SamCERA

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015
A Pension Trust Fund of the County of San Mateo
and Participating Employers
Redwood City, State of California

On the cover:

San Pedro Valley County Park
San Mateo County, California

San Mateo County Employees' Retirement Association

A Pension Trust Fund of the County of San Mateo and Participating Employers

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Scott Hood
Chief Executive Officer

Tat-Ling Chow
Finance Officer

Michael Coultrip
Chief Investment Officer

SamCERA

100 Marine Parkway, Suite 125

Redwood City, California 94065

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INTRODUCTORY SECTION

Bluff Trail, Coyote Point, San Mateo County

SamCERA's Mission

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

SamCERA's Goals

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

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

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

ADMINISTRATOR'S LETTER OF TRANSMITTAL

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Scott Hood
SamCERA
Chief Executive Officer

Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Mateo County Employees' Retirement Association (SamCERA) for the fiscal year ended June 30, 2015.

SamCERA's management is responsible for a fair presentation of financial data and a complete disclosure of all matters of material consequence. Management's discussion and analysis of the data are presented on pages 26-33.

SamCERA's management is also responsible for establishing and maintaining appropriate internal controls to safeguard SamCERA's assets and provide reliable financial information. As the Chief Executive Officer, I hereby certify that SamCERA's system of internal controls is adequate and that this report properly discloses all matters of material consequence.

The certified public accounting firm of Brown Armstrong Accountancy Corporation provides financial audit services to SamCERA. The objective of this financial audit is to ensure that SamCERA's financial statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America and are free of material misstatements. Internal controls are reviewed to ensure that SamCERA's policies and procedures are being adhered to and that sufficient controls are in place to ensure reliable financial reporting and to safeguard SamCERA's assets. This report is prepared in accordance with GAAP as promulgated by the Governmental Accounting Standards Board (GASB).

SamCERA's financial statements presented in the Financial Section are prepared on the accrual basis of accounting. Revenues are recognized when earned, regardless of when cash is collected. Expenses are recorded when liabilities are incurred, regardless of when payment is made. Investments are reported at fair value.

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

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

Authority, Responsibilities & Duties

The San Mateo County Board of Supervisors adopted an ordinance to create SamCERA, effective in San Mateo County on July 1, 1944, as prescribed by the provisions of Government Code section 31450 et seq., California's County Employees Retirement Law of 1937 (the CERL). SamCERA provides retirement, disability, and death benefits for its eligible members and beneficiaries in accordance with the CERL, the California Public Employees' Pension Reform Act of 2013 (PEPRA- Government Code section 7522 et seq.), and other applicable statutes, regulations and case law.

The Board of Retirement (the Board), serving as fiduciary for all of SamCERA's members and beneficiaries under the California Constitution, Article XVI, Section 17 and the CERL, is responsible for administering the system. The Board has adopted, among other policies, its *Mission & Goals*; *Regulations of the Board of Retirement*; *Investment Policy Statement*; *Conflict of Interest Code*; *and Code of Conduct*, to document the Board's guiding policies. The Board annually adopts an operating budget for the administration of SamCERA, which is discussed in the Financial Section beginning on page 23. A breakdown of the budget allotment versus expenditures is presented on pages 58-59. In addition, the Board has authorized the execution of contracts for the professional services of an actuary, an auditing actuary, an investment consultant, investment managers, a global custodian, a financial auditor, a medical advisor, and an information technology consultant to help the Board fulfill its duties. The Board's primary professional consultants are highlighted in the organizational chart on page 21, and a full list of investment managers and consultants can be found in the "Schedule of Professional Services and Fees," on page 87 in the Investment Section.

SamCERA's Chief Executive Officer (CEO) is responsible for the day-to-day operations of the plan. The CEO serves at the pleasure of the Board and manages SamCERA's operations. SamCERA's staff of 24 full-time employees is responsible for meeting the needs of its members and beneficiaries, participating employers, and the Board in accordance with the high standards set forth in SamCERA's *Mission & Goals* statements. SamCERA's staff is sworn to carry out its fiduciary duties in accordance with governing law, SamCERA regulations and policies.

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

Looking Backward and Forward

For a summary of highlights for fiscal year 2014-15, I encourage you to review the following narrative introduction, as well as the Management's Discussion and Analysis beginning on page 26. Details on SamCERA's investment portfolio can be found in the Chief Investment Officer's Report beginning on page 72.

Trustees

The SamCERA Board of Retirement consists of nine Trustees. Four positions are appointed by the Board of Supervisors. Four Trustees are elected from their respective membership: two from the General Members, one from the Safety Members, and one from the Retiree Members. The County Treasurer is a member of the Board by virtue of her publically elected office; all other Trustees serve for a term of three years. In addition, there is one elected Safety Member Alternate and one elected Retiree Member Alternate.

The officers for the Board of Retirement for fiscal year 2014-15 were: **Lauryn Agnew**, Chair; **Paul Hackleman**, Vice Chair; and **Michal Settles,** Secretary. Other members of the Board were: **Sandie Arnott, Albert David, Eric Tashman, Benedict J. Bowler, David Spinello, and Natalie Kwan Lloyd.** Alternate Trustees were **Christopher Miller** and **Alma Salas**.

In April 2015, both **Albert David** and **Christopher Miller** resigned their seats on the Board. Because both of their terms were set to expire on June 30, 2015, pursuant to Board regulation, the filling of the vacancies occurred at a regular election. The County Elections Division conducted the election on June 9, 2015, for these vacancies as well as the Safety Member seat that was scheduled for regular election. **Shirley Tourel**, the Assistant Controller for San Mateo County, ran unopposed for the General Member 2nd seat and was automatically deemed elected. **David**

Spinello, a Deputy with the San Mateo County Sheriff's Department, won reelection to the Safety Member 7th seat. **Susan Lee**, a Deputy Probation Officer with the San Mateo County Probation Department, received the second most votes for the Safety Member seat and was elected to the Safety Alternate Member seat.

Investments

Although this year's returns were under our long-term average assumed rate of return of 7.25%, SamCERA earned a positive return for fiscal year 2014-15 mainly due to the strong U.S. equity market and real estate market returns. For the one year period ended in June 2015, the fund returned 3.5% net of investment manager fees (3.8% before deducting for investment manager fees). The 3.5% return exceeded the fund's policy benchmark by 80 basis points (0.80%). These results are above median among large (greater than $1 billion in assets) public plans. Over the most recent five-year periods ended in June 2015, SamCERA's performance was in the upper 26th percentile of its peers.

In January 2015, the Board approved a change to the structure of the domestic equity portion of the portfolio by raising the passive portion of the large-capitalization portfolio from 35% to 50% of total domestic equity. The three actively managed large-capitalization strategies were reduced by 5% each as part of this reallocation. The purpose of this change was to lower the event risk associated with any one particular manager and reduce active risk in the domestic equity portion of the portfolio.

During this year, SamCERA continued to build out its private equity portfolio by adding four new partnerships. Additionally, a new private real asset category was created and SamCERA entered into two such partnerships. In order to further diversify the portfolio, a new strategy was added to the opportunistic credit allocation and a second manager was added in the risk-parity category.

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

Staffing

My promotion by the Board in late 2014 to succeed retiring CEO David Bailey began a series of staffing changes within SamCERA. Both the Board of Retirement and Board of Supervisors authorized three additional positions. The first change was to add a second AEO position to divide SamCERA's major oversight responsibilities. One AEO is now responsible for overseeing Administration, Benefits, and Communications. Gladys Smith, the previous Benefits Manager, was promoted to this position. The second AEO is now responsible for overseeing Finance and Information Technology. Al David, a former Trustee, who was the Director of Program Support for the County's Human Services Agency, was promoted into this position.

In addition to the senior management position, the Board of Retirement also authorized two new positions (one for an Investment Analyst and another for a Financial Analyst). Doris Ng was hired from the private sector to fill the Investment Analyst position while Mabel Wong transferred into the Financial Analyst role.

In May, we welcomed Tat-Ling Chow as the Finance Officer. She joins SamCERA after serving over 20 years in the San Mateo County Controller's Office where she was a Financial Services Manager II responsible for external financial reporting, accounts payable and general accounting.

With the internal promotion of Gladys Smith to the AEO position, Senior Retirement Analyst Elizabeth LeNguyen, was promoted to the Benefits Manager position. Thus far, SamCERA has filled 22 of the 24 authorized positions.

Actuarial

SamCERA again was pleased to be ranked the 3rd most actuarially conservative among California retirement systems in a May 2015 survey from Roeder Financial. The survey ranks the funding assumptions used by California's public pension systems from "most conservative" to "most optimistic." SamCERA's high ranking was due mainly to its relatively short closed 15-year layered amortization of unfunded liabilities, and its relatively low assumed investment earnings rate, which at the time of the survey was 7.25%.

Plan Funding Status

SamCERA maintains a funding goal to establish contributions that fully fund the System's liabilities, and that, as a percentage of payroll, remain as level as possible for the plan sponsor. SamCERA contracts with an independent actuarial consulting firm, Milliman Inc., to act as the plan's actuary and conduct annual actuarial valuations, which are presented to the Board annually. Triennially, Milliman conducts an experience study of SamCERA members and makes recommendations to the Board on key economic and non-economic assumptions. The most recent triennial experience study was performed for the period ended April 30, 2014.

Milliman's actuarial valuation as of June 30, 2015, determined that the funding ratio increased from 78.8% to 82.6%, using approved assumptions. This increase was primarily due to employer contributions used to amortize the Unfunded Accrued Actuarial Liability (UAAL) as well as the recognition of deferred investment gains from prior years under the asset smoothing method.

The Employer Normal Cost Rate decreased from 10.80% to 10.42% of covered payroll. The decrease was mainly due to an increase of the active population being members of PEPRA plans together with increases in some member COLA contribution rates. The portion of the employer's statutory contribution rate that finances the UAAL decreased form 23.94% to 21.93% of covered payroll. This decrease was in large part due to the asset smoothing method of investment gains.

For all plans except Plan 7, member rates and member COLA rates remain unchanged. However, there are several employee groups that have agreed to pay an increased portion of the COLA cost.

Supplemental Contributions

The County of San Mateo continues to make supplemental contributions in accordance with a Memorandum of Understanding (MOU) between the County and SamCERA. The contributions paid above the statutorily required contribution rate and the earnings in the County's Supplemental Contribution Account has grown to over $65 million. Furthermore, the County plans to contribute an additional $80 million over the remaining eight years.

Pension Reporting Standards

SamCERA has been working with key stakeholders (its financial auditor, Brown Armstrong; its actuary, Milliman, Inc., as well as its three participating employers and the County's auditor) to ensure a smooth implementation of the new GASB pension standards for financial reporting by government pension plans. This year marks the implementation of GASB Statement No. 68 under which SamCERA's three participating employers will report in their financial statements information from the GASB 67/68 report prepared by SamCERA's actuary.

Cost of Living Adjustment

In 2014, the Bay Area experienced higher inflation than the year prior, and significantly higher inflation than most of the rest of the country, according to the Federal Bureau of Labor Statistics. This resulted in a cost of living adjustment (COLA) of 2% to 3% that most SamCERA retirees and beneficiaries received. The amount of the COLA was dependent on the plan's COLA limits. The COLA for Plan 1 and Plan 2 was 3.0%, while the COLA for Plans 4, 5, 6 and 7 was 2.0%. Plan 3 does not provide a COLA.

Information Technology

SamCERA is progressing with its multi-year Technology Modernization Project. The major component of the project is the replacement of SamCERA's aging Pension Administration Software System (PASS). SamCERA has been working diligently with its vendor Vitech, Inc., on the design, programming, and testing of its future system, which is approximately 50% completed. Finally, SamCERA is putting its finishing touches on its improved website, which will be launched in late 2015.

Tax Determination Letter

After receiving a favorable tax determination letter from the IRS during the 2013-14 fiscal year, SamCERA filed for a follow-up letter in early 2015. Along with our favorable tax determination letter, SamCERA (along with the other CERL systems) was directed to take certain steps. Our application demonstrates that the following necessary actions were taken: (1) enactment of CERL legislation to comply with federal law, and (2) adoption of Board regulations to further ensure compliance. In addition, our application explains all of the plan changes made by PEPRA. SamCERA is awaiting the IRS' review of our submitted documents.

Strategic Planning

SamCERA's staff held their annual retreat in March 2015 and began working through the steps in the strategic planning process as recommended by the Government Finance Officers Association (GFOA). The result of these discussions was an update of SamCERA's Strategic Plan Action Matrix, along with the creation of a new, visual slide presentation of the strategic planning goals of the fund. Progress on these goals will be tracked and updated throughout fiscal year 2016. Moving forward, SamCERA will continue to pursue its three major goals. All of which are derived from and consistent with SamCERA's mission statement:

1. ASSET MANAGEMENT GOAL

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

Major projects under this goal include: completing the build-out of the portfolio based on the most recent asset-liability study, reviewing the public equity manager structure and opportunities to enhance the real estate allocation, evaluating performance fee arrangements, and reviewing proxy voting policy and procedures.

2. CUSTOMER SERVICES GOAL

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

Over the coming year, meeting this goal will involve providing input to our PASS, website, and agenda management software vendors to ensure that the new systems provide users and members with new tools that will improve efficiency, accuracy, and customer service. Our goal will also include developing a member education master plan that will provide a master list of the types of informational and educational opportunities provided by SamCERA along with recommended timelines and/or circumstances for receiving that information or education.

3. OPERATIONS GOAL

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

This will involve updates to some of SamCERA's core technologies, including the creation and implementation of a new SamCERA website with integrated Web Member Services.

Certificate of Achievement and Acknowledgements

For the eighteenth consecutive year, the Government Finance Officers Association (GFOA) has awarded SamCERA its Certificate of Achievement for Excellence in Financial Reporting. This award was in recognition of SamCERA's CAFR for the fiscal year ended June 30, 2014. The certificate is reproduced on page 17.

SamCERA is also the recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the twelfth year running and has received this honor for the PAFR for the fiscal year ended June 30, 2014.

Additionally, the Public Pension Coordinating Council (the Council) presented SamCERA its Public Pension Standards Award for 2014. This award recognizes that SamCERA has met professional standards for plan funding and administration as set forth in the Public Pension Standards of the Council. The standards judge retirement systems on their Funding Adequacy, Comprehensive Benefit

Program, Actuarial Valuation, Independent Audit, Investments and Communications. The award is reproduced on page 18.

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

SamCERA continues to maintain the highest financial reporting standards while providing quality services to its members. I am sincerely grateful to the Board of Retirement and staff who perform so diligently to ensure the successful operation and financial soundness of SamCERA. I am also appreciative for the continuing cooperation and open communication that SamCERA has with all our participating employers.

Respectfully submitted,

Scott Hood
Chief Executive Officer
October 20, 2015

GFOA Certificate of Achievement

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Mateo County

Employees' Retirement Association

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

PPCC PUBLIC PENSION STANDARDS AWARD

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2014

Presented to

San Mateo County Employees' Retirement Association

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

MEMBERS OF THE BOARD OF RETIREMENT (JUNE 30, 2015)

Sandie Arnott

Ex Officio per the CERL, First Member

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

Albert David

Elected by the General Members, Second Member

Albert David was Director of Program Support and Information Services for the San Mateo County Human Services Agency. He is also a retired Army Reserve Lieutenant Colonel. He joined the Board in 2008, and was re-elected in 2009 and 2012. *Al Resigned from the Board in April 2015.*

Natalie Kwan Lloyd

Elected by the General Members, Third Member

Natalie Kwan Lloyd is a Senior Appraiser in the San Mateo County Assessor's Office. She joined the Board of Retirement in July 2008, and was reelected in June 2013. She has previously served as Board of Retirement Chair. Her current term expires June 30, 2016.

Eric Tashman

Appointed by the Board of Supervisors, Fourth Member

Eric Tashman is a public finance partner in the San Francisco office of law firm Sidley Austin where he is head of the firm's West Coast public finance practice group. He was appointed by the Board of Supervisors in 2009 and reappointed in 2012, and 2015. His term expires June 30, 2018.

Benedict J. Bowler

Appointed by the Board of Supervisors, Fifth Member

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

Lauryn Agnew

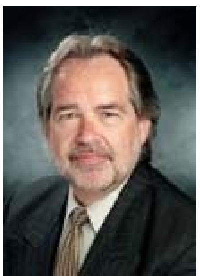
Appointed by the Board of Supervisors, Sixth Member, Chair

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

David Spinello

Elected by the Safety Members, Seventh Member

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



Paul Hackleman

Elected by the Retired Members, Eighth Member, Vice-Chair

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

Michal Settles

Appointed by the Board of Supervisors, Ninth Member, Secretary

Michal Settles is a business professor at the City College of San Francisco. She was first appointed by the Board of Supervisors in June 2011, and was reappointed in 2013. Her term expires June 30, 2016.

Alma Salas

Elected by the Retired Members, Retiree Alternate

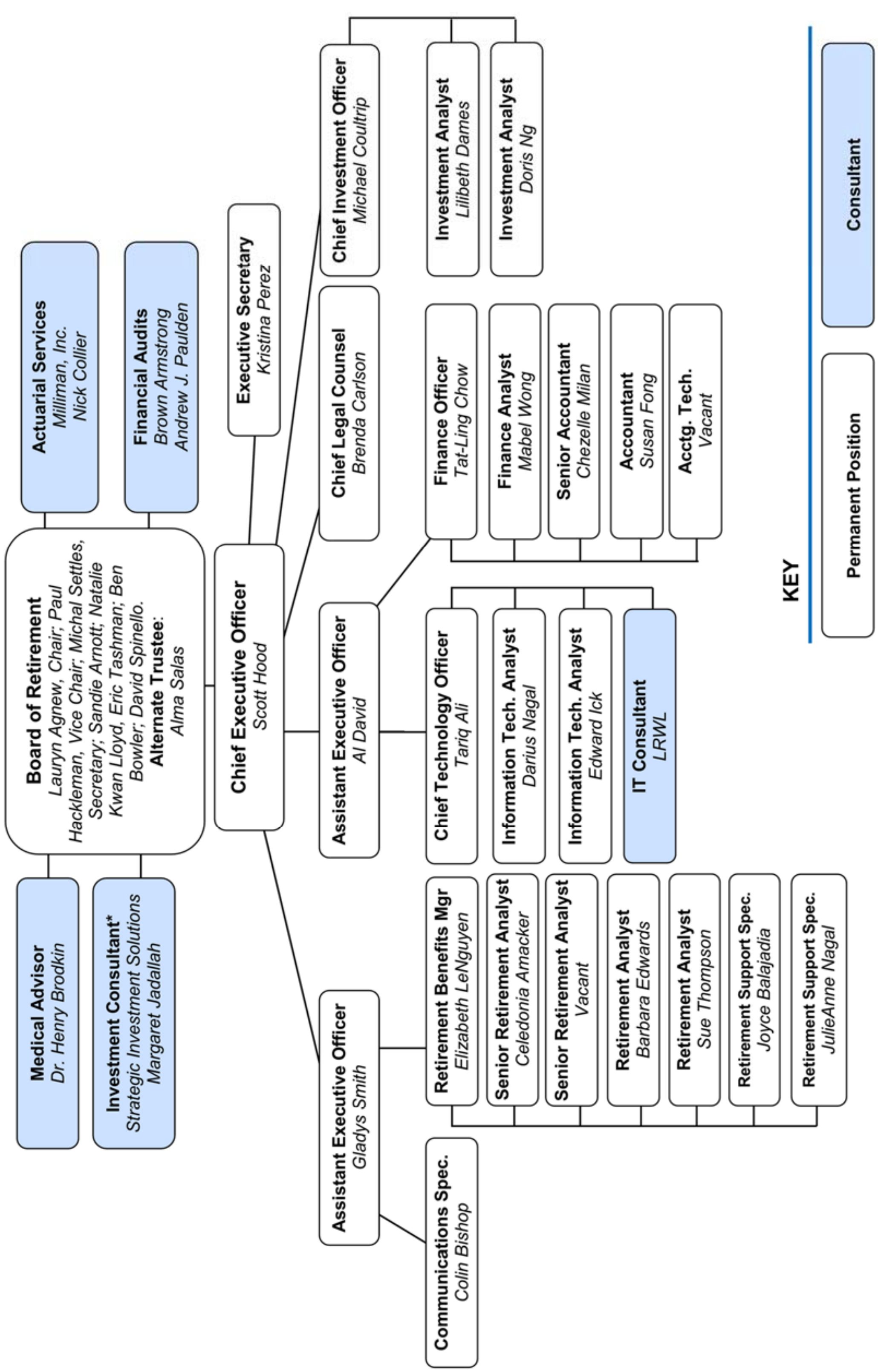
Alma Salas was a Probation Services Manager with the San Mateo County Probation Department before her retirement in May 2013. Alma first joined the Board of Retirement in May of 2001, and served as Board of Retirement Chair during the 2004-05 fiscal year. She was elected in June 2013 to serve as the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

Christopher Miller

Elected by the Safety Members, Safety Alternate

Chris Miller is a Group Supervisor II for the San Mateo County Probation Department. He was elected by the Safety Membership and began his term in July 2012. *Chris resigned in April 2015.*

SamCERA Organizational Chart (June 30, 2015)



*See "Schedule of Professional Services and Fees" table in the Investment Section for a full list of SamCERA's investment managers.

FINANCIAL SECTION

Crystal Springs Reservoir, San Mateo County

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of the San Mateo County Employees' Retirement Association (SamCERA), a pension trust fund of the County of San Mateo, as of June 30, 2015, the Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise SamCERA's basic financial statements as listed in the table of contents. We have also audited the Schedule of Cost Sharing Employer Allocations of SamCERA for the years ended June 30, 2015, 2014, and 2013, and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) as of and for the year ended June 30, 2015, listed as other information in the table of contents.

Management's Responsibility for the Financial Statements and Other Information

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements and the other information referred to above present fairly, in all material respects, the fiduciary net position of SamCERA as of June 30, 2015, their changes in fiduciary net position for the fiscal year then ended, the Schedule of Cost Sharing Employer Allocations of SamCERA for the years ended June 30, 2015, 2014, and 2013, and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) as of and for the year ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the basic financial statements, the total pension liability of the participating employers as of June 30, 2015, was $3,946,439,845. The fiduciary net position as a percentage of the total liability as of June 30, 2015, was 87.53%. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.45%, which represents the long-term expected rate of return. Our opinion is not modified with respect to this matter.

Additionally, as discussed in Note 2 to the financial statements, the financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include private equity, real estate, and investments in real assets. Such investments totaled $415,916,124 (11.6% of total assets) at June 30, 2015. Where a publicly listed price is not available, the management of SamCERA uses alternative sources of information including audited financial statements, unaudited interim reports, independent appraisals, and similar evidence to determine the fair value of the investments. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015, on our consideration of SamCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SamCERA's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited SamCERA's June 30, 2014, financial statements, and our report dated October 22, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2014, is consistent in all material respects, with the audited financial statements from which it has been derived.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 20, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2014-15

As fiduciaries of the San Mateo County Employees' Retirement Association (SamCERA), we provide this overview and analysis of SamCERA's financial position as of June 30, 2015, and results of operation for the fiscal year ended June 30, 2015. The information presented here, in conjunction with the Notes to the Financial Statements beginning on page 36, provides a clear picture of SamCERA's overall financial status and activities.

Financial Highlights

- The fiduciary net position restricted for pension benefits as of June 30, 2015, was approximately $3.5 billion, an increase of $163 million, or 5% over the prior fiscal year. The increase was primarily from contributions and appreciation on investments less deductions during fiscal year 2015.

- Total additions to fiduciary net position decreased $392 million, or 54%, to $340 million this year from $732 million last year. The decrease was primarily from a $371 million decline in net investment income as the market conditions were shadowed by numerous global concerns such as the economic downturn in China, decline in oil prices, and market uncertainty in Europe and the Middle East.

- Deductions from fiduciary net position increased $9 million, or 6%, to $177 million from $168 million last year. Most of this increase was from an increased number of service retirement allowances for retirees with higher pension benefit amounts.

- The net pension liability of participating employers was $492 million as of June 30, 2015, which approximates to 108% of collective covered payroll based on the Governmental Accounting Standards Board (GASB) Statement No. 67.

- The funded ratio for SamCERA increased to 82.6% from 78.8% over the year, based upon the most recent actuarial valuation as of June 30, 2015. The funding status is measured by the ratio of the actuarial value of assets to the actuarial value of accrued liabilities. The improvement in funded ratio was due mainly to the recognition of deferred investment gains from prior years under the asset smoothing method and employer contributions to amortize the unfunded actuarial accrued liabilities.

- Despite recent market volatility and increased retirement benefits, the overall financial position of SamCERA has improved. SamCERA remains in a good financial position to meet its obligations to plan participants and beneficiaries.

Overview of Financial Statements

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

Basic Financial Statements

The **Statement of Fiduciary Net Position** is a snapshot of account balances at fiscal year-end. This statement discloses the assets available for future pension benefits to retirees and their beneficiaries as well as outstanding liabilities as of June 30, 2015. The difference between assets and liabilities is reported as "Net Position Restricted for Pensions," which represents funds available to pay pension benefits. Over time, increases and decreases in Net Position Restricted for Pensions may serve as an indicator of whether SamCERA's financial position is improving or declining. This statement can be found on page 34 of this report.

The **Statement of Changes in Fiduciary Net Position** provides information about the financial activities during the reporting period that increased or decreased the Net Position Restricted for Pensions. This statement can be found on page 35 of this report.

The above basic financial statements are prepared using the accrual basis of accounting, which is similar to most private-sector entities. Member and employer contributions are recognized in the period in which contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with plan terms. Investment income is recognized as revenue when earned, and expenses are recognized when incurred. The net appreciation (or deprecation) in the fair value of investments is recorded as an increase (or decrease) to investment income, which includes both realized and unrealized gains and losses on investments based upon investment valuations.

Notes to the Basic Financial Statements

The notes to the basic financial statements are an integral part of the basic financial statements and provide additional information that is essential to obtain a thorough understanding of the data provided in the basic financial statements. The notes also provide detailed information of key policies and activities, which occurred during the reporting period. The notes to the basic financial statement can be found on pages 36-59 of this report.

Required Supplementary Information

The Required Supplementary Information presents information that GASB requires to accompany the basic financial statements. Such information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition to the Management's Discussion and Analysis, Required Supplemental Information consists of schedules discussed below. Required Supplementary Information and the accompanying notes can be found on pages 60-63.

- Schedule of Changes in Net Pension Liability of Participating Employers – indicates the extent to which the total pension liability is covered by the fiduciary net position of SamCERA. Liabilities on this schedule are calculated solely for financial reporting purposes and are not intended to provide information about the funding of SamCERA's benefits.

- Schedule of Employer Contributions – helps readers determine if plan sponsors are meeting the statutory actuarially determined contributions over a period of time.

- Schedule of Investment Returns – shows the "money-weighted rate of return" for investment, net of investment expenses. The money-weighted rate of return is a measure of investment performance adjusted for cash flows and the changing amounts actually invested.

