment Solutions; and master custodian, State Street Bank & Trust. It is presented in accordance with Global Investment Performance Standards (GIPS).

The last fiscal year was difficult for the global economy and global capital markets, which resulted in negative trailing twelve-month returns for most plan sponsors, including *SamCERA*. To put the negative performance in perspective, this report will provide a quarter by quarter overview of the last fiscal year's economic and market events. It is also appropriate to mention subsequent events through October 2008.

The capital market events through the first four months of the 2008-2009 fiscal year were unprecedented and provided a dour beginning to what appears to be a second straight challenging year.

In the aforementioned environment all of *SamCERA's* equity portfolios experienced a devaluation of assets and the composite portfolio returned -7.65% for the one-year period ended June 30, 2008. The composite portfolio underperformed the plan's benchmark portfolio by 273 basis points. The negative alpha relative to the policy benchmark came from several sources, including poor model performance in the large and small cap enhanced (quantitative) core equity portfolios and poor stock selection in the small cap value portfolio. Although the fixed income portfolios provided modest positive returns, their exposure to spread instruments caused them to trail their benchmark, the Lehman Brothers Aggregate Index. *SamCERA's* cash equaled its benchmark, the 91 day T-bill, and provide a modest 4.00% return. The plan's real estate portfolio was the only asset class to provide positive returns and bested the assumed actuarial rate, returning 8.65% versus 7.75%.

In the first quarter of fiscal year 2007-2008 years of under-appreciation of risk all came home to roost. In the second week of August the crisis related to sub-prime mortgages began to threaten the financial markets. Structured finance had sliced and diced streams of returns that defied an analysis of the risks involved. Collateralized Debt Obligations (CDOs) and Structured Investment Vehicles (SIVs) transferred underestimated risk to a broad range of investors. The losses and the uncertainty related to sub-prime related losses began to mount and banks became reluctant to lend to each other. In addition counterparty risk in securities lending and swap markets were perceived as increasingly risky. On several occasions, the commercial paper markets, the most elemental financing activity, virtually froze.

In the second quarter of the fiscal year the Federal Reserve cut the Fed Funds rate by 50 basis points to 4.25%. There was strong demand for commodities and oil prices reached nearly $100 a barrel. Consumer spending grew at the slowest pace since 2002. The housing market remained bleak and unsold homes numbered at record highs. Home prices fell at a 12% annual rate. The unemployment rate increased to 5%. In this environment many financial firms had to re-capitalize as they wrote off billions of dollars in losses from sub-prime exposure. These firms included big financial services companies such as Bear Stearns, Citigroup, Merrill Lynch, Morgan Stanley, and UBS; bond insurers such as MBIA; and internet brokerage firms such as E-Trade.

The beginning of 2008 was no better. The Federal Reserve slashed rates a total of 200 basis points, bringing the fed funds rate to 2.25%. Rates fell across the yield curve as investors fled to the safety of U.S. Treasury Securities. The U.S. dollar reached a 12-year low versus the yen and was weak against most currencies. New home prices continued to fall. Oil surged to $110 a barrel. GDP growth slowed to 0.6% and the economy edged closer to recession. The dire situation made it clear that the system was broken, and we must contemplate a banking system that does not involve a fed bailout after each bubble. Talk began that to structurally correct the financial system the regulatory influence of the Federal Reserve and other agencies must be expanded. Certain sectors, such as structured finance and mortgage lending, were reevaluating the securitization process with greater appreciation of systemic liquidity and warehousing risk.

The fourth quarter of the 2007-2008 fiscal year saw the Federal Deposit Insurance Corporation (FDIC) take over the failed IndyMac Bank. The Treasury and Federal Reserve took steps to rescue Fannie Mae and Freddie Mac. However, the labor market remained weak with unemployment reaching 5.5%. The housing market remained gloomy. Foreclosures reached record levels and home prices continued to fall. Crude oil prices were near a record-setting $140 a barrel. Consumer confidence dropped to a 16-year low. After a May market rally investors speculated that the end of the credit crisis and sub-prime fallout was near, but a disappointing June left many wondering what to expect next.

In that difficult environment *SamCERA's* overall plan assets were devalued by approximately $121 million, lowering the net portfolio market value to $2.010 billion.

The negative return for the fiscal year weakened *SamCERA's* long-term performance. Annually compounded over five years, *SamCERA's* investment portfolio returned 8.68%. At June 30, 2007 the trailing five-year return was 11.26%.

At year end, U.S. and international stocks represented 61.5% of *SamCERA's* assets. Bond investments represented 29.5%; real estate 8.5% and cash 0.5%.

Subsequent to June 30th, global markets continued to experience a painful deleveraging process, which had the effect of lowering almost all asset prices with the exception of short-term T-bills. The market turmoil clearly reflects a shift from risk taking to risk aversion. In the first quarter of the new fiscal year, 2008-2009, it became clear the capital market dislocation was global as the pace of unprecedented events began to accelerate. The following events occurred in rapid chronological order in late August through mid October. Commerzbank AG agrees to purchase Allianz SE's Dresdner Bank in Germany's biggest banking takeover in three years. The U.S. government seizes control of Fannie Mae and Freddie Mac. Lehman Brothers Holdings Inc. files for bankruptcy. Bank of America agrees to acquire Merrill Lynch. AIG (American International Group, Inc.) accepts an $85 billion loan from the Federal Reserve to avert the worst financial collapse in history, and the government takes over the company. Lloyds TSB Group Plc. agrees to buy HBOS Plc., Britain's largest mortgage lender. Goldman Sachs Group Inc. and Morgan Stanley receive approval to become commercial banks regulated by the Federal Reserve. Washington Mutual Inc. is seized by government regulators and its branches and assets sold to JPMorgan Chase in the biggest U.S. bank failure in history. Fortis, the largest Belgian financial-services firm, receives an 11.2 billion-euro rescue from Belgium, the Netherlands, and Luxembourg. The House of Representatives rejects a $700 billion plan to rescue the U.S. financial system causing the Dow Jones Industrial Average to plunge. Citigroup agrees to acquire the banking operations of Wachovia Corporation. The House and Senate pass a revised version of the rescue plan. Wells Fargo agrees to buy all of Wachovia trumping Citigroup's government-assisted offer. BNP Paribas SA will take control of Fortis's units after an earlier government rescue failed. U.S. Treasury Secretary, Henry Paulson, indicates that pumping funds into banks is a priority. European leaders agree to guarantee bank borrowing trying to stop the financial hemorrhage and stave off a recession. The Federal Reserve leads an unprecedented push by central banks to flood the financial system with dollars. Fear, panic, depression and distrust are four emotions that are quite evident amongst participants in that market environment. Against this backdrop *SamCERA's* portfolio returned -20.9% for the fiscal year 2008-2009 through October 31st, which is very much in line with its peers.

We appreciate the support of the Board of Retirement and the Investment Committee as *SamCERA* continues to manage risk and seek attractive long term investment returns through a prudent diversified asset allocation for the San Mateo County Employees' Retirement Association.

Respectfully submitted,

Gary Clifton

Gary L. Clifton
Investment and Finance Manager
October 30, 2008

STRATEGIC INVESTMENT SOLUTIONS, INC.

October 30, 2008

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

Dear Board Members:

Fiscal year 2008 witnessed the onset of what has become known to global investors as the "credit crisis." What began with softness in some overheated regional housing markets and attendant problems in highly leveraged mortgage derivative pools grew into a financial market dislocation and a near seizing of the global credit markets. At several points during the year the crisis seemed to threaten the foundation of the US financial system. Fiscal 2008 also saw the additional trauma of a dramatic jump in the prices of many key commodities, especially energy and food.

By the fall of 2007, worries over the sub-prime mortgage market began to dampen broad economic forecasts and virtually halted corporate lending activity. Along with rising commodity prices, a shadow formed over the US stock market, particularly the Financial and Consumer Discretionary sectors. Over the last year, equity and credit markets have been on edge, featuring large daily swings, both up and down, but primarily down. Though the US did not officially enter a recession during the year, consumer and investor confidence broadly foreshadowed one in the near term. The combination of financial market turmoil, lower home prices and higher food and energy prices has created a stressful environment for consumers and investors alike.

The Federal Reserve aggressively addressed the potential systemic risk to the financial markets by cutting banks' overnight lending rate from 5.25% at the beginning of the year all the way down to 2.00% by fiscal year end. The Federal Reserve also took the extraordinary steps of managing the merger of Bear Stearns with JP Morgan, extending the term of its official lending program, and opening its discount window to investment banks. At year end, fallout from the crisis in the form of an ongoing deleveraging and recapitalization of financial company balance sheets and the downward repricing of financial assets continues, and the capital markets remain highly uncertain and volatile.

Against this difficult macro backdrop, Global Equities specifically, and risk assets in general, struggled against negative sentiment. The broad US Equity market, as measured by the Russell 3000 Index, declined 12.7% during the year. The Russell 1000 large cap component of US Equity fell 12.4%, while the small cap Russell 2000 fared even worse, falling 16.2%. International Equity investments, with some help from the falling US dollar, performed better for dollar-based investors, as the Developed Markets index lost 10.2%, while Emerging Markets lost 11.6%. Investment Grade US Bonds (Lehman Aggregate) provided some shelter for investors, returning 7.1% for the year. However, high yield bonds returned -2.1%, reflecting the difficult credit environment during the year. The NCREIF Index of institutional Real Estate posted a positive 9.3% return.

PLAN INVESTMENT RESULTS

Fiscal 2008 was also a challenging year for the Plan. After several years of good absolute and relative investment performance, in fiscal 2008 the Plan suffered a poor year by both measures. The San Mateo County Employees' Retirement Association (the Association) total Plan returned -7.6%, or 2.7% below the -4.9% return on its Policy Index, and far below the System's 8.0% actuarial return expectation. The Association also lagged its peers, performing 3.2% below the Independent Consultants Cooperative (ICC) Large Public Fund Universe median return of -4.4%. The System's poor showing versus its peers was due largely to active manager returns in the US Equity and Bond asset classes, while the Plan's better performing International Equity and Real Estate investments helped to bolster total plan returns.

The System's US Equity portfolio underperformed its equity policy benchmark by 2.5% during the fiscal year. The performance shortfall to the plan's benchmark was primarily the result of the exposure to quantitative strategies and its deep value small cap value manager. During the market dislocations associated with the credit crunch, both quantitative and distressed smaller cap strategies underperformed their benchmarks by wide margins. During the year, *SamCERA* eliminated its exposure to a quantitative small cap manager, replacing it with a fundamentally-oriented manager, and has begun to take steps to reduce its quantitative exposure in its large cap portfolio.

During fiscal year 2008, the System's International Equity composite returned -8.8% versus the benchmark's return of -6.2%. Although the composite return trailed the broad international equity benchmark, it was 0.8% above the median international equity composite return. *SamCERA's* decision to increase its allocation to international equity from 15% to 21% just before the beginning of fiscal year 2008, helped total plan return during the year, as international equity, with the assistance of the weak US dollar, outperformed US equity.

The Plan's Total Fixed Income composite return of 2.5% significantly lagged the Lehman Aggregate Index's 7.1% return for the fiscal year. All three of *SamCERA's* bond managers were adversely affected by their systematic portfolio underweights to US Treasury securities and corresponding overweights to corporate and mortgage bonds. In a bond environment that severely penalized even lower risk investment grade bonds, all three managers underperformed for the year. When the fear in the bond market finally subsides, the high quality, non-Treasury instruments held by *SamCERA's* bond managers should again perform well, as they finally did in the fourth quarter of the fiscal year.

For the year ended June 2008, NCREIF posted a 9.2% return while the System's Real Estate composite posted a return of 8.6%, ranking in the top half of the Real Estate composite universe, and providing a strong offset to the Plan's predominantly negative equity returns.

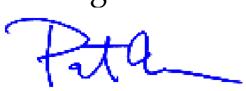
ASSET ALLOCATION AND MANAGER STRUCTURE

The Association completed a full Asset Liability Study to re-examine its total plan strategic allocation targets just before the beginning of fiscal 2008, and the next study is scheduled for fiscal 2010.

Given the dramatic capital market volatility associated with the financial crisis, the *SamCERA* Board decided to revisit its US Equity manager structure. The experience of the behavior of its quantitative managers in late 2007 led the Board to conclude that the portfolio was overly concentrated in quantitative management. The US Equity manager structure study suggested that the large capitalization portfolio should be diversified by reducing the allocation to quantitative strategies, and through introducing fundamental research managers in large cap growth and value mandates. As a part of the study, the board also decided to consider the addition of a limited long /short mandate of a portion of the US Equity portfolio. At year end, the implementation of the results of the asset class manager structures was ongoing with several searches in progress.

Although fiscal 2008 was challenging, the *SamCERA* portfolio continues to generate strong long term results for its participants in a risk averse, prudent fashion. The challenges of fiscal 2008 have caused *SamCERA* to re-evaluate and reaffirm its long term strategic plan. SIS believes that recent strategic initiatives to increase the allocation to international equity and expand the use of active management are important augmentations to the long term plan that have positioned the Association to continue to provide well for its participants in the future.

Sincerely,
Strategic Investment Solutions



Patrick 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®.

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

INVESTMENT PHILOSOPHY

The board acknowledges the historical data demonstrating that the most successful strategy for minimizing risk, while capturing market returns, is a prudently diversified portfolio. Therefore, the retirement fund should be invested across the spectrum of institutional grade asset classes. The board acknowledges that the asset allocation targets reflect a long-term view of the market and that professional management of the retirement fund will add value to the portfolio, by capitalizing on inefficiencies in the markets.

