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SDCERA

Supporting The Membership

Fall 2003

NEWS


SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Retiree medical allowance increase approved

The Board of Retirement approved a \$50 per month increase in the retiree medical allowance, effective January 1, 2004. The maximum medical allowance available to non-Medicare eligible retirees with 20 or more years of SDCERA service credit is now \$400 per month. Retirees who qualify and are Medicare eligible will receive a maximum allowance of \$300 per month, in addition to full reimbursement of Medicare Part B. Refer to the medical allowance charts on page 5 for more details.

The medical allowance is available to retirees who have earned at least 10 years of SDCERA service credit. If you enroll in an SDCERA medical plan, your medical insurance premium is deducted from your retirement payment. The medical allowance provides a credit to your monthly retirement payment to help offset this cost.

If you plan to enroll in a non-SDCERA health plan (including any plans through COBRA), you may request a Health Pay Allowance (HPA). The HPA provides a full or partial reimbursement of the medical plan premium you pay for other coverage.

If you do not qualify for a medical allowance, you may still purchase your medical coverage through SDCERA at full cost for yourself and/or any eligible dependents; however, you will not have an allowance to offset the cost. 


▶▶▶ Dental plans added to retiree Health Benefits Program

Beginning in 2004, SDCERA will offer two group dental plans to eligible retirees. Read more about this new benefit on pages 4 and 5.

An option for members purchasing service credit through payroll deduction

If you are currently purchasing retirement service credit through payroll deduction, you now have the option of using money from an eligible tax-deferred plan (such as the County's 457 Plan) to complete your purchase. If you are considering a lump sum payoff with a rollover/transfer payment, please refer to the SDCERA Rollover/Transfer Fact Sheet for additional information. The fact sheet is available at www.sdcera.org or by contacting the Call Center at **619/515-0130**.


Any contract being paid by payroll deduction may be paid off at any time prior to the completion of the contract. Request a payoff contract from SDCERA in writing. You will receive a contract, the *Rollover/Transfer Request* form and instructions for completing the purchase. Allow four weeks to process your request.

If you plan to continue paying for your service credit purchase through payroll deduction, your payments will proceed as previously scheduled. 

SDCERA's personalized annual statement makes its debut

SDCERA's first personalized Annual Member Statement will soon be mailed to the homes of all active and deferred members. Statements will be delivered to home mailing addresses over a three week period. The new statement includes more information and replaces the semiannual version. New statement features include an easy-to-read design; expanded terms and definitions and personalized information such as service credit, final compensation and projected retirement estimates at various ages. The annual statement also features identity protection by limiting the use of your Social Security number and birth date.

Because your statement now provides personal retirement information, you can more easily gauge your future retirement benefit using SDCERA's online retirement calculator.

Your personalized Annual Member Statement will allow you to gain a better understanding of your SDCERA benefits and help you prepare for retirement. 

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New board member appointed



NATALYA SMITH GONZALEZ

SDCERA welcomes Natalya Smith Gonzalez to the Board of Retirement. She was appointed by the Board of Supervisors to replace David DeVol and will serve a three-year term, ending June 30, 2006.

Michael Branch resigns



MICHAEL BRANCH

Michael Branch resigned from the Board of Retirement, effective June 30, 2003. Mr. Branch, a Board of Supervisors appointee, served on the Retirement Board for two terms: April 1, 1999, through December 31, 2001, and July 1, 2002, through June 30, 2003. SDCERA thanks Mr. Branch for his dedication and commitment to the Board.

Correction: In the Summer 2003 issue of News, SDCERA inaccurately reported the Board of Retirement term for David Myers. Mr. Myers' term ends December 31, 2004. We apologize for the error.

As new legislation passes and laws are interpreted, the benefits that SDCERA administers continue to change. Read below to see if some of the most recent changes affect you and your retirement benefits.