Other Supplementary Information

Other Supplementary Information includes several schedules pertaining to administrative expenses, information technology expenses, investment expenses, and payments to consultants for fees paid to outside professionals other than investment advisors. Other supplementary information and the accompanying notes can be found on pages 64-67 of this report.

Other Information

Other Information consists of two schedules pertaining to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.* The two schedules are the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan. Under GASB Statement No. 68, plan sponsors are required to report Net Pension Liability on their balance sheet and changes in Net Pension Liability on their income statement as pension expenses and deferred inflows/ outflows of resources as appropriate. Other information can be found on pages 68-69 of this report.

Financial Analysis

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

Analysis of Fiduciary Net Position

The table below compares SamCERA's net position as of June 30 for the current and

STATEMENT OF FIDUCIARY NET POSITION

June 30 (In Thousands)

	2015	2014	Increase (Decrease) Amount	Percentage
Assets				
Cash and cash equivalents	$ 51,162	$ 78,672	$ (27,510)	-35%
Cash management overlay	26,273	21,446	4,827	23%
Security lending cash collateral	99,387	-	99,387	---
Receivables	27,174	20,881	6,293	30%
Prepaid expense	8	8	-	0%
Investments at fair value	3,373,248	3,203,688	169,560	5%
Capital assets, net	3,206	-	3,206	---
Total assets	3,580,458	3,324,695	255,763	8%
Liabilities				
Payable -Investment management fees	2,043	2,788	(745)	-27%
Due to broker for investments purchased	21,246	27,187	(5,941)	-22%
Securities lending collateral due to borrowers	99,387	-	99,387	---
Other	3,306	3,026	280	9%
Total liabilities	125,982	33,001	92,981	282%
Net position restricted for pensions	**$ 3,454,476**	**$ 3,291,694**	**$ 162,782**	**5%**

prior fiscal years. SamCERA's fiduciary net position restricted for pensions as of June 30, 2015, was approximately $3.5 billion, which represents an increase of $163 million or 5% over the reporting period. The chart below compares SamCERA's net position as of June 30 for the last five fiscal years.

Assets. SamCERA's total assets increased $256 million, or 8%, due primarily to the following:

- Cash and cash equivalents decreased by $28 million. The decrease was caused mainly by the timing of cash inflow in relation to supplemental funding from the County of San Mateo (the County). In May of 2014, the County contributed an additional funding of $50 million to accelerate the pay down its unfunded actuarial accrued liability. In anticipation of portfolio rebalancing in July 2014, the cash received was not invested until the beginning of fiscal year 2015, which resulted in a relatively higher cash balance at June 30, 2014.

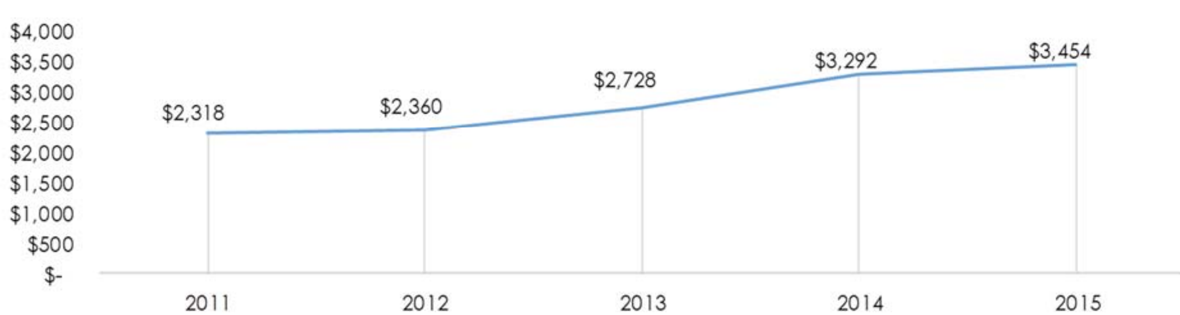
- Securities lending cash collateral increased by $99 million. In mid-June of 2014, SamCERA temporarily suspended its securities lending activities while transitioning to a new custodian, the Northern Trust Company. Securities lending activities were resumed in mid-July of 2014.

- Investments increased by $170 million. The increase was driven by a net market appreciation on investments of $114 million and the infusion of new capital of $56 million to private equity. In fiscal year 2015, as a result from implementing SamCERA's updated target asset allocation, SamCERA reduced its investments in domestic equites and reallocated the capital to other asset categories such as domestic fixed income securities, international equities, real estate, risk parity, hedge funds, and commodities.

- Capital assets increased by $3 million from the development of a new Pension Administration Software System.

SAMCERA'S FIDUCIARY NET POSITION

June 30 (In Millions)



Liabilities. SamCERA's total liabilities increased by $93 million, or 282%, caused mainly by a $99 million increase in securities lending liabilities. As discussed earlier, SamCERA temporarily suspended its securities lending activities in mid-June of 2014 and resumed such activities in mid-July of 2014 in the midst of changing custodian banks. The prevailing accounting standards require that cash received as collateral on securities lending transactions be reported as assets as well as liabilities of an equal amount.

Analysis of Changes in Fiduciary Net Position

The changes in fiduciary net position are determined by total additions less total deductions. The table below shows condensed information about total additions to, and total deductions from, the fiduciary net position. SamCERA's fiduciary net position increased $163 million, or 5%, for the fiscal year ended June 30, 2015.

Additions. Total additions to SamCERA's net position decreased $392 million, or 54%, during fiscal year 2015. SamCERA's primary sources of funding encompass employer and member contributions as well as investment income net of related expenses. The decrease was primarily attributed to the following:

- Employer contributions decreased by $22 million. The decrease comes primarily from a reduction in the County's supplemental funding. The County reduced its supplemental funding to $10 million in fiscal year 2015 from $50 million in fiscal year 2014. The net decrease of $40 million in supplemental contributions was partly offset by an $18 million increase in

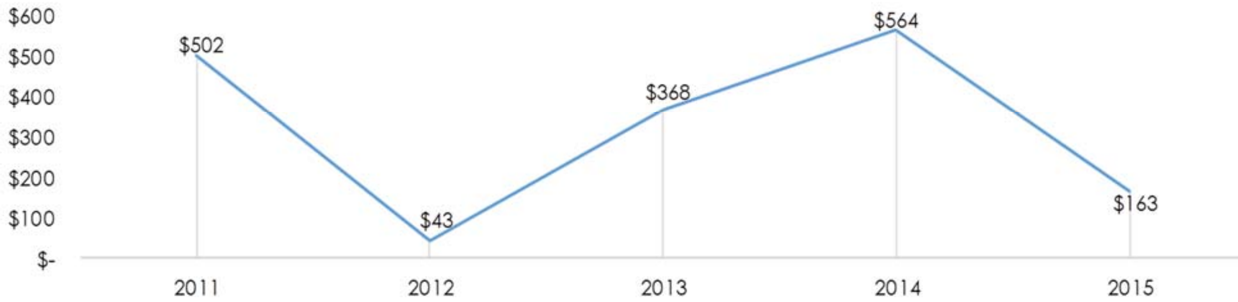
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Years Ended June 30 (In Thousands)

	2015	2014	Increase (Decrease) Amount	Increase (Decrease) Percentage
Additions				
Employer contributions	$ 180,704	$ 202,877	$ (22,173)	-11%
Member contributions	48,012	46,594	1,418	3%
Net investment income	111,320	482,050	(370,730)	-77%
Net security lending income	310	435	(125)	-29%
Other	-	179	(179)	-100%
Total additions	340,346	732,135	(391,789)	-54%
Deductions				
Service retirement allowance	147,267	139,036	8,231	6%
Disability retirement allowance	20,039	19,267	772	4%
Survivor, death and other benefits	803	1,039	(236)	-23%
Member refunds	3,357	3,214	143	4%
Administrative expense	5,350	4,914	436	9%
Information technology expense	629	731	(102)	-14%
Other expense	119	65	54	83%
Total deductions	177,564	168,266	9,298	6%
Net increase (decrease)	162,782	563,869	(401,087)	-71%
Net position restricted for pensions				
Beginning of year	3,291,694	2,727,825	563,869	21%
End of year	$ 3,454,476	$ 3,291,694	$ 162,782	5%

CHANGES IN SAMCERA'S NET POSITION

For the Fiscal Years Ended June 30 (In Millions)



employer contributions due mainly to higher statutory contribution.

- Net investment income decreased by $371 million. Most of this decrease was from a total of $354 million decrease in market appreciation on SamCERA's investments when compared to the prior fiscal year. The market conditions in fiscal year 2015 were shadowed by numerous global concerns such as the economic slowdown in China, the expected interest rate increase in the U.S., uncertainty in the oil markets, and Greece's bailout. In addition, there was a $10 million decrease in interest and dividend income as the weighted average rate of return on SamCERA's investment declined to 3.5% for fiscal year 2015 from 17.3% for fiscal year 2014.

Deductions. Total deductions increased by $9 million, or 6%, during fiscal year 2015. Most of this increase was from an increased number of service retirement allowances for retirees with higher pension benefit amounts.

Actuarial Valuation

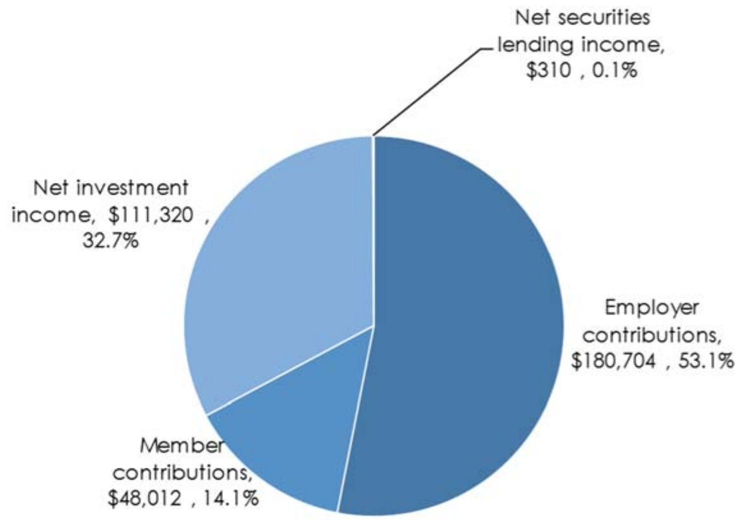
SamCERA engages an independent actuarial firm, Milliman, Inc., to perform an annual actuarial valuation to monitor its funding status and funding integrity. The valuation reassesses the magnitude of SamCERA's benefit commitments, in comparison with the assets expected to be available to support those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

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

According to the latest actuarial valuation as of June 30, 2015, the plan's funded ratio

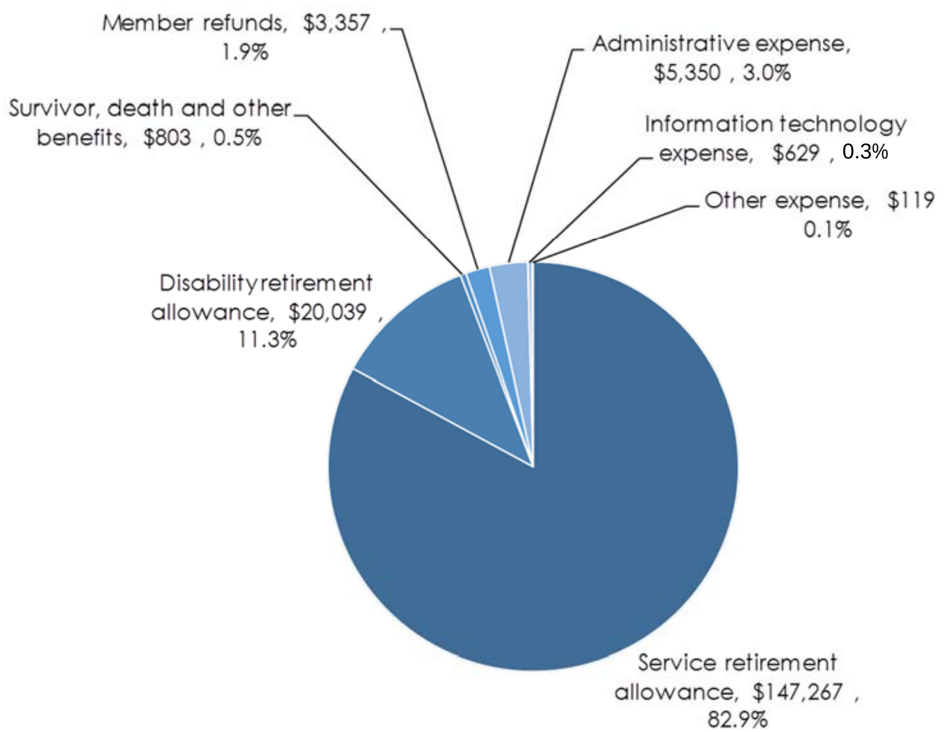
ADDITIONS TO PLAN NET PENSION

For the Fiscal Year Ended June 30, 2015 (In Thousands)



DEDUCTIONS FROM PLAN NET POSITION

For the Fiscal Year Ended June 30, 2015 (In Thousands)



(actuarial value of assets to actuarial accrued liabilities) increased to 82.6% as of June 30, 2015, from 78.8% as of June 30, 2014. The increase primarily resulted from the recognition of deferred investment gains from prior years under the asset smoothing method and employer contributions to amortize the UAAL. The assets used in the calculation of the funded ratio include the value of the County Supplemental Contribution account.

As of June 30, 2015, the actuarial value of plan assets was $3.3 billion, and the actuarial accrued liability was $4.0 billion. The difference between these two amounts represents the unfunded actuarial accrued liability, which amounted to $702 million (or 154% of the collective covered payroll of participating employers, totaling $455 million for the fiscal year ended June 30, 2015).

SamCERA's Fiduciary Responsibilities

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

Requests for Information

This financial report is designed to provide SamCERA's Board of Retirement, members, investment managers, and interested parties with a general overview of SamCERA's financial position and to show accountability for the funds received. Additional information is available on SamCERA's website at www.samcera.org.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015 (with comparative amounts as of June 30, 2014)

	2015	2014
ASSETS		
Cash and short term investments:		
Cash and cash equivalents	$ 51,162,210	$ 78,671,477
Cash management overlay	26,273,301	21,446,466
Securities lending cash collateral	99,386,577	-
Total cash and short-term investments	176,822,088	100,117,943
Receivables:		
Contributions	6,151,530	4,648,233
Due from broker for investments sold	14,438,183	12,596,153
Investment income	6,433,607	3,483,030
Securities lending income	37,582	39,953
Other	112,810	113,410
Total receivables	27,173,712	20,880,779
Prepaid expense	7,669	7,669
Investments at fair value:		
Domestic fixed income securities	567,116,706	493,024,480
International fixed income securities	98,285,376	100,023,249
Domestic equities	1,122,264,718	1,229,039,423
International equities	675,589,939	653,569,353
Real estate	218,473,360	183,566,990
Private equities	193,265,850	138,490,534
Real assets	4,176,914	-
Risk parity	265,103,721	197,597,402
Hedge funds	139,680,676	117,896,816
Commodities	89,291,005	90,480,043
Total investments at fair value	3,373,248,265	3,203,688,290
Capital assets, net	3,206,047	-
Total assets	3,580,457,781	3,324,694,681
LIABILITIES		
Payable - Investment management fees	2,042,596	2,787,598
Due to broker for investments purchased	21,246,436	27,187,226
Securities lending collateral due to borrowers	99,386,577	-
Other	3,305,844	3,025,903
Total liabilities	125,981,453	33,000,727
Net position restricted for pensions	**$3,454,476,328**	**$3,291,693,954**

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2015

(with comparative amounts for the fiscal year ended June 30, 2014)

	2015	2014
ADDITIONS		
Contributions:		
Employer	$ 180,704,280	$ 202,877,362
Member	48,011,698	46,593,698
Total contributions	228,715,978	249,471,060
Investment income:		
Interest and dividends	44,433,648	54,492,076
Net appreciation in fair value of investments	99,877,102	454,082,350
Total investment income	144,310,750	508,574,426
Less: investment expense	(32,990,697)	(26,524,556)
Net investment income	111,320,053	482,049,870
Security lending income:		
Earnings	184,442	253,687
Rebates	212,304	368,557
Fees	(87,101)	(186,785)
Net securities lending income	309,645	435,459
Other additions	338	178,636
Total additions	340,346,014	732,135,025
DEDUCTIONS		
Member benefits:		
Service retirement allowance	147,266,945	139,036,410
Disability retirement allowance	20,038,671	19,266,623
Survivor, death and other benefits	803,591	1,038,945
Total member benefits	168,109,207	159,341,978
Member refunds	3,357,011	3,214,129
Administrative expense	5,349,796	4,913,875
Information technology expense	628,909	731,129
Other expense	118,717	65,292
Total deductions	177,563,640	168,266,403
Net increase	162,782,374	563,868,622
Net position restricted for pensions		
Beginning of year	3,291,693,954	2,727,825,332
End of year	**$ 3,454,476,328**	**$ 3,291,693,954**

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Plan Description

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

General

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

Under the CERL, the management of SamCERA is vested in the Board consisting of nine members: the first member is the County Treasurer; the second and third members are general members of SamCERA elected by their peers; the fourth, fifth, sixth and ninth members are qualified electors of the County and appointed by the County Board of Supervisors; the seventh member is elected by and a member of SamCERA's safety membership; and the eighth member is a retired member elected from the retired membership. In addition, there is one elected Safety Member Alternate and one elected Retired Member Alternate.

Subject to the following fiduciary responsibilities, the Board oversees and guides the pension plan:

(1) solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries;

(2) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives; and

(3) 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.

Pension Plans

SamCERA has seven pension plan tiers, which cover members classified as general, safety (those serving in law enforcement), and probation. The table on the following two pages provide details for each of these tiers.

In addition to the basic member and the cost sharing contributions, certain plan members (except those in Plan 3) are required to make contributions to fund the Cost of Living Adjustments (COLA) discussed in the succeeding section. Certain members in Tiers 1, 2, and 4 contribute a specific percentage of the retirement COLA

BENEFIT PLANS

June 30, 2015

		General Member	Probation Member	Safety Member
PLAN 1*	Hire Date	On or before 7/6/80	On or before 7/6/80	On or before 7/6/80
	Benefit factor	2%@55.5	3%@50	3%@50
	Maximum COLA	5%	3%	5%
	FAC Period**	Highest 1 year	Highest 1 year	Highest 1 year
	Eligibility for Service Retirement	Age 50 with 10 years of service***; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
PLAN 2*	Hire Date	7/7/80 - 7/12/97	7/7/80 - 7/12/97	7/7/80 - 7/12/97
	Benefit factor	2%@55.5	3%@50	3%@50
	Maximum COLA	3%	3%	3%
	FAC Period	Highest 1 year	Highest 1 year	Highest 1 year
	Eligibility for Service Retirement	Age 50 with 10 years of service***; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
PLAN 3*				
	Hire Date	On or before12/22/12, a non-contributory plan.	Not applicable	Not applicable
		(After five years of service, Plan 3 members can elect membership under the open contributory plan. Members currently working in a contributory plan with Plan 3 service may purchase an upgrade of their Plan 3 service. Plan 3 closed effective December 23, 2012.) (If retirement occurs prior to age 65, benefit amount will be adjusted by an actuarial equivalent factor.)		
	Maximum COLA	No COLA	Not applicable	Not applicable
	FAC Period	Highest 3 years (non-consecutive)	Not applicable	Not applicable
	Eligibility for Service Retirement	Age 65 with 10 years of service; reduced benefit at age 55 with 10 years of service.	Not applicable	Not applicable

(Continued)

*Plans 1, 2, 3, and 4 are closed to new entrants. However, eligible general members with reciprocity of the Mosquito District may participate in Plan 4.

** FAC Period stands for "Final Average Compensation" Period.

*** Age 50 is replaced with age 55 for part-time employees.

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

*Plans 1, 2, 3, and 4 are closed to new entrants. However, eligible general members with reciprocity of the Mosquito District may participate in Plan 4.
** FAC Period stands for "Final Average Compensation" Period.
*** Age 50 is replaced with age 55 for part-time employees.

cost. All members in Tiers 5 and 6 contribute 50% of the COLA. Members in Tier 7 contribute 50% of the aggregate normal cost rate for their plan.

Pension Plan Membership

Plan membership as of June 30, 2015, is displayed in the table below.

Benefit Provisions

SamCERA provides basic service retirement, disability, and death benefits based on defined benefit formulas, which use final average compensation, years of service, and age factors to calculate benefits payable. In addition, SamCERA provides annual COLA upon retirement for members of Tiers 1, 2, 4, 5, 6 and 7. The benefits of Tier 3 are reduced by a portion of the Social Security benefits received by the member. The CERL vests the County Board of Supervisors with the authority to initiate benefits.

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

Inactive (Deferred) Member Benefits. A member is entitled to withdraw his/her member contributions plus accumulated interest upon termination of employment. If the member enters a reciprocal retirement system within 180 days, the member can elect to leave the accumulated contributions with SamCERA and receive a deferred retirement allowance when eligible.

SamCERA Membership

June 30, 2015

	Tier 1*	Tier 2*	Tier 3*	Tier 4*	Tier 5	Tier 6	Tier 7	Total
RETIREES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS								
General	1,711	1,715	128	460	1	-	-	4,015
Safety	271	157	-	39	-	-	-	467
Probation	71	69	-	16	-	-	-	156
Subtotal	2,053	1,941	128	515	1	-	-	4,638
TERMINATED MEMBERS ENTITLED TO BUT NOT RECEIVING BENEFITS (INACTIVE/DEFERRED)								
General	17	380	121	702	22	-	25	1,267
Safety	1	26	-	43	2	-	1	73
Probation	-	12	-	32	-	-	-	44
Subtotal	18	418	121	777	24	-	26	1,384
CURRENT MEMBERS, VESTED								
General	24	780	73	2,191	3	-	5	3,076
Safety	3	87	-	228	-	-	1	319
Probation	1	48	-	198	-	-	-	247
Subtotal	28	915	73	2,617	3	-	6	3,642
CURRENT MEMBERS, NON-VESTED								
General	-	1	24	167	271	-	795	1,258
Safety	-	-	-	41	53	1	65	160
Probation	-	-	-	1	9	2	23	35
Subtotal	-	1	24	209	333	3	883	1,453
Total Members	2,099	3,275	346	4,118	361	3	915	11,117

* Plans closed to new entrants except eligible general members with reciprocity of the Mosquito District may participate in Plan 4.

Members with five years of service, permanent, part-time employees with the equivalent of five years of full-time service, or non-contributory members in Tier 3 with ten years of service may elect a deferred retirement upon termination of employment.

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

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

Cost-of-Living Adjustments (COLA). As of April 1 of each year, the Board will adjust the retirement allowances in accordance with an annual increase in the cost of living as of January 1 of each year to the nearest one-half of one percent.

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

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting and in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. Employer and member contributions are recognized in the period in which contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with plan terms. Investment income is recognized as revenue when earned, and expenses are recognized when incurred. The net appreciation (or deprecation) in the fair value of investments is recorded as an increase (or decrease) to investment income, which includes both realized and unrealized gains and losses on investments, based upon investment valuations.

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

Investment Policy and Valuation

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

The Investment Policy of SamCERA seeks to optimize long-term returns within acceptable risk parameters. In June 2014, the Board adopted a new target asset allocation, which included modest changes to further diversify the plan. The new target asset allocation is incorporated into SamCERA's Investment Policy, which is detailed in the Investment Section. The Board periodically reviews the asset allocation in response to changing market conditions that may affect forward-looking expected returns of asset classes.

Plan investments consist of domestic and international fixed income securities, domestic and international equities, real estate, private equities, real assets, risk parity, hedge funds, and commodities. SamCERA records investment transactions on the trade date. Investments are reported at fair value, which represents the amount SamCERA could reasonably expect to receive for an investment in a current sale between a willing buyer and seller.

The valuation process by major asset category is as follows:

Cash and cash equivalents. Cash is pooled with other funds of the County or custodians, as appropriate, to earn a higher rate of return than could be earned by investing the funds individually. 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.

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

Domestic and international equities and fixed income securities. Valuations for publicly traded securities, such as stocks and bonds, are provided by SamCERA's custodian, the Northern Trust Company, based on end-of-day prices from external pricing vendors. The fair value of public market equity and fixed income investments held in Institutional Commingled Funds or Partnerships are typically provided by a third party fund administrator, who performs this service for the fund manager.

Real estate. Real estate assets are reported at fair value utilizing an income approach to valuation. An independent appraisal is conducted every quarter to determine the fair value of the real estate assets.

Private equity and real assets. Private equity and real asset partnerships are reported based on the fair value provided by the General Partner on a quarterly basis. The General Partner considers the financial conditions and operating results of the portfolio companies, the nature of the investments, marketability, and other relevant factors.

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

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

Foreign Currency Transactions

Gains and losses from foreign currency transactions during the year (including translation of international investments at fiscal year-end rates of exchange) are recorded as investment income. Forward currency contracts are used by SamCERA's investment managers to control currency exposure and facilitate the settlement of international security purchase and sale transactions. These contracts are agreements to exchange different currencies at specified rates and settlement dates. Differences between the contract and market exchange rates at settlement result in gains or losses, which are included in net investment income. Risks may arise from the possible inability of counterparties to meet the terms of their contracts and from movements in exchange and interest rates.

Securities Lending Activity

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, cash collateral held (or any security that can be sold or pledged without a borrower default) is separately reported on the statement of fiduciary net position among the current assets. A corresponding liability of an equal amount (the obligation to return the cash collateral) is reported simultaneously. Non-cash collateral held that cannot be sold or pledged without a borrower default is not reported on the statement of fiduciary net position nor is there a corresponding liability reported on this statement.

Receivables

Receivables consist primarily of interest, dividends, investments in transition (traded but not yet settled), and contributions owed by participating employers at year-end.

Capital Assets

Capital assets including intangible assets are items with an initial unit cost of greater than $5,000 and an estimated useful life in excess of three years. Capital assets are reported at historical cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, from three to ten years. Most capital assets are information technology related.

The routine upgrade of information technology systems, hardware, software, and maintenance are deemed appropriate as expenses for the current year. As of June 30, 2015, SamCERA reported $3.2 million in capital assets from the development of a new pension administration system with an expected completion date in the year 2017.

Estimates

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

Income Taxes

The Internal Revenue Service has ruled that retirement plans, such as SamCERA, under Section 401(a) of the Internal Revenue Code are not subject to tax under present income tax laws. On January 29, 2014, the Internal Revenue Service issued a favorable Tax Determination Letter. Thus, no provision for income taxes has been reported 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.

Subsequent Events

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of final reports, which may have a material effect on the financial statements or disclosures contained therein. Subsequent to June 30, 2015, and through October 20, 2015, the date through which management evaluated subsequent events and the date of the independent auditor's report, SamCERA did not have any subsequent events that required disclosure.