The board takes responsibility for allocating across asset classes and across styles within asset classes, but should not substitute its judgment for the professional judgment of those it retains.

The board believes that interest, dividends and capital appreciation must be pursued and captured, if the actuarial funding objectives of the retirement fund are to be achieved.

The board will not be market-timers (shifting asset class allocations dramatically over short time spans), because it realizes this strategy is seldom successful and has the potential for dramatic losses.

The board views short-term cash equivalents as insignificant contributors to real returns in the long run.

INVESTMENT OBJECTIVES

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

Generate portfolio returns which, over the long-term, exceed the rate of inflation by not less than 3.25%, by generating market returns within each asset class.

Generate portfolio returns not less than the returns of a commitment-weighted aggregate of the performance benchmarks specified for the individual investment managers.

Provide for the full funding of the Pension Benefit Obligation by the year 2022.

Stabilize the employer contribution rate, as a percentage of payroll, for the present configuration of benefits, to the extent that the Board of Retirement has control.

Structure an investment program such that the short-term volatility of returns does not induce the board to alter its long-term asset allocation strategies, by striving for an annualized tracking error around the aggregate benchmark of ±3%.

Calculations for compliance with these objectives will be prepared using a time-weighted rate of return based on the market rate of return in accordance with the Global Investment Performance (GIP) standards.

INVESTMENT POLICY

It is the Investment Policy of the Board of Retirement to pursue an investment strategy which reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The board adopted an asset allocation to guide the structure of the investment portfolio.

INVESTMENT POLICY – (CONTINUED)

The board retains the most qualified investment managers with demonstrated expertise in the management of institutional pension funds. Objectives have been adopted which encourage the investment managers to maximize their performance relative to their individual investment style benchmark. They are delegated full discretion in management of their portfolio. The board monitors the performance of the investment managers, relative to their assigned custom benchmarks, to assure their conformance with the provisions of the board's investment policy.

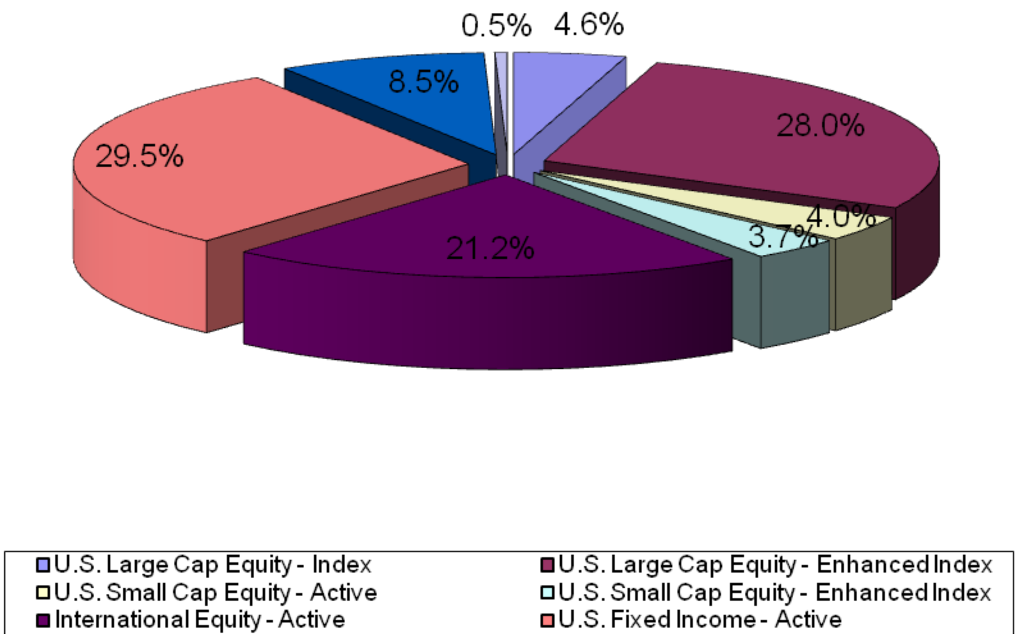
The board discourages the use of cash equivalents, except for liquidity purposes, and refrains from dramatically shifting asset class allocations over short time spans.

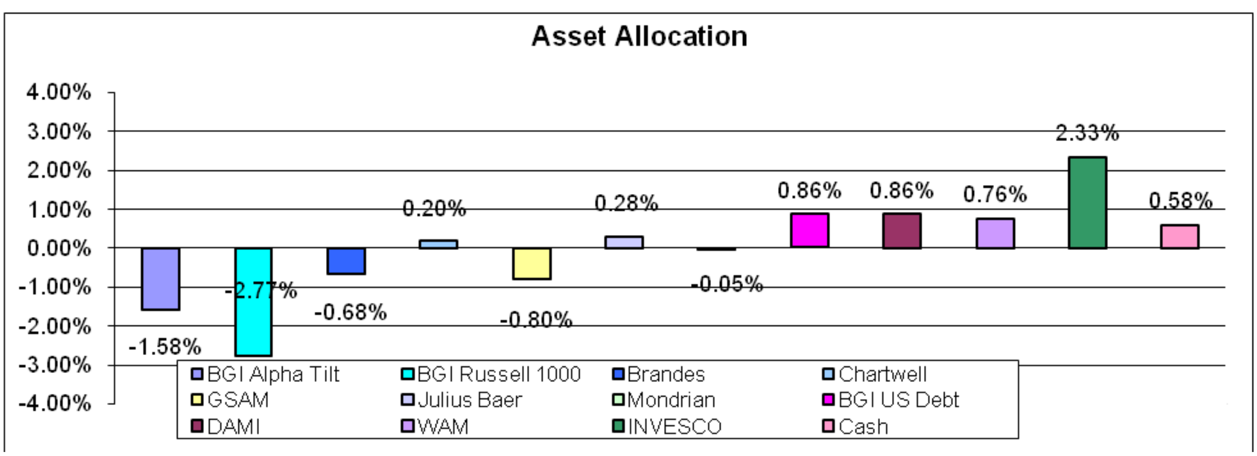
ASSET ALLOCATION

Asset Class	Allocation		June 30 Actual	
Equity	67%		61.5%	
Fixed Income	27%		29.5%	
Real Estate	6%		8.5%	
Cash	0%		0.5%	
Equity Management Style	Allocation		June 30 Actual	
Domestic Large Capitalization	37%		32.6%	
Indexed		37%		32.6%
Domestic Small Capitalization	9%		7.7%	
Active		9%		7.7%
International	21%		21.2%	
Active		21%		21.2%
Total Equity	67%		61.5%	
Fixed Income Management Style	Allocation		June 30 Actual	
Domestic Fixed Income	27%		29.5%	
Enhanced Indexed		9%		9.9%
Active		18%		19.6%
Total Fixed Income	27%		29.5%	
Real Estate Management Style	Allocation		June 30 Actual	
Core Separate Property Portfolio		6%		8.5%
Total Real Estate	6%		8.5%	
Total Cash & Cash Equivalents	0%		0.5%	

Asset Allocation	Market Value
Large Capitalized U.S. Equities	$671,731,734
Small Capitalized U.S. Equities	147,257,612
International Equities	405,738,858
U.S. Fixed Income	597,506,051
Real Estate	169,974,878
Cash & Deposits	298,835,022
Total	$2,291,044,155

Asset Allocation as of June 30, 2008





SCHEDULE OF PORTFOLIO RETURNS

Performance as of June 30, 2008 — Total Time Weighted Rate of Return

Asset Category	One Year	Two Years	Three Years	Five Years
Domestic Equity				
Barclays Global Investors Alpha Tilts Index Fund	-13.92%	0.50%	4.18%	N/A
Barclays Global Investors Russell 1000 Index Fund	-12.30%	2.80%	4.87%	8.25%
Large Cap Composite	-13.65%	1.17%	4.20%	8.15%
Benchmark Russell 1000	-12.16%	2.73%	4.81%	8.22%
Brandes Investment Partners	-39.61%	-15.53%	-9.18%	N/A
Chartwell Investment Partner	-10.31%	3.07%	6.79%	N/A
Jennison Associates	N/A	N/A	N/A	N/A
Small Cap Composite	-23.30%	-6.64%	-0.87%	7.38%
Benchmark Russell 2000	-16.19%	-1.22%	3.79%	10.29%
International Equity				
Artio Global Management *	-7.82%	11.50%	17.62%	N/A
Mondrian Investment Partners	9.86%	8.77%	13.79%	N/A
International Composite	-8.84%	10.14%	15.72%	17.34%
Benchmark MSCI ACWI ex US – Free	-6.20%	10.49%	16.16%	19.42%
Total Equity Composite	-13.46%	2.52%	6.43%	10.40%
Domestic Fixed Income				
Pyramis Global Advisors	3.10%	4.55%	N/A	N/A
Aberdeen Asset Management, Inc.	2.62%	4.63%	3.01%	3.60%
Western Asset Management	1.67%	3.94%	2.73%	N/A
Benchmark Lehman Aggregate Bond Index	7.13%	6.62%	4.09%	3.85%
Total Fixed Income Composite	2.47%	4.38%	2.86%	3.36%
Real Estate				
INVESCO Realty Advisors Core Fund	8.65%	11.47%	15.53%	N/A
Total Real Estate Composite	8.65%	11.47%	15.52%	15.59%
NCREIF	9.20%	13.15%	14.96%	14.72%
Cash				
Cash Composite	3.99%	4.19%	4.03%	3.48%
Benchmark 91 Day Treasury Bill Index	3.63%	4.41%	4.27%	3.18%
Total Fund				
Composite Investment Portfolio	-7.65%	3.76%	6.01%	8.68%
Policy Benchmark	-4.92%	5.56%	7.03%	9.40%

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, 2008

Domestic Equity			
Barclays Global Investors	Russell 1000 Alpha Tilts	$578,936,789	
	Russell 1000 Index Fund	$92,794,945	
Brandes Investment Partners		$31,037,621	
Chartwell Asset Management		$46,030,069	
Jennison		$70,189,922	
Total Domestic Equity			$ 818,989,346
International Equity			
Artio Global Management		$199,993,939	
Mondrian Investment Management		$205,744,919	
Total International Equity			$ 405,738,858
Total Equity			$1,224,728,204
Domestic Fixed Income			
Pyramis Global Advisors	Domestic Enhanced Index	$197,611,141	
Aberdeen Asset Management, Inc.	Domestic Core	$195,529,640	
Western Asset Management	Domestic Core Plus	$204,365,270	
Total Domestic Fixed Income			$ 597,506,051
Total Fixed Income			$ 597,506,051
Real Estate			
INVESCO Realty Advisors	U.S. Core Real Estate Fund		$ 169,974,878
Unequitized Cash			$ 298,835,022
Receivables & Prepaid Expenses			$ 114,806,493
<less> Current Liabilities			$ 395,111,880
Net Portfolio as of June 30, 2008			$2,010,738,768

Schedule of Top Ten Equity and Fixed Income Securities

As of June 30, 2008

TOP TEN EQUITY SECURITIES*

Shares	Exchange	Ticker	Security Name	Market Value
318,265	NYSE	XOM	EXXON MOBIL CORPORATION	$28,048,754
508,676	NASDAQ	MSFT	MICROSOFT CORPORATION	$13,993,685
187,101	NYSE	PG	PROCTOR & GAMBLE OMPANY	$11,347,647
325,383	NYSE	T	AT&T	$10,962,168
180,360	NYSE	WMT	WAL-MART STORES	$10,132,261
421,555	NASDAQ	INTC	INTEL CORPORATION	$ 9,055,019
245,902	NYSE	JPM	JPMORGAN CHASE & CO.	$ 8,436,905
185,509	NYSE	HPQ	HEWLETT-PACKARD COMPANY	$ 8,201,836
87,875	NYSE	COP	CONOCOPHILLIPS	$ 8,294,316
84,132	NYSE	FE	FIRST ENERGY CORPORATION	$ 6,926,590
388,987	NYSE	PFE	PFIZER INC ORD USD0.05	$ 6,705,603

*Some Domestic Equity Securities are owned in the Russell 1000 Index Fund or the Alpha Tilts Fund managed by Barclays Global Investors.