SDCERA reciprocity with CalSTRS, JRS I and JRS II

The Californian legislature enacted amendments to the 1937 County Employees Retirement Law, to provide reciprocity with the following systems:

- Effective January 1, 1999, State Teachers' Retirement System (STRS).
- Effective January 1, 2002, the Judges' Retirement System (JRS) and Judges' Retirement System II (JRS II). Final compensation in the reciprocal system will be used as long as the member serves as a judge for a minimum of six years.

In *Maffei v. Sacramento County Employees' Retirement System*, the Court of Appeal ruled in November 2002 that even if a member moved to or from a 1937 Act County retirement system to or from another reciprocal system before legislation was adopted actually making the systems reciprocal, the member is still eligible for the benefits of final compensation reciprocity under the 1937 Act if the member otherwise qualifies.

Based on this ruling, SDCERA now recognizes limited reciprocity for current active and deferred SDCERA members as well as retirees who were once members of CalSTRS and retired from SDCERA after January 1, 1999 and any members of JRS or JRS II who retired after January 1, 2002 and who otherwise qualify for reciprocity.

If you believe these new provisions may affect you and you have not established reciprocity, please submit to SDCERA your written, signed request to now establish reciprocity (as it applies to final compensation) and include dates of membership in each reciprocal system. You will receive written confirmation whether final compensation reciprocity applies in your situation. Adjustments to previous benefit determinations may be affected by the statute of limitations.

Peace Corps service can now be purchased as prior public agency service credit

Are you an active or deferred SDCERA member who volunteered in the Peace Corps and received a re-adjustment allowance for your service from the Federal government? If so, you may be eligible to

purchase this time to count toward your total SDCERA service credit.

As with all types of prior public agency service, purchasing Peace Corps time does not count toward meeting the minimum service credit requirements for service or disability retirement (i.e., five years of service).


If you have Peace Corps time in your background and would like to determine how much it would cost to purchase this service credit, please complete a *Service Credit Costs Request* form. You may download this form from the SDCERA web site at **www.sdcera.org**, click FORMS & PUBLICATIONS or you may request a Service Credit booklet to be sent to you by mail by contacting the SDCERA Call Center. Verification of service must occur before any service may be purchased; therefore, please allow 8-12 weeks to process your contract.

Retroactive reciprocity between the City of San Diego and the County of San Diego

Did you know that if you moved within six months between the City of San Diego retirement system and the County of San Diego retirement system before June 25, 1992 and retire after June 25, 1992, and otherwise qualify for reciprocity, you are eligible to have your highest final compensation used to determine your final retirement benefit from both systems? Whether you are an active, deferred or SDCERA retired member, this law may apply to you.

For SDCERA to research your records and see if this law applies to you, a written request with your signature must be received. Mail your request to SDCERA including your employment and membership entry dates both at the City of San Diego and the County of San Diego. SDCERA will research and send you written verification of which retirement system's final compensation is highest and may be used to calculate your final retirement benefit. Allow 8 to 12 weeks to receive a response. Adjustments to previous benefit determinations may be affected by the statute of limitations.

Please note that if you are currently an active or deferred member of SDCERA and have established reciprocity with the City of San Diego, upon retirement, your highest final compensation will automatically be used. You do not have to request this reciprocal benefit now, or upon your retirement.

For additional questions, contact the SDCERA Call Center at **619-515-0130** or e-mail SDCERA at **communications@sdcera.org**. 



Retiree Health Benefits

SDCERA open enrollment 2004

Open enrollment for the SDCERA Retiree Health Benefits program begins November 1, 2003, and ends November 21, 2003. All retirees will receive an open enrollment packet in the mail by the first week of November. Open enrollment is the time retirees can make necessary changes to existing health care coverage, add or delete dependents and apply for a 2004 Health Pay Allowance (HPA). There are many changes this year, including the addition of group dental plans. Read below for more health benefit information.