Reclassification

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

Note 3: Funding Policy

The CERL establishes the basic contribution obligations for employers and members to the pension plan. The employer and member contribution rates adopted by the Board are based on recommendations from an independent actuary in accordance with membership type (General, Safety, and Probation) and the tier in which a member belongs. The funding objective of the pension plan is to establish employer and member contribution rates which, over time, will remain as a level percentage of payroll.

Participating employers are required by statute to contribute amounts necessary to fund the estimated benefits accruing to members not otherwise funded by member contributions or expected investment earnings. Employer contribution rates for each tier are determined pursuant to Government Code Section 31453 of the CERL, using the entry age normal cost method based upon a level percentage of projected payroll. The employer contribution rates include an estimated amount necessary to finance benefits earned by members during the current year (normal cost) and an amount to amortize the unfunded actuarial accrued liability (UAAL).

For members in Plans 1, 2, 4, 5, and 6, contributions are of three types: (1) basic member contributions, (2) cost sharing contributions, and (3) COLA cost sharing contributions. Basic member contributions are determined using the Entry Age Normal Cost Method and selected actuarial assumptions. In addition to the basic rate, Plan 1, 2, and 4 General members, as well as Plan 5 Safety management and Probation management members, make additional cost -sharing contributions. Plan 6 members do not participate in cost-sharing. All members in Plan 7 pay contributions equal to one-half of the total normal cost rate. Members in Plan 3 pay no contributions.

Members may also share the cost of the COLA by making additional contributions, depending on which plan and bargaining unit they belong to. Member contributions along with interest credited are refundable upon termination of membership.

In determining both employer and member contribution rates, assumptions are made about future events that may affect the amount and timing of benefits to be paid and assets to be accumulated. Methods and assumptions used to determine contribution rates appear in the Required Supplemental Information section. The actuarial valuation of plan assets and liabilities is normally carried out as of June 30 of each year. The contribution rates as determined at June 30, 2015, are subject to "one year" deferral. Thus, the new contribution rates in the 2015 valuation are effective on July 1, 2016.

Note 4: Contributions

For the fiscal year ended June 30, 2015, the average statutory employer contribution rate was 32.35% of actual covered payroll (with 10.42% attributed to the normal cost and 21.93% to the amortization of the UAAL over a new closed 15 years). The average member contribution rate for the same period was 11.52%. These contribution rates were actuarially determined.

The employer statutory contributions, including the normal cost and the UAAL, are presented below.

EMPLOYER CONTRIBUTION RATES AS A PERCENTAGE OF COVERED PAYROLL

	2015	2014	Change
Normal Cost	10.42%	10.80%	-0.38%
UAAL Amortization	21.93%	23.94%	-2.01%
Total Contribution Rate	**32.35%**	**34.74%**	**-2.39%**

The employer normal cost rate decreased from 10.8% to 10.42% of covered payroll and was primarily due to a large portion of the active population being members in

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(In Thousands)

Fiscal Year Ended June 30	(a) Actual Contribution	(b) Statutory Contribution	(a) - (b) Excess Supplemental Contribution		Percentage of Statutory Contribution Received
2006	$ 76,090	$ 76,090	$ -		100%
2007	100,550	100,550	-		100%
2008	105,340	105,340	-		100%
2009	106,123	106,123	-		100%
2010	106,265	106,265	-		100%
2011	150,475	150,475	-		100%
2012	150,950	139,407	$11,543		100%
2013	144,308	131,294	13,014		100%
2014	202,877	152,877	50,000	*	100%
2015	180,704	169,814	10,890	**	100%

* The County made a supplemental payment of $50 million to accelerate the pay down of the County's UAAL.
** The County made a supplemental payment of $10 million to accelerate the pay down of the County's UAAL and $0.9 million in addition to the required annual contribution.

PEPRA plans. In addition, negotiated increases in some member's contribution rates due to additional COLA sharing also helped reduce the contribution rates.

The employer's statutory contribution rate to finance the UAAL over 15 years decreased from 23.94% to 21.93% of covered payroll. The decrease was largely driven by the recognition of investment gains from prior years under the asset smoothing method.

In November 2013, the County reached an agreement with SamCERA to accelerate the pay down of the County's UAAL. Under this agreement, the County provided an additional $50 million of pension contribution in fiscal year 2014 and will contribute an additional $10 million annually for the following nine years. SamCERA set up a new account, County Supplemental Contribution Account (CSCA), to separately account for the supplemental contributions.

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

During fiscal year 2015, in addition to the supplemental contribution of $10 million, the County contributed 38.0% of its actual payroll in lieu of the statutory rate of 37.8%. The additional 0.2% contribution amounted to $0.9 million. Thus, the total excess contribution reached $10.9 million during the year. The CSCA had an aggregate balance of $65.5 million as of June 30, 2015.

In fiscal year 2015, the County paid its annual employer contributions to SamCERA via two semi-annual prepayments in July 2014 and January 2015, respectively. The prepayments were based on the adopted actuarial contribution rate and the projected covered payroll by tier, discounted by the actuarial assumption rate of return.

Throughout the year, the prepayments were periodically reduced by actual contributions as determined by the adopted actuarial contribution rate and the actual covered payroll by tier. At year end, SamCERA performed a "true-up" calculation to ensure that the County's annual statutory contribution to SamCERA was fully settled. The excess balance in the prepayment account will be applied towards the County's contribution for fiscal year 2016.

Note 5: Deposit and Investment

The Board established an Investment Policy in accordance with applicable local, state and federal laws. The CERL vests the Board with exclusive control over SamCERA's investment portfolio. Except as otherwise expressly restricted by the California Constitution and by regulation, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of SamCERA in any investment allowed by statute and deemed prudent in the informed opinion of the Board.

Deposit

SamCERA has deposits with an outside financial institution, the Northern Trust Company , as well as with the County in an investment pool account. Deposits with Northern Trust are swept into a pooled money market fund, which invests in securities such as repurchase agreements, commercial paper, U.S. Treasury bills and notes. Earnings and losses from the County investment pool are shared among pool participants. All deposits are reported at cost, which approximates fair value.

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

SamCERA maintains cash deposits to support its investment activities and operational needs. As of June 30, 2015, \$31.6 million of cash was held in a pooled money market fund with a financial institution (the Northern Trust Company) and \$2.1 million in the investment pool with the County Treasurer.

Cash held with the Northern Trust Company of \$389,569 is uninsured and uncollateralized. Thus, this amount is subject to custodian credit risk. SamCERA does not have a general policy addressing custodial credit risk. The fair value of SamCERA's position in the pool is the same as the value of the pool shares. The participation in the County investment pool is voluntary. The County investment pool is not registered with the Securities and Exchange Commission as an investment company. The County Board of Supervisors established an eight-member County Treasury Oversight Committee to oversee the management of public funds in the investment pool in accordance with Article 6 Section 27131 of the California Government Code.

Investment

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

Investment Policy. The Investment Policy is strategized to reduce risk through a prudent diversification of the investment portfolio across a broad selection of distinct asset classes. The Board conducted an asset liability study in fiscal year 2014 and subsequently approved a new target asset allocation outlined in SamCERA's Investment Policy. The Board undertakes an in-depth asset and liability study every three to five years.

Target Asset Allocation. The newly adopted target asset allocation consists of 50% in equities, 20% in fixed income, 16% in alternatives, 8% in risk parity, and 6% in real estate. The Board added a new real asset category in alternatives and moved risk parity from alternatives into its own asset class. SamCERA does not have an allocation policy for cash and cash equivalents.

As of June 30, 2015, actual asset allocation was 52.7% in equities, 19.3% in fixed income, 12.2% in alternatives, 7.7% in risk parity, 6.4% in real estate, and 1.7% in cash and cash equivalents.

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

As of June 30, 2015, estimates of the median geometric rates of return for each major asset class at the time the asset allocation targets were selected are shown in the table below.

LONG-TERM EXPECTED RATE OF RETURN

June 30, 2015

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	30%	7.3%
International Equity	20%	8.5%
Fixed Income	20%	3.1%
Alternatives	16%	8.4%
Risk Parity	8%	5.9%
Real Estate	6%	5.7%
Cash	-	1.5%
Total	**100%**	**7.1%**

Money-Weighted Rate of Return. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the timing of cash flows and the changing amounts actually invested. For the fiscal year ended June 30, 2015, the annual money-weighted rate of return was 3.36% on SamCERA's investments, net of related investment expenses.

Investment Risk

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

Each investment manager is required to follow the "manager standard of care" to act prudently and solely in the best interest of SamCERA. The guidelines require the investment return performance of each manager be compared with the performance of a relative passive market index over specific periods. SamCERA's investment consultant and staff constantly monitor the performance of all investment managers for compliance with respective guidelines.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SamCERA's Investment Policy seeks to maintain a diversified portfolio of fixed income instruments to obtain the highest total return for the fund at an acceptable level of risk within the asset class. Credit quality guidelines have been established for the separately managed accounts to effectively control credit risk.

The quality of SamCERA's investments in bonds as of June 30, 2015, is summarized in the table below.

QUALITY BREAKDOWN FOR SAMCERA'S INVESTMENT IN BONDS

Credit Risk	Active Management	Commingled Management
AAA	1.10%	20.00%
AA	61.80%	4.18%
A	8.00%	17.43%
BBB	10.30%	10.60%
Less than BBB	4.70%	33.99%
NR	14.10%	13.80%
Total	**100.00%**	**100.00%**

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

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

SamCERA does not have a formal policy that limits investment duration as a means of managing its exposure to fair value losses arising from increasing interest rates.

ACTIVE FIXED INCOME PORTFOLIO (JUNE 30, 2015)

Brown Brothers Harriman and Western Asset Management Portfolios Combined

Investment Type	Fair Value	Weighted Average Coupon	Weighted Average Maturity (Years)	Effective Duration (Years)
Asset Backed Securities	$ 6,398,230	1.81%	17.21	3.94
Commercial Mortgage-Backed	4,544,480	4.36%	24.92	3.40
Corporate Bonds	36,948,931	4.90%	12.23	7.08
Government Agencies	2,449,732	5.07%	10.18	6.75
Government Bonds	24,558,587	4.77%	13.47	9.61
Government Mortgage Backed Securities	31,030,433	3.47%	27.09	3.95
Government-issued Commercial Mortgage-Backed	695,282	1.67%	21.75	3.95
Index Linked Government Bonds	69,033,124	1.55%	9.77	8.87
Non-Government Backed CMOs	9,844,764	1.52%	23.36	2.67
Other Fixed Income	15,698,944	N/A	N/A	N/A
Total	**$ 201,202,507**	**3.10%**	**15.05**	**7.11**

COMMINGLED FIXED INCOME PORTFOLIO (JUNE 30, 2015)

Angelo Gordon, Beach Point Select, Brigade Capital Management, Franklin Templeton, and Pyramis Global Advisors

Investment Type	Fair Value	Weighted Average Coupon	Weighted Average Maturity (Years)	Effective Duration (Years)
Angelo Gordon OWL	$ 25,169,709	4.50%	21.19	3.57
Angelo Gordon STAR	44,058,692	4.18%	22.15	4.24
Beach Point Select	34,327,368	8.50%	7.90	2.91
Brigade Capital Management	64,518,444	7.00%	6.69	0.99
Franklin Templeton	98,285,376	4.50%	2.78	0.03
Pyramis Global Advisors	197,839,986	3.60%	8.17	5.45
Total	**$ 464,199,575**	**4.70%**	**8.80**	**3.30**

Nevertheless, SamCERA's U.S. active bond portfolios that reside in separate accounts are generally managed to duration limits that are within a narrow band (typically +/- 20% or +/- 1 year) to their respective benchmark.

Custodial Credit Risk – Investments. The custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, SamCERA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Under the investment guidelines for each investment manager, managed investments must be held in the name of SamCERA. The master custodian may rely on sub-custodians. As of June 30, 2015, SamCERA had no investments that were exposed to custodian credit risk.

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

Foreign Currency Risk – Foreign Exchange Contracts. Foreign currency contracts are subject to foreign currency risk as the value of deposits or investments denominated in foreign currency may be adversely affected by changes in foreign exchange rates.

Foreign currency contracts include forward contracts and spot contracts. *Currency forward contracts* are derivatives and generally serve to hedge or offset the impact of foreign currency exchange rate fluctuations. *Spot contracts* are agreements to buy or sell a certain amount of foreign currency at the current market rate for settlement in two business days. Spot contracts are generally used when SamCERA is required to make or receive payments in a foreign currency. SamCERA does not have a formal policy on foreign currency risk. The table on the following page indicates the magnitude of risk for each foreign currency denominated in U.S. dollars.

Concentration of Credit Risk. This risk is the risk of loss attributed to the magnitude of SamCERA's investment in a single issuer of securities. Investments issued or explicitly guaranteed by the U.S. Government and pooled investment are excluded from the concentration of credit risk analysis. As of June 30, 2015, SamCERA does not have investments in a single issuer with five percent or more of SamCERA's fiduciary net position.

Derivatives

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

SamCERA's investments contain various derivatives, primarily in swaps and foreign currency forward positions. The fair values of credit rate swaps, interest rate swaps, warrants, and To Be Announced (TBA) transactions, are determined using the

FOREIGN CURRENCY RISK

June 30, 2015

Trade Country Name	Common Stock	Foreign Currency	Government Issues	Grand Total
Australia	$ 11,479,305	$ 5	$ -	$ 11,479,310
Brazil	-	-	739,828	739,828
Canada	2,001,783	777,260	-	2,779,043
Switzerland	32,674,507	-	-	32,674,507
Denmark	11,619,945	-	-	11,619,945
Europe	70,507,782	(2,017,402)	2,247,918	70,738,298
United Kingdom	78,659,501	(263,011)	-	78,396,490
Hong Kong	6,694,223	-	-	6,694,223
Japan	65,844,659	94,713	-	65,939,372
South Korea	3,372,915	-	-	3,372,915
Mexico	1,264,535	-	2,792,975	4,057,510
Norway	592,188	3,512	-	595,700
New Zealand	1,168,015	182,575	-	1,350,590
Philippines	846,101	-	-	846,101
Sweden	21,480,288	-	-	21,480,288
Singapore	11,726,069	46,565	-	11,772,634
Turkey	2,699,491	-	-	2,699,491
South Africa	6,948,485	-	-	6,948,485
Grand Total	**$ 329,579,792**	**$ (1,175,782)**	**$ 5,780,721**	**$ 334,184,730**

INVESTMENT DERIVATIVES

June 30, 2015

Type of Derivatives	Notional Value	Fair Value
Interest Rate Contracts - Long	$ 90,749,458	$ -
Interest Rate Contracts - Short	(127,155,483)	-
Options on Futures	-	(62,894)
Swaps	-	100,226
Forwards	-	14,135
Total	**$ (36,406,025)**	**$ 51,467**

custodian pricing vehicles. The fair values of currency forward contracts are determined using a proprietary pricing service, which uses published foreign exchange rates as the primary source. The fair values of other derivatives are determined using a pricing service and validated by SamCERA's custodian.

The derivatives held at fiscal year-end are summarized in the table on the previous page. Compared to SamCERA's total investments at fair value, the fair value of SamCERA's derivatives as of June 30, 2015, is not material.

All derivatives held are investment derivatives, and none of them are hedging derivatives. As of June 30, 2015, the derivatives held had an aggregate negative notional amount of $36.4 million. The fair value of derivatives totaling $51,467 is reported in the statement of fiduciary net position as part of the cash management overlay, domestic fixed income securities, and domestic equities. Changes in fair value during fiscal year 2015 are reported in the statement of changes in fiduciary net position as a component of investment income.

Custodial Credit Risk – Derivatives: As of June 30, 2015, SamCERA's derivatives were not subject to custodial credit risk. However, they are subject to other risks.

Credit Risk – Derivatives: SamCERA is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to credit risk include credit default and interest rate swaps, currency forward contracts, rights, warrants and TBA transactions. To minimize credit risk exposure, SamCERA's investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, SamCERA would be exposed to the loss of fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. SamCERA has no general policy with respect to netting arrangements or collateral requirements. Netting arrangements legally provide SamCERA with a right of offset in the event of bankruptcy or default by the counterparty.

Securities Lending Activity

SamCERA is authorized by Investment Policy and state law to participate in a securities lending program. Securities lending transactions are short-term collateralized loans of SamCERA's securities for the purpose of generating additional investment income.

SamCERA has a securities lending agreement in place that authorizes the securities lending agent to lend SamCERA's securities to broker-dealers and banks pursuant to a loan agreement. For each type of security loaned, SamCERA receives cash or non-cash collateral. SamCERA invests the cash and receives earnings on it in exchange for paying a loan rebate fee to the borrower. In the case of non-cash collateral, the borrower pays SamCERA a loan premium.

For the fiscal year ended June 30, 2015, on behalf of SamCERA, the securities lending agent lent SamCERA's securities to borrowers under the securities lending agreement. In return, SamCERA received cash, securities issued or guaranteed by the

United States government, and sovereign debt or irrevocable bank letters of credit as collateral.

Borrowers were required to deliver collateral for each loan equal to (1) loaned securities denominated in U.S. dollars or sovereign debt issued by foreign governments, with a margin of at least 102% of the fair value of the loaned securities; and (2) loaned securities not denominated in U.S. dollars, or whose primary trading market was not located in the United States, with a margin of at least 105% of the fair value of the loaned securities. In addition, borrowers were required to maintain the designated margin percentage of collateral on a daily basis.

SamCERA did not impose any restrictions 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. Such indemnification will become effective in the event the borrower fails to return the loaned securities and the collateral is inadequate to replace the securities lent or the borrower fails to pay SamCERA for any income distributions on loaned securities. SamCERA did not experience any loss from a default of the borrowers or the securities lending agent during the reporting period. SamCERA and the borrowers maintained the right to terminate all securities lending transactions on demand.

As of June 30, 2015, the fair value of securities on loan reported and the total collateral held amounted to $109.9 million and $112.2 million ($99.4 million in cash collateral and $12.8 million in non-cash collateral), respectively. The amount of collateral exceeded the amount of securities on loan by $2.3 million. The securities on loan include international equities, international government fixed income securities, U.S. agencies securities, U.S. corporate fixed income securities, U.S. equities, and U.S. government fixed income securities.

The cash collateral received on each loan was invested in a short-term investment pool, the Northern Institutional Liquid Assets Portfolio (NILAP), managed by the securities lending agent. The average maturity of securities on loan was approximately 56 days as of June 30, 2015, which generally matches the average duration of maturities of 33 days for the NILAP cash collateral pool at June 30, 2015. SamCERA does not have the ability to pledge or sell collateral securities delivered absent a borrower default; therefore, such non-cash collateral is not reported on the statement of fiduciary net position.

Securities Lending Collateral Credit Risk. All of the cash collateral received for securities lending is invested in the NILAP Cash Collateral Fund (the Fund), 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 Fund seeks to maintain a stable net asset value per share of $1.00 by valuing its Fund using an amortized cost method and will comply with the requirements of Rule 2 (a)-7.

Securities Lending Collateral Interest Rate Risk. Cash collateral from loans of securities are invested in the NILAP Cash Collateral Fund. The Fund's average effective duration is restricted to 90 days or less. As of June 30, 2015, the NILAP Cash Collateral Fund had an interest sensitivity of 33 days.

Note 6: Pension Disclosures

Net Pension Liability

GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, requires public pension plans to disclose the employer net pension liability information. The net pension liability of all participating employers was determined based upon plan assets as of the measurement date at June 30, 2015. The components of the employer net pension liability as of June 30, 2015, are displayed on the following page.

For financial reporting purposes, the net pension liability is measured as the total pension liability less the amount of the pension plan's fiduciary net position. The total pension liability represents the present value of projected benefit payments (using the discount rate of 7.45% discussed below) to be provided through the pension plan to current active and inactive plan members that is attributed to those members' past periods of services.

Actuarial Assumptions

Each year SamCERA engages an independent actuarial firm to perform an annual actuarial valuation in accordance with requirements under GASB Statement No. 67. In the valuation, the actuary employs generally accepted actuarial methods and assumptions to determine the total pension liability, the plan fiduciary net position, and the employers' net pension liability.

Discount Rate

The discount rate (the assumed investment rate of return) used to measure the total pension liability was 7.45% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed both employer and member contributions will be made at rates equal to the actuarially determined contribution rates.

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

Sensitivity Analysis

The employers' net pension liability changes with adjustments to the discount rate. The table below presents the net pension liability of participating employers calculated using the current discount rate of 7.45%, as well as what the net pension liability would be using a discount rate that is one percent lower (6.45%) or one percent higher (8.45%) than the current discount rate.

SCHEDULE OF SENSITIVITY ANALYSIS

June 30, 2015 (In Thousands)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Total pension liability	$4,430,177	$3,946,440	$3,463,264
Less: Fiduciary net position	(3,454,476)	(3,454,476)	(3,454,476)
Net pension liability	$ 975,701	$ 491,964	$ 8,788

SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY

This schedule displays the total pension liability and the fiduciary net position for the Plan as of June 30, 2015, calculated in conformity with the requirements of GASB Statement No. 67. Covered employee payroll represents the collective total of the Plan eligible wages of all Plan employers.

Net Position Liability

Total pension liability	$ 3,946,439,845
Less: Plan fiduciary net position	(3,454,476,328)
Employers' net pension liability	$ 491,963,517
Plan fiduciary net position as a % of total pension liability	87.53%
Covered payroll	$ 454,683,180
Net pension liability as a % of covered payroll	108.20%

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

Discount rate	7.45%
Long-term expected rate of return, net of expenses	7.25%

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

Valuation date	June 30, 2015
Measurement date	June 30, 2015
Actuarial experience study	July 1, 2011—April 30, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	
Amortization method	Level percent
Amortization period	Layered, 15 years for each layer
Amortization growth rate	3.50%
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	80% to 120% of fair value

Key Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2015, were based on results of an actuarial experience study for the period from July 1, 2011 to April 30, 2014. These assumptions were adopted for the June 30, 2014 valuation and re-adopted for the June 30, 2015 valuation.

Inflation	3.00%
Investment rate of return	7.45% *
Cost of living adjustments	As described in the June 30, 2015, actuarial report.
Mortality	Various rates based on RP-2000 mortality tables as described in the June 30, 2015, actuarial valuation.

* Differs from actuarial valuation for funding purposes due to addition of administrative load of 0.20%.

Note 7: Funded Status and Funding Progress

The funding status was established using the entry age normal cost method and based on various actuarial economic and demographic assumptions, which include an investment rate of return of 7.25%, inflation rate of 3%, and projected annual payroll increases of 3.5%. According to the latest actuarial valuation as of June 30, 2015, the plan was 82.6% funded (the ratio of plan assets to plan liabilities) with the actuarial value of plan assets at $3.3 billion and the actuarial accrued liability at $4.0 billion. The difference between these two amounts represents the UAAL, which was $702 million, or 154.5% of $455 million in the annual covered payroll.

The actuarial value of assets is determined such that 20% of the investment gains and losses in a given year are recognized annually for the next five years. Thus, such investment gains and losses are fully recognized after five years. In addition, SamCERA adopts a "corridor" approach under which the actuarial value of assets cannot be less than 80% or greater than 120% of the fair value.

Beginning with the June 30, 2008 actuarial valuation, SamCERA converted to a closed 15-years layered amortization method. The UAAL as of June 30, 2008, is amortized over a closed 15-years period ending June 30, 2023. Subsequent changes in the UAAL is amortized over separate closed 15-year layers.

Details of the funding progress, annual required contribution for employers and members, and the latest actuarial valuation are presented in the Actuarial Section of this report.

Note 8: Plan Reserves

Plan reserves (components of net position) are established from employer and member contributions as well as investment income accumulated 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 uses three different types of accounts to record the plan reserves: the valuation reserve, the non-valuation reserve, and the market stabilization account. The plan reserves as of June 30, 2015, are shown on the following page.

Valuation Reserves

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

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

Employer Advance Reserve represents funding accumulated from employer contributions for future retirement payments to active and inactive (deferred) members. Additions include contributions from the employers and interest credited. Deductions include lump-sum death benefit payments to member's survivors, supplementary disability payments, and transfers to the Retired Member Reserve at the time a member retires. When a terminating member elects to receive a refund of member contributions, the balance in this reserve account will not be affected since the employers' contribution rates are based on an actuarial assumption that take into account the expected termination rate for members.

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

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

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

Non-Valuation Reserves

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

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

The Board adopted an *Interest Crediting Policy* stipulating that interest to the valuation reserves should be assessed at the actuarial interest rate. The interest crediting policy acknowledges that actual earnings may be greater or less than the actuarial interest rate. When there are insufficient allocable earnings to cover interest credited to the reserves specified in the interest crediting policy, the funding in the Contingency

RESERVES REQUIRED FOR REPORTING PURPOSES BY THE CERL

June 30, 2015

Valuation Reserves	
Member Deposit Reserve	$ 628,286,936
Employer Advance Reserve	650,940,470
County Supplemental Contribution Account Reserve	65,480,696
Retired Member Reserve	925,996,889
Cost-of-Living Adjustment Reserve	1,119,746,850
Subtotal - Valuation Reserves	3,390,451,841
Non-Valuation Reserves	
Contigency Reserve	33,773,232
Unallocated Earnings/Losses Reserve	(46,905,378)
Subtotal - Non-Valuation Reserves	(13,132,146)
Market Stabilization Account	77,156,633
Total Reserves	**$3,454,476,328**

Reserve may be used to cover the shortage. However, in no event may the Contingency Reserve be allowed to drop lower than one percent of the actuarial value of assets.

Under the CERL, excess earnings exceeding one percent of SamCERA's total assets may be transferred from the Contingency Reserve into the Employers' Advance Reserve for payment of benefits. However, SamCERA strives to keep the Contingency Reserve at 3% of the actuarial value of assets as described in its Interest Credit Policy.

SamCERA semi-annually updates reserve balances as of December 31 and June 30 each year to reflect interest credited as specified in Article 5 of the CERL (Semi-Annual Interest Crediting). The amount of "net earnings" to be distributed for each semi-annual period is based on the actuarial smoothing process described later.

To the extent that net earnings are available, interest is credited to all components of reserves (except the Member Deposit Reserve) at the actuarial assumed interest rate semi-annually in a prescribed sequence. The Member Deposit Reserve is credited at the lesser of the actuarial smoothed earnings rate or the actuarial assumed interest rate pursuant to the Board's interest crediting policy. The rate credited cannot be less than zero.

Earnings on average, from the five-year smoothing process, were sufficient to provide interest credits to the valuation reserves at the actuarial assumed rate in effect during the year, which was 3.625% semi-annually. The actuarial smoothed rates of return were 4.6% and 4.8% at December 31, 2014, and June 30, 2015, respectively.

Unallocated Earnings/Losses Reserve is established to account for periods when actual earnings do not equal the actuarial interest rate.

The Board adopted a *Five-year Actuarial Smoothing Policy* to value actuarial assets and calculate the UAAL. The smoothing process operates semi-annually (with calculation periods ending December 31 and June 30) to spread the difference between actual and expected market return over five years (or ten successive semi-annual periods). This smoothing process affects the net investment income reported on the statement of changes in fiduciary net position.