TOP TEN FIXED INCOME SECURITIES*

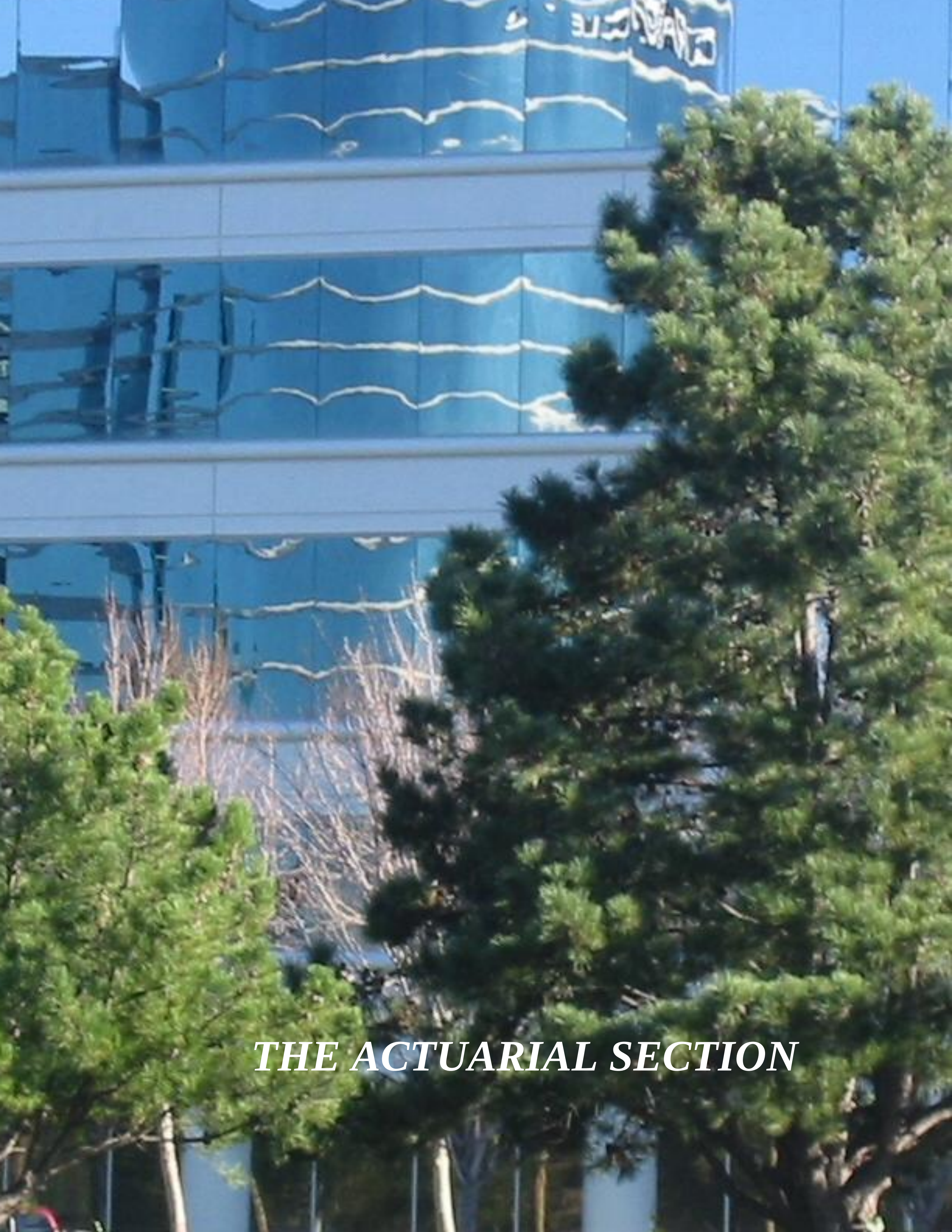
Par/Book Value	Security Name			Rating S&P/Moodys	Issue ID	Market Value
8,974,000	US TREASURY N/B	4.625%	02-29-2012	AAA/Aaa/AAA	912828GK0	$8,996,622
6,806,000	US TREASURY N/B	6.000%	02-15-2026	AAA/Aaa/AAA	912810EW4	$7,581,459
2,346,000	US TREASURY N/B	8.750%	08-15-2020	AAA/Aaa/AAA	912810EG9	$3,208,934
2,077,000	US TREASURY N/B	4.625%	12-31-2011	AAA/Aaa/AAA	912828GC8	$2,051,199
2,000,000	FNR 2001-69 OG	5.500%	12-25-2016	AAA/Aaa/AAA	31392A5C8	$1,997,565
2,004,461	JPMMT 2007-A1 6A1	4.780%	07-25-2035	AAA/Aaa/AAA	46630GAX3	$1,970,166
1,870,000	GPMH 1999-3 1A7	7.270%	06-15-2029	AAA/Aaa/NR	395386AP0	$1,934,010
1,760,000	OIL INSURANCE LTD	7.558%	12-29-2049	BBB/Baa1/NR	677879CE6	$1,819,505
1,839,986	BSARM 2006-1 A1	4.023%	02-25-2036	NR/Aaa/AAA	07387AGZ2	$1,804,367
1,723,010	GSR 2007-AR1 2A1	6.019%	03-25-2037	AAA/NR/AAA	362290AC2	$1,732,227

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

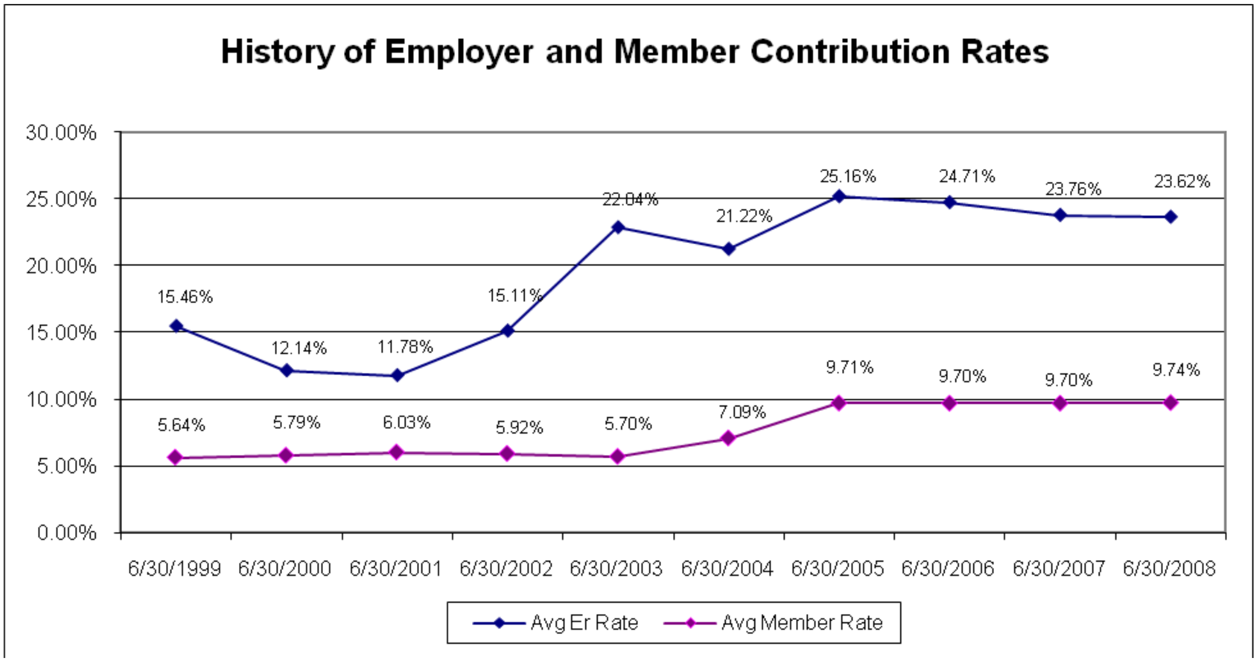
Schedule of Professional Services and Fees
as of June 30, 2008 and 2007

	2008	2007
Investment Managers		
Aberdeen Asset Management Inc.	$ 463,943	$ 429,638
Artio Global Management (1)	1,099,093	894,621
Barclays Global Investors	1,634,707	1,267,658
Brandes Investment Partners	339,160	413,349
Chartwell Investment Partners	404,444	395,009
Goldman Sachs Asset Management	196,908	510,318
INVESCO Realty Advisors	734,242	746,411
Jennison Associates	159,741	0
Mondrian Investment Partners	602,635	555,543
Pyramis Global Advisors	284,472	270,184
Western Asset Management	446,405	429,326
Investment Managers	6,365,750	5,912,057
Investment Consultant		
Strategic Investment Solutions	$ 197,500	$ 185,000
Actuarial Consulting		
Milliman	$ 75,867	$ 52,250
Master Custodian		
State Street Bank and Trust Company	$ 132,108	$ 129,693
Total Professional Services	$6,771,225	$6,279,000

(1) Formerly known as Julius Baer Investment Management



THE ACTUARIAL SECTION


History of Employer and Member Contribution Rates
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
15.46%
12.14%
11.78%
15.11%
22.04%
21.22%
25.16%
24.71%
23.76%
23.62%
5.64%
5.79%
6.03%
5.92%
5.70%
7.09%
9.71%
9.70%
9.70%
9.74%
6/30/1999
6/30/2000
6/30/2001
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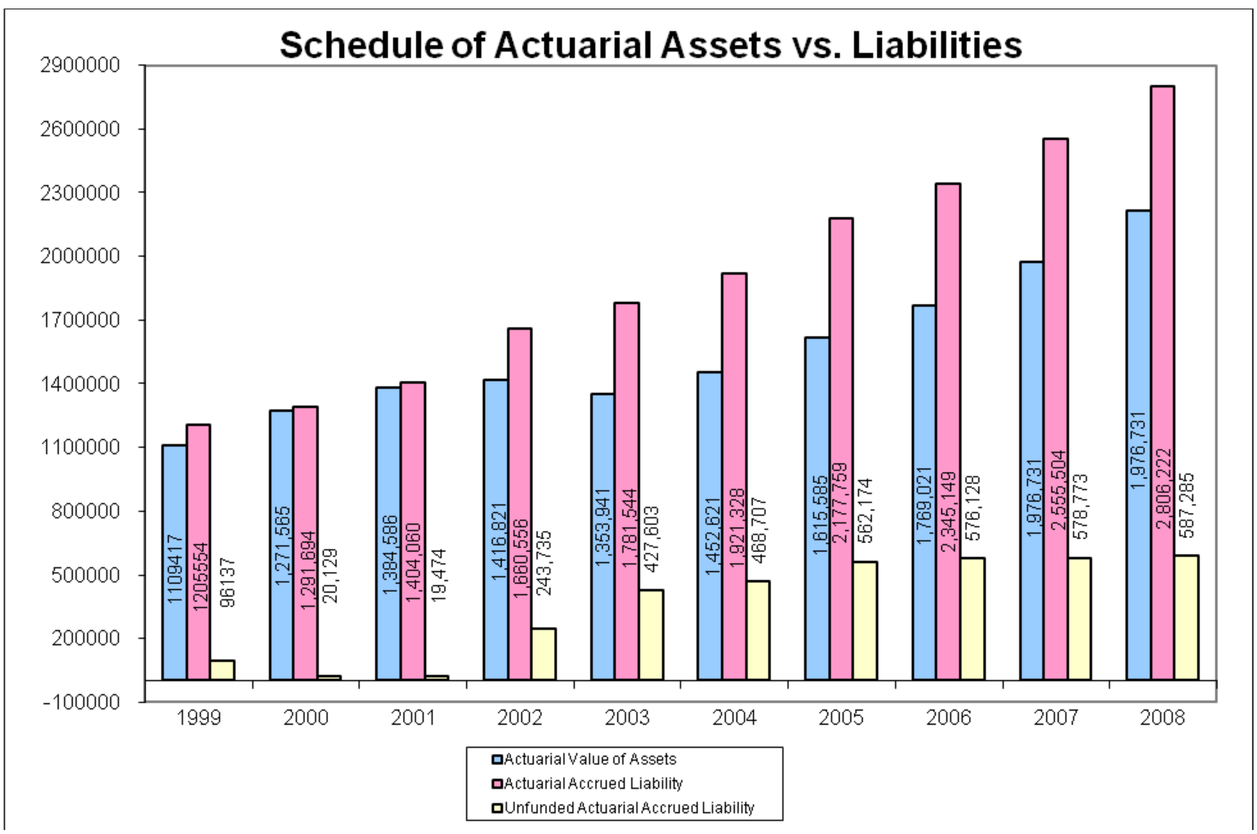
6/30/2008
Avg Er Rate
Avg Member Rate


Schedule of Actuarial Assets vs. Liabilities
2900000
2600000
2300000
2000000
1700000
1400000
1100000
800000
500000
200000
-100000
1109417
1205554
96137
1,271,565
1,291,694
20,129
1,384,586
1,404,060
19,474
1,416,821
1,660,556
243,735
1,353,941
1,781,544
427,603
1,452,621
1,921,328
468,707
1,615,585
2,177,759
562,174
1,769,021
2,345,149
576,128
1,976,731
2,555,504
578,773
1,976,731
2,806,222
587,285
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Actuarial Value of Assets
Actuarial Accrued Liability
Unfunded Actuarial Accrued Liability

Actuarial Certification Draft Example

A MILLIMAN GLOBAL FIRM
Milliman
Consultants and Actuaries

1301 Fifth Avenue, Suite 3800
Seattle, WA 98101-2605
Tel +1 206 624.7940
Fax +1 206 623.3485
www.milliman.com

October 30, 2008

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, 2006	75.4%
June 30, 2007	77.4%
June 30, 2008	79.1%

The funded ratio stayed near the 75% level for several years. Over the past three years the funding ratio has increased, primarily due to employer contributions in excess of the normal cost.

It is our opinion that SamCERA continues in sound financial condition as of June 30, 2008. Under the current funding 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 UAAL is funded over a closed 15-year period.

The June 30, 2008 valuation results are based on the membership data and the asset information provided by SamCERA. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

The valuation is also based on our understanding of SamCERA's current benefit provisions and the actuarial assumptions which were last reviewed and adopted by the Board in 2007. The actuarial 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. We believe the actuarial assumptions and methods are internally consistent, reasonable and meet the parameters of Governmental Accounting Standards Board Statement No. 25. 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. For example, the recognition of realized but as yet unrecognized asset gains and losses from prior years will be reflected in future valuations. Please refer to the June 30, 2008 Actuarial Valuation report for further disclosures.

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, 2008 actuarial valuation report. In particular, it should be noted that many of the June 30, 2005 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 2005 and 2006 shown in the data summaries.

