



# NEWS

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

## Legal UPDATE New pension spiking prevention law

Supported by both the SDCERA Board and the County Board of Supervisors, enactment of S.B. 1789 last month prevents the retirement benefit enhancement practice referred to as "pension spiking".

Pension spiking dramatically increases an individual's total earnings just prior to retirement in order to establish a higher base amount for calculating the retirement benefit.

By law, contributions and benefits must be based on earnable compensation. S.B. 1789 specifically excludes bonuses and incentive pay for executives or unclassified management employees. This new law will not affect incentive pay under the Quality First Program.

The SDCERA Board supported the legislation as a means to prevent spiking and the resulting inequitable allocation of retirement assets. ~~~

## Investment REPORT



Robert Snigaroff  
Chief Investment Officer

For the fiscal year ending June 30, 1998, SDCERA is pleased to report that the fund continued to achieve the excellent results experienced in recent years.

For the preceding one, three, and five years, total returns were 15.8%, 17.4% and 13.6%, respectively, after management fees. These returns compare favorably to our actuarial investment return assumption of 8.25%.

SDCERA's fund assets totaled \$3.5 billion at June 30, 1998. Using the most recent actuarial study of June 1997, the plan held assets of \$1.08 for each \$1.00 in benefits owed.

With the recent financial markets volatility, it may be difficult to match these high investment returns in the future.

Market fluctuations are normal, however, and it is best to measure investment performance with a long-term perspective. ~~~

## Board of Retirement increases benefits

The San Diego County Employees Retirement Association Board of Retirement unanimously approved two ancillary retirement enhancements in July.

The first enhancement is an increase in the Medical Allowance, which helps retirees pay for health insurance. The increase is effective October, 1998.

The second is Supplemental Targeted Adjustment for Retirees (STAR COLA), a new cost of living increase to offset the effects of long-term inflation. STAR COLA augments the cost of living amount now allowed under the County Employees Retirement Law of 1937, and is effective September, 1998.

"These significant improvements are possible because of the strong growth of SDCERA retirement fund assets, the plan's substantial funding level, and the Board's commitment to providing a valuable benefit program to the membership," says Brian White, Retirement Administrator. "The Board first determined that the increases would not adversely impact the funding of existing SDCERA retirement benefits." The ability to continue these programs will be closely monitored by the Board on an annual basis.

Reserves of approximately \$132 million for the medical allowance and \$50 million for STAR COLA were established to pay for these benefits. The medical reserve is sufficient to cover the current costs for the new medical allowance benefits for all retired and non-retired SDCERA members. The STAR COLA reserve is expected to pay these benefits for approximately five years, subject to an annual review by the Board of Retirement to determine the program's continuing status.

### Increase in medical allowance

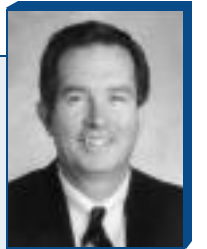
Finding that medical costs for retirees had increased by approximately 31% since adoption of the existing SDCERA health benefits policy in September 1991, the Retirement Board voted to increase the level of medical allowance reimbursement.

The monthly medical allowance increases from \$160 to \$210 for qualifying non-Medicare members. For qualifying Medicare members the allowance increases from \$83.60 to \$110 per month. Medicare Part-B reimbursement increases from \$31.80 to \$43.80 per month.

Additional information about the medical allowance increase was included in the 1998-99 Open Enrollment packet mailed to SDCERA retiree health plan participants.

Retirees eligible for a medical allowance who do not participate in a SDCERA retiree health plan were informed of the changes in a separate mailing.

Continued on page 2



Brian White  
Retirement Administrator

## From Your Administrator

Welcome to the premier issue of **SDCERA News**. We are pleased to provide this new information resource for our members.

Each issue will include timely updates on benefit changes, Board of Retirement decisions which affect the membership, analysis of recent legislation, and legal rulings relevant to the interests of SDCERA members.

As part of the new member communications program, we are developing a SDCERA web page for activation in late 1998 or early 1999. Web page content will include a variety of information for both retired members and those who are current County of San Diego employees.

A retirement planning workshop designed to help members prepare financially for retirement begins in October.

These are just a few of the new communications resources being developed to provide our members with more timely and comprehensive retirement information. Watch for future announcements of other new information resources. ~~~

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## NEWS

Published for members of the San Diego County Employees Retirement Association

Member comments and suggestions are welcome.

Please call or write to SDCERA  
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619.515.0130

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## SDCERA Board of Retirement ... Supporting the Membership

The San Diego County Employees Retirement Association, established on July 1, 1939, is administered by a Board of Retirement. The Retirement Board's principal role is to ensure the benefits you earn as an active employee are available to you after you retire. As Trustees of the pension fund, the Board determines policy for both the administration of the system and the investment of its assets.