For the fiscal year ended June 30, 2015, smoothed earnings of $62 million were distributed to the Unallocated Earnings/Losses Reserve, which increased the balance in this account from a negative $109 million to a negative $47 million.

Market Stabilization Account

The Market Stabilization Account is designed to minimize the impact of short-term volatility in the fair value of the retirement fund on employer and member contribution rates by smoothing market returns over a five-year period. The Board adopted a Market Stabilization Account policy to limit the actuarial value of assets not to exceed ±20% of the fair value.

The balance in this account, arising from a *Five-year Actuarial Smoothing Policy*, represents the difference between (1) the aggregate amount initially deferred (smoothed) from the ten most recent semi-annual periods and (2) the aggregate amount subsequently recognized for semi-annual interest crediting from the same ten periods.

Deferred investment earnings are amortized over five years in accordance with a schedule established by the actuary. At June 30, 2015, the balance in the Market Stabilization Account was $77 million.

Note 9: Administrative Expenses

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

SamCERA has a policy in place to assess compliance with such limitation. SamCERA's administrative expenses for the reporting period amounted to 0.15% of accrued actuarial liability at June 30, 2013 (the latest information available when preparing the administrative budget for fiscal year 2014-15). The budget-to-actual analysis of SamCERA's administrative expenses for the fiscal year ended June 30, 2015, is presented in the table below.

Note 10: Information Technology Expenses

Pursuant to Government Code Section 31580.2 of the CERL, expenses for computer software, computer hardware, and computer technology consulting services in support of these computer products are not subject to the mandated limit of 0.21% discussed earlier. As a result, SamCERA prepares a separate information technology budget since this Government Code was implemented in fiscal year 2012. The budget-to-actual analysis of technology expenses for the fiscal year ended June 30, 2015, is presented on the following page.

Administrative Expenses For the Fiscal Year Ended June 30, 2015 Compared to Actuarial Accrued Liability as of June 30, 2013

(In Thousands)

Actuarial Accrued Liability (AAL) as of 6/30/13	**$**	**3,572,750**	(a)
Maximum Allowed for Administrative Expense (AAL*0.21%)	**$**	**7,503**	(b)
Operating Budget for Administrative Expense	**$**	**5,806**	(c)
Actual Administrative Expense	**$**	**5,350**	(d)
Excess of Allowed over Actual Administrative Expense	**$**	**2,153**	=(b) - (d)
Excess of Budgeted over Actual Administrative Expense	**$**	**456**	=(c) - (d)
Actual Administrative Expense as a Percentage of Actuarial Accrued Liability as of 6/30/13		**0.15%**	= (d)/(a)

SamCERA's Administrative Expenses, Budget vs. Actual

For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance
Salaries and benefits	$ 4,129,491	$ 4,118,911	$ 10,580
Services and supplies	1,676,009	1,230,885	445,124
Total expenses	**$ 5,805,500**	**$ 5,349,796**	**$ 455,704**

Note 11: Risk Management

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

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

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

Note 12: Related Party Transactions

SamCERA has various business transactions with the County. On a cost-reimbursement basis, SamCERA employs services from the following County offices: County Counsel, Treasurer, Controller, Procurement, Human Resources, Information Services, Health System, Sheriff, and Elections.

Note 13: Commitments

At June 30, 2015, SamCERA had a total outstanding commitment of $190.2 million, $164.5 million of "uncalled capital" in private equity investments and $25.7 million of "uncalled capital" in the real asset portfolio. SamCERA is still in the process of building out its private equity and real asset portfolios and intends to make additional capital commitments over the next three to five years.

Note 14: Contingent Liability

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

SAMCERA'S INFORMATION TECHNOLOGY EXPENSES, BUDGET VS. ACTUAL

For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance
Property and equipment	$ 153,000	$ 36,033	$ 116,967
Information technology infrastructure	1,408,150	592,876	815,274
Capital asset	3,500,000	- *	3,500,000
Total expenses	**$ 5,061,150**	**$ 628,909**	**$ 4,432,241**

* SamCERA incurred a total of $3,206,047 in capital expenses during fiscal year 2015. This amount was capitalized and reported as capital assets on the Statement of Fiduciary Net Position for financial reporting purposes.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability of Participating Employers

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

Data prior to fiscal year 2013-14 is not available. Thus, the schedule below only shows years for which the new Governmental Accounting Standards Board statements have been implemented.

Covered payroll represents the collective total of eligible wages of all participating employers. Difference between gross wages and pensionable wages are immaterial.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

For the Fiscal Years Ended June 30

	2015	2014 *
Total Pension Liability		
Service cost	$ 90,955,831	$ 87,512,515
Interest on total pension liability	272,953,777	265,430,896
Effect of plan changes	-	-
Effect of assumption changes or inputs	-	37,853,852
Effect of economic/demographic gains or (losses)	50,655,233	(31,415,241)
Benefit payments and refund of contributions	(171,466,218)	(162,556,107)
Net change in total pension liability	243,098,623	196,825,915
Total pension liability, beginning	3,703,341,222	3,506,515,307
Total pension liability, ending (a)	$ 3,946,439,845	$ 3,703,341,222
Fiduciary Net Position		
Employer contributions	$ 180,704,280	$ 202,877,362
Member contributions	48,011,698	46,593,698
Investment income net of investment expenses	111,630,036	482,663,965
Benefit payments and refund of contributions	(171,466,218)	(162,556,107)
Administrative (and other non-investment) expenses	(6,097,422)	(5,710,296)
Net change in plan fiduciary net position	162,782,374	563,868,622
Fiduciary net position, beginning	3,291,693,954	2,727,825,332
Fiduciary net position, ending (b)	$ 3,454,476,328	$ 3,291,693,954
Net pension liability, ending = (a) - (b)	$ 491,963,517	$ 411,647,268
Fiduciary net position as a % of total pension liability	87.53%	88.88%
Covered payroll	$ 454,683,180	$ 422,021,990
Net pension liability as a % of covered payroll	108.20%	97.54%

*Data prior to fiscal year 2013-14 is not available.

Schedule of Employer Contributions

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

					As a % of Covered Payroll		
Fiscal Year Ended June 30	**Actuarially Determined Contribution**	**Actual Employer Contribution**	**Contribution Deficiency (Excess)**	**Covered Payroll**	**Actuarially Determined Contribution**	**Actual Employer Contribution**	
2006	$ 76,089,599	$ 76,089,599	$ -	$ 368,971,869	20.62%	20.62%	
2007	100,549,570	100,549,570	-	407,911,467	24.65%	24.65%	
2008	105,339,570	105,339,570	-	416,261,210	25.31%	25.31%	
2009	106,123,055	106,123,055	-	436,423,248	24.32%	24.32%	
2010	106,265,329	106,265,329	-	428,559,066	24.80%	24.80%	
2011	150,474,872	150,474,872	-	424,060,830	35.48%	35.48%	
2012	139,406,807	150,949,791	(11,542,984)	419,778,688	33.21%	35.96%	1
2013	131,293,846	144,308,171	(13,014,325)	406,921,529	32.27%	35.46%	1
2014	152,877,362	202,877,362	(50,000,000)	422,021,990	36.22%	48.07%	2
2015	169,814,170	180,704,280	(10,890,110)	454,683,180	37.35%	39.74%	2

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

[2] In 2014, the Board of Supervisors implemented a policy to eliminate the County UAAL by 2023. Contributions in excess of the Actuarially Determined Contribution are related to that policy unless noted otherwise.

Schedule of Investment Returns

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

SCHEDULE OF INVESTMENT RETURNS

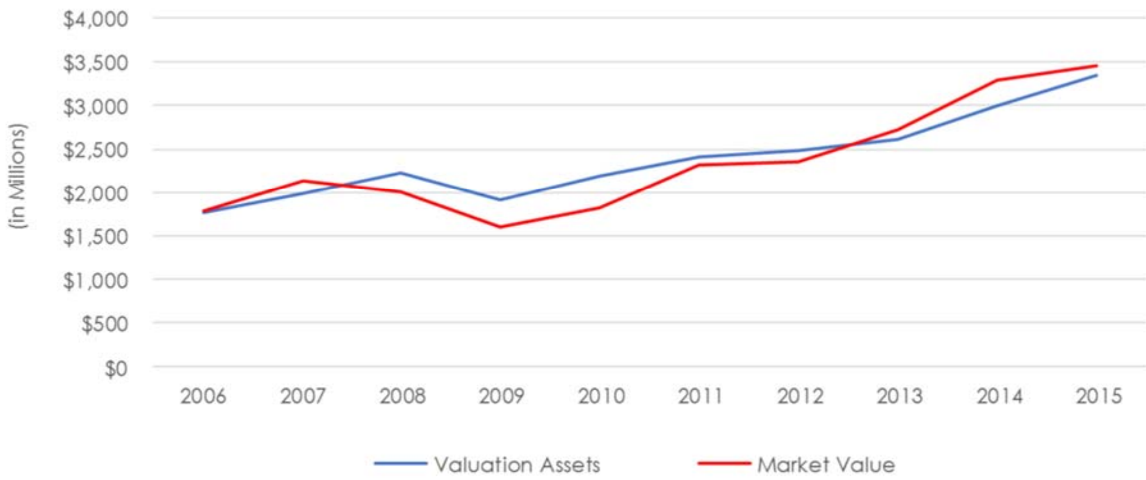
For the Fiscal Years Ended June 30

	2015	**2014**	**2013**
Annual money-weighted rate of return, net of investment expenses*	3.36%**	17.18%	13.43%

* The calculation of SamCERA's money-weighted rate of return, net of investment expenses, was provided by SamCERA"s investment consultant, Strategic Investment Solutions. Data prior to fiscal year 2012-13 is not available.

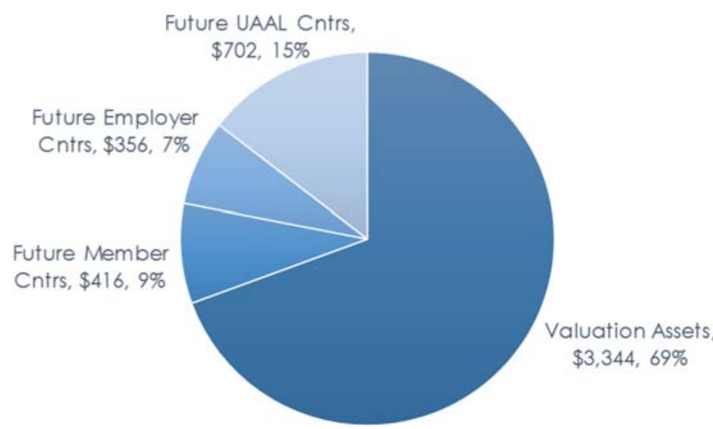
** Investment return was much lower than the prior year since the market conditions were shadowed by numerous global concerns such as the economic slowdown in China, decline in oil prices, and market uncertainly in Europe and the Middle East.

APPLICABLE VALUATION ASSETS (JUNE 30)



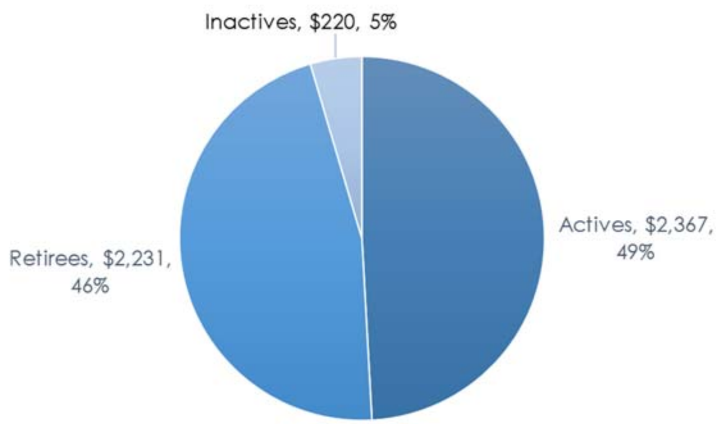
ACTUARIAL VALUATION - SAMCERA'S RESOURCES AS OF JUNE 30, 2015 (IN MILLIONS)

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



ACTUARIAL VALUATION - SAMCERA'S LIABILITIES AS OF JUNE 30, 2015 (IN MILLIONS)

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



NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Methods and Assumptions

The employer statutory contribution rates for the fiscal year ended June 30, 2015, are those calculated in the actuarial valuation as of June 30, 2013. Details of actuarial methods and assumptions selected for the actuarial valuation as of June 30, 2013, are summarized in the table below.

ACTUARIAL VALUATION AS OF JUNE 30, 2013(FOR FUNDING PURPOSES)

VALUATION DATE	June 30, 2013
ACTUARIAL COST METHOD	Entry Age Normal
AMORTIZATION METHOD	Level Percent of Payroll
AMORTIZATION PERIOD	UAAL as of June 30, 2008, is amortized over a closed 15-year period ending June 30, 2023. Subsequent changes in the UAAL is amortized over separate closed 15-year layers which are determined annually.
ASSET VALUATION METHOD	5-year smoothed recognition of asset gains and losses (determined as the difference of the actual fair value to the expected fair value), which cannot vary more than 20% from the fair value.
ACTUARIAL ASSUMPTIONS:	
INVESTMENT RATE OF RETURN	7.50%, net of pension plan investment and administrative expenses
INFLATION RATE (CPI)	3.25%
ANNUAL PROJECTED SALARY INCREASES	3.75%

OTHER SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses

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

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Fiscal Year Ended June 30, 2015

Salaries & Benefits		
Salaries	$	2,649,806
Benefits		1,469,105
Total Salaries & Benefits		4,118,911
Services & Supplies		
Board of Retirement Expenses		7,000
Insurance		65,975
Medical Evaluation		43,082
Member Education		49,921
Education & Conference		84,477
Transportation & Lodging		79,637
Property & Equipment		16,588
General Office Supplies		32,953
Postage, Printing & Copying		47,136
Leased Facilities		463,780
County Services		283,665
Audit Services		31,395
Other Administration		25,276
Total Services & Supplies		1,230,885
Total Administrative Expenses	**$**	**5,349,796**

Schedule of Information Technology Expenses

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

SCHEDULE OF INFORMATION TECHNOLOGY EXPENSES

For the Fiscal Year Ended June 30, 2015

Property and Equipment	$ 36,033
Information Technology Infrastructure	592,876
Total Information Technology Expenses	**$ 628,909**

Schedule of Investment Expenses

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

SCHEDULE OF INVESTMENT EXPENSES

For the Fiscal Year Ended June 30, 2015

Investment Management Fees	
INVESTMENT MANAGERS	
Angelo Gordon OWL Fund	$ 166,269
Angelo Gordon STAR Fund	2,099,892
AQR Delta XN Fund L.P.	2,464,725
AQR Global Risk Premium III L.P.	594,185
Baillie Gifford Overseas	923,092
Barrow, Hanley, Mewhinney & Strauss	635,505
Beach Point Select	426,355
BlackRock Capital Management (S&P500)	106,254
BlackRock Capital Management (EAFE)	79,593
Brigade Capital Management	504,515
Brown Advisory	600,945
Brown Brothers Harriman	137,906
Chartwell Investment Partners	803,583
Clifton Parametric	166,657
D.E. Shaw Investment Management	846,198
Franklin Templeton	307,285
Invesco Realty Advisors	723,260
Mondrian Investment Partners	719,825
PanAgora Asset Management	405,980
Parametric	695,491
Pyramis Global Advisors	280,118
Pyramis Select	575,056
SSARIS Multisource Commodities	475,330
The Boston Company	844,586
Western Asset Management	350,217
Private Equity	3,648,529
Real Assets	250,951
Total Investment Management Fees	19,832,302
Other Investment Expenses	
Global Custodian Services	311,990
Investement Consulting Fees	444,597
Actuarial Consulting Fees	217,102
Other	18,130
Total Other Investment Expenses	991,819
Other Investment Related Expense	9,380,135
Interest Paid on Prepaid Contribution	2,786,441
Total Investment Expenses	**$ 32,990,697**

Schedule of Payments to consultants (for fees paid to outside professionals other than investment advisors)

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

SCHEDULE OF PAYMENTS TO CONSULTANTS (OTHER THAN INVESTMENT ADVISORS)

For the Fiscal Year Ended June 30, 2015

CUSTODIAN SERVICES	
Northern Trust	$ 311,990
ACTUARIAL CONSULTANT EXPENSE	
Milliman Inc. and Segal Consulting	217,102
AUDIT SERVIICES*	
Brown Armstrong Accountancy Corporation	31,395
OTHER PROFESSIONAL FEES	
eVestment	18,130
Total Payment to Consultants	**$578,617**

* Audit fees were included in administrative expenses whereas remaining items were reported under investment expenses.

NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

Administrative Services Budget

The passage of Assembly Bill 609 in October 2010 changed the County Employees' Retirement Law of 1937's (the CERL) system administration expense limit from 23 basis points of total assets to 21 basis points of Accrued Actuarial Liabilities.

Information Technology Budget

Pursuant to the CERL, expenses for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the retirement system. SamCERA's information technology expenses are separately accounted for since fiscal year 2011-12.

Professional Services Budget

SamCERA's professional services budget is funded by investment earnings or SamCERA's assets as prescribed by Government Code §31596.1 below.

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

OTHER INFORMATION

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

Employer	Net Pension Liability	Deferred Outflow of Resources				Deferred Inflow of Resources				Pension Expense Excluding That Attributable to Employer-Paid Member Contributions		
		Differences Between Expected and Actual Economic Experience	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Economic Experience	Net Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Allocable Plan Pension Expense	Net Amortization of Deferred amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
County of San Mateo	$473,318,100	$38,988,319	$21,851,516	$3,474,758	$64,314,593	$18,134,763	$52,130,427	$ -	$70,265,190	$56,974,482	$1,031,353	$58,005,835
San Mateo Superior Court	17,120,330	1,410,242	790,388	-	2,200,630	655,950	1,885,603	3,551,116	6,092,669	2,060,817	(1,054,909)	1,005,908
Mosquito & Vector Control District	1,525,087	125,625	70,408	76,358	272,391	58,432	167,970	-	226,402	183,579	23,556	207,135
Total	$491,963,517	$40,524,186	$22,712,312	$3,551,116	$66,787,614	$18,849,145	$54,184,000	$3,551,116	$76,584,261	$59,218,878	$ -	$59,218,878

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

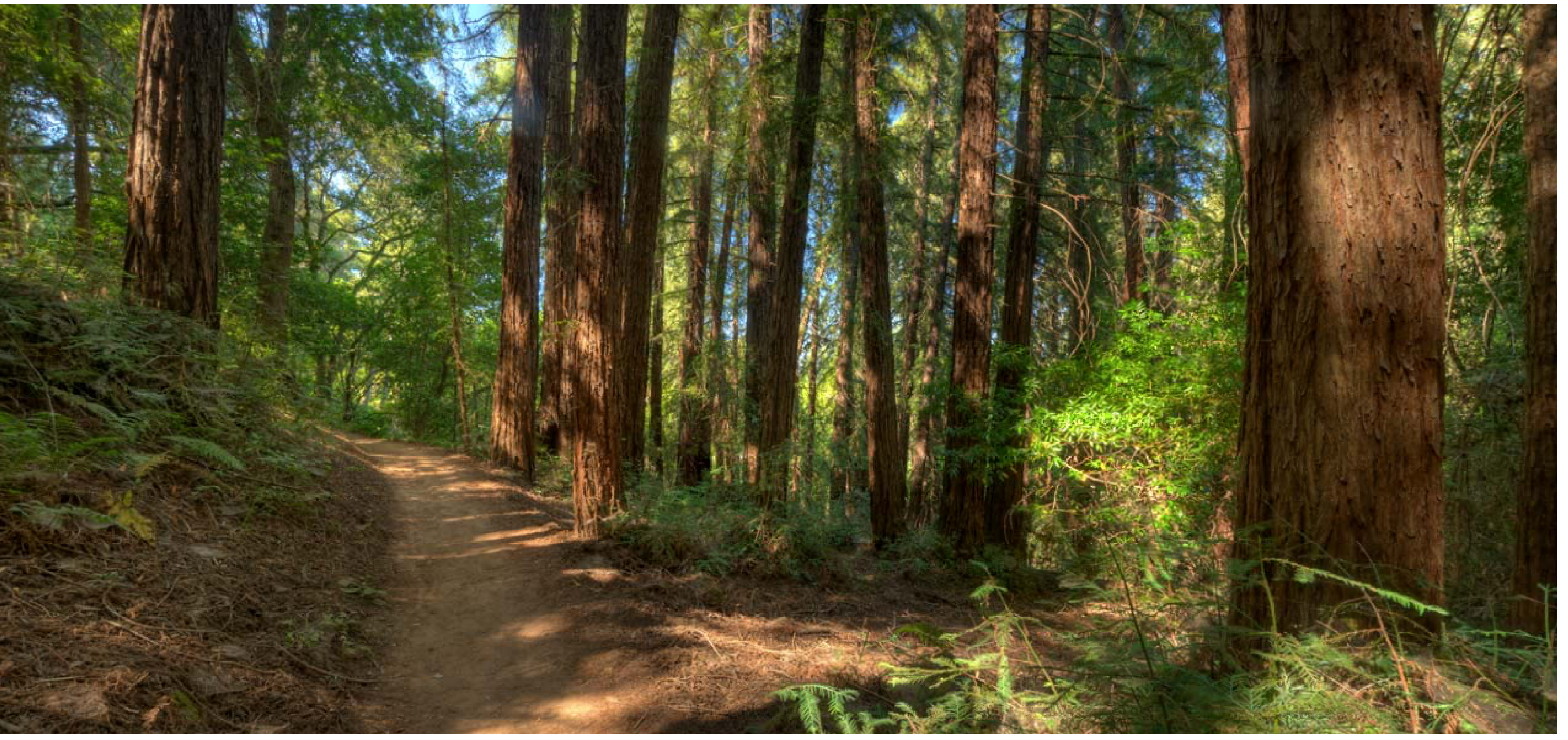
Employer	Fiscal Year Ended June 30, 2015 Actual Employer Contributions	Actuarially Determined Contributions	Employer Allocation Percentage *	Net Pension Liability
County of San Mateo	$174,263,295	$163,373,185	96.21%	$473,318,100
San Mateo Superior Court	5,914,688	5,914,688	3.48%	17,120,330
Mosquito & Vector Control District	526,297	526,297	0.31%	1,525,087
Total	**$180,704,280**	**$169,814,170**	**100.00%**	**$491,963,517**

Employer	Fiscal Year Ended June 30, 2014 Actual Employer Contributions	Actuarially Determined Contributions	Employer Allocation Percentage *	Net Pension Liability
County of San Mateo	$196,708,770	$146,708,770	95.97%	$395,057,883
San Mateo Superior Court	5,704,224	5,704,224	3.73%	15,354,443
Mosquito & Vector Control District	464,368	464,368	0.30%	1,234,942
Total	**$202,877,362**	**$152,877,362**	**100.00%**	**$411,647,268**

Employer	Fiscal Year Ended June 30, 2013 Actual Employer Contributions	Actuarially Determined Contributions	Employer Allocation Percentage *	Net Pension Liability
County of San Mateo	$138,313,312	$125,792,158	95.81%	$746,062,865
San Mateo Superior Court	5,616,809	5,145,950	3.92%	30,524,647
Mosquito & Vector Control District	378,050	355,738	0.27%	2,102,463
Total	**$144,308,171**	**$131,293,846**	**100.00%**	**$778,689,975**

* Employer allocation percentage is based on actuarially determined contributions.

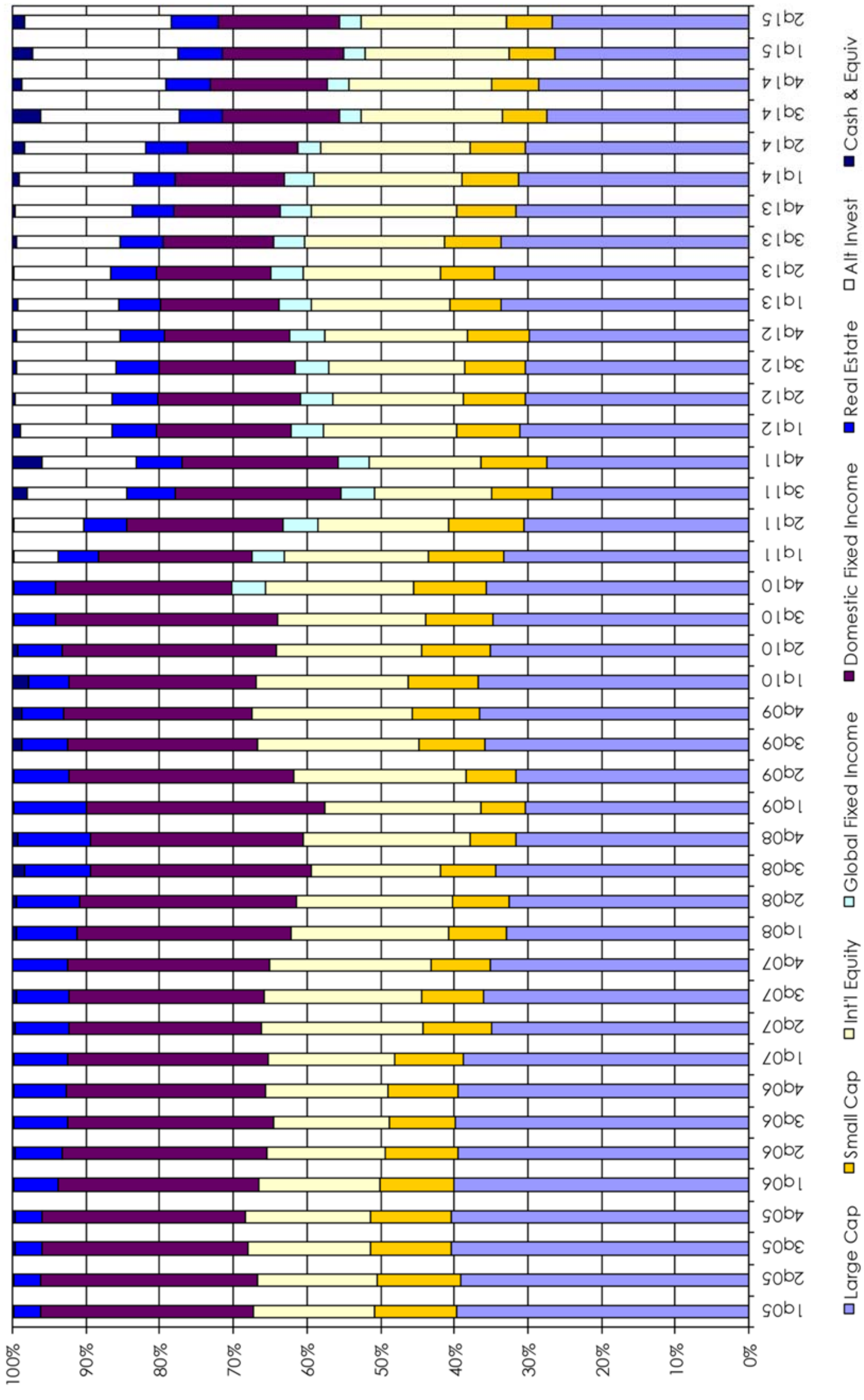
INVESTMENT SECTION



Bear Gulch Trail, Wunderlich County Park, San Mateo County

ACTUAL HISTORICAL QUARTERLY ASSET ALLOCATION

Period ended June 30, 2015



CHIEF INVESTMENT OFFICER'S REPORT

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

100 Marine Parkway, Suite 125
Redwood City, CA 94065
Phone: 650-599-1234
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Fax: 650-591-1488
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Michael Coultrip
SamCERA
Chief Investment Officer

Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

On behalf of SamCERA's investment team, I am pleased to report on the pension fund's investments and portfolio performance for the period ended June 30, 2015. This data was compiled by SamCERA's investment staff, its investment consultant, Strategic Investment Solutions, and its custodian bank Northern Trust Company.