We certify that the June 30, 2008 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,

Karen I. Steffen, FSA, EA, MAAA
Consulting Actuary

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary

KIS/NJC/nlo

Actuarial Assumptions and Cost Method

The actuary 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, 2008, valuation are based on the results of the actuarial experience study for the period July 1, 2005, through April 30, 2008. This study was adopted by the Board of Retirement on August 26, 2008.

Actuarial Assumptions and Cost Method

Valuation Date	June 30, 2008	
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 15 years as of the valuation date. Future actuarial gains and losses will be amortized over new 15-year periods. This is referred to as 15-year layered amortization.	
Asset Valuation Method	5-year smoothed market	
Actuarial Assumptions:		
Investment Rate of Return	7.75%	
Price Inflation (CPI)	3.50%	
Payroll Increases	4.00%	
Average Projected Salary Increases	5.20%	
*Attributed to Inflation		4.00%
*Attributed to Adjustments for Merit and Longevity		1.20%

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) is amortized over a declining 15-year period. Future changes in the UAAL will be amortized over new 15-year periods.

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

Investment Rate of Return

Future investment earnings are assumed to accrue at an annual rate of 7.75%, compounded annually, net of both investment and administrative expenses. This rate was adopted effective for the June 30, 2005, valuation and reaffirmed by the board for use in the June 30, 2008, valuation.

Projected Salary Increase

The rate of annual salary increases assumed for the purpose of the valuation is 5.20%. It is comprised of two components, inflation and merit and longevity increases. The inflation component is 4.0%. The merit and longevity component on average is 1.20%. This rate was adopted effective for the June 30, 2005, valuation and reaffirmed by the board for use in the June 30, 2008, valuation.

Actuarial Assumption		6/30/08	6/30/07	Change
Annual Inflation Rate		3.50%	3.50%	0.00%
Annual Investment Return		7.75%	7.75%	0.00%
Average Annual Salary Increases		5.20%	5.20%	0.00%

Cost-of-Living Adjustments

Post-retirement benefit increases depend upon the tier into which a member is enrolled and the Consumer Price Index 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 Members. Members do not contribute towards the cost-of-living benefit. 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 two 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 minimum rate of 1.5%.

Safety Males Same as General except minimum is 1.0%.

General Females RP-2000 Healthy Annuitant Mortality Table for Females with adjustment for white collar workers and minimum rate of 1.25%.

Safety Females Same as General except minimum is 1.0%.

Separation from Active Status

The probabilities of separation from active status are shown on page 81.

Summary of Plan Provisions

The Association provides basic retirement, disability and death benefits based on a defined benefit formula which uses final average salary, years of service, and age to calculate benefits payable and, in addition, provides annual cost-of-living adjustments upon retirement for members of Tiers One, Two and Four. The benefits of Tier Three are reduced by Social Security benefits received by the member.

The plan sponsor has established ten defined benefit tiers based on a member's date of entry into *SAMCERA*. Tiers 1, 2 & 4 are open to all members depending on their entry date and membership class (General, Safety or Probation/Safety.) Only General members are eligible for Tier 3.

Employees of the San Mateo County Mosquito District and Vector Control District are eligible for participation in all General Tiers, except Tier 3.

Eligibility for Tiers is dependent upon the following entry dates:

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

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

Tier Three - General members may elect to participate in Tier 3. After five years of service, Tier 3 members can elect membership under the open contributory tier. Members currently working in a contributory tier with Tier 3 service may purchase an upgrade of their Tier 3 service.

Tier Four – Employees hired after July 12, 1997, (if Tier 3 is not elected.)

Eligibility for service retirement allowance is dependent upon the following:

General Members Tiers 1, 2 & 4	Age 50 with 10 years of service; Any age with 30 years of service; or Age 70 regardless of service.
Safety & Probation Members Tiers 1, 2 & 4	Age 50 with 10 years of service; Any age with 20 years 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.

Final Compensation:

Tiers 1 & 2	Monthly average of a member's highest twelve consecutive months of compensation.
Tiers 3 & 4	Monthly average of a member's highest thirty-six consecutive months of compensation.

Monthly Allowance:

General Members Tiers 1, 2 & 4	1/60 x Final Compensation x General Age Factor x Years of Service.
All Safety & Probation Members	3% 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) (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 county 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 with the county may elect to leave their accumulated contributions with the Association and choose a deferred retirement.

The 1937 Act vests the Board of Supervisors with the authority to initiate benefits. However, Government Code Section 31592.2 empowers the Board of Retirement to provide health benefits when the Section 31592 reserve exceeds 1% of assets.

Summary of Recommendations

San Mateo County Contribution Rates (1)

	06/30/08	06/30/07	Change
Normal Cost Rate	11.69%	11.82%	(0.13%)
Rate of Contribution to Unfunded Actuarial Accrued Liability	11.93%	11.94%	(0.01%)
Total Employer Rate	23.62%	23.76%	(0.14%)

It should be noted that the 23.62% Total Employer Rate is a weighted average for all *SamCERA* tiers. The actual percent of payroll to be contributed by the county varies by plan. A history of employer rates by class is on Page 78.

Member Contribution Rates (1)

		07/01/08	07/01/07	Change (2)
General Members – County				
Tier 1 & Tier 2	Age 25	9.03%	8.97%	0.06%
	35	10.22%	10.15%	0.07%
	45	11.67%	11.59%	0.08%
Tier 4	Age 25	8.78%	8.72%	0.06%
	35	9.91%	9.85%	0.06%
	45	11.26%	11.18%	0.08%
General Members – SMCM&VCD				
Tier 1 & Tier 2	Age 25	5.20%	5.13%	0.07%
	35	6.23%	6.15%	0.08%
	45	7.48%	7.37%	0.11%
Tier 4	Age 25	4.98%	4.91%	0.07%
	35	5.97%	5.89%	0.08%
	45	7.16%	7.06%	0.10%
Safety Members – Other than Deputy Sheriff (3)				
Tier 1 & Tier 2	Age 25	13.16%	13.09%	0.07%
	35	14.78%	14.71%	0.07%
	45	16.52%	16.42%	0.10%
Tier 4	Age 25	12.81%	12.75%	0.06%
	35	14.37%	14.29%	0.08%
	45	15.83%	15.74%	0.09%
Probation Members (Reflects Employer Pick-up)				
Tier 1 & Tier 2	Age 25	10.03%	9.97%	0.06%
	35	11.33%	11.27%	0.06%
	45	12.71%	12.64%	0.07%
Tier 4	Age 25	9.75%	9.70%	0.05%
	35	10.99%	10.93%	0.06%
	45	12.16%	12.09%	0.07%

(1) The San Mateo County employer and member contribution rates include cost sharing. The San Mateo County Mosquito and Vector Control District does not have cost sharing.
(2) The change represents the rates effective 07/01/2009 (based on the 6/30/08 valuation) minus the 07/01/2008 rates (based on the 6/30/05 valuation).
(3) Cost sharing varies for Deputy Sheriffs as follows: If employee is less then 45 with less than 5 years of service 3.0%, between 5 and 15 years of service 3.5%, and at least 15 years of service 4.5%.

Summary of Significant Actuarial Statistics and Measures

Association Membership	6/30/08	6/30/07	Change
Active Members			
Number of Members	5,500	5,539	-0.7%
Average Age	44.5	44.5	0.0%
Average Credited Service	9.3	9.3	0.0%
Total Active Payroll in Thousands	$424,586	$416,070	2.0%
Average Monthly Salary	$6,433	$6,260	2.8%
Retired Members			
Number of Members			
Service Retirement	2,958	2,835	4.3%
Disability Retirement	361	351	2.8%
Beneficiaries	523	508	3.0%
Average Age	71.2	71.2	0.0%
Total Retiree Payroll in Thousands	$109,616	$98,790	11.0%
Average Monthly Pension	$2,378	$2,229	6.7%
Inactive Vested Members	1,225	1,151	6.4%
Asset and Liability Values			
Asset Values			
Market Value in Thousands	$2,010,739	$2,131,615	-5.7%
Return on Market Value	-8.2%	16.5%	
Valuation Assets in Thousands	$2,218,937	$1,976,731	12.3%
Return on Valuation Assets	9.4%	9.2%	
Liability Values			
Actuarial Accrued Liability in Thousands	$2,806,222	$2,555,504	9.8%
Unfunded Actuarial Accrued Liability in Thousands	$587,285	$578,773	1.5%
Deferred Asset (Gains)/Losses	$208,198	-$154,884	-234.4%
Required County Contribution Rate for All Plans as a Percentage of Total Payroll			
Gross Normal Cost	21.43%	21.52%	(0.09%)
Member Contributions	(9.74%)	(9.70%)	(0.04%)
County Normal Cost	11.69%	11.82%	(0.13%)
UAAL Amortization	11.93%	11.94%	(0.01%)
Total County Rate	23.62%	23.76%	(0.14%)
Funded Ratio			
GASB Number 25 *	79.1%	77.4%	1.7%

*Based on actuarial value of assets for June 30, 2008, and June 30, 2007, 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 (2)	Active Members (Employer Financed Portion)	Portion of Accrued Liability Covered by Valuation Assets		
6/30/99	$1,104,833	$157,826	$ 629,653	$416,489	100%	100%	76%
6/30/00	$1,271,565	$158,314	$ 689,356	$444,024	100%	100%	95%
6/30/01	$1,384,586	$174,066	$ 789,104	$440,890	100%	100%	96%
6/30/02	$1,416,850	$190,450	$ 866,985	$785,082	100%	100%	46%
6/30/03	$1,353,941	$202,551	$ 858,273	$915,108	100%	100%	32%
6/30/04	$1,452,621	$259,731	$ 942,765	$718,832	100%	100%	35%
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%

(2) 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
6/30/99	$1,109,417	$1,205,554	$ 96,137	92.0%	$238,864	40.20%
6/30/00	$1,271,565	$1,291,694	$ 20,129	98.4%	$259,075	7.80%
6/30/01	$1,384,586	$1,404,060	$ 19,474	98.6%	$274,318	7.10%
6/30/02	$1,416,821	$1,660,566	$243,745	85.3%	$301,891	80.7%
6/30/03	$1,353,941	$1,781,544	$427,603	76.0%	$323,896	132.0%
6/30/04	$1,452,621	$1,921,328	$468,707	75.6%	$365,385	128.3%
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%	$363,648	158.43%
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%

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 increased from June 30, 2007. The most significant reason for the increase in the funded ratio was employer contributions made to pay off the UAAL and the recognition of prior years' investment gains. This was partially offset by the change in actuarial assumptions which caused an increase in the liabilities.

History of Employer Contribution Rates

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 – County

	General Member			Safety Member			Probation Member		
Year	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
1999	9.28%	4.36%	13.64%	17.51%	7.85%	25.36%	19.48%	6.06%	25.54%
2000	9.85%	3.60%	13.45%	17.70%	7.24%	24.94%	19.26%	5.53%	24.79%
2001	9.95%	0.71%	10.66%	17.81%	1.51%	19.32%	17.94%	1.16%	19.10%
2002	9.71%	0.70%	10.41%	17.22%	1.50%	18.72%	16.76%	1.17%	17.93%
2003	11.00%	4.60%	15.60%	21.99%	12.74%	34.73%	23.45%	8.10%	31.55%
2004	9.76%	8.25%	18.01%	15.34%	24.82%	40.16%	16.17%	15.28%	31.45%
2005	10.36%	10.38%	20.74%	20.43%	32.02%	52.45%	21.10%	16.43%	37.53%
2006	10.49%	9.97%	20.46%	20.18%	30.52%	50.70%	21.59%	14.85%	36.44%
2007	10.19%	9.46%	19.65%	19.94%	29.32%	49.26%	20.83%	14.06%	34.89%
2008	10.16%	9.81%	19.97%	19.32%	27.31%	46.63%	20.05%	12.81%	32.86%

History of Employer Contribution Rates – San Mateo County Mosquito and Vector Control District

	General Member		
Year	Normal	UAAL	Total
2006	8.76%	8.18%	16.94%
2007	8.50%	7.76%	16.26%
2008	8.55%	8.04%	16.59%

Active Member Valuation Data

Valuation Date		Members (1)	Annual Salary	Average Annual Salary	% Change Average Salary
1999	General	3,908	$196,936,000	$50,393	8.2%
	Safety	425	$29,862,000	$70,264	16.9%
	Probation	245	$12,067,000	$49,253	3.4%
	Total	4,578	$238,865,000	$52,176	9.0%
2000	General	4,018	$214,625,000	$53,416	6.0%
	Safety	423	$31,180,000	$73,716	4.9%
	Probation	249	$13,270,000	$53,292	8.2%
	Total	4,690	$259,075,000	$55,236	5.9%
2001	General	4,040	$227,848,000	$56,400	5.6%
	Safety	416	$31,611,000	$75,984	3.1%
	Probation	261	$14,859,000	$56,928	6.8%
	Total	4,717	$274,318,000	$58,152	5.3%
2002	General	4,159	$250,344,000	$60,192	6.7%
	Safety	431	$34,405,000	$79,824	5.1%
	Probation	282	$17,142,000	$60,792	6.8%
	Total	4,872	$301.891,000	$61,968	6.6%
2003	General	4,213	$267,150,000	$63,408	5.3%
	Safety	434	$37,973,000	$87,492	9.6%
	Probation	290	$18,773,000	$64,740	6.5%
	Total	4,937	$323,896,00	$65,964	5.9%
2004	General	4,487	$303,786,879	$67,700	6.8%
	Safety	411	$40,796,852	$99,202	13.4%
	Probation	288	$20,800,813	$72,225	11.6%
	Total	5,186	$365,384,544	$70,448	6.8%
2005	General	4,411	$304,289,437	$68,984	1.8%
	Safety	409	$39,999,593	$97,799	-1.4%
	Probation	278	$20,123,863	$72,388	0.2%
	Total	5,098	$364,412,893	$71,482	1.4%
2006	General	4,614	$312,934,324	$67,823	-1.7%
	Safety	428	$41,407,772	$96,747	-1.1%
	Probation	313	$22,009,210	$70,317	-1.6%
	Total	5,355	$376,351,306	$70,280	-1.7%
2007	General	4,767	$346,319,017	$72,649	7.1%
	Safety	443	$45,386,411	$102,452	5.9%
	Probation	329	$24,364,268	$74,056	5.3%
	Total	5,539	$416,069,696	$75,116	6.9%
2008	General	4,743	$353,518,525	$74,535	2.6%
	Safety	432	$46,326,906	$107,238	4.7%
	Probation	325	$24,741,003	$76,126	2.8%
	Total	5,500	$424,586,434	$77,198	2.8%