Health plan options

There are several health plan changes for both California residents and non-resident members. SDCERA will no longer offer Aetna health coverage. If you are currently enrolled in Aetna, you need to select a new medical plan. Additional information will be sent to you if you are affected.

Previously, PacifiCare PPO (non-Medicare) and the Secure Horizons Medicare Supplement (Medicare eligible) plans were only offered to out-of-state retirees. Now both plans will also be offered to all retirees.

New medical plan rates for the year 2004 are shown on the chart to the right. These rates are effective January 1, 2004, through December 31, 2004.

SDCERA offers dental plans to retirees

SDCERA is pleased to announce that retirees now have access to two group dental plans: a pre-paid dental HMO through CIGNA and a PPO plan through Delta Dental. You may sign up for either dental plan during the open enrollment period. Details about both plans are included in your open enrollment packet.

You may use your medical allowance to offset the cost of your SDCERA dental plan, medical plan, or both. You may also use your medical allowance to offset the cost of your premiums for outside medical and/or dental coverage by enrolling in the Health Pay Allowance program.

2004 Monthly Retiree Medical Plan Rates Per Person

Plans for persons without Medicare — CA residents		
Health Net HMO \$472.65	Kaiser HMO \$362.62	PacifiCare HMO \$403.07
Plans for persons with Part A & B of Medicare — CA residents		
Medicare Non-Assignment Plans		
Health Net HMO \$211.85	Kaiser HMO* N/A	PacifiCare HMO N/A
Medicare Assignment Plans		
Health Net Seniority Plus \$214.30	Kaiser Senior Advantage \$247.45	PacifiCare/ Secure Horizons \$210.40
* Rate for Kaiser "M" coverage (closed to new enrollment) is \$410.21 per person		
Plans open to all retirees		
	PacifiCare PPO Non-Medicare \$529.02	Secure Horizons Medicare Supplement \$252.97

Program

What's your monthly cost?

Use the worksheet at right to calculate the monthly cost of the SDCERA health plan coverage you are considering. The worksheet will show the amount (if any) that will be deducted from your retirement check each month. Find your monthly medical plan rate on page 4 and applicable medical allowance below. Also be certain to include the additional premiums if you are including a spouse or dependents on any SDCERA medical or dental plan.

Monthly medical allowance for retirees not eligible for Medicare

Years of SDCERA service credit	2004 allowance amount
Less than 10	None
10	\$200.00
11	\$220.00
12	\$240.00
13	\$260.00
14	\$280.00
15	\$300.00
16	\$320.00
17	\$340.00
18	\$360.00
19	\$380.00
20 or more	\$400.00

Monthly medical allowance for Medicare-eligible retirees

Years of SDCERA service credit	2004 allowance amount
Less than 10	None
10 or more	\$300.00 + \$58.70* for Medicare Part B


* SDCERA will adjust the reimbursement to match the Medicare Part B premium set by CMS for this year, which was unknown at press time.

SDCERA HEALTH PLAN WORKSHEET

- 1 Retiree rate for the medical plan you choose: \$ _____
- 2 Retiree rate for the dental plan you choose: + \$ _____
- 3 Subtract your medical allowance: - \$ _____
- 4 Your net cost (or 0): = \$ _____
- 5 Add rate(s) for spouse/ family coverage on your plan(s): + \$ _____
- 6 Your total monthly cost: = \$ _____

The monthly plan rate chart on page 4 shows the total monthly cost per person for each medical plan when you enroll one or two adults. If you enroll children, three or more people, or you or your spouse are covered by Medicare Part A only or Medicare Part B only, different rates may apply. Please contact the SDCERA Call Center for rates. You may use your SDCERA medical allowance to offset the cost of your coverage only. You cannot use your medical allowance to offset coverage for dependents.

Questions?