The net portfolio fair value as of June 30, 2015, increased to $3.45 billion, as the combination of net portfolio appreciation and contributions added approximately $160 million to the pension trust fund.

Following up on the positive double-digit returns of the past two fiscal years, SamCERA's portfolio returned 3.5% net of investment manager fees (3.8% before deducting for investment manager fees) for the fiscal year ended June 30, 2015, outperforming San Mateo County Employees' Retirement Association's (SamCERA's) policy benchmark return by 80 basis points (0.80%). SamCERA's alternative composite was the primary driver of outperformance during the fiscal year. These fiscal-year results are also strong relative to SamCERA's peers, and are above median among large (greater than $1 billion in assets) public retirement plans.

While the results for this fiscal year were strong both on a relative basis (compared to our policy benchmark) and compared to our peers, the absolute level of returns were lower than the last two fiscal years. As mentioned in last year's letter, many markets were fairly (or even over-priced) coming into this fiscal year, and as a result, return expectations for go-forward absolute performance were tempered compared to the past few years.

Performance across asset classes varied more widely compared to last year, when most asset classes, in particular global equities, were sharply higher as a result of the extraordinary global central bank accommodative monetary policies. This year, U.S. equities generally provided strong returns, as economic activity in the U.S. was low but generally positive. In addition, the U.S. dollar generally rallied during the year, especially against the euro, yen, and a number of emerging currencies. For markets outside of the U.S., several factors impacted returns. Heightened geopolitical concerns, including situations in Greece, Syria, and Ukraine, weighed on global markets during the year. In addition, weaker growth prospects in China, steep drops in the price of oil and other commodities, and fears of eurozone deflation and the resulting quantitative easing program announced by the European Central Bank, all contributed to significant price volatility across global stock, bond, currency, and commodity markets.

With this as a backdrop, diversification away from the U.S. market, in particular international equity, emerging markets (stocks and bonds), and commodities, did not help the portfolio this year as most major international markets under-performed the U.S. For example, while the broad U.S. equity market (as measured by the Russell 3000 Index) was up 7.3% on the year, the broad developed international equity market and emerging equity market, as measured by the MSCI EAFE Index and MSCI Emerging Markets Index, were down 3.8% and 4.8%, respectively. In addition commodities, as measured by the Bloomberg Commodity Index, were down 23.7%. Going forward, we expect that this international diversification will help the portfolio balance out the potential risks over the longer-term. Maintaining appropriate asset allocation and risk exposures across asset classes will continue to be of the utmost importance.

Looking at the fiscal year return drivers for the total portfolio, real estate was SamCERA's best performing asset class composite this fiscal year, up 16.0%, which was above its composite benchmark return of 14.4%. The strong performance was a continuation from the last few years as investors, thirsty for yield generating assets, continued to push up commercial property market prices, especially in high-quality core assets in prime locations in gateway cities.

SamCERA's alternative composite also provided strong returns for the fiscal year, returning 7.9%, besting its benchmark by 6.9%. These positive results were driven mostly by extremely robust performance in SamCERA's private equity portfolio, which increased nearly 26% on the year compared to its benchmark return of 10%. Positive absolute and relative results from the absolute return/hedge fund portfolio also contributed to the outperformance in alternatives.

As mentioned in last year's letter, SamCERA's private equity portfolio is still in the process of being built out, and it will take multiple years to fully implement to ensure proper diversification across sub-categories and vintage years before more meaningful longer-term performance comparisons can be made. During this implementation period, SamCERA utilizes the S&P 500 Index as a placeholder for the portion of the private equity target allocation that is unfunded. Monies for new private equity partnerships will be sourced from this placeholder until SamCERA is at its private equity asset allocation policy weight.

For the year, SamCERA made commitments to four new private equity partnerships, totaling $53 million. This brings the total commitments for the private equity program to $333.5 million across venture capital, buyouts, and special situations.

SamCERA also made commitments worth $30 million to two partnerships in its new private real asset category. Subsequent to June 30, SamCERA committed $15 million to one additional real asset partnership, bringing the total commitments to $45 million.

The domestic equity composite returned 7.2% during the year, slightly underperforming its benchmark return of 7.3%. SamCERA's large-capitalization portfolio composite was up 8.3%, while the small-capitalization composite was up 2.6%. The large-capitalization composite outperformed its benchmark, as two of the three active large-capitalization managers substantially outperformed their respective benchmark by over 2%. The small-capitalization composite underperformed its benchmark, due primarily to underperformance from SamCERA's small-capitalization growth strategy. In January, the Board of Retirement (the Board) approved a change in SamCERA's domestic equity structure, increasing the passive portion of the large-capitalization program to 50% of total domestic equity from 35%, while reducing the allocation to each of the three active large-capitalization strategies evenly by 5% of total domestic equity. The allocation and structure of the small-capitalization program remain unchanged.

The global bond market witnessed enhanced levels of interest rate volatility throughout the year given the heightened geopolitical concerns previously discussed. Given this backdrop, U.S. interest rates decreased over the year, with the 10-year Treasury decreasing 18 basis points from 2.53% to 2.35% year-over-year, defying consensus expectations of rates moving higher during the year. Credit spreads generally widened, with high yield widening the most during the year due to its high exposure to energy.

SamCERA's fixed income portfolio composite returned 0.8% for the year, outperforming its benchmark by 70 basis points. Strong relative results by its global bond manager (-2.3% versus -7.1% for its benchmark) drove the outperformance. SamCERA also added a new strategy within its opportunistic credit category to further diversify this program.

Risk parity, which is designed to provide a more risk-balanced asset allocation profile than a typical equity-centric allocation, was down 1.4% during the year, and underperformed its policy benchmark as exposure to commodities, international markets, inflation-protected bonds, and certain currency movements hurt versus the domestic equity/domestic fixed income benchmark. SamCERA further diversified this portion of the portfolio by adding a second manager in this space to complement the incumbent manager.

SamCERA's international equity composite returned -4.2% for the fiscal year, outperforming its benchmark (which includes both developed and emerging market exposure) by 40 basis points. Developed market stocks, as measured by the MSCI EAFE Index (a common benchmark for developed markets equity), were down 3.8%. Emerging markets, as measured by the MSCI Emerging Markets Index, were down 4.8% over the period. Concerns continued regarding lower growth expectations in China and its impact on global growth, which especially hit commodities and commodity-related countries and industries the hardest.

The U.S. dollar rallied significantly versus most major currencies as prospects of higher rates in the U.S. and strong relative growth in the U.S. supported the U.S. dollar. This led to significant translation losses for U.S. dollar investors investing in international markets. For example, both the MSCI EAFE and MSCI Emerging Markets Equity Index were positive for the year in local currency terms, but when converted to U.S. dollars result in the negative performance for the year. Additionally, the euro decreased over 18% compared to the U.S. dollar, the yen decreased over 17%, and the UK pound decreased 8%.

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

During the year, the plan maintained its asset allocation discipline by continuing to actively rebalance the portfolio to its long-term policy asset allocation portfolio weights. Asset allocation and risk diversification continue to be of primary focus as the plan navigates the market volatility going forward.

Respectfully submitted,

Michael R Coultrip

Michael Coultrip
Chief Investment Officer
October 20, 2015

INVESTMENT CONSULTANT'S REPORT ON INVESTMENT ACTIVITIES

STRATEGIC INVESTMENT SOLUTIONS

MARGARET S. JADALLAH
Managing Director

October 20, 2015

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

Dear Board Members:

After several years of strong capital market returns, fiscal year ended June 30, 2015, was a period marked by more modest, yet still positive returns for U.S. pension plans. The fiscal year saw mixed results within the capital markets with gains in U.S. equities but losses in Non-U.S. stock markets. The U.S. entered its sixth year of a bull market fueled by quantitative easing and extremely low interest rates. The U.S. Fixed Income market ended the fiscal year with a muted but positive return as yields ended the year slightly lower than the year before, though rates appear to be set to rise and the word "patient" disappeared from the Fed's messaging. Weaker growth in Europe, including an ailing Greek economy, and commodity and China-related fears in the emerging markets resulted in negative returns outside of the U.S. The Euro fell significantly versus the U.S. dollar over the fiscal year, and the ECB started its own quantitative easing policy through purchases of sovereign debt during the first quarter of 2015. China's local equity market dropped precipitously during June of 2015 after a period of significant appreciation, calling into question not just China's economic health but growth prospects globally. OPEC's decision not to cut oil production in November 2014, with the resulting halving of oil prices, caused its own ripple effect across U.S. and non-U.S. markets.

The broad U.S. Equity market, as measured by the Russell 3000 Index, returned 7.3% during fiscal year 2015. The Russell 1000 large cap component of U.S. Equity gained 7.4%, while the small cap Russell 2000 rose slightly less at 6.5%. International equity investments had a tougher fiscal year in both the developed and emerging markets. The Developed Markets index (MSCI EAFE) lost 4.2% over the fiscal year, while Emerging Markets (MSCI Emerging Markets), lost 5.1%. U.S. Investment Grade Bonds (Barclays Aggregate), while in positive territory, advanced a modest 1.9% over the year, effectively earning their coupon as the market became wary of impending rate hikes. During fiscal year 2015, high yield bonds, as measured by the BofAML U.S. HY Master II Trust Index, returned -0.6%. Volatility within this asset class was primarily driven by the bonds of high yield energy companies given the dramatic decline in oil prices over the fiscal year and their consequent market sensitivity to energy prices. The real estate asset class continued to perform well during the fiscal year, experiencing both income and price appreciation. The NCREIF ODCE Index of institutional, open end core funds posted a 14.4% return for the year ended 6/30/2015.

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SIS Letter to the SamCERA
Board of Retirement
October 20, 2015
Page 2 of 3

PLAN INVESTMENT RESULTS

The San Mateo County Employees' Retirement Association (the Association) total Plan returned 3.5% net of fees for the fiscal year ended 2015. While less than the Association's 7.25% actuarial return expectation, the total Plan outperformed its policy index which returned 2.7% for this time period. For the fiscal year, the total Plan ranked in the top 20th percentile for Public Fund DB Plans greater than $1 billion. Over annualized periods going back five years, the total Plan has achieved returns significantly higher than its actuarial expected rate of return.

The Association's U.S. Equity portfolio underperformed its U.S. equity policy benchmark by 0.1% during the fiscal year on a net of fee basis, which placed it in the 45th percentile of the universe. Within the U.S. Equity asset class, the large cap managers as a group returned 8.3% net of fees and beat the Russell 1000 Index by 90 basis points. In contrast, the Small Cap Composite's 2.6% net return lagged the Russell 2000 Index by 390 basis points. The Plan's U.S. growth managers underperformed their respective benchmarks, with small cap growth manager Chartwell a notable laggard during the fiscal year (3.8% net vs. 12.3% for the Russell 2000 Growth Index). Over the past year, unusually strong returns for biotechnology companies were a headwind for growth managers that utilize conservative approaches.

The International Equity Composite beat its benchmark by 40 bps, returning -4.2% net of fees over the fiscal year. This result placed the International Equity Composite in the 65th percentile of its universe. All of the Association's developed markets managers outperformed their respective benchmarks on a relative basis. Emerging markets manager Parametric was the outlier, returning -10.0% net vs. -4.8% for the MSCI Emerging Markets Index and ranking in the bottom quartile of the universe. This significant underperformance was primarily caused by a structural underweight to China which is a byproduct of their investment approach.

During fiscal year 2015, the Plan's Total Fixed Income Composite net return of 0.8% exceeded the Plan's Blended Fixed Income benchmark return of 0.1% but trailed the Barclays Aggregate Index result of 1.9%. The Total Fixed Income Composite ranked in the 60th percentile of its universe for the fiscal year. The TIPS and Global Fixed Income components of the portfolio posted negative returns for the year as these areas faced macroeconomic headwinds. The Core Fixed Income and Opportunistic Credit components of the portfolio, in aggregate, produced modestly positive returns for the Plan. Underperformance among Core and Opportunistic Credit managers was driven primarily by their high yield exposure, in particular to energy credits. In addition, Angelo Gordon OWL Fund, an Opportunistic Credit strategy funded in April 2014 invested primarily in residential and commercial whole loans, underperformed the Barclays Aggregate Index for the year due to its J-curve effect. In February 2015, the Association funded a new Opportunistic Credit manager Beach Point with an expertise in high yield bonds and bank loans.

The INVESCO Real Estate fund's robust 16.1% net return was 170 basis points ahead of the NCREIF ODCE Index. The Association started to fund its Real Assets pool over the fiscal year and added its first manager Taurus Mining. Finally, the plan's Alternatives composite, which returned 7.9% for the fiscal year, was a strong driver of returns for the total portfolio and significantly exceeded the -0.9% return of the Alternatives Allocation Index. The Plan's Private Equity investments posted a net return of 25.9% for the

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fiscal year and were most additive to performance. The Association's Hedge Fund manager AQR beat its benchmark and added to the portfolio's returns, whereas the Plan's Commodities and Risk Parity exposures detracted from performance.

ASSET ALLOCATION AND MANAGER STRUCTURE

SamCERA did not make any changes to its asset allocation or manager structure during fiscal year 2015. However, the Association continued to build out its private equity program and started funding its dedicated real assets program during this time period. SamCERA continues to look to increase the diversification of the portfolio in order to produce the highest possible returns in a risk averse, cost effective, and prudent fashion. A further modest reduction in equity beta risk is likely in the coming fiscal year in favor of other diversifying and income-producing alternatives.

In summary, SamCERA has taken advantage of investment opportunities as they have evolved, while adhering to a well thought out strategic plan. The Association is reaping the rewards of its diligence and discipline, and SIS firmly believes that SamCERA has constructed a diversified portfolio that will continue to serve its participants well.

Sincerely,

Margaret Jadallah

Margaret S. Jadallah

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

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INVESTMENT PHILOSOPHY, OBJECTIVES, AND POLICY

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

Investment Beliefs

The following summarizes the Board of Retirement's (the Board) investment beliefs that have guided it in the development of the Investment Policy and will guide the Board in the oversight of the Plan assets.

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

Investment Objectives

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

A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0 of the Investment Policy) on a net-of-fee basis over five-year rolling periods.

B. Move toward full actuarial funding of the Pension Benefit Obligation based on GASB 25 and the Board's policy of layered fifteen-year unfunded actuarial accrued liability (UAAL) amortization periods.

C. Achieve a Fund return that meets or exceeds the long-term forecast of capital market returns for the asset allocation portfolio benchmark over multiple economic cycles (e.g. 15-20 years).

D. Provide a more consistent return stream than a traditional 60% Equity / 40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.

Investment Policy

The Investment Policy of the Board of Retirement pursues an investment strategy which reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

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

A. Consistent with fiduciary standards, always act in the best economic interests of SamCERA's plan beneficiaries and plan sponsors, and refrain from making investment decisions for political, social, or other non-economic reasons.

B. Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in Section 6.0 of the Investment Policy.

C. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.

D. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 6.0 of the Investment Policy, and reevaluate on an annual basis.

E. Reevaluate the asset-liability study every three to five years.

F. Delegate full discretion to each investment manager to the extent authorized in their Investment Management Agreement (IMA).

G. Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.

H. Refrain from drastically shifting asset class allocations over short time spans, unless it is in the Fund's best interest to do so.

I. Rebalance the portfolio in accordance to the Rebalancing Policy set forth in Section 7.0 of the Investment Policy.

ASSET ALLOCATION AS A PERCENTAGE OF FAIR VALUE (JUNE 30, 2015)

ASSET CLASS	Allocation	Actual
Equity	50.0%	52.7%
Bonds	20.0%	19.3%
Alternatives	16.0%	12.2%
Risk Parity	8.0%	7.7%
Real Estate	6.0%	6.4%
Cash	0.0%	1.7%
Total	100.0%	100.0%
EQUITY MANAGEMENT STYLE	Allocation	Actual
Domestic Large Capitalization		
Passively Managed	15.0%	17.0%
Actively Managed	9.0%	9.7%
Subtotal - Domestic Equity	24.0%	26.7%
Domestic Small Capitalization (Actively Managed)	6.0%	6.2%
International Equity		
Passively Managed	4.0%	4.0%
Actively Managed	16.0%	15.8%
Subtotal - Domestic Equity	20.0%	19.8%
Total Equity	50.0%	52.7%
BOND MANAGEMENT STYLE		
Domestic Bond Managers (Actively Managed)	17.0%	16.4%
Global Bond Managers (Actively Managed)	3.0%	2.9%
Total Bonds	20.0%	19.3%
ALTERNATIVE INVESTMENT MANAGEMENT STYLE		
Private Equity (Actively Managed)	7.0%	5.4%
Aboslute Return/Hedge Fund (Actively Managed)	4.0%	4.1%
Commodities (Actively Managed)	3.0%	2.6%
Real Assets (Actively Managed)	2.0%	0.1%
Total Alternative Investment	16.0%	12.2%
RISK PARITY MANAGEMENT STYLE		
Actively Managed	8.0%	7.7%
REAL ESTATE MANAGEMENT STYLE		
Actively Managed	6.0%	6.4%
TOTAL CASH & CASH EQUIVALENT	0.0%	1.7%
Total Assets	**100.0%**	**100.0%**

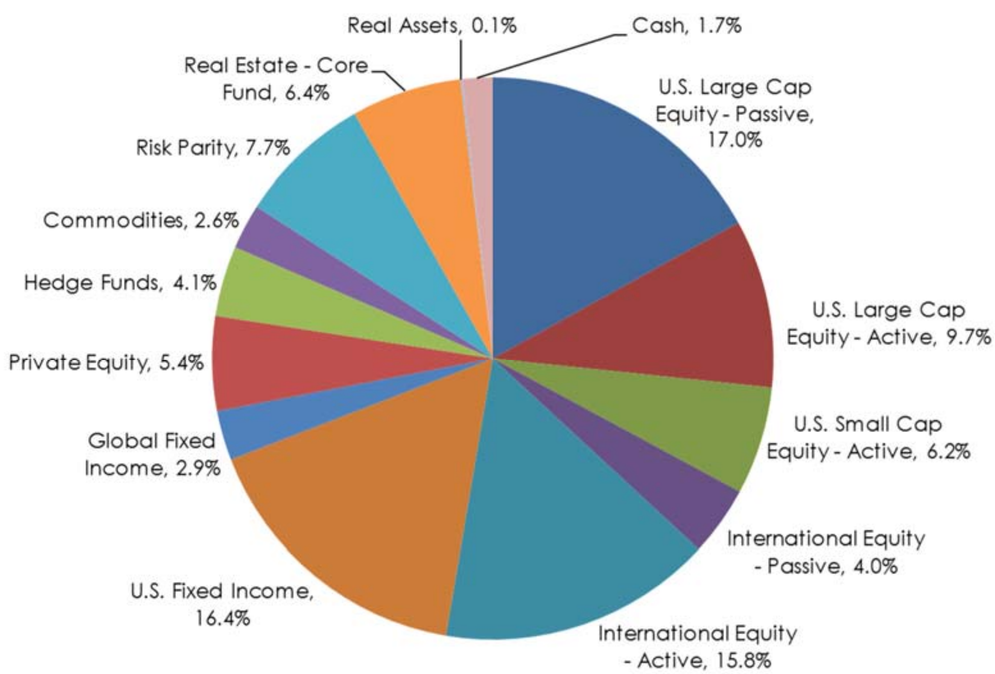
FAIR VALUE OF ASSET ALLOCATION

As of June 30, 2015

ASSET ALLOCATION	Fair Value
Large Capitalized Domestic Equities	$910,347,700
Small Capitalized Domestic Equities	211,917,018
International Equities	675,589,939
TOTAL EQUITIES	1,797,854,657
Domestic Bonds	567,116,706
Global Bonds	98,285,376
TOTAL BONDS	665,402,082
Alternative Investments	426,414,445
Risk Parity	265,103,721
Real Estate	218,473,360
Cash & Cash Equivalents	81,228,063
Total Net Position	**$3,454,476,328**

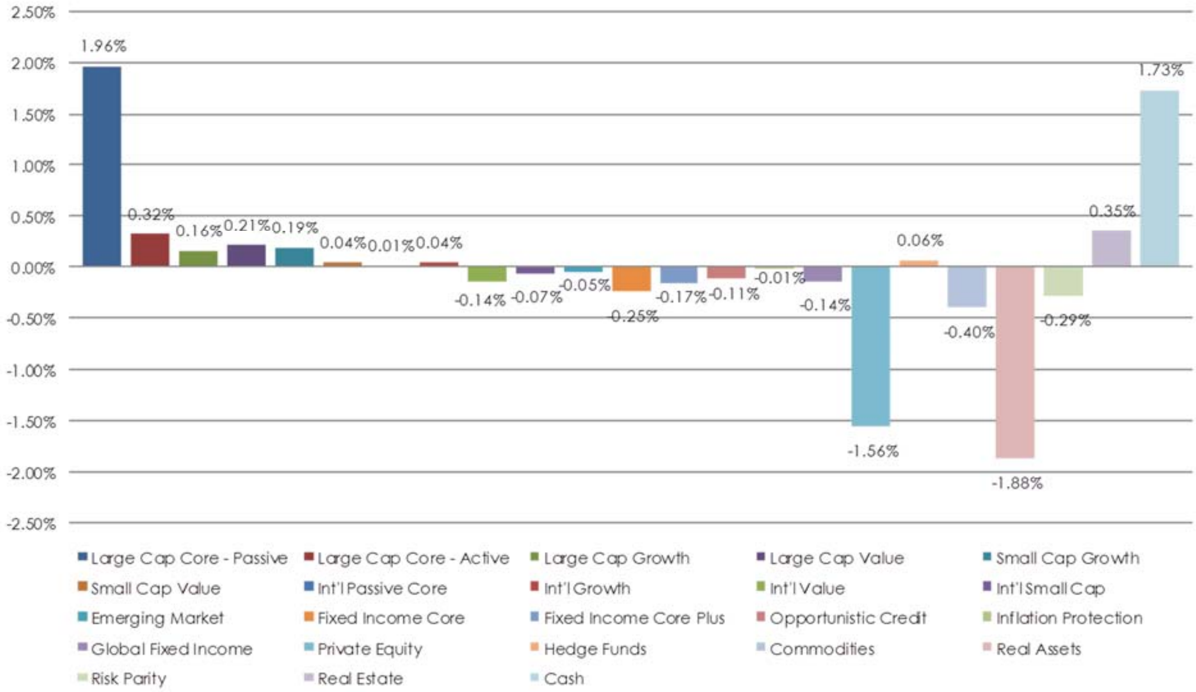
ASSET ALLOCATION

As of June 30, 2015



PERCENT OF DEVIATION FROM ASSET ALLOCATION

As of June 30, 2015



Schedule of Portfolio Returns

Performance as of June 30, 2015 — Net of Fees

	Total Time Weighted Rate of Return			
Asset Category	**One Year**	**Two Years**	**Three Years**	**Five Years**
DOMESTIC EQUITY				
Large Cap				
BlackRock S&P 500 Index	7.50%	15.70%	N/A	N/A
D.E. Shaw Investment Management	9.60%	16.50%	18.50%	18.10%
Barrow, Hanley, Mewhinney & Strauss	7.80%	15.40%	19.10%	17.60%
Brown Advisory	9.50%	14.20%	N/A	N/A
Small Cap				
The Boston Company	1.70%	11.80%	16.20%	15.20%
Chartwell Investment Partners	3.80%	14.30%	17.60%	19.40%
US Equity Composite	2.60%	13.00%	16.90%	17.10%
Benchmark (80% R1000/20% R2000)	7.30%	15.80%	17.80%	17.50%
INTERNATIONAL EQUITY				
BlackRock EAFE Index	-4.00%	N/A	N/A	N/A
Mondrian Investment Partners	-6.50%	7.40%	9.30%	8.60%
Eaton Vance Management	-10.00%	2.10%	3.10%	N/A
Baillie Gifford Overseas	-0.80%	9.80%	13.00%	N/A
Pyramis Select	-1.00%	9.40%	12.20%	N/A
International Equity Composite	-4.20%	7.80%	10.10%	7.70%
Benchmark (MSCI ACWI ex US IMI)	-4.60%	8.10%	10.10%	8.30%
Total Equity Composite	3.00%	12.50%	14.90%	13.90%
Benchmark (Blended Equity)	2.50%	12.80%	14.90%	14.20%
BONDS				
Core				
Pyramis Global Advisors	1.90%	3.70%	2.50%	4.30%
Western Asset Management	1.50%	3.90%	3.10%	5.00%
Credit				
Angelo Gordon STAR Fund	8.90%	13.00%	N/A	N/A
Angelo Gordon OWL Fund	1.60%	N/A	N/A	N/A
Brigade Capital Management	-3.30%	3.30%	5.80%	N/A
Beach Point Select	N/A	N/A	N/A	N/A
Treasury Inflation Protected Securities				
Brown Brothers Harriman	-2.00%	0.60%	-1.20%	N/A
Global				
Franklin Templeton	-2.30%	2.60%	5.70%	N/A
Total Bond Composite	0.80%	3.90%	4.20%	5.50%
Benchmark (Blended Fixed Income Index)	0.10%	2.80%	1.50%	3.40%
ALTERNATIVE INVESTMENTS				
Private Equity	25.90%	22.20%	14.90%	N/A
Real Assets	N/A	N/A	N/A	N/A
Absolute Return/Hedge Fund				
AQR Delta XN Fund L.P.	9.80%	6.60%	6.70%	N/A
Commodities				
SSARIS Multisource Commodities	-19.50%	-7.00%	-5.20%	N/A
Total Alternative Composite	7.90%	8.50%	6.80%	N/A
Benchmark (Alternatives Allocation Index)	-0.90%	6.60%	6.90%	N/A
RISK PARITY				
AQR Global Risk Premium III L.P.	-4.30%	6.40%	5.30%	N/A
PanAgora DRMA Fund L.P.	N/A	N/A	N/A	N/A
Total Risk Parity Composite	-1.40%	8.00%	6.40%	N/A
Benchmark (60/40 Russell 3000/Barclays Aggregate)	5.20%	10.70%	11.20%	N/A
REAL ESTATE				
Invesco Realty Advisors	16.10%	13.20%	13.20%	14.30%
Total Real Estate Composite	16.10%	13.20%	13.20%	14.30%
Benchmark (NCREIF ODCE Index)	14.40%	13.60%	13.10%	14.40%
CASH				
Cash Composite	0.70%	0.50%	0.50%	0.60%
Benchmark (91-day T-Bills)	0.00%	0.00%	0.00%	0.10%
TOTAL FUND				
Composite Investment Portfolio	3.50%	10.20%	11.30%	11.20%
Policy Benchmark	2.70%	10.10%	11.00%	11.50%