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

Demographic Activity of Retirees and Beneficiaries

	Retiree Membership (1)								
Year	At Beginning Of Year	Addition	Withdrawal	At End of Year	Average Payroll Increase	Average Payroll Decrease	Total Retiree Payroll	Percent Increase In Payroll	Average Monthly Allowance (2)
6/30/98	2,900	149	118	2,931	N/A	N/A	$46,845,000	10.65%	$1,332
6/30/99	2,931	238	210	2,959	N/A	N/A	$50,491,000	7.80%	$1,422
6/30/00	2,959	219	76	3,102	N/A	N/A	$55,192,000	9.31%	$1,483
6/30/01	3,102	233	82	3,253	N/A	N/A	$62,416,000	13.1%	$1,543
6/30/02	3,253	194	138	3,309	N/A	N/A	$66,974,000	7.3%	$1,627
6/30/03	3,309	128	115	3,322	N/A	N/A	$69,451,000	3.7%	$1,676
6/30/04	3,466	193	120	3,539	N/A	N/A	$75,492,876	8.7%	$1,778
6/30/05	3,539	238	95	3,682	N/A	N/A	$84,183,000	11.5%	$1,905
6/30/06	3,519	206	112	3,613	N/A	N/A	$91,006,000	8.1%	$2,099
6/30/07	3,613	155	74	3,694	N/A	N/A	$98,790,000	8.6%	$2,229
6/30/08	3,694	218	70	3,842	$5,872	$1,793	$109,616,000	11.0%	$2,378

(1) *For 6/30/2004 and 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. Prior to 6/30/2004 retirees/beneficiaries who are entitled to multiple benefits are only counted once.*

(2) *The Association's retiree benefit administration system does not currently allow SamCERA to access the annual allowances of retirants and beneficiaries added to and removed from rolls.*

Actuarial Analysis of Financial Experience ($000)

Summary of (Gains) / Losses	Change In Liability				
	2008	2007	2006	2005	2004
Unfunded Liability as of July 1	$578,773	$576,128	$562,174	$468,707	$427,603
Expected Change in UAAL	($ 31,649)	($ 16,745)	$ 2,980	($ 1,700)	($ 419)
Salary (Gain) / Loss	($ 19,946)	$ 45,157	$ 19,671	($ 34,300)	
Fewer Withdrawal than expected					
Retiree COLA more / (less) than expected	$ 937	($ 3,380)	($ 13,862)	($ 26,197)	
Assets (Gain) / Loss	($ 20,078)	($ 22,639)	($ 1,363)	$ 8,934	$ 25,062
Change due to Assumption Changes	$ 61,011			$152,500	($ 13,989)
Change due to Actuarial Asset Corridor					
Ventura Benefits & Asset transfers				($ 21,801)	
Miscellaneous Experience	$ 18,237	$ 252	$ 6,528	$ 16,031	$ 30,450
Change Due to New Formula					
Unfunded Liability as of June 30	$587,285	$578,773	$576,128	$562,174	$468,707

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.

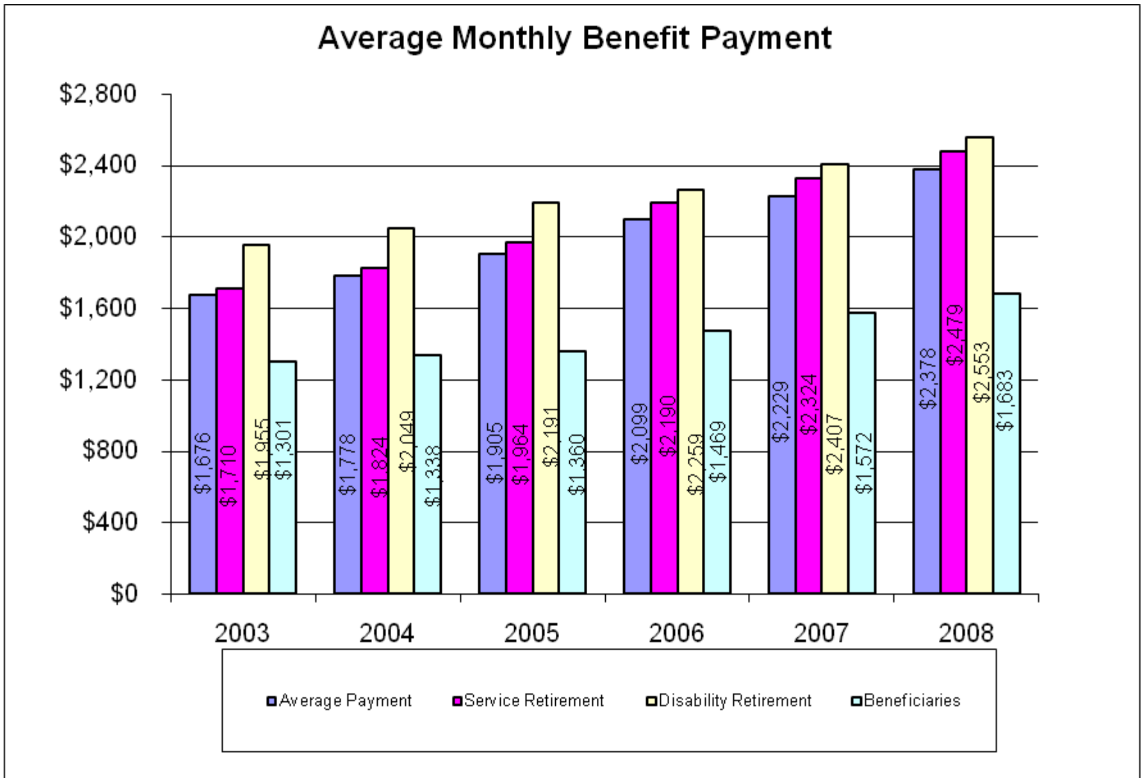
Service Death – Member dies before retirement; death is service related.

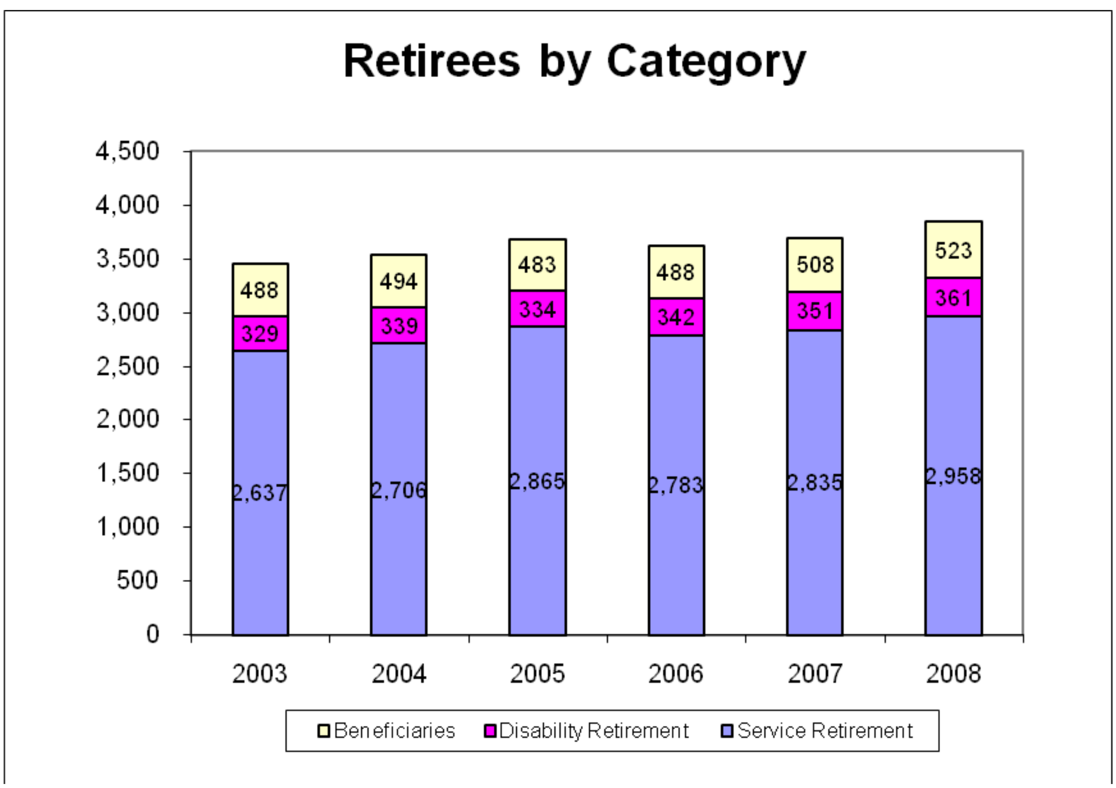
Ordinary Death – Member dies before retirement; death is not service related.

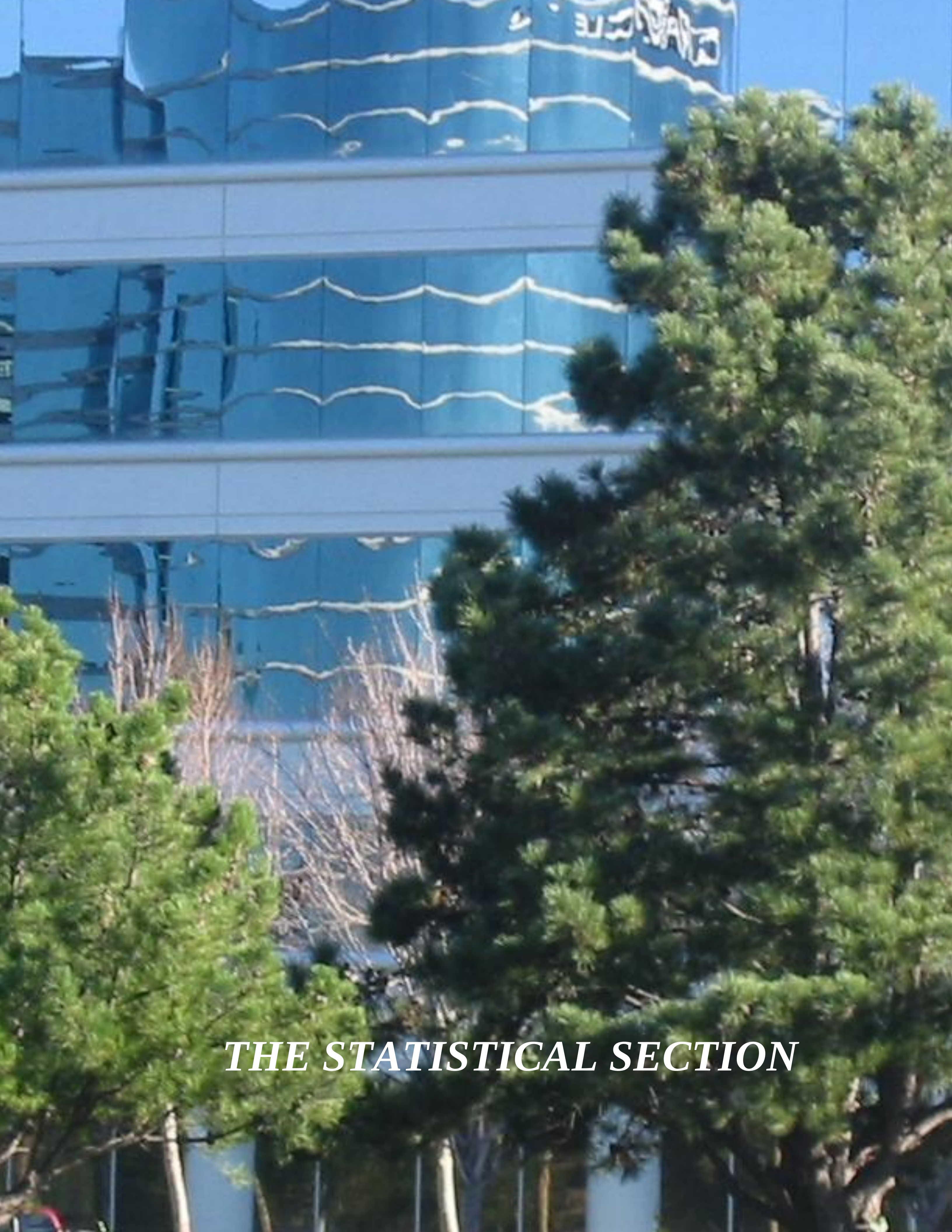
In the table below each rate represents the probability that a member will separate from service at each age due to a particular cause.