The Board of Retirement is comprised of nine members, four elected by SDCERA members, four appointed by the Board of Supervisors, and one as mandated by law. Your SDCERA Board currently includes the following members:

**E.F. "Skip" Murphy, Jr.**  
**Chairman**

*Elected Safety representative*  
Term expires 12/31/98

**David De Vol**  
**Secretary**

*Appointed by Board of Supervisors*  
Term expires 6/30/99

**Paul Boland**

*County Treasurer; Trustee by law*  
Holds office during incumbency

**Ernest J. Dronenburg, Jr.**

*Appointed by Board of Supervisors*  
Term expires 6/30/01

**James W. Feeley**

*Elected Retired representative*  
Term expires 6/30/99

**P. Garth Gartrell**

*Appointed by Board of Supervisors*  
Term expires 12/31/98

**Joe McGuire**

*Elected General representative*  
Term expires 6/30/99

**Randa Trapp**

*Appointed by Board of Supervisors*  
Term expires 6/30/00

**Marilyn Wiczynski**

*Elected General representative*  
Term expires 6/30/01


## Board of Retirement increases benefits

*Continued from page 1*

### Supplemental Targeted Adjustment for Retirees COLA

STAR COLA provides supplemental cost of living payments to SDCERA members who have been retired for a number of years. The STAR COLA program prevents the purchasing power of a retiree's pension from falling below 75% of the purchasing power at the time of retirement.

This change augments the annual cost of living adjustments (COLA) governed by the County Employees Retirement Law of 1937 which limits increases to a maximum 3% of the Consumer Price Index (CPI) for Tier I members, and 2% for Tier II members.

"In studying this issue, the Retirement Board found that a substantial number of SDCERA's long-term retirees have fallen well behind the inflation curve," says White. "The research indicated that even with the annual COLA adjustments, the actual purchasing power of some SDCERA retirees had decreased dramatically. Approximately 2,700 members and beneficiaries who retired prior to April 1980 have seen their pension benefit fall below the 75% purchase power level. The new program will bring these retirees back to a level of benefit that equals 75% of their original purchasing power." While the Board of Retirement is pleased to provide these ancillary retirement enhancements, members are reminded that the future continuation of the Retiree Medical Allowance program and the STAR COLA program is determined by the Board of Retirement and is contingent on the future earnings of the pension trust fund. 

## We welcome your comments

*We welcome your suggestions and comments on any issue involving your retirement.*

*Please contact us at 619.515.0130 or visit the SDCERA 4th floor reception area weekdays from 8 a.m. to 5 p.m.*

*The SDCERA building is conveniently located at 1495 Pacific Highway, directly across the street from the County Administration Center's south parking lot.*



## Ventura County ruling increases pension benefits

A ruling handed down by the California Supreme Court in the *Ventura County Deputy Sheriff's Association vs. Board of Retirement* case has changed the final annual compensation for calculating retirement benefits.

The Supreme Court ruling requires that nearly all special pay item (except overtime pay and cash-out of accrued benefits upon leaving service) be included in computing retirement benefits. Examples of special pay items include uniform

allowances, bilingual pay, and shift differential.

SDCERA retirement staff, with consultation from County counsel and the Auditor/Controller's office, identified 17 additional earnings categories to be included as a result of this court decision. In addition to base pay, this brings the number of earnings categories used to calculate retirement benefits to 49.

Below is a complete list of the retirement earnings categories with the additional 17 pay items marked

with an asterisk. Prior to the *Ventura* decision, only your base pay and certain pay categories applicable to everyone in the same job classification were considered retirement earnings.


### Immediate effect

On November 6, 1997, the SDCERA Board of Retirement adopted a resolution to add the additional 17 earnings categories which met the requirements of the *Ventura* decision, effective for pay periods commencing on or after October 1, 1997.

All adjustments to the earnings categories have been made for members who are currently making contributions to the retirement system. SDCERA members who retired since this change have had their retirement benefit calculated with those additional pay categories for the pay periods commencing on or after October 1, 1997.

### The Ventura controversy

The *Ventura* decision raised a number of complex legal questions in addition to the issue of which compensation items would be included in SDCERA retirement calculations. Questions are being raised, such as whether the additional pay categories should be included for pay periods prior to the effective date of October 1, 1997, or whether the payment of accrued benefits upon leaving service should also be included in the retirement benefit calculation.

As a result, a number of lawsuits have been filed which affect all 20 county retirement associations in California, including SDCERA. We will monitor these lawsuits closely and report future development in *SDCERA News*. 

### SDCERA earnings categories

#### Premium pay

- 30-yr. retirement service premium
- \*Asbestos handling certificate
- \*Auto allowance
- Bilingual
- Booking procedures premium
- \*Dispatcher training premium
- \*Diving/arson/explosives
- \*Firefighter probation
- \*Helicopter observer
- \*Helicopter pilot
- Hospital outstation assignment
- \*Incentive bonus
- \*Institutional charge nurse
- Location or transcribing premium
- MSW premium
- Night shift premium
- Park Ranger night duty
- Post pay
- \*Prisoner transportation
- Remote site premium
- \*Schedule change
- \*Sewage hazard premium
- \*Shift change (regular and non-routine)
- \*Shift change
- \*Solid waste premium

- \*2½%, 4% & 7 ½% Specified assignment premium
- 5% & 10% Specified assignment premium
- Training bonus
- \*Uniform allowance

#### Regular pay

- Administrative leave
- Birthday holiday
- Bereavement leave
- Comp time off
- Employee recognition leave
- Executive time off
- Grievance release time
- Holiday
- Injury leave
- Jury duty
- Military leave
- Negotiated paid time
- Negotiations release time
- Ordered CTO FLSA
- Other/Bosnian leave
- Regular
- Sick leave
- Telecommuting hours
- Vacation
- Voluntary time off

**Please refer questions concerning above earnings categories to your payroll clerk.**