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

SCHEDULE OF INVESTMENT PORTFOLIO BY ASSET CLASS AND MANAGER

As of June 30, 2015

Investment Manager		Asset Class	Assets Under Management	
DOMESTIC EQUITY				
BlackRock S&P 500 Index		Passive Core	$583,289,018	
D.E. Shaw Investment Management		Large Cap Core	114,142,093	
Barrow, Hanley, Mewhinney & Strauss		Large Cap Value	108,822,154	
Brown Advisory		Large Cap Growth	104,094,435	
The Boston Company		Small Cap Value	103,551,811	
Chartwell Investment Partners		Small Cap Growth	108,365,207	
	Total Domestic Equity			$1,122,264,718
INTERNATIONAL EQUITY				
BlackRock EAFE Index		Passive Core	137,934,601	
Baillie Gifford Overseas		Large Cap Growth	205,932,256	
Mondrian Investment Partners		Large Cap Value	198,382,740	
Parametric		Emerging Markets	67,127,833	
Pyramis Select		Small Cap	66,212,509	
	Total International Equity			675,589,939
	Total Equity			1,797,854,657
DOMESTIC BONDS				
Angelo Gordon STAR Fund		Credit Opportunity Bonds	44,058,692	
Angelo Gordon OWL Fund		Credit Opportunity Bonds	25,169,709	
Beach Point Select		Credit Opportunity Bonds	34,327,368	
Brigade Capital Management		Credit Opportunity Bonds	64,518,444	
Brown Brothers Harriman		Treasury Inflation Protection Securities	64,141,991	
Pyramis Global Advisors		Core Bonds	197,839,986	
Western Asset Management		Core Plus Bonds	137,060,516	
	Total Domestic Bonds			567,116,706
GLOBAL BONDS				
Franklin Templeton		Global Bonds	98,285,376	
	Total Global Bonds			98,285,376
	Total Bonds			665,402,082
ALTERNATIVE INVESTMENTS				
Total Private Equity		Private Equity	193,265,850	
Total Real Assets		Real Assets	4,176,914	
AQR Delta XN Fund L.P.		Absolute Return/Hedge Fund	139,680,676	
SSARIS Multisource Commodities		Commodities	89,291,005	
	Total Alternative Investment			426,414,445
RISK PARITY				
AQR Global Risk Premium III L.P.		Risk Parity	129,539,200	
PanAgora DRMA Fund L.P.		Risk Parity	135,564,521	
	Total Risk Parity			265,103,721
REAL ESTATE				
Invesco Realty Advisors		U.S. Core		218,473,360
UNEQUITIZED CASH				176,822,088
RECEIVABLES & PREPAID EXPENSES				27,181,381
FIXED ASSETS				3,206,047
Less Current Liabilities				(125,981,453)
Net Portfolio as of June 30, 2015				**$3,454,476,328**

SCHEDULE OF TOP TEN EQUITIES AND FIXED INCOME SECURITIES

As of June 30, 2015

*Top 10 Equity Securities**

Shares	Ticker	Stock Exchange	Company Name	Fair Value
198,678	ULVR	London	UNILEVER PLC ORD GBP0.031111	$8,530,182
472,377	BG	London	BG GROUP ORD GBP0.10	7,871,103
103,706	NESN	Swiss Exchange	NESTLE SA CHF0.10(REGD)	7,490,402
147,700	4452	Tokyo	KAO CORP NPV	6,871,704
368,035	UOVEY	Singapore	UTD O/S BANK NPV	6,305,657
892,693	IBE	Madrid	IBERDROLA SA EUR0.75	6,009,606
19,356	RO	Swiss Exchange	ROCHE HLDGS AG GENUSSCHEINE NPV	5,426,432
32,052	NPN	Johannesburg	NASPERS 'N' ZAR0.02	5,004,102
91,605	NOVOB	Copenhagen	NOVO-NORDISK AS DKK0.2 SER'B'	4,988,452
236,795	GSK	London	GLAXOSMITHKLINE ORD GBP0.25	4,925,089
			Total Top 10 Equity Securities	**$63,422,729**

*Equities owned in commingled vehicles managed by BlackRock Capital Management and DE Shaw are excluded from this list.

Top 10 Fixed Income Securities

Par/Book Value	Security	Coupon	Maturity	Rating: S&P	Rating: Moody's	Issue ID	Fair Value
$11,900,000	TSY INFL IX N/B	0.125	1/15/2022	AA+	Aaa	SB7GSCJ9	$ 12,327,082
8,205,000	TSY INFL IX N/B	1.250	7/15/2020	AA+	Aaa	SB3QR0L6	9,524,014
8,331,000	TSY INFL IX N/B	0.125	1/15/2023	AA+	Aaa	SB96LV84	8,388,178
5,975,000	TSY INFL IX N/B	1.750	1/15/2028	AA+	Aaa	SB2PB3T1	7,643,658
5,435,000	TSY INFL IX N/B	2.625	7/15/2017	AA+	Aaa	C912828GX2	6,657,240
3,735,000	TSY INFL IX N/B	2.375	1/15/2025	AA+	Aaa	SB021PJ4	5,514,754
4,515,000	TSY INFL IX N/B	0.750	2/15/2045	AA+	Aaa	SBVXLS02	4,143,474
2,010,000	TSY INFL IX N/B	3.875	4/15/2029	AA+	Aaa	S2407096	4,097,169
3,835,000	TSY INFL IX N/B	0.125	4/15/2019	AA+	Aaa	SBLNPBR2	3,922,263
3,880,000	TSY INFL IX N/B	3.000	5/15/20145	AA+	Aaa	SBXC4FZ0	3,802,400
						Total Top 10 Fixed Income Securities	**$ 66,020,232**

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

SCHEDULE OF PROFESSIONAL SERVICES AND FEES

For the Fiscal Years Ended June 30

INVESTMENT MANAGERS	2015	2014
Angelo Gordon OWL Fund	$ 166,269	$ -
Angelo Gordon STAR Fund	2,099,892	455,265
AQR Delta XN Fund L.P.	2,464,725	956,112
AQR Global Risk Premium III L.P.	594,185	693,002
Baillie Gifford Overseas	923,092	877,839
Barrow, Hanley, Mewhinney & Strauss	635,505	686,543
Beach Point Select L.P.	426,355	-
BlackRock Capital Management (S&P500)	106,254	124,763
BlackRock Capital Management (EAFE)	79,593	41,384
Brigade Capital Management	504,515	483,492
Brown Advisory	600,945	652,364
Brown Brothers Harriman	137,906	117,213
Chartwell Investment Partners	803,583	889,355
Clifton Parametric	166,657	143,011
D.E. Shaw Investment Management	846,198	731,914
Franklin Templeton	307,285	499,223
Invesco Realty Advisors	723,260	721,231
Mondrian Investment Partners	719,825	600,689
PanAgora Asset Management	405,980	-
Parametric	695,491	655,005
Pyramis Global Advisors	280,118	241,874
Pyramis Select	575,056	558,133
SSARIS Multisource Commodities	475,330	456,540
The Boston Company	844,586	947,664
Western Asset Management	350,217	322,056
Private Equity	3,648,529	3,260,487
Real Assets	250,951	-
Total	**19,832,302**	**15,115,159**
INVESTMENT CONSULTANT		
Strategic Investment Solutions	444,597	400,000
ACTUARIAL CONSULTING		
Milliman/Segal Company	217,102	78,131
MASTER CUSTODIAN		
Northern Trust Company	311,990	172,619
TRADE COST CONSULTANT		
Zeno Consulting Group	-	31,500
OTHER PROFESSIONAL SERVICES		
eVestment	18,130	-
Total Professional Services	**$20,824,121**	**$15,797,409**

TOP 10 BROKER COMMISSIONS

For the Fiscal Year Ended June 30, 2015

Brokerage Firm	Amount of Commission	Number of Shares Traded	Commission per share
Liquidnet Inc	$95,551	2,663,950	$0.0359
Goldman Sachs & Company	73,039	4,776,518	0.0153
Boenning and Scattergood	32,983	851,738	0.0387
McDonald and Company/Keybanc	31,193	787,955	0.0396
Raymond James	30,459	812,645	0.0375
JP Morgan Securities LLC 57079	29,035	834,282	0.0348
Stifel Nicolaus and Company	28,308	742,961	0.0381
Morgan Stanley & Co	24,619	55,786,459	0.0004
RBC Dain Rauscher	20,622	610,967	0.0338
Credit Suisse First Boston Corporation	19,836	855,723	0.0232
All Other Brokerage Firms	322,210	1,295,396,794	0.0002
Total	**$707,855**	**1,364,119,992**	**$0.0005**

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ACTUARIAL SECTION

Sam McDonald County Park, San Mateo County

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October 20, 2015

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

Dear Members of the Board:

SamCERA's basic financial goal is to establish contributions which fully fund the System's liabilities and which, as a percentage of payroll, remain level for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

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

Valuation Date	Funded Ratio
June 30, 2013	73.3%
June 30, 2014	78.8%
June 30, 2015	82.6%

The funded ratio increased in the last year primarily due to contributions in excess of the value of benefits earned and the recognition of a portion of deferred asset gains under the asset smoothing method.

It is our opinion that SamCERA continues in sound financial condition as of June 30, 2015 and will continue to remain in sound financial condition provided that employer contributions are made based on the current funding policy and the valuation is based on reasonable assumptions. To be in a "sound financial condition", we believe the plan should be projected to reach or exceed a 100% funded ratio in 30 years or less. SamCERA meets this criteria. Under SAMCERA's funding policy, the employer's contributions are set equal to the normal cost rate plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL). The amortization of the initial UAAL as of June 30, 2008 is funded over a closed 15-year period ending June 30, 2023. The amortization of any subsequent changes in the UAAL is funded over separate closed 15-year layers which are determined annually. It should be noted that the 2015 valuation results defer a net market gain on assets. Thus, the funded ratio is expected to be higher once those market gains are reflected in the 2016 and later valuations, assuming future investment earnings are equal to the assumed rate. Additionally, it is the County's intent to make contributions in excess of those required under the funding policy. This is also expected to increase the funded status in the future.

The June 30, 2015 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.

Milliman

Board of Retirement
October 20, 2015
Page 2

The actuarial assumptions were last reviewed and adopted by the Board in 2015. The economic and demographic assumptions were adopted in July 2014, based on the triennial investigation of experience study report as of April 30, 2014 and re-adopted in June 2015.

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

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

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

We assisted SamCERA staff in preparing the supporting schedules in this section and the trend tables in the financial section are based on information supplied in prior actuarial reports, as well as our June 30, 2014 actuarial valuation report.

We certify that the June 30, 2015 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

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

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

NJC/CJG/nlo

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

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ACTUARIAL VALUATION

Introduction

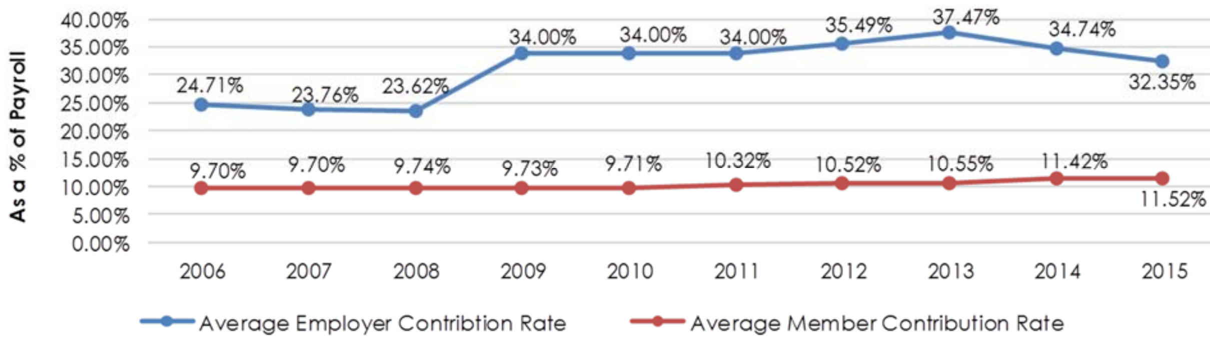
San Mateo County Employees' Retirement Association (SamCERA) provides basic retirement, disability, and death benefits based on a defined formula using final average compensation, years of service, and age of the member to calculate pension benefits. Details of the pension and plan provisions are provided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

The County Employees' Retirement Law of 1937 (the CERL) establishes the basic obligations for employers and members to the pension plan. The Board of Retirement (the Board) is responsible for establishing and maintaining the funding policy by adopting contribution rates recommended by its actuary in accordance with the membership type and the tier in which a member belongs.

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

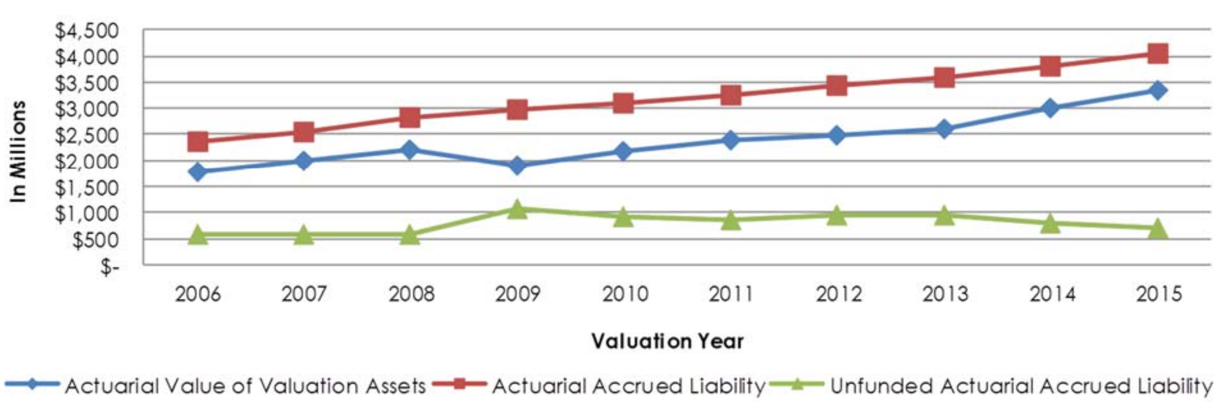
EMPLOYER AND MEMBER CONTRIBUTION RATES

For the Fiscal Years Ended June 30



ACTUARIAL VALUATION

June 30



found in the Financial Section under the Required Supplemental Information.

Each year, SamCERA engages an independent actuarial firm to perform an annual actuarial valuation as of June 30. The actuarial valuation is used to calculate the value of future benefits, assess the funded status, and determine contribution rates for both employers and employees. The contribution rates calculated at each year-end as of June 30 is subject to a "one year" deferral. Thus, the new contribution rates calculated in the valuation at June 30, 2015, will be effective on July 1, 2016.

In the actuarial valuation, the actuary applies specific actuarial methods and assumptions to project as closely as possible present contributions to meet future benefit obligations.

Actuarial Cost Method

The entry age normal cost method is selected for the annual actuarial valuation. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual projected compensation between entry age and assumed retirement age. The portion of this actuarial present value allocated to the valuation year is commonly called the normal cost (the actuarial value of benefits accruing for the present year). The portion not provided for at the valuation date represents the Unfunded Actuarial Accrued Liability (UAAL).

The entry age normal cost method is used for both funding and financial reporting purposes. This method was selected for funding purposes because it provides a relatively level normal cost rate as a percentage of pay (assuming no changes in assumptions or benefits) from year to year. In addition, Governmental Accounting Standards Board (GASB) Statement No. 67 requires that this method be used for financial reporting purposes.

Between the funding and financial reporting valuations, the only difference in assumptions is the investment return assumption. The assumed investment return for funding is 7.25%, net of both investment and administrative expense; whereas the assumed investment return for financial reporting is 7.45%, net of investment expenses only. For financial reporting purposes, GASB Statements No. 67 and No. 68 requires that the investment return assumption be gross of administrative expenses.

Amortization Method

Contributions are initially applied toward the normal cost. If the plan is less than 100% funded, the remainder is applied toward the UAAL. The UAAL represents the difference between the actuarial accrued liability (AAL) and the actuarial value of assets (AVA). The UAAL is amortized using the "Level Percent of Payroll" amortization method.

The UAAL as of June 30, 2008, is amortized over a closed 15-year period as a level percentage of the projected salaries of present and future members of SamCERA over the remaining period from the valuation date. This is commonly referred to as a closed amortization method. Actuarial gains and losses after the June 30, 2008, valuation are amortized over new closed 15-year periods from their respective valuation dates (commonly referred to as 15-year layered amortization).

Beginning with the June 30, 2010, actuarial valuation, the San Mateo County Mosquito and Vector Control District (the District) adopted the same "enhanced" benefit formula that applies to Plan 1, 2, and 4 County of San Mateo (the County) General members and the same member rates currently being paid by County members from those plans. Because the District does not participate in cost sharing on the member rates, the District has a separate normal cost rate and expected member contribution rate from the County General Group.

ACTUARIAL METHODS AND ASSUMPTIONS

VALUATION DATE	June 30, 2015
ACTUARIAL COST METHOD	Entry Age Normal
ACTUARIAL EXPERIENCE STUDY	July 1, 2011 to April 30, 2014
AMORTIZATION METHOD	Level percentage of projected payroll
AMORTIZATION PERIOD	UAAL as of June 30, 2008, is amortized over a closed 15-year period ending June 30, 2023. Subsequent changes in the UAAL is amortized over separate closed 15-year layers which are determined annually.
ASSET VALUATION METHOD	5-year smoothed recognition of asset gains and losses (determined as the difference of the actual fair value to the expected fair value), which cannot vary more than 20% from the fair value.
ACTUARIAL ASSUMPTIONS	
Economic assumptions:	
Investment rate of return	7.25%
Inflation rate (CPI)	3.00%
Projected salary increases	3.50%
Demographic assumptions:	
Salary increases due to service	The expected annual increase in salary assumption includes two components; an expected annual increase of 3.5% due to increases in the general wage level of membership, and expected annual increases due to promotion and longevity which vary depending on a member's years of service.
Mortality	Rates are primarily based on RP-2000 mortality tables. See the valuation report as of June 30, 2015, for details.
Retirement	See the valuation report as of June 30, 2015, for details.
Disablement	See the valuation report as of June 30, 2015, for details.
Other terminations of employment	See the valuation report as of June 30, 2015, for details.
Refund of contributions on vested termination	See the valuation report as of June 30, 2015, for details.

Actuarial Asset Valuation Method

The actuarial asset valuation method used is a 5-year smoothed recognition method with a 20% corridor. This method takes into account appreciation as well as depreciation in investments to smooth asset values by averaging the excess of the actual over the expected income, on a fair value basis, over a five year period. The smoothed asset value is subject to a 20% corridor, or within 20% of the actual asset value.

Actuarial Assumptions

Economic and demographic assumptions are used to determine future contribution requirements. The demographic assumptions utilize the information from the latest Experience Study from July 1, 2011, to April 30, 2014. The assumptions selected are used to estimate the actuarial cost of the pension plan and determine the present contributions necessary to meet the pension benefits in the future.

The actuarial assumptions used in the valuation are intended to estimate the future experience of SamCERA's members and SamCERA's earnings in areas that may affect the projected benefit flow and anticipated investment earning. Any variations in future experience from these assumptions will result in corresponding changes in the estimated costs of SamCERA's benefits.

Economic Assumptions

Investment Rate of Return. The future investment earnings of SamCERA's assets are accrued at an annual rate of 7.25%, compounded annually, net of both investment and administrative expenses. This rate was adopted effective June 30, 2014.

Inflation Rate. The assumed rate of inflation selected for the 2015 valuation is 3%.

Projected Salary Increase. The assumed rate of annual salary increase selected for the 2015 valuation is 3.5%.

Cost of Living adjustment (COLA). The postretirement benefit increases depend upon the tier in which a member is enrolled and the Consumer Price Index for the San Francisco Bay Area. The COLA is limited to 5% for General and Safety members in Tier 1; 3% for Probation members in Tier 1 and all members in Tier 2; and 2% for members in Tiers 4, 5, 6, and 7. Plan 3 members do not receive a COLA.

Demographic Assumptions

Key demographic assumptions include the following:

Salary Increases due to Service. The expected annual increase in salary assumption includes two components; an expected annual increase of 3.5% due to increases in the general wage level of membership, and expected annual increases due to promotion and longevity which vary depending on a member's years of service.

Retired Mortality Rate. The same postretirement mortality rates are used in the valuation for active members, retired members, and beneficiaries. Beneficiary mortality is assumed to be the same as for healthy members. Beneficiaries are assumed to be of the opposite sex and have the same mortality as General members. The rates of retired mortality were adopted June 30, 2011 and re-adopted June 30, 2014.

Retired Mortality Rates – Other Than Disabled Members

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

Retired Mortality Rates –Disabled Members

- General Males: Average of RP-2000 Healthy Combined Mortality Table for Males with adjustment for White Collar workers and the RP-2000 Disabled Annuitant Mortality Table for Males, both set back three years.
- Safety Males: RP-2000 Healthy Combined Mortality Table for Males with adjustment for White Collar workers (minimum is 1.0%).
- General Females: Average of RP-2000 Healthy Combined Mortality Table for Females with adjustment for White Collar workers and the RP-2000 Disabled Annuitant Mortality Table for Females, both set back three years.
- Safety Females: RP-2000 Healthy Combined Mortality Table for Females with adjustment for White Collar workers (minimum is 0.4%).

Separation from Active Status. The probabilities of termination of employment due to the causes stated below is presented on the following page.

- Service retirement: Member retires after meeting age and service requirements for reasons other than disability.
- Service retirement 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.

Each rate represents the probability that a member will separate from service at each age due to the particular reason. For example, a rate of 0.0300 for a member's service retirement at age 50 assumes that 30 out of 1,000 members who are age 50 will retire at that age.

RATE OF SEPARATION FROM ACTIVE SERVICE

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

EMPLOYER CONTRIBUTION RATES AS PERCENTAGE OF COVERED PAYROLL

	Fiscal Year Beginning		
	July 1, 2016	**July 1, 2015**	**Change**
Gross Normal Cost	21.94%	22.22%	-0.28%
Less: Member Contributions	-11.52%	-11.42%	-0.10%
Employer Normal Cost	10.42%	10.80%	-0.38%
UAAL Amortization	21.93%	23.94%	-2.01%
Total Contribution Rate	**32.35%**	**34.74%**	**-2.39%**

SUMMARY OF SIGNIFICANT ACTUARIAL STATISTICS AND MEASURES

	June 30, 2015	June 30, 2014	Relative Change
ACTIVE MEMBERS			
Number of Members	5,095	5,004	1.8 %
Average Age	45.5	45.8	(0.7)%
Average Credited Service	11.0	11.2	(1.8)%
Total Active Payroll (In Thousands)	$462,640	$429,407	7.7 %
Average Monthly Salary	$7,567	$7,151	5.8 %
RETIRED MEMBERS			
Number of Members			
Service Retirement	3,628	3,525	2.9 %
Disability Retirement	442	428	3.3 %
Beneficiaries	568	565	0.5 %
Average Age	71.3	71.3	-
Actual Retiree Benefits Paid (In Thousands)	$168,109	$159,342	5.5 %
Average Monthly Pension	$3,160	$3,021	4.6 %
NUMBER OF INACTIVE MEMBERS	1,384	1,304	6.1 %
ASSETS			
Fair Value of Fund (In Thousands)	$3,454,476	$3,291,694	4.9 %
Return on Fair Value	3.5%	17.3%	
Valuation Assets (In Thousands)	$3,343,550	$2,993,187	11.7 %
Return on Valuation Assets	9.7%	3.7%	
LIABILITY VALUES (IN THOUSANDS)			
Actuarial Accrued Liability	$4,045,786	$3,797,042	6.6 %
Unfunded Actuarial Accrued Liability	$702,236	$803,855	(12.6)%
Deferred Asset (Gains) / Losses	($77,153)	($268,273)	
FUNDED RATIO			
Based on valuation assets	82.6%	78.8%	4.8 %
STATUTORY EMPLOYER CONTRIBUTION RATE FOR ALL PLANS COMBINED AS A PERCENT OF TOTAL PAYROLL			
Gross Normal Cost	21.94%	22.22%	(1.3)%
Less: Member Contributions	(11.52)%	(11.42)%	0.9 %
Employer Normal Cost	10.42%	10.80%	(3.5)%
UAAL Amortization	21.93%	23.94%	(8.4)%
Total Employer Rate	32.35%	34.74%	(6.9)%
Funded Ratio	**82.60%**	**78.80%**	**4.8 %**

SOLVENCY TEST

(In Thousands)

		Actuarial Accrued Liabilities for			Portion of Actuarial Accrued Liabilities Covered by Assets		
Actuarial Valuation Date (as of June 30)	Valuation Assets	Active Member Contributions (A)	Retirees and Beneficiaries[1] (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
2006	$ 1,769,021	$ 317,521	$ 1,234,005	$ 793,623	100%	100%	27%
2007	1,976,731	359,484	1,348,013	848,007	100%	100%	32%
2008	2,218,937	385,300	1,550,875	870,047	100%	100%	32%
2009	1,909,679	412,147	1,670,547	905,018	100%	90%	0%
2010	2,179,076	449,355	1,745,146	903,952	100%	99%	0%
2011	2,405,140	485,126	1,866,219	895,382	100%	100%	6%
2012	2,480,271	498,569	2,022,791	921,193	100%	98%	0%
2013	2,618,639	534,276	2,157,590	880,884	100%	97%	0%
2014	2,993,187	584,080	2,285,328	927,634	100%	100%	13%
2015	3,343,550	628,287	2,451,544	965,955	100%	100%	27%

(1) Include deferred vested members.