Probability of Separation During Active Service

Years of	Other Terminations			Disability		Death while Active		Service
Service	Ordinary	Vested	Age	Ordinary	Service	Ordinary	Service	Retirement
General Plan 1, 2 & 4 Male Members								
0	0.1300	0.0000	20	0.0002	0.0003	0.0003	0.0000	0.0000
5	0.0285	0.0348	30	0.0002	0.0004	0.0004	0.0000	0.0000
10	0.0172	0.0238	40	0.0004	0.0007	0.0010	0.0000	0.0000
15	0.0099	0.0191	50	0.0009	0.0013	0.0019	0.0000	0.0600
20	0.0040	0.0150	60	0.0015	0.0022	0.0040	0.0000	0.1500
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0091	0.0000	1.0000
General Plan 1, 2 & 4 Female Members								
0	0.1300	0.0000	20	0.0002	0.0003	0.0002	0.0000	0.0000
5	0.0285	0.0348	30	0.0002	0.0004	0.0002	0.0000	0.0000
10	0.0172	0.0238	40	0.0004	0.0007	0.0006	0.0000	0.0000
15	0.0099	0.0191	50	0.0009	0.0013	0.0013	0.0000	0.0600
20	0.0040	0.0150	60	0.0015	0.0022	0.0030	0.0000	0.1500
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0066	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	0.0010	0.0000	0.0000
15	0.0099	0.0191	50	0.0000	0.0000	0.0019	0.0000	0.0000
20	0.0040	0.0150	60	0.0000	0.0000	0.0040	0.0000	0.0300
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0091	0.0000	1.0000
General Plan 3 Female Members								
0	0.1300	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	0.0172	0.0238	40	0.0000	0.0000	0.0006	0.0000	0.0000
15	0.0099	0.0191	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	0.0066	0.0000	1.0000
Safety and Probation Male Members								
0	0.0800	0.0000	20	0.0003	0.0012	0.0003	0.0010	0.0000
5	0.0105	0.0128	30	0.0004	0.0014	0.0004	0.0010	0.0000
10	0.0071	0.0099	40	0.0006	0.0022	0.0010	0.0010	0.0000
15	0.0041	0.0079	50	0.0009	0.0035	0.0019	0.0010	0.2000
20	0.0008	0.0032	60	0.0017	0.0067	0.0040	0.0010	1.0000
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0091	0.0010	1.0000
Safety and Probation Female Members								
0	0.0800	0.0000	20	0.0003	0.0012	0.0002	0.0010	0.0000
5	0.0105	0.0128	30	0.0004	0.0014	0.0002	0.0010	0.0000
10	0.0071	0.0099	40	0.0006	0.0022	0.0006	0.0010	0.0000
15	0.0041	0.0079	50	0.0009	0.0035	0.0013	0.0010	0.2000
20	0.0008	0.0032	60	0.0017	0.0067	0.0030	0.0010	1.0000
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0066	0.0010	1.0000


Average Monthly Benefit Payment
$2,800
$2,400
$2,000
$1,600
$1,200
$800
$400
$0
$1,676 $1,710 $1,955 $1,301
$1,778 $1,824 $2,049 $1,338
$1,905 $1,964 $2,191 $1,360
$2,099 $2,190 $2,259 $1,469
$2,229 $2,324 $2,407 $1,572
$2,378 $2,479 $2,553 $1,683
2003 2004 2005 2006 2007 2008
Average Payment
Service Retirement
Disability Retirement
Beneficiaries


Retirees by Category
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2003: 488 329 2,637
2004: 494 339 2,706
2005: 483 334 2,865
2006: 488 342 2,783
2007: 508 351 2,835
2008: 523 361 2,958
Beneficiaries
Disability Retirement
Service Retirement



THE STATISTICAL SECTION

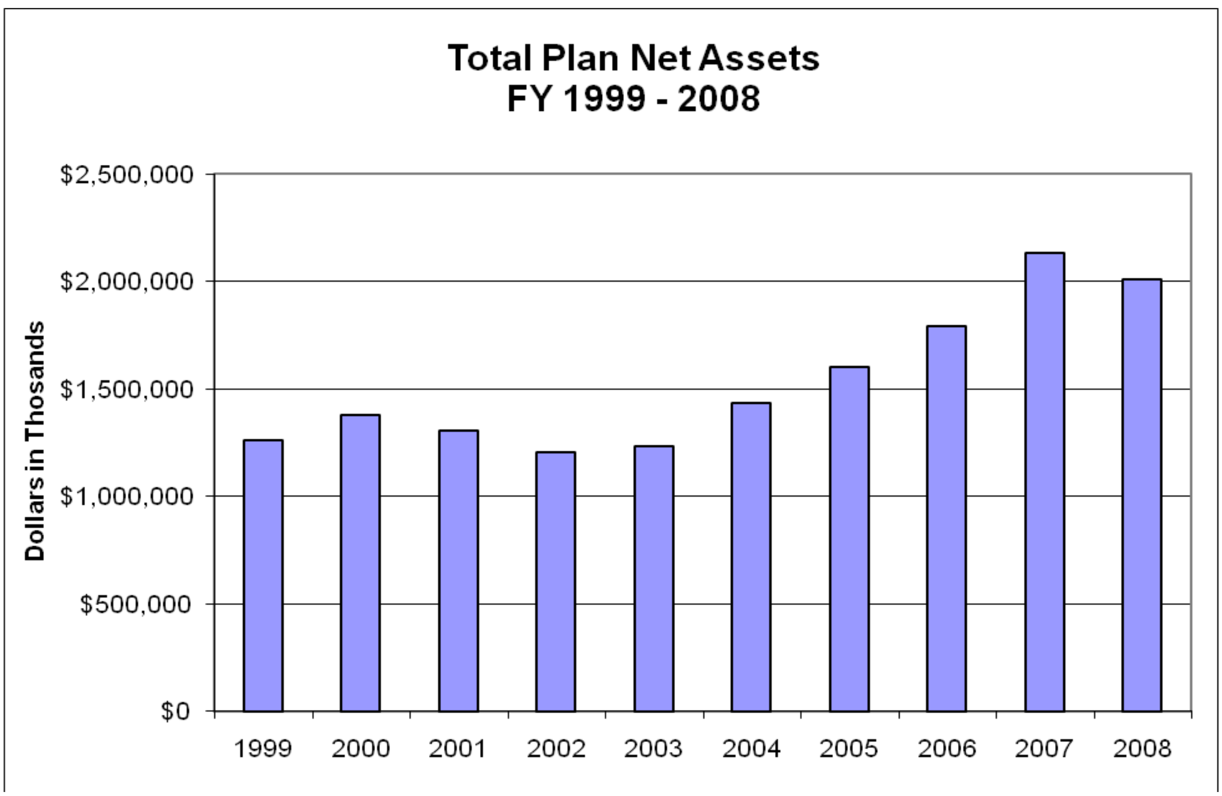
Schedule of Employer Contributions
(In Thousands Of Dollars)

Year End	Actuarially Required Contributions (ARC)	Contributions Made As A % of ARC
6/30/1999	$41,289	100%
6/30/2000	$38,695	100%
6/30/2001	$39,482	100%
6/30/2002	$33,541	100%
6/30/2003	$36,070	100%
6/30/2004	$60,042	100%
6/30/2005	$76,931	100%
6/30/2006	$76,090	100%
6/30/2007	$100,550	100%
6/30/2008	$105,340	100%

Changes in Pension Plan Net Assets Last Ten Fiscal Years
As of June 30
(Dollars in Thousands)

	2008	**2007**	**2006**	**2005**	**2004**
Additions					
Employer Contributions	$105,340	$100,550	$76,090	$76,931	$60,042
Member Contributions	60,111	42,696	39,962	33,647	27,094
Total Contributions	**165,451**	**143,246**	**116,052**	**110,578**	**87,136**
Investment Income (net of expenses)	-177,923	298,260	166,826	140,132	193,107
Security Lending Income	1,699	0	0	0	0
Miscellaneous Additions	181	26	49	79	226
Total Additions	**-10,592**	**441,532**	**282,927**	**250,789**	**280,469**
Deductions					
Retiree Benefits	103,970	94,788	87,915	83,182	74,016
Member Benefits	3,075	2,244	2,258	1,458	1,734
Administrative Expenses	3,231	2,582	2,086	2,235	1,912
Other Expenses	8	201	40	4	719
Total Deductions	**110,284**	**99,815**	**92,299**	**86,879**	**78,381**
Change in Pension Plan Net Assets	**-$120,876**	**$341,717**	**$190,628**	**$163,910**	**$202,088**

Changes in Pension Plan Net Assets Last Ten Fiscal Years (Continued) As of June 30 (Dollars in Thousands)					
	2003	**2002**	**2001**	**2000**	**1999**
Additions					
Employer Contributions	$36,070	$33,541	$39,482	$38,695	$41,289
Member Contributions	22,650	16,627	15,287	14,383	12,586
Total Contributions	**58,720**	**50,168**	**54,769**	**53,078**	**53,875**
Investment Income (net of expenses)	39,142	-82,410	-65,750	123,203	83,550
Security Lending Income	0	0	0	0	0
Miscellaneous Additions	8	0	0	0	0
Total Additions	**97,870**	**-32,242**	**-10,981**	**176,281**	**137,425**
Deductions					
Retiree Benefits	68,989	65,186	58,807	53,090	49,492
Member Benefits	1,206	1,551	1,846	1,896	1,640
Administrative Expenses	1,887	1,509	1,491	1,221	1,070
Other Expenses	0	0	0	0	0
Total Deductions	**72,082**	**68,246**	**62,144**	**56,207**	**52,202**
Change in Pension Plan Net Assets	**$25,788**	**($100,488)**	**($73,125)**	**$120,074**	**$85,223**



Schedule of Revenues by Source
(In thousands of Dollars)

Year End	Employee Contribution	Employer Contribution	Investment Income	Total Contributions
6/30/1999	$12,586	$41,289	$83,550	$137,425
6/30/2000	$14,383	$38,695	$123,203	$176,281
6/30/2001	$15,287	$39,482	-$65,750	-$10,981
6/30/2002	$16,627	$33,541	-$82,410	-$32,242
6/30/2003	$22,650	$36,070	$39,150	$97,870
6/30/2004	$27,094	$60,042	$193,333	$280,469
6/30/2005	$33,647	$76,931	$140,211	$250,789
6/30/2006	$39,963	$76,090	$166,874	$282,927
6/30/2007	$42,696	$100,550	$298,286	$441,532
6/30/2008	$60,111	$105,340	-$176,043	-$10,592

Schedule of Expenses by Type
(In thousands of Dollars)

Year End	Administrative Expenses	Retirement Benefits Paid	Refunds	Total
6/30/1999	$1,070	$49,492	$1,640	$52,202
6/30/2000	$1,221	$53,090	$1,896	$56,207
6/30/2001	$1,491	$58,807	$1,846	$62,144
6/30/2002	$1,509	$65,186	$1,551	$68,246
6/30/2003	$1,887	$68,989	$1,206	$72,082
6/30/2004	$2,631	$74,016	$1,734	$78,381
6/30/2005	$2,239	$83,182	$1,458	$86,879
6/30/2006	$2,126	$87,915	$2,258	$92,299
6/30/2007	$2,783	$94,788	$2,244	$99,815
6/30/2008	$3,239	$103,970	$3,075	$110,284

Summary of Retired and Inactive Member Benefits

Retired Members	2008	2007	2006	2005	2004	
Service Retirement						
Number	2,958	2,835	2,783	2,865	2,706	
Annual Allowance						
Basic Only	$66,704,000	$59,687,000	$54,942,000	$49,760,000	$41,723,000	
COLA	$21,289,000	$19,382,000	$18,188,000	$17,759,000	$17,502,000	
Total	$87,993,000	$79,069,000	$73,130,000	$67,519,000	$59,225,000	
Average Monthly Payment	$2,479	$2,324	$2,190	$1,964	$1,824	
Disability Retirement						
Number	361	351	342	334	339	
Annual Allowance						
Basic Only	$8,214,000	$7,571,000	$6,915,000	$6,575,000	$6,164,000	
COLA	$2,847,000	$2,569,000	$2,356,000	$2,205,000	$2,172,000	
Total	$11,061,000	$10,140,000	$9,271,000	$8,780,000	$8,336,000	
Average Monthly Payment	$2,553	$2,407	$2,259	$2,191	$2,049	
Beneficiaries						
Number	523	508	488	483	494	
Annual Allowance						
Basic Only	$5,757,000	$5,220,000	$4,659,000	$4,084,000	$4,250,000	
COLA	$4,805,000	$4,361,000	$3,946,000	$3,800,000	$3,682,000	
Total	$10,562,000	$9,581,000	$8,605,000	$7,884,000	$7,932,000	
Average Monthly Payment	$1,683	$1,572	$1,469	$1,360	$1,338	
Total Retired Members						
Number	3,842	3,694	3,614	3,682	3,539	
Annual Allowance						
Basic Only	$80,675,000	$72,478,000	$66,516,000	$60,419,000	$52,137,000	
COLA	$28,941,000	$26,312,000	$24,490,000	$23,764,000	$23,356,000	
Total	$109,616,000	$98,790,000	$91,006,000	$84,183,000	$75,493,000	
Average Monthly Payment	$2,378	$2,229	$2,099	$1,905	$1,778	
Inactive Members	1,225	1,151	1,089	872	877	

For 6/30/2004 and 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 benefits administration system. For the years 2001 through 2005 it also appears in *SamCERA's* actuarial valuation reports.

Summary of Retired and Inactive Member Benefits (Continued)

Retired Members	2003	2002	2001	2000	1999	
Service Retirement						
Number	2,638	2,638	2,383	2,295	2,300	
Annual Allowance						
Basic Only	$36,260,000	$36,260,000	$30,059,000	$27,966,000	$26,159,000	
COLA	$16,668,000	$16,668,000	$13,692,000	$12,343,000	$11,910,000	
Total	$52,928,000	$52,928,000	$43,751,000	$40,309,000	$38,069,000	
Average Monthly Payment	$1,672	$1,672	$1,530	$1,464	$1,379	
Disability Retirement						
Number	316	316	280	263	250	
Annual Allowance						
Basic Only	$5,061,000	$5,061,000	$4,014,000	$3,517,000	$3,115,000	
COLA	$2,049,000	$2,049,000	$1,591,000	$1,402,000	$1,303,000	
Total	$7,110,000	$7,110,000	$5,605,000	$4,919,000	$4,418,000	
Average Monthly Payment	$1,875	$1,875	$1,668	$1,559	$1,473	
Beneficiaries						
Number	477	477	439	401	381	
Annual Allowance						
Basic Only	$3,548,000	$3,548,000	$2,950,000	$2,819,000	$2,154,000	
COLA	$3,388,000	$3,388,000	$2,886,000	$2,444,000	$2,204,000	
Total	$6,936,000	$6,936,000	$5,836,000	$5,263,000	$4,358,000	
Average Monthly Payment	$1,212	$1,212	$1,108	$1,094	$953	
Total Retired Members						
Number	3,431	3,431	3,102	2,979	2,931	
Annual Allowance						
Basic Only	$44,869,000	$44,869,000	$37,023,000	$34,302,000	$31,428,000	
COLA	$22,105,000	$22,105,000	$18,169,000	$16,189,000	$15,417,000	
Total	$66,974,000	$66,974,000	$55,192,000	$50,491,000	$46,845,000	
Average Monthly Payment	$1,627	$1,627	$1,483	$1,422	$1,332	
Inactive Members	833	833	646	613	522	

The data in the table above originates from PensionGold, *SamCERA's* retirement benefit administration system. For the years 2001 through 2005 it also appears in *SamCERA's* actuarial valuation reports.

Schedule of Average Monthly Salary of Active Members
(By Tier and Membership Type)

	2008	2007	2006	2005	2004	
General Tier 1	$7,252	$7,175	$6,749	$6,582	$6,514	
General Tier 2	$6,872	$6,688	$6,148	$6,045	$5,980	
General Tier 3	$5,619	$5,287	$4,988	$5,216	$5,101	
General Tier 4	$5,914	$5,714	$5,315	$5,476	$5,281	
General Tier Total	$6,211	$6,054	$5,652	$5,747	$5,642	
Safety Tier 1	$11,113	$10,212	$10,019	$9,701	$9,516	
Safety Tier 2	$9,612	$9,299	$8,585	$8,482	$8,530	
Safety Tier 4	$8,349	$7,882	$7,403	$7,564	$7,582	
Safety Tier Total	$8,937	$8,538	$8,062	$8,150	$8,267	
Probation Tier 1	$9,791	$8,522	$7,735	$7,216	$6,856	
Probation Tier 2	$6,960	$6,899	$6,479	$6,390	$6,291	
Probation Tier 4	$5,978	$5,766	$5,444	$5,741	$5,711	
Probation Tier Total	$6,344	$6,171	$5,860	$6,032	$6,019	
Total	$6,433	$6,260	$5,857	$5,955	$5,871	

Schedule of Average Monthly Salary of Active Members
(By Plan and Membership Type) (Continued)

	2003	2002	2001	2000	1999	
General Tier 1	$6,070	$5,806	$5,477	$5,143	$4,910	
General Tier 2	$5,573	$5,311	$4,934	$4,636	$4,301	
General Tier 3	$4,747	$4,737	$4,516	$4,197	$3,820	
General Tier 4	$4,886	$4,545	$4,177	$3,831	$3,483	
General Tier Total	$5,284	$5,016	$4,700	$4,451	$4,199	
Safety Tier 1	$8,500	$7,820	$7,327	$6,955	$6,400	
Safety Tier 2	$7,518	$6,853	$6,479	$6,102	$5,883	
Safety Tier 4	$6,465	$5,789	$5,375	$5,271	$4,957	
Safety Tier Total	$7,291	$6,652	$6,332	$6,143	$5,855	
Probation Tier 1	$6,548	$6,253	$5,861	$5,460	$5,100	
Probation Tier 2	$5,800	$5,542	$5,079	$4,654	$4,240	
Probation Tier 4	$4,924	$4,502	$4,100	$3,660	$3,119	
Probation Tier Total	$5,395	$5,066	$4,744	$4,441	$4,104	
Total	$5,467	$5,164	$4,846	$4,603	$4,348	

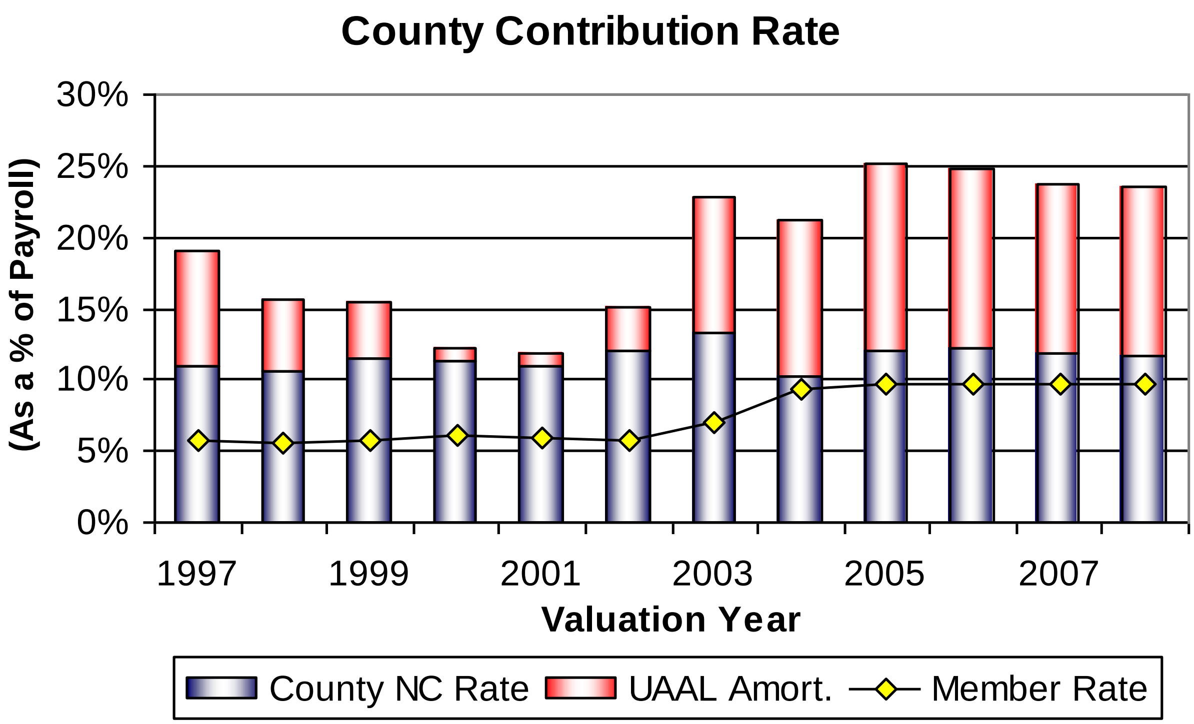
The data in the table above originates from PensionGold, *SamCERA's* retirement benefit administration system. For the years 2001 through 2005 it also appears in *SamCERA's* actuarial valuation reports.

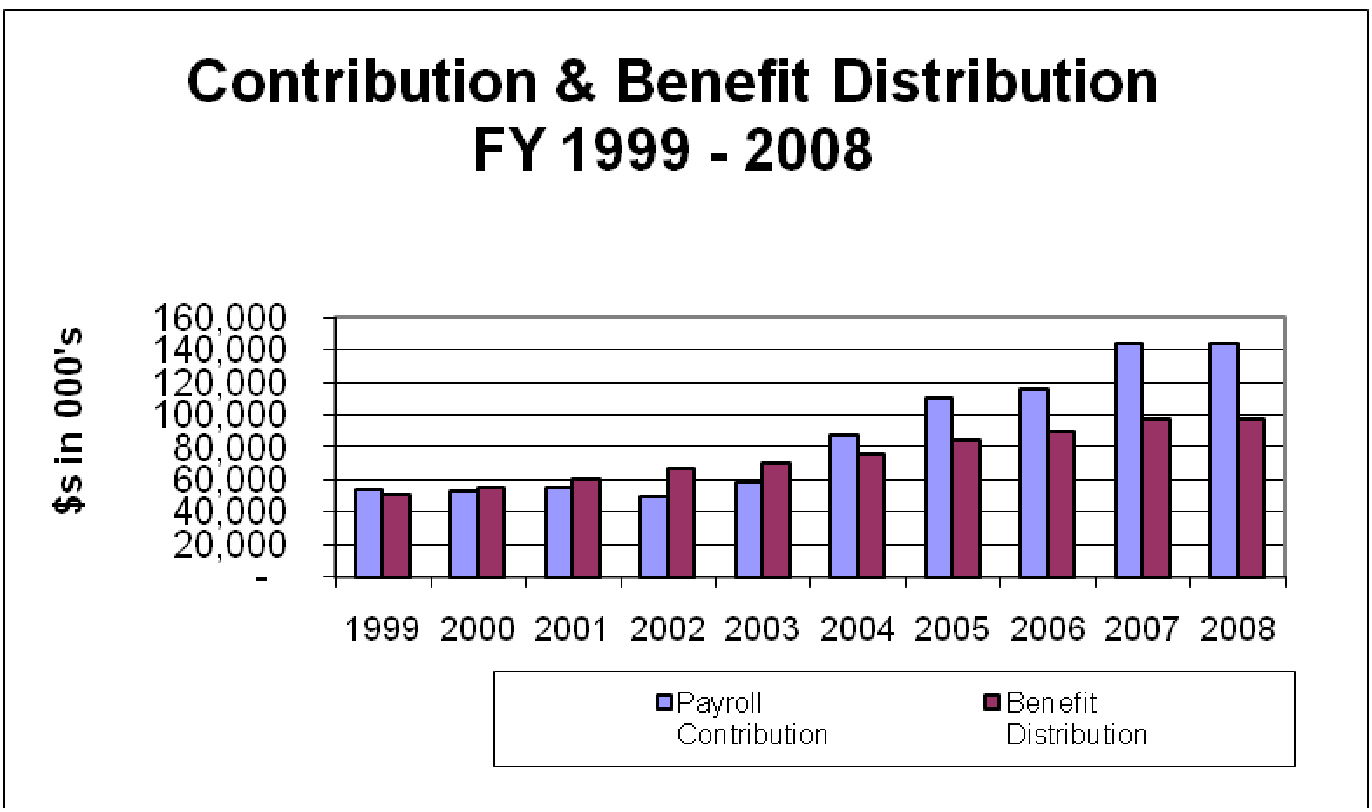
Participating Employers and Active Members

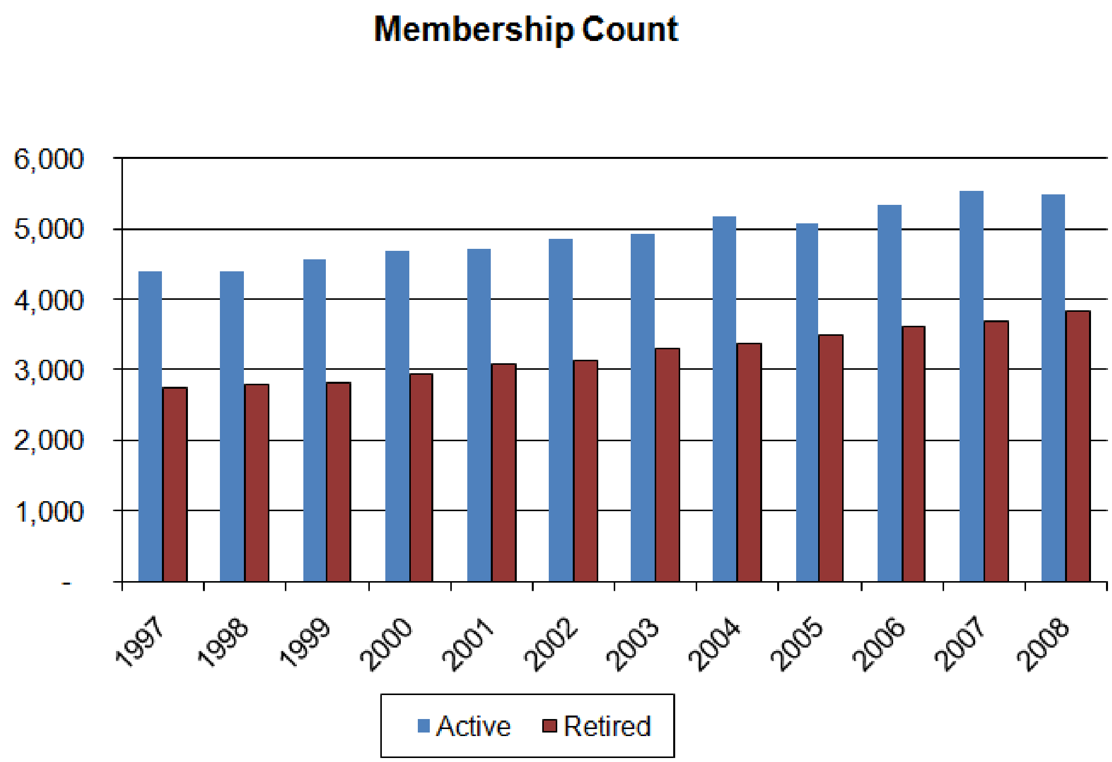
	2008	2007	2006	2005	2004	
County of San Mateo						
General Members	4,718	4,742	4,594	4,391	4,474	
Safety Members	432	443	428	409	411	
Safety/Probation Members	325	329	313	278	288	
Total	5,475	5,514	5,335	5,078	5,173	
San Mateo County Mosquito Abatement District						
General Members Total	25	25	20	20	13	
Total Active Membership	5,500	5,539	5,355	5,098	5,186	