SCHEDULE OF FUNDING PROGRESS

(In Thousands)

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date (as of June 30)	Actuarial Value of Valuation Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2006	$ 1,769,021	$2,345,149	$ 576,128	75.4%	$368,972	156.14%
2007	1,976,731	2,555,504	578,773	77.4%	407,912	141.92%
2008	2,218,937	2,806,222	587,285	79.1%	416,243	141.09%
2009	1,909,679	2,987,712	1,078,033	63.9%	436,424	247.02%
2010	2,179,076	3,098,453	919,377	70.3%	428,559	214.53%
2011	2,405,140	3,246,727	841,587	74.1%	424,061	198.46%
2012	2,480,271	3,442,553	926,282	72.0%	419,779	229.24%
2013	2,618,639	3,572,750	954,111	73.3%	406,921	234.47%
2014	2,993,187	3,797,042	803,855	78.8%	422,022	190.48%
2015	3,343,550	4,045,786	702,236	82.6%	454,683	154.45%

MEMBER CONTRIBUTION RATES: GENERAL

		7/1/2015	7/1/2014	Change
General Members (No COLA share) – County and Court[1]				
Tier 1 & Tier 2	Age 25	9.34%	9.34%	0.00%
	35	10.60%	10.60%	0.00%
	45	12.13%	12.13%	0.00%
Tier 4	Age 25	9.10%	9.10%	0.00%
	35	10.31%	10.31%	0.00%
	45	11.74%	11.74%	0.00%
General Members (50% COLA share) – County and Court[2]				
Tier 1	Age 25	11.82%	11.82%	0.00%
	35	13.58%	13.58%	0.00%
	45	15.71%	15.71%	0.00%
Tier 2	Age 25	11.47%	11.47%	0.00%
	35	13.16%	13.16%	0.00%
	45	15.20%	15.20%	0.00%
Tier 4	Age 25	10.50%	10.50%	0.00%
	35	11.99%	11.99%	0.00%
	45	13.75%	13.75%	0.00%
Tier 5	Age 25	6.40%	6.40%	0.00%
	35	7.68%	7.68%	0.00%
	45	9.22%	9.22%	0.00%
Tier 7 [3]	All Ages	7.91%	7.92%	-0.01%
General Members – San Mateo County Mosquito and Vector Control District (No COLA share) [4]				
Tier 1 & Tier 2	Age 25	6.34%	6.34%	0.00%
	35	7.60%	7.60%	0.00%
	45	9.13%	9.13%	0.00%
Tier 4	Age 25	6.10%	6.10%	0.00%
	35	7.31%	7.31%	0.00%
	45	8.74%	8.74%	0.00%
Tier 7 [3]	All Ages	7.35%	6.51%	0.84%

(1) Rates for Tiers 1, 2, and 4 include 3% Cost Share. This category does not include members of Union of American Physicians and Dentists (UAPD) who also contribute 25% COLA share effective with 2012 valuation.

(2) Rates for Tiers 1, 2, and 4 include 3% Cost Share and 50% COLA Share. The 50% COLA Share is implemented for all managers and several members of several bargaining units effective 7/5/2015. Rates for Tier 5 include zero Cost Share and 50% COLA. This category does not include members of UAPD who contribute 25% COLA share effective with 2012 valuation.

(3) Tier 7 (or the PEPRA plan) became effective on January 1, 2013, for all new employees without prior California public employment service.

(4) Members in this category do not need to make contributions toward Cost Share and COLA Share, but are required to contribute 50% of the expected cost of benefits.

MEMBER CONTRIBUTION RATES (CONTINUED): SAFETY AND PROBATION

		7/1/2015	7/1/2014	Change
Safety Non-Managers [5]				
Tier 1 & Tier 2	Age 25	13.62%	13.62%	0.00%
	35	15.35%	15.35%	0.00%
	45	17.19%	17.19%	0.00%
Tier 4	Age 25	13.29%	13.29%	0.00%
	35	14.95%	14.95%	0.00%
	45	16.52%	16.52%	0.00%
Tier 5	Age 25	14.84%	14.84%	0.00%
	35	17.01%	17.01%	0.00%
	45	19.06%	19.06%	0.00%
Tier 6	Age 25	10.62%	10.62%	0.00%
	35	12.75%	12.75%	0.00%
	45	14.76%	14.76%	0.00%
Tier 7 [3]	All Ages	13.59%	14.64%	-1.05%
Safety Managers (50% COLA share) [6]				
Tier 1 & Tier 2	Age 25	18.62%	13.62%	5.00%
	35	21.35%	15.35%	6.00%
	45	24.26%	17.19%	7.07%
Tier 4	Age 25	16.11%	13.29%	2.82%
	35	18.33%	14.95%	3.38%
	45	20.43%	16.52%	3.91%
Tier 5	Age 25	14.84%	14.84%	0.00%
	35	17.01%	17.01%	0.00%
	45	19.06%	19.06%	0.00%
Tier 6	Age 25	10.62%	10.62%	0.00%
	35	12.75%	12.75%	0.00%
	45	14.76%	14.76%	0.00%
Tier 7 [3]	All Ages	13.59%	14.64%	-1.05%
Probation Non-Managers [7]				
Tier 1 & Tier 2	Age 25	12.73%	12.73%	0.00%
	35	14.57%	14.57%	0.00%
	45	16.54%	16.54%	0.00%
Tier 4	Age 25	11.51%	11.51%	0.00%
	35	13.11%	13.11%	0.00%
	45	14.62%	14.62%	0.00%
Tier 5	Age 25	12.69%	12.69%	0.00%
	35	14.54%	14.54%	0.00%
	45	16.27%	16.27%	0.00%
Tier 6	Age 25	8.84%	8.84%	0.00%
	35	10.61%	10.61%	0.00%
	45	12.28%	12.28%	0.00%
Tier 7 [3]	All Ages	12.91%	13.42%	-0.51%
Probation Managers (50% COLA share) [8]				
Tier 1 & Tier 2	Age 25	17.12%	12.12%	5.00%
	35	19.85%	13.85%	6.00%
	45	22.76%	15.69%	7.07%
Tier 4	Age 25	14.61%	11.79%	2.82%
	35	16.83%	13.45%	3.38%
	45	18.93%	15.02%	3.91%
Tier 5	Age 25	14.34%	14.34%	0.00%
	35	16.51%	16.51%	0.00%
	45	18.56%	18.56%	0.00%
Tier 6	Age 25	10.62%	10.62%	0.00%
	35	12.75%	12.75%	0.00%
	45	14.76%	14.76%	0.00%
Tier 7 [3]	All Ages	12.91%	13.42%	-0.51%

(3) Tier 7 (or the PEPRA plan) became effective on January 1, 2013, for all new employees without prior California public employment service.

(5) Rates for non Manager in Tiers 1, 2, and 4 include 5% Cost Share and in Tier 5 4% Cost Share. Cost Share for Deputy Sheriffs varies as follows: members below age 45 with less than 5 years of service pay 3%; between 5 and 15 years of service 3.5%; and over 15 years of service 4.5%. Members at age 45 and above, regardless of years of service, pay 4.5% Cost Share. Rates for Tiers 1, 2, and 4 have zero COLA Share. Rates for Tiers 5 and 6 include 50% COLA Cost.

(6) Rates for Tiers 1, 2, 4 and 5 include 5% Cost Share and 50% COLA Share. Rates for Tier 6 include zero Cost Share and 50% COLA Share.

(7) Rates for Tiers 1, 2, 4, and 5 include 3.5% Cost Share. Rates in Tier 6 has zero Cost Share. Rates for Tiers 1, 2, and 4 include 25% COLA Cost, and rates for Tiers 5 and 6 50% COLA Cost.

(8) Rates for Tiers 1, 2, 4, and 5 include 3.5% Cost Share. Rates in Tier 6 and 7 have zero Cost Share. Effective July 5, 2015, all members in this category pay 50% COLA Cost.

HISTORY OF EMPLOYER STATUTORY CONTRIBUTION RATES[1] - GENERAL

Valuation Year	General Members (County & Court)			General Members (Nurses & UAPD) [3]			General Members (SMCM&VCD) [2]		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2006	10.49%	9.97%	20.46%	Same as County General			Same as County General		
2007	10.19%	9.46%	19.65%	Same as County General			8.50%	7.76%	16.26%
2008	10.16%	9.81%	19.97%	Same as County General			8.55%	8.04%	16.59%
2009	10.11%	18.40%	28.51%	Same as County General			8.25%	15.09%	23.34%
2010	10.05%	16.35%	26.40%	Same as County General			11.70%	16.35%	28.05%
2011	9.71%	16.41%	26.12%	8.70%	16.41%	25.11%	11.97%	16.41%	28.38%
2012	9.98%	20.17%	30.15%	8.96%	20.17%	29.13%	11.68%	20.17%	31.85%
2013	9.74%	22.35%	32.09%	8.92%	22.35%	31.27%	11.70%	22.35%	34.05%
2014	10.12%	20.27%	30.39%	9.14%	20.21%	29.35%	11.72%	21.16%	32.88%

	General Members (County) [4]			General Members (Court) [4]			General Members (SMCM&VCD) [2]		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2015	8.67%	18.37%	27.04%	10.28%	19.54%	29.82%	11.75%	19.54%	31.29%

(1)Contribution rates shown are those calculated in the corresponding actuarial valuation. In some cases, actual contributions were higher.

(2)Beginning with the 2010 actuarial valuation, the San Mateo County Mosquito and Vector Control District adopted the same benefit formula and member contribution rates as Plan 1, 2 & 4 General County members (excluding cost sharing and COLA sharing on member rates).

(3)Beginning with the 2011 actuarial valuation, Plan 1, 2, and 4 members of the California Nurses Association contribute 25% of the cost of COLA, in addition to current member rates and cost sharing. Beginning with the 2013 actuarial valuation, Plan 1, 2, and 4 members of the Union of American Physicians and Dentists contribute 25% of the cost of COLA, in addition to current member rates and cost sharing. In 2011 and 2012 these members contributed the same as County General members.

(4)Beginning with the 2015 actuarial valuation, Plan 1, 2, and 4 members of the Union of American Physicians and Dentists or the California Nurses Association contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. As a result of having similar COLA share to other County groups, those members have been aggregated with all County groups.

HISTORY OF EMPLOYER STATUTORY CONTRIBUTION RATES[1] - SAFETY AND PROBATION

Valuation Year	Safety Members			Probation Members (excluding Managers) [5]			Probation Members (Managers) [6]		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2006	20.18%	30.52%	50.70%	21.59%	14.85%	36.44%	Same as Probation (exclude Managers)		
2007	19.94%	29.32%	49.26%	20.83%	14.06%	34.89%	Same as Probation (exclude Managers)		
2008	19.32%	27.31%	46.63%	20.05%	12.81%	32.86%	Same as Probation (exclude Managers)		
2009	19.21%	51.83%	71.04%	19.92%	23.84%	43.76%	Same as Probation (exclude Managers)		
2010	19.01%	44.50%	63.51%	19.85%	21.62%	41.47%	Same as Probation (exclude Managers)		
2011	18.87%	41.75%	60.62%	19.50%	22.30%	41.80%	Same as Probation (exclude Managers)		
2012	19.05%	48.51%	67.56%	19.99%	26.71%	46.70%	Same as Probation (exclude Managers)		
2013	18.51%	50.33%	68.84%	18.33%	29.32%	47.65%	17.85%	29.32%	47.17%
2014	18.99%	46.48%	65.47%	18.92%	28.09%	47.01%	18.79%	28.09%	46.88%
2015	18.03%	43.58%	61.61%	18.34%	26.77%	45.11%	17.23%	26.77%	44.00%

[5] Beginning with the 2012 actuarial valuation, Plan 1, 2, and 4 Probation members (excluding Managers) contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.

[6] Beginning with the 2015 actuarial valuation, Probation members (Managers) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing.

DEMOGRAPHIC ACTIVITY OF RETIREES AND BENEFICIARIES

	Added to Rolls[1]		Removed from Rolls		Rolls end of year			
Fiscal Year Ended June 30	**No.**	**Annual Allowances (in Thousands)**	**No.**	**Annual Allowances (in Thousands)**	**No.**	**Total Retiree Payroll (in Thousands)**	**% Increase in Payroll**	**Average Monthly Allowances**
2006	206	N/A	112	N/A	3,613	$91,006	8.1	$2,099
2007	155	N/A	74	N/A	3,694	98,790	8.6	2,229
2008	218	N/A	70	N/A	3,842	109,616	11.0	2,378
2009	159	$12,717	66	$3,281	3,935	119,052	8.6	2,521
2010	163	9,076	96	3,240	4,002	124,888	4.9	2,601
2011 [2]	209	12,703	64	2,916	4,147	134,675	7.8	2,706
2012	218	14,379	90	4,209	4,275	144,845	7.6	2,823
2013	186	13,024	63	3,095	4,398	154,774	6.9	2,933
2014	203	12,474	83	3,479	4,518	163,769	5.8	3,021
2015	213	16,290	93	4,179	4,638	175,880	7.4	3,160

N/A - not applicable

[1] Amount added to rolls includes COLAs granted in year to continuing retirees and beneficiaries.

[2] Revised figures from the June 30, 2011 valuation.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

(In Thousands)

	Change In Unfunded Actuarial Accrued Liability (UAAL)				
Summary of (Gains) / Losses	**2015**	**2014**	**2013**	**2012**	**2011**
UAAL, beginning of year	$ 803,855	$ 954,111	$ 962,282	$ 841,587	$ 919,377
Expected change in UAAL	(76,018)	(88,525)	(34,535)	(39,621)	(31,508)
Salary (gains) losses	39,129	(15,884)	(59,411)	(45,526)	(51,831)
Retiree COLA greater (less) than expected	3,648	(15,603)	(8,606)	(11,756)	(27,561)
Asset (gains) losses	(74,068)	(88,035)	93,999	171,268	12,548
Change due to assumption changes	-	59,345	-	36,443	19,402
Miscellaneous experience	5,690	(1,554)	382	9,887	1,160
UAAL, end of year	**$ 702,236**	**$ 803,855**	**$ 954,111**	**$ 962,282**	**$ 841,587**

Summary of Active Member Valuation Data

Valuation Date June 30	No. of Members		Annual Salary	Average Annual Salary	% Change Average Salary
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%**
2009	General	4,777	370,760,830	77,614	4.1%
	Safety	436	48,120,081	110,367	2.9%
	Probation	330	26,270,802	79,608	4.6%
	Total	**5,543**	**445,151,713**	**80,309**	**4.0%**
2010	General	4,609	363,305,740	78,825	1.6%
	Safety	425	48,576,912	114,299	3.6%
	Probation	313	25,247,595	80,663	1.3%
	Total	**5,347**	**437,130,248**	**81,752**	**1.8%**
2011	General	4,494	355,876,715	79,189	0.5%
	Safety	446	52,073,940	116,758	2.2%
	Probation	305	24,591,392	80,628	0.0%
	Total	**5,245**	**432,542,046**	**82,468**	**0.9%**
2012	General	4,361	351,965,689	80,708	1.9%
	Safety	435	51,129,267	117,539	0.7%
	Probation	299	24,554,583	82,122	1.9%
	Total	**5,095**	**427,649,539**	**83,935**	**1.8%**
2013	General	4,173	338,595,633	81,140	2.5%
	Safety	452	52,233,510	115,561	-1.0%
	Probation	292	23,722,165	81,240	0.8%
	Total	**4,917**	**414,551,308**	**84,310**	**2.2%**
2014	General	4,272	352,918,558	82,612	1.8%
	Safety	452	52,974,475	117,200	1.4%
	Probation	280	23,514,343	83,980	3.4%
	Total	**5,004**	**429,407,375**	**85,813**	**1.8%**
2015	General	4,334	382,303,295	88,210	6.8%
	Safety	479	55,917,864	116,739	-0.4%
	Probation	282	24,418,977	86,592	3.1%
	Total	**5,095**	**462,640,136**	**90,803**	**5.8%**

SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS

(By Plan and Membership Type)

		2015	2014	2013	2012	2011
GENERAL	Plan 1	$9,235	$8,617	$8,104	$7,843	$7,630
	Plan 2	8,186	7,584	7,355	7,340	7,208
	Plan 3	6,747	6,300	6,254	6,138	5,968
	Plan 4	7,386	6,873	6,662	6,580	6,398
	Plan 5	7,735	6,912	6,418	5,799	N/A
	Plan 7	6,315	5,721	5,433	N/A	N/A
	Average Monthly Salary - General Plan	7,351	6,884	6,762	6,726	6,599
SAFETY	Plan 1	14,712	14,091	13,185	12,624	12,073
	Plan 2	11,545	11,191	10,935	10,892	10,789
	Plan 4	9,919	9,581	9,402	9,351	9,230
	Plan 5	9,145	8,958	8,699	9,667	N/A
	Plan 6	16,010	14,381	12,374	N/A	N/A
	Plan 7	6,701	7,011	6,695	N/A	N/A
	Average Monthly Salary - Safety Plan	9,728	9,767	9,630	9,795	9,730
PROBATION	Plan 1	7,038	6,874	6,618	6,618	7,533
	Plan 2	8,012	7,699	7,445	7,454	7,349
	Plan 4	7,267	6,922	6,622	6,686	6,505
	Plan 5	6,106	5,916	5,242	4,949	N/A
	Plan 6	5,739	5,216	4,808	5,239	N/A
	Plan 7	5,684	5,807	7,742	5,239	N/A
	Average Monthly Salary - Probation Plan	7,216	6,998	6,770	6,844	6,719
	Average Monthly Salary (All plans)	**$7,567**	**$7,151**	**$7,026**	**$6,995**	**$6,872**

PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS

	2015	2014	2013	2012	2011
COUNTY OF SAN MATEO[1]					
General Members	4,092	4,014	3,906	4,078	4,476
Safety Members	479	452	452	435	446
Probation Members	282	280	292	299	305
Subtotal	4,853	4,746	4,650	4,812	5,227
SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT					
General Members	20	19	18	15	18
COURT[1]					
General Members	222	239	249	268	N/A
Total Active Membership	**5,095**	**5,004**	**4,917**	**5,095**	**5,245**

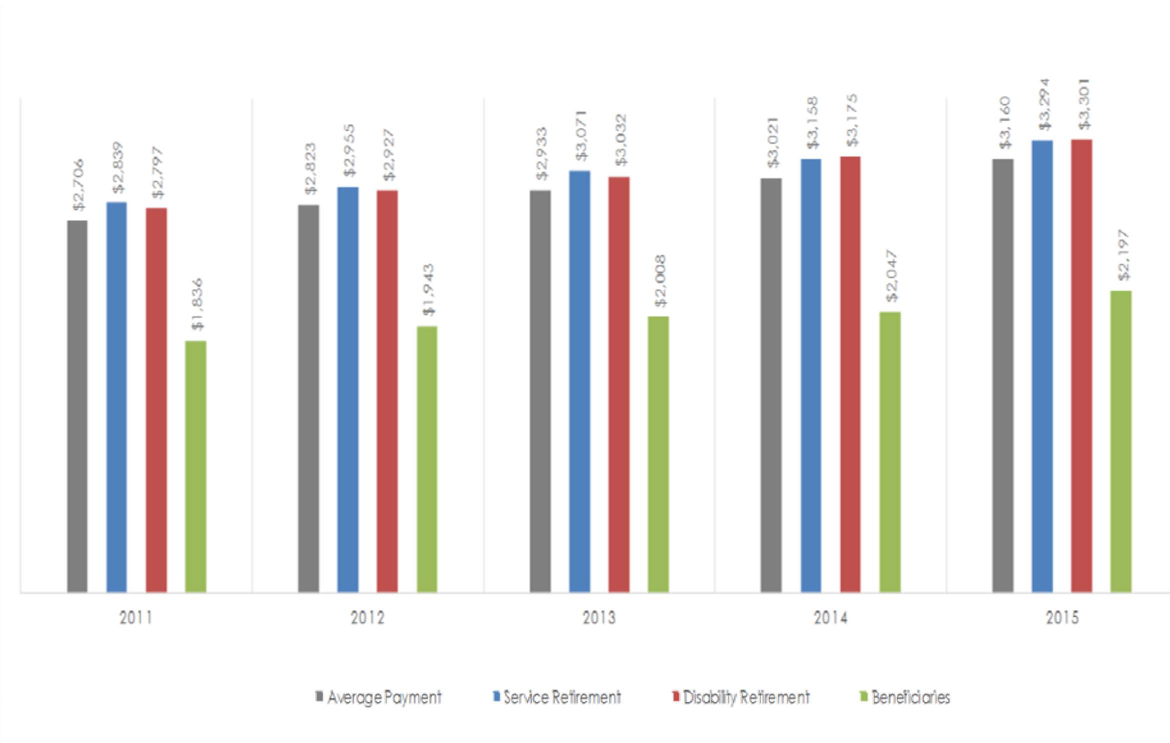
[1] The County of San Mateo (the County) and the Court were not split out prior to fiscal year 2012. The counts for the County exclude the Court since fiscal year 2012 and thereafter.

SUMMARY OF RETIRED AND INACTIVE MEMBER BENEFITS

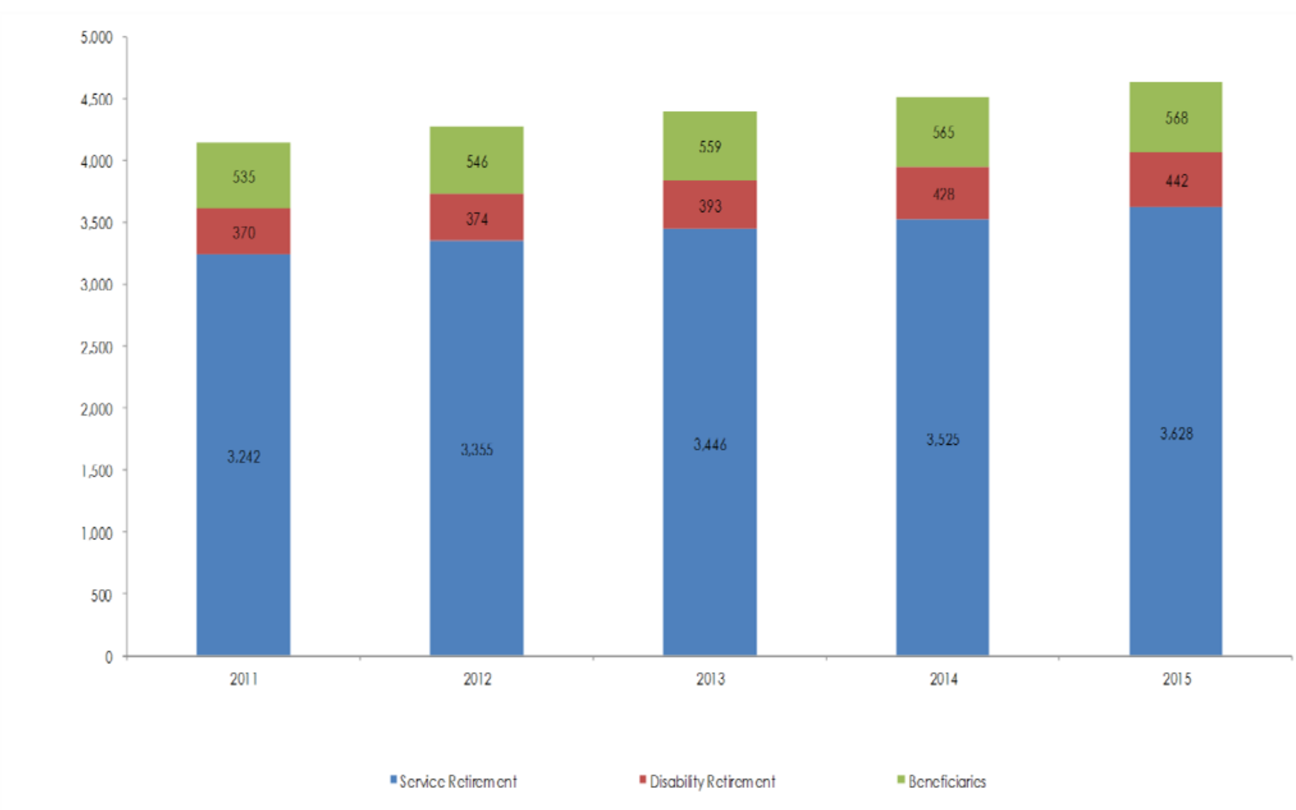
	2015	2014	2013	2012	2011
SERVICE RETIREMENT					
Number	3,628	3,525	3,446	3,355	3,242
Annual Allowance					
Basic Only	$112,557,000	$105,556,000	$100,411,000	$ 94,234,000	$ 87,254,000
COLA	30,835,000	28,027,000	26,594,000	24,748,000	23,212,000
Total	$143,392,000	$133,583,000	$127,005,000	$118,982,000	$110,466,000
Average Monthly Payment	$ 3,294	$ 3,158	$ 3,071	$ 2,955	$ 2,839
DISABILITY RETIREMENT					
Number	442	428	393	374	370
Annual Allowance					
Basic Only	$ 13,303,000	$ 12,508,000	$ 10,733,000	$ 9,909,000	$ 9,414,000
COLA	4,208,000	3,800,000	3,564,000	3,225,000	3,005,000
Total	$ 17,511,000	$ 16,308,000	$ 14,297,000	$ 13,134,000	$ 12,419,000
Average Monthly Payment	$ 3,301	$ 3,175	$ 3,032	$ 2,927	$ 2,797
BENEFICIARIES					
Number	568	565	559	546	535
Annual Allowance					
Basic Only	$ 8,610,000	$ 7,986,000	$ 7,668,000	$ 7,235,000	$ 6,672,000
COLA	6,367,000	5,892,000	5,804,000	5,494,000	5,118,000
Total	$ 14,977,000	$ 13,878,000	$ 13,472,000	$ 12,729,000	$ 11,790,000
Average Monthly Payment	$ 2,197	$ 2,047	$ 2,008	$ 1,943	$ 1,836
TOTAL RETIRED MEMBERS					
Number	4,638	4,518	4,398	4,275	4,147
Annual Allowance					
Basic Only	$134,470,000	$126,050,000	$118,812,000	$111,378,000	$103,340,000
COLA	41,410,000	37,719,000	35,962,000	33,467,000	31,335,000
Total	$175,880,000	$163,769,000	$154,774,000	$144,845,000	$134,675,000
Average Monthly Payment	$ 3,160	$ 3,021	$ 2,933	$ 2,823	$ 2,706
INACTIVE MEMBERS	1,384	1,304	1,306	1,212	1,190

The data in the table above originates from PensionGold, SamCERA's retirement benefit administration system.

AVERAGE MONTHLY RETIREE BENEFIT PAYMENT



NUMBER OF RETIREES BY CATEGORY



STATISTICAL SECTION

Mirada Surf Coastal Trail, San Mateo County

THE STATISTICAL SECTION

Introduction

This section provides detailed information for a more thorough understanding of the financial statements, note disclosures, and required supplementary information. Most of the information in this section is compiled by SamCERA's actuary based on information from the pension administration system.

CHANGE IN PENSION PLAN NET POSITION

For the Fiscal Years Ended June 30 (in thousands)

	2015	2014	2013	2012	2011
Additions					
Employer Contributions	$180,704	$202,877	$144,308	$150,950	$150,475
Member Contributions	48,012	46,594	55,408	49,687	49,013
Total Contributions	**228,716**	**249,471**	**199,716**	**200,637**	**199,488**
Investment Income (Loss), Net of Expenses	111,320	482,050	326,983	(11,024)	437,654
Security Lending Income	310	435	622	721	530
Miscellaneous Additions	-	179	160	29	73
Total Additions	**340,346**	**732,135**	**527,481**	**190,363**	**637,745**
Deductions					
Retiree Benefits	168,109	159,342	149,266	139,208	129,835
Member Refunds	3,357	3,214	5,750	3,627	2,474
Administrative Expenses	5,350	4,914	4,260	4,708	3,547
Information Technology Expenses*	629	731	654	325	-
Other Expenses	119	65	29	(33)	10
Total Deductions	**177,564**	**168,266**	**159,959**	**147,835**	**135,866**
Change in Pension Plan Net Position	**$162,782**	**$563,869**	**$367,522**	**$42,528**	**$501,879**

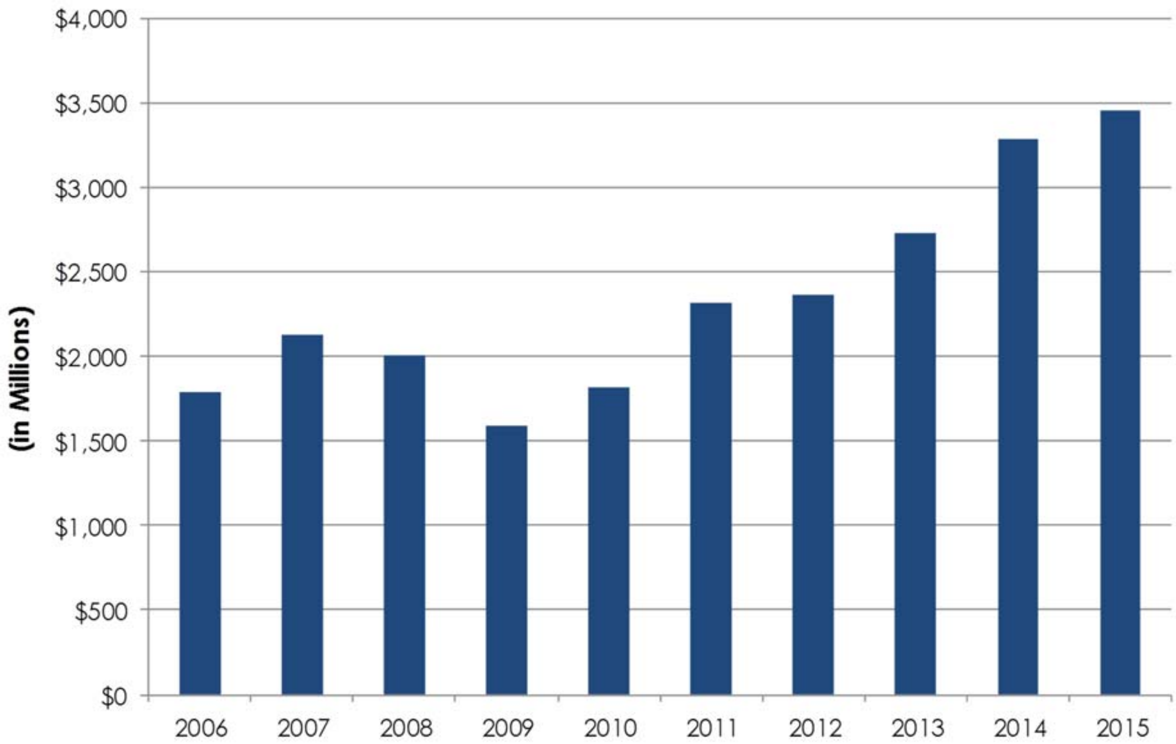
* Prior to fiscal year 2012, information technology expenses were included in the administrative expenses. Since fiscal year 2012, information technology expenses are detached from administrative expenses and are separately accounted for.

Change in Pension Plan Net Position Continued)

For the Fiscal Years Ended June 30 (in thousands)

	2010	2009	2008	2007	2006
Additions					
Employer Contributions	$106,265	$106,123	$105,340	$100,550	$76,090
Member Contributions	50,319	50,372	60,111	42,696	39,962
Total Contributions	**156,584**	**156,495**	**165,451**	**143,246**	**116,052**
Investment Income/(Loss), Net of Expenses	195,412	(457,309)	(178,379)	298,260	166,826
Security Lending Income	743	1,631	1,699	0	0
Miscellaneous Additions	41	(16)	181	26	49
Total Additions	**352,780**	**(299,199)**	**(11,048)**	**441,532**	**282,927**
Deductions					
Retiree Benefits	122,141	113,991	103,970	94,788	87,915
Member Refunds	2,736	2,795	3,075	2,244	2,258
Administrative Expenses	3,373	3,287	2,774	2,582	2,086
Information Technology Expenses*	-	-	-	-	-
Other Expenses	33	67	8	201	40
Total Deductions	**128,283**	**120,140**	**109,827**	**99,815**	**92,299**
Change in Pension Plan Net Position	**$224,497**	**$(419,339)**	**$(120,875)**	**$341,717**	**$190,628**

PLAN NET POSITION (AS OF JUNE 30)



SCHEDULE OF EMPLOYER CONTRIBUTIONS

(in thousands)

Fiscal Year Ended June 30	Actuarially Required Contributions (ARC)	Actual Contribution Received*	Contributions Made as a % of ARC
2006	$76,090	$76,090	100%
2007	100,550	100,550	100%
2008	105,340	105,340	100%
2009	106,123	106,123	100%
2010	106,265	106,265	100%
2011	150,475	150,475	100%
2012	139,407	150,950	108%
2013	131,294	144,308	110%
2014	152,877	202,877	133%
2015	169,814	180,704	106%

* The County of San Mateo made additional contributions to accelerate the pay-down of UAAL in fiscal years 2012, 2013, 2014, and 2015.

SCHEDULE OF ADDITIONS TO PLAN NET POSITION BY SOURCE

(in thousands)

Fiscal Year Ended June 30	Employee Contribution	Employer Contribution	Investment Income/(Loss)	Other	Total Additions
2006	$ 39,963	$ 76,090	$ 166,825	$49	$ 282,927
2007	42,696	100,550	298,260	26	441,532
2008	60,111	105,340	(177,923)	1,880	(10,592)
2009	50,372	106,123	(457,309)	1,615	(299,199)
2010	50,319	106,265	195,412	784	352,780
2011	49,013	150,475	437,654	603	637,745
2012	49,687	150,950	(11,024)	750	190,363
2013	55,408	144,308	326,983	782	527,481
2014	46,594	202,877	482,050	614	732,135
2015	48,012	180,704	111,320	310	340,346

SCHEDULE OF DEDUCTIONS FROM PLAN NET POSITION BY TYPE

(in thousands)

Fiscal Year Ended June 30	Retirement Benefits	Member Refunds	Administrative Expenses*	Information Technology Expenses	Other Expenses	Total Deductions
2006	$ 87,915	$ 2,258	$ 2,086	$ -	$ 40	$ 92,299
2007	94,788	2,244	2,582	-	201	99,815
2008	103,970	3,075	3,231	-	8	110,284
2009	113,991	2,795	3,287	-	67	120,140
2010	122,141	2,736	3,373	-	33	128,283
2011	129,835	2,474	3,547	-	10	135,866
2012	139,208	3,627	4,708	325	(33)	147,835
2013	149,266	5,750	4,260	654	29	159,959
2014	159,342	3,214	4,914	731	65	168,266
2015	168,109	3,357	5,350	629	119	177,564

*Administrative expenses for investments were classified as investment expenses in fiscal years 2008-2011. Since fiscal year 2012, such expenses are included in administrative expenses.

SUMMARY OF RETIRED BENEFITS, REFUNDS, AND INACTIVE MEMBERS

RETIRED MEMBERS	2015	2014	2013	2012	2011
Service Retirement					
Number	3,636	3,525	3,446	3,355	3,242
Annual Allowance:					
Basic Only	$112,557,000	$105,556,000	$100,411,000	$94,234,000	$87,254,000
COLA	30,835,000	28,027,000	26,594,000	24,748,000	23,212,000
Total	$143,392,000	$133,583,000	$127,005,000	$118,982,000	$110,466,000
Average Monthly Payment	$3,286	$3,158	$3,071	$2,955	$2,839
Disability Retirement					
Number	442	428	393	374	370
Annual Allowance:					
Basic Only	$13,303,000	$12,508,000	$10,733,000	$9,909,000	$9,414,000
COLA	4,208,000	3,800,000	3,564,000	3,225,000	3,005,000
Total	$17,511,000	$16,308,000	$14,297,000	$13,134,000	$12,419,000
Average Monthly Payment	$3,301	$3,175	$3,032	$2,927	$2,797
Beneficiaries					
Number	569	565	559	546	535
Annual Allowance:					
Basic Only	$8,610,000	$7,986,000	$7,668,000	$7,235,000	$6,672,000
COLA	6,367,000	5,892,000	5,804,000	5,494,000	5,118,000
Total	$14,977,000	$13,878,000	$13,472,000	$12,729,000	$11,790,000
Average Monthly Payment	$2,194	$2,047	$2,008	$1,943	$1,836
TOTAL RETIRED MEMBERS					
Number	4,647	4,518	4,398	4,275	4,147
Annual Allowance:					
Basic Only	$134,470,000	$126,050,000	$118,812,000	$111,378,000	$103,340,000
COLA	41,410,000	37,719,000	35,962,000	33,467,000	31,335,000
Total	$175,880,000	$163,769,000	$154,774,000	$144,845,000	$134,675,000
Average Monthly Payment	$3,154	$3,021	$2,933	$2,823	$2,706
REFUND*					
General	$3,011,758	$3,396,690	$5,161,430	$3,399,163	$2,379,790
Safety	345,253	155,265	588,346	228,329	94,655
Total	$3,357,011	$3,551,955	$5,749,776	$3,627,492	$2,474,445
INACTIVE MEMBERS	1,384	1,304	1,306	1,212	1,190

The data in the table above originates from Pension Gold, SamCERA's retirement benefit administration system. The total payroll above differs from the actual payroll due to a last month projection used by the actuary.

* Refund by type is not available prior to fiscal year 2009-10.

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

RETIRED MEMBERS	2010	2009	2008	2007	2006
Service Retirement					
Number	3,108	3,032	2,958	2,835	2,783
Annual Allowance					
Basic Only	$79,007,000	$73,038,000	$66,704,000	$59,687,000	$54,942,000
COLA	22,542,000	22,964,000	21,289,000	19,382,000	18,188,000
Total	$101,549,000	$96,002,000	$87,993,000	$79,069,000	$73,130,000
Average Monthly Payment	$2,723	$2,639	$2,479	$2,324	$2,190
Disability Retirement					
Number	365	369	361	351	342
Annual Allowance					
Basic Only	$8,988,000	$8,722,000	$8,214,000	$7,571,000	$6,915,000
COLA	2,926,000	3,070,000	2,847,000	2,569,000	2,356,000
Total	$11,914,000	$11,792,000	$11,061,000	$10,140,000	$9,271,000
Average Monthly Payment	$2,720	$2,663	$2,553	$2,407	$2,259
Beneficiaries					
Number	529	534	523	508	488
Annual Allowance					
Basic Only	$6,309,000	$6,052,000	$5,757,000	$5,220,000	$4,659,000
COLA	5,116,000	5,206,000	4,805,000	4,361,000	3,946,000
Total	$11,425,000	$11,258,000	$10,562,000	$9,581,000	$8,605,000
Average Monthly Payment	$1,800	$1,757	$1,683	$1,572	$1,469
TOTAL RETIRED MEMBERS					
Number	4,002	3,935	3,842	3,694	3,613
Annual Allowance					
Basic Only	$94,304,000	$87,812,000	$80,675,000	$72,478,000	$66,516,000
COLA	30,584,000	31,240,000	28,941,000	26,312,000	24,490,000
Total	$124,888,000	$119,052,000	$109,616,000	$98,790,000	$91,006,000
Average Monthly Payment	$2,601	$2,521	$2,378	$2,229	$2,099
REFUND*					
General	$2,623,439	N/A	N/A	N/A	N/A
Safety	112,586	N/A	N/A	N/A	N/A
Total	$2,736,025	$2,794,916	$3,074,453	$2,243,677	$2,257,849
INACTIVE MEMBERS	1,207	1,230	1,225	1,151	1,089

The data in the table above originates from Pension Gold, SamCERA's retirement benefit administration system. The total payroll above differs from the actual payroll due to a last month projection used by the actuary.

* Refund by type is not available prior to fiscal year 2009-10.

SCHEDULE OF AVERAGE PENSION BENEFIT PAYMENTS

Retirement Date — **Years of Service Credit**

7/1/2014 - 6/30/2015	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$552	$1,448	$2,487	$3,669	$4,161	$7,067	$5,993
Average Final Compensation	$4,191	$6,262	$7,158	$8,074	$7,548	$9,423	$7,751
Number of Retires	21	35	52	35	20	38	31
Beneficiaries							
Average Monthly Gross Benefit	$1,581	$1,165	$1,094	$2,144	$2,095	$4,520	$5,888
Average Final Compensation	N/A	$3,587	$3,867	$6,360	$4,521	$8,971	$8,071
Number of Retires	13	3	3	7	5	5	6

7/1/2013 - 6/30/2014	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$1,576	$1,713	$2,297	$3,274	$4,502	$6,202	$6,551
Average Final Compensation	$6,920	$6,729	$6,555	$7,614	$7,740	$9,292	$7,528
Number of Retires	16	61	50	40	32	13	18
Beneficiaries							
Average Monthly Gross Benefit	$869	$647	$1,855	$895	$4,348	$3,463	$6,087
Average Final Compensation	N/A	$6,305	$5,433	$2,913	$7,872	$5,504	$6,611
Number of Retires	10	3	6	6	3	2	2

7/1/2012 - 6/30/2013	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$629	$1,302	$2,461	$3,433	$5,100	$6,413	$7,133
Average Final Compensation	$5,234	$5,831	$7,321	$7,344	$8,135	$8,317	$7,818
Number of Retires	16	39	59	21	30	25	20
Beneficiaries							
Average Monthly Gross Benefit	$1,343	$1,709	$1,457	$1,463	$1,289	$5,056	$4,064
Average Final Compensation	$552	$5,140	$5,255	$4,536	$3,446	$7,516	$6,039
Number of Retires	16	2	6	4	3	1	4

7/1/2011 - 6/30/2012	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$878	$1,393	$2,208	$3,510	$5,050	$5,476	$7,346
Average Final Compensation	$4,235	$5,843	$6,667	$7,228	$7,812	$7,344	$7,766
Number of Retires	19	38	47	25	47	32	29
Beneficiaries							
Average Monthly Gross Benefit	$1,746	$712	$2,329	$2,332	$881	$4,241	$4,722
Average Final Compensation	N/A	$3,913	$5,200	$5,818	$2,937	$6,102	$7,184
Number of Retires	16	1	5	4	4	3	5

7/1/2010 - 6/30/2011	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$565	$1,166	$2,067	$3,679	$4,767	$6,300	$7,897
Average Final Compensation	$3,207	$6,268	$5,895	$7,761	$7,562	$8,466	$8,303
Number of Retires	16	25	52	29	52	26	26
Beneficiaries							
Average Monthly Gross Benefit	$1,106	$1,373	$1,207	$2,050	$2,039	$3,272	$8,446
Average Final Compensation	N/A	$6,549	$4,186	$5,178	$5,772	$5,278	$7,765
Number of Retires	13	1	7	3	6	2	1

Schedule of Average Pension Benefit Payments (Continued)

Retirement Date	Years of Service Credit						
7/1/2009 - 6/30/2010	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$855	$1,232	$2,061	$3,838	$4,965	$6,024	$7,366
Average Final Compensation	$2,619	$5,409	$5,803	$7,587	$7,827	$7,818	$8,081
Number of Retires	9	36	33	16	41	19	24
Beneficiaries							
Average Monthly Gross Benefit	$699	$2,616	$1,452	$1,142	$2,248	$3,895	$4,305
Average Final Compensation	N/A	$7,316	$5,457	$3,874	$5,546	$5,457	$5,166
Number of Retires	9	4	2	2	3	1	4
7/1/2008 - 6/30/2009	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$1,508	$1,447	$2,318	$2,120	$4,873	$6,046	$8,801
Average Final Compensation	$3,654	$4,581	$6,562	$6,798	$7,646	$7,141	$9,061
Number of Retires	7	34	26	29	23	17	32
Beneficiaries							
Average Monthly Gross Benefit	$2,809	$631	$1,323	$978	$1,552	$4,030	$3,546
Average Final Compensation	N/A	$3,744	$5,068	$3,840	$6,395	$6,099	$4,661
Number of Retires	12	3	6	3	3	1	1
7/1/2007 - 6/30/2008	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$544	$1,610	$2,386	$3,516	$3,831	$5,177	$7,270
Average Final Compensation	$5,406	$5,639	$5,922	$7,012	$6,179	$6,596	$7,641
Number of Retires	12	29	23	25	47	35	38
Beneficiaries							
Average Monthly Gross Benefit	$2,070	$1,057	$1,912	$3,199	$1,438	$3,822	$5,636
Average Final Compensation	N/A	$4,433	$7,617	$6,701	$5,149	$9,472	$6,757
Number of Retires	14	2	1	2	3	3	3
7/1/2006 - 6/30/2007	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$1,143	$1,814	$1,986	$2,902	$3,957	$6,793	$8,367
Average Final Compensation	$3,705	$7,601	$5,323	$5,870	$6,703	$8,390	$7,788
Number of Retires	9	15	31	29	24	25	24
Beneficiaries							
Average Monthly Gross Benefit	$2,034	$626	$1,289	$1,559	$3,545	$3,720	$4,039
Average Final Compensation	$2,053	$3,608	$3,961	$5,028	$7,164	$4,056	$5,016
Number of Retires	9	1	5	5	2	2	2
7/1/2005 - 6/30/2006	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$1,032	$1,312	$1,793	$2,840	$3,658	$6,286	$7,009
Average Final Compensation	$4,352	$4,630	$5,193	$5,929	$5,644	$6,845	$6,863
Number of Retires	4	19	33	26	23	21	37
Beneficiaries							
Average Monthly Gross Benefit	$1,420	$261	$1,495	$1,385	$2,327	$2,989	$3,977
Average Final Compensation	N/A	N/A	$4,320	$3,206	$4,742	$7,374	$4,659
Number of Retires	13	1	5	1	3	1	5

SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS

(by Tier and Membership Type)

	2015	2014	2013	2012	2011
General Tier 1	$9,235	$8,617	$8,104	$7,843	$7,630
General Tier 2	8,186	7,584	7,355	7,340	7,208
General Tier 3	6,747	6,300	6,254	6,138	5,968
General Tier 4	7,386	6,873	6,662	6,580	6,398
General Tier 5	7,735	6,912	6,418	5,799	N/A
General Tier 7	6,315	5,721	5,433	N/A	N/A
Average Monthly Salary for General Tier	7,351	6,884	6,726	6,726	6,599
Safety Tier 1	14,712	14,091	13,185	12,624	12,073
Safety Tier 2	11,545	11,191	10,935	10,892	10,789
Safety Tier 4	9,919	9,581	9,402	9,351	9,230
Safety Tier 5	9,145	8,958	8,699	9,667	N/A
Safety Tier 6	16,010	14,381	12,374	N/A	N/A
Safety Tier 7	6,701	7,011	6,695	N/A	N/A
Average Monthly Salary for Safety Tier	9,728	9,767	9,630	9,795	9,730
Probation Tier 1	7,038	6,874	6,618	6,618	7,533
Probation Tier 2	8,012	7,699	7,445	7,454	7,349
Probation Tier 4	7,267	6,922	6,622	6,686	6,505
Probation Tier 5	6,106	5,916	5,242	4,949	N/A
Probation Tier 6	5,739	5,216	4,808	5,239	N/A
Probation Tier 7	5,684	5,807	7,742	N/A	N/A
Average Monthly Salary for Probation Tier	7,216	6,998	6,770	6,844	6,719
Average Monthly Salary for All Tiers	**7,567**	**7,151**	**7,026**	**6,995**	**6,872**

SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS (CONTINUED)

(by Tier and Membership Type)

	2010	2009	2008	2007	2006
General Tier 1	$7,543	$7,534	$7,252	$7,175	$6,749
General Tier 2	7,193	7,120	6,872	6,688	6,148
General Tier 3	5,818	5,791	5,619	5,287	4,988
General Tier 4	6,348	6,212	5,914	5,714	5,315
General Tier 5	N/A	N/A	N/A	N/A	N/A
General Tier 7	N/A	N/A	N/A	N/A	N/A
Average Monthly Salary for General Tier	6,569	6,468	6,211	6,054	5,652
Safety Tier 1	11,578	10,889	11,113	10,212	10,019
Safety Tier 2	10,548	10,135	9,612	9,299	8,585
Safety Tier 4	8,931	8,610	8,349	7,882	7,403
Safety Tier 5	N/A	N/A	N/A	N/A	N/A
Safety Tier 6	N/A	N/A	N/A	N/A	N/A
Safety Tier 7	N/A	N/A	N/A	N/A	N/A
Average Monthly Salary for Safety Tier	9,525	9,197	8,937	8,538	8,062
Probation Tier 1	8,922	9,751	9,791	8,522	7,735
Probation Tier 2	7,393	7,341	6,960	6,899	6,479
Probation Tier 4	6,456	6,291	5,978	5,766	5,444
Probation Tier 5	N/A	N/A	N/A	N/A	N/A
Probation Tier 6	N/A	N/A	N/A	N/A	N/A
Probation Tier 7	N/A	N/A	N/A	N/A	N/A
Average Monthly Salary for Probation Tier	6,722	6,634	6,344	6,171	5,860
Average Monthly Salary for All Tiers	**6,813**	**6,692**	**6,433**	**6,260**	**5,857**

The data in the tables above originates from Pension Gold, SamCERA's retirement benefit administration system. Such data can also be found in SamCERA's actuarial valuation reports.

SCHEDULE OF PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS

	2015	2014	2013	2012	2011
COUNTY OF SAN MATEO					
General Members	4,092	4,014	3,906	4,078	4,476
Safety Members	479	452	452	435	446
Safety/Probation Members	282	280	292	299	305
Total	4,853	4,746	4,650	4,812	5,227
SAN MATEO COUNTY SUPERIOR COURT*					
General Members Total	222	239	249	268	N/A
SAN MATEO COUNTY MOSQUITO & VECTOR CONTROL DISTRICT					
General Members Total	20	19	18	15	18
Total Active Membership	**5,095**	**5,004**	**4,917**	**5,095**	**5,245**

Percentage of Membership by Employer

County of San Mateo	95.25%	94.84%	94.57%	94.45%	99.66%
San Mateo County Superior Court*	4.36%	4.78%	5.06%	5.26%	N/A
San Mateo County Mosquito and Vector Control District	0.39%	0.38%	0.37%	0.29%	0.34%
Total:	100.00%	100.00%	100.00%	100.00%	100.00%

SCHEDULE OF PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS (CONTINUED)

	2010	2009	2008	2007	2006
COUNTY OF SAN MATEO					
General Members	4,589	4,758	4,718	4,742	4,594
Safety Members	425	436	432	443	428
Safety/Probation Members	313	330	325	329	313
Total	5,327	5,524	5,475	5,514	5,335
SAN MATEO COUNTY SUPERIOR COURT*					
General Members Total	N/A	N/A	N/A	N/A	N/A
SAN MATEO COUNTY MOSQUITO & VECTOR CONTROL DISTRICT					
General Members Total	20	19	25	25	20
Total Active Membership	**5,347**	**5,543**	**5,500**	**5,539**	**5,355**

Percentage of Membership by Employer

County of San Mateo	99.63%	99.66%	99.55%	99.55%	99.63%
San Mateo County Superior Court*	N/A	N/A	N/A	N/A	N/A
San Mateo County Mosquito and Vector Control District	0.37%	0.34%	0.45%	0.45%	0.37%
Total:	100.00%	100.00%	100.00%	100.00%	100.00%

* San Mateo County Superior Court Members were reported under the County of San Mateo prior to fiscal year 2012.

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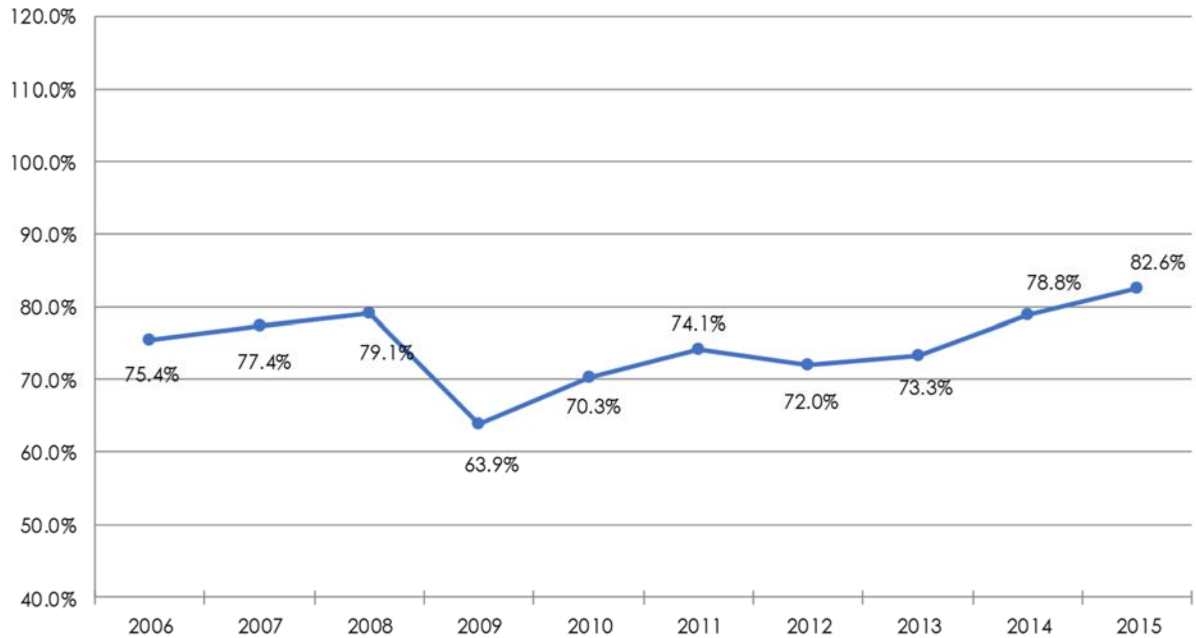
COMPLIANCE SECTION

Pillar Point Bluff, San Mateo County

SAMCERA'S FUNDED RATIO

June 30



ADDITIONS TO AND DEDUCTIONS FROM SAMCERA'S NET POSITON

For the Fiscal Years Ended June 30

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Mateo County Employees' Retirement Association (SamCERA) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise SamCERA's basic financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SamCERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in a separate letter dated October 20, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SamCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SamCERA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 20, 2015

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Order Information

To order your own copy of SamCERA's *2015 Comprehensive Annual Financial Report*, contact SamCERA at:

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

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

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www.samcera.org

SamCERA

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