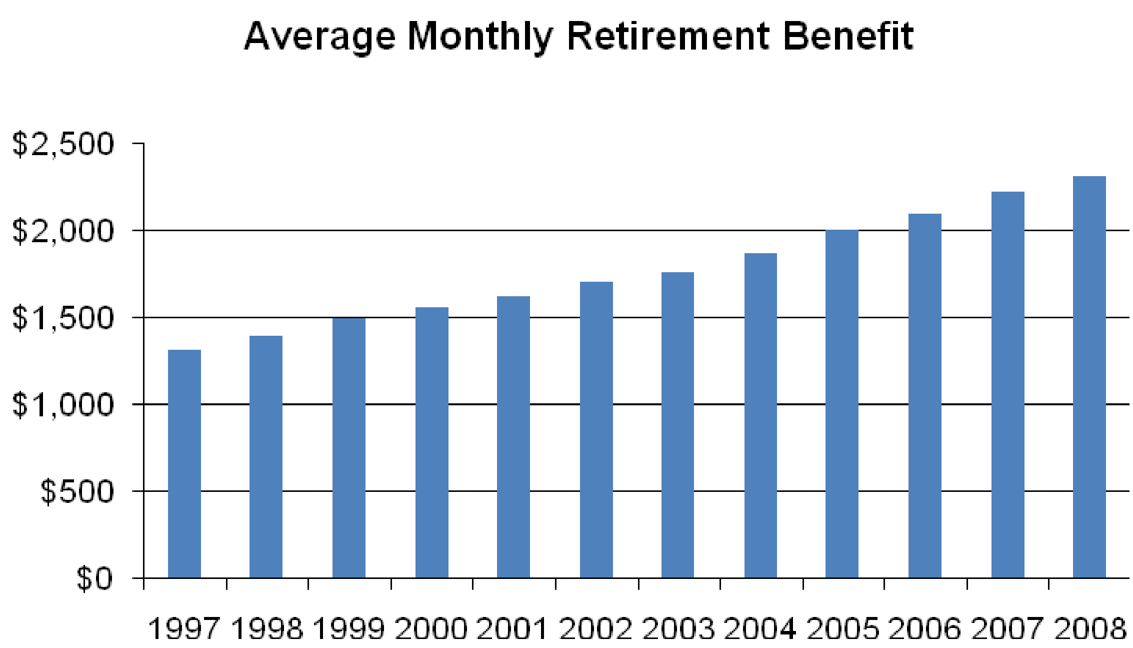
Participating Employers and Active Members (Continued)

	2003	2002	2001	2000	1999	
County of San Mateo						
General Members	4,202	4,175	4,079	3,897	3,792	
Safety	434	431	416	425	406	
Safety/Probation Members	290	293	265	245	211	
Total	4,926	4,899	4,760	4,567	4,409	
San Mateo County Mosquito Abatement District						
General Members Total	11	11	11	11	11	
Total Active Membership	4,937	4,910	4,771	4,578	4,420	

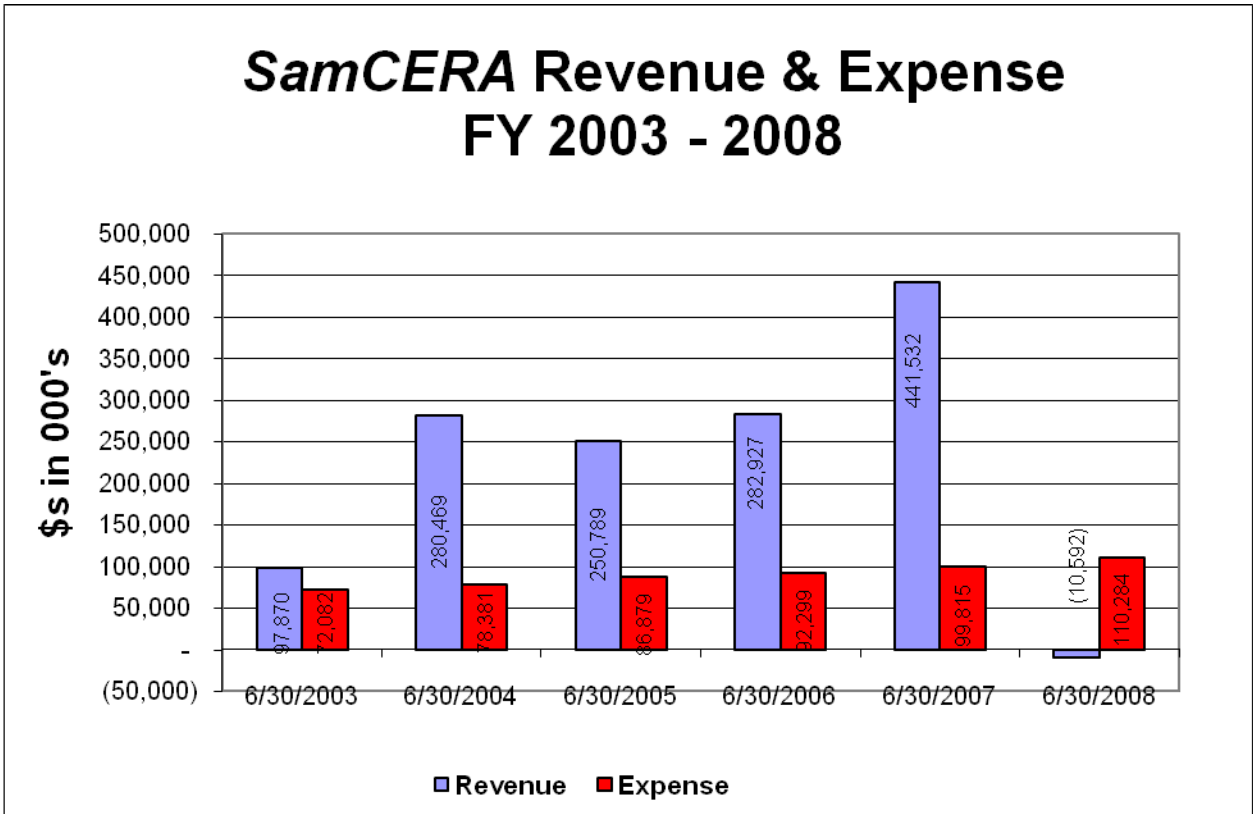

County Contribution Rate
30%
25%
20%
15%
10%
5%
0%
(As a % of Payroll)
1997
1999
2001
2003
2005
2007
Valuation Year
County NC Rate
UAAL Amort.
Member Rate

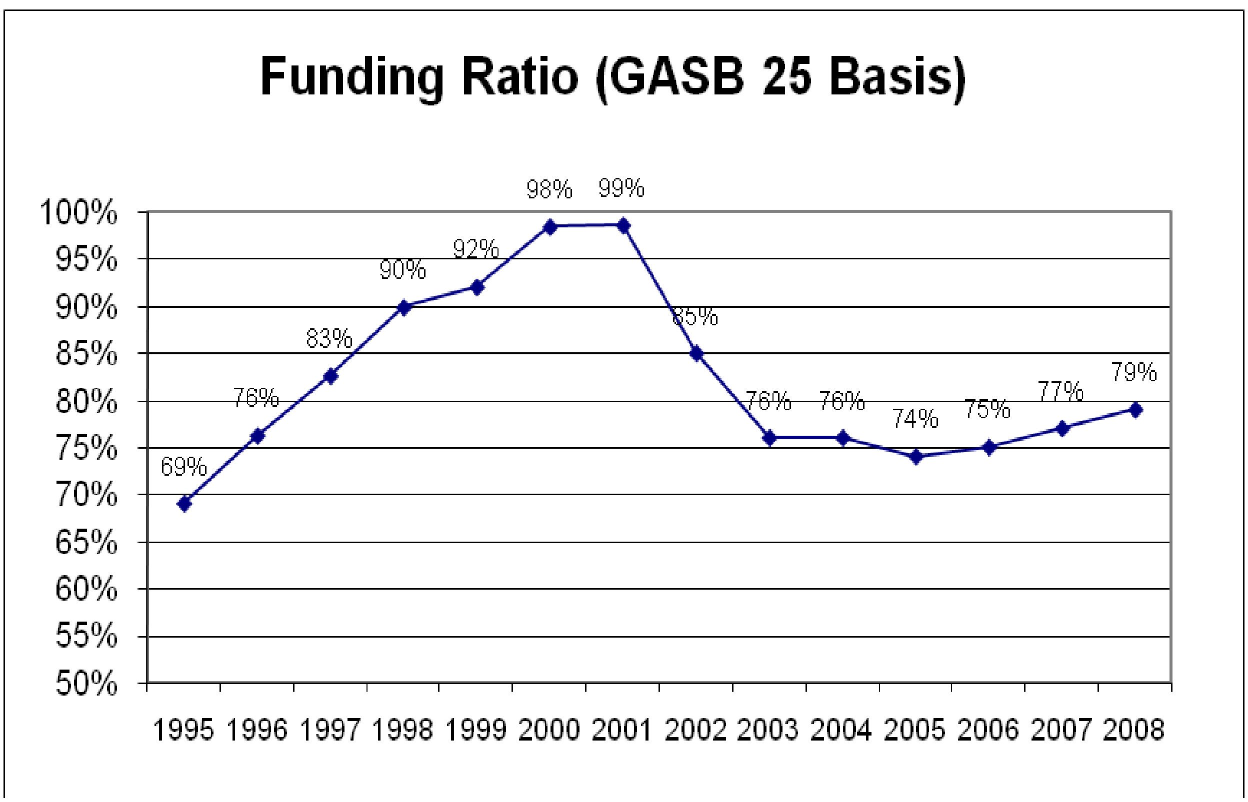

Contribution & Benefit Distribution
FY 1999 - 2008
$s in 000's
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
-
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Payroll Contribution
Benefit Distribution


Membership Count
6,000
5,000
4,000
3,000
2,000
1,000
-
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Active
Retired


Average Monthly Retirement Benefit
$2,500
$2,000
$1,500
$1,000
$500
$0
1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008

THE COMPLIANCE SECTION


SamCERA Revenue & Expense
FY 2003 - 2008
$s in 000's
500,000
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
-
(50,000)
97,870
72,082
280,469
78,381
250,789
86,879
282,927
92,299
441,532
99,815
(10,592)
110,284
6/30/2003
6/30/2004
6/30/2005
6/30/2006
6/30/2007
6/30/2008
Revenue
Expense


Funding Ratio (GASB 25 Basis)
100%
95%
90%
85%
80%
75%
70%
65%
60%
55%
50%
69%
76%
83%
90%
92%
98%
99%
85%
76%
76%
74%
75%
77%
79%
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008

BROWN ARMSTRONG PAULDEN
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Certified Public Accountants

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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 Members of the
San Mateo County Employees' Retirement Association
Audit Committee/Board of Retirement

We have audited the basic financial statements of the San Mateo County Employees' Retirement Association (SamCERA), as of and for the year ended June 30, 2008, which collectively comprise SamCERA's basic financial statements and have issued our report thereon dated October 30, 2008. 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.

<u>Internal Control Over Financial Reporting</u>
In planning and performing our audit, we considered SamCERA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SamCERA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SamCERA's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects SamCERA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of SamCERA's financial statements that is more than inconsequential will not be prevented or detected by SamCERA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by SamCERA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SamCERA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations contracts, and grant 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 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 of SamCERA in a separate letter dated October 30, 2008.

This report is intended solely for the information and use of the Board of Retirement, Audit Committee and management of SamCERA, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
October 30, 2008

To order your own copy of *SamCERA's*
June 30, 2008 *Comprehensive Annual Financial Report*,
complete the following form and send it to *SamCERA*,
either through the Pony at
RET 141,
or the U.S. Mail at
100 Marine Parkway, Suite 125, Redwood Shores, CA 94065

The Following Items Are Also Available Through
The San Mateo County Employees' Retirement Association's Web Site
www.samcera.org

To: *SamCERA* Date:
Please send me:
- ❑ *SamCERA's June 30, 2008 Comprehensive Annual Financial Report*
- ❑ *SamCERA's Sources, Uses and Budget report for Fiscal Year 2007-2008*
- ❑ *SamCERA's Dissolution of Marriage Guidelines*
- ❑ Change of Beneficiary Form
- ❑ Direct Deposit Application
- ❑ Notice of Public Meetings of *SamCERA*'s Board of Retirement
- ❑ Minutes of Public Meetings of *SamCERA*'s Board of Retirement

From:
Name:____________________________Title:__________________
Department or Other Employer:______________________________
Pony Address, if applicable:________Date of Retirement, if applicable:_______
Mailing Address:____