SDCERA is always available to answer your questions about retiree health benefits and open enrollment procedures. This year, SDCERA will have staff from our Member Services and Health units available to answer individual questions about your health benefits and collect your forms on November 13 from 9:00 a.m. to noon, and on November 20 from 1:00 p.m. to 4:00 p.m. There will be no formal presentations; and representatives from the health plan carriers will not be in attendance. Please stop in if you need help completing your health form. More information will be in your open enrollment packet. You may also contact the SDCERA Call Center at **619/515-0130** or visit our web site at www.sdcer.org, under N.E.W.S. & Events. 



2003 Legislative Highlights

You can now go to the Legislation section of SDCERA's web site to read a short description and progress update of these and other retirement bills that may not be listed here. For more information on retirement bills, visit the California legislative information site at www.leginfo.ca.gov.

Because this is an odd-numbered year, all bills must pass both houses of the California Legislature by majority vote prior to September 12 to be seen by the governor. Bills passed are considered *enrolled*. Generally, the governor has 30 days to sign the bill into law, at which point it is called *chapters*,

or veto it. Chaptered bills take effect January 1 of the following year unless labeled urgency, in which case the bill becomes effective immediately.

Bills chaptered

AB 55, or the "additional retirement credit" (ARC) bill, allows an active member to purchase up to five years of additional service credit. This bill has been signed by the governor, but needs to be approved by the Board of Supervisors.

SB 270 provides a retiree organization recognized by the Retirement Board the opportunity to comment on any proposed changes to retirement

benefits or use of excess funds in the system.

The **Federal Jobs and Growth Tax Relief Reconciliation Act of 2003** has adjusted the tax withholding on retirement payments for retirees. SDCERA adopted the new tax tables with the June 2003 retirement payments, the same month the tables were released. To learn more, visit the Internal Revenue Service's web site at www.irs.gov.



New on the web

www.sdcera.org

Many of the documents on SDCERA's web site require that you have the 5.0 or newer version of Adobe Acrobat Reader on your computer. You can download this version for free at www.adobe.com/products/acrobat/readstep.html

Review the new SDCERA Life Events list for active, deferred and retired members.

ABOUT SDCERA	BENEFITS	MEMBER SERVICES	COMMUNICATIONS
SDCERA MEMBERSHIP	SERVICE RETIREMENT	SEMINARS	BOARD AGENDA/MINUTES
ORGANIZATION	DISABILITY RETIREMENT	FAQs	LEGISLATION
BOARD OF RETIREMENT	DEFERRED MEMBERSHIP	RETIREMENT CALCULATOR	NEWSLETTER
INVESTMENTS	HEALTH	CONTRIBUTION CALCULATOR	FORMS & PUBLICATIONS
CONTACT US	SURVIVOR BENEFITS	N.E.W.S. & EVENTS	ANNUAL REPORT
	OTHER	OUTREACH	

Visit the SDCERA home page to find links to other retirement-related web sites.

Seminar enrollment forms and other useful SDCERA publications and forms are found here.



Answers to Frequently Asked Questions

Can I stop making biweekly contributions to the retirement fund?

No. In general, membership in SDCERA is mandatory for eligible employees, and you must contribute to the retirement fund through payroll deduction. The contribution you make is pre-tax.

What is deferred membership status with reciprocity?

You are a deferred member with reciprocity if you terminate employment with five or more years of SDCERA/reciprocal retirement service credit, leave your SDCERA retirement accumulations (if any) on deposit, become a member of a reciprocal retirement system (within six months of leaving service), establish reciprocity and defer retirement to a later date.

Once I retire and begin receiving my benefit from SDCERA, can I continue to work without interrupting my monthly benefit?

While receiving a service retirement, you may work in any occupation or employment outside County employment without interruption of your monthly benefit. You may also work for the County of San Diego without interruption of retirement benefits as an employee in a position requiring special skills or knowledge, for a period not to exceed 120 working days (960 hours) in any one fiscal year.

If you are hired in a permanent position working at least 20 hours per week, you again become an active member. You must apply to the Board of Retirement for reinstatement to active membership. Your existing retirement benefit would stop as of the date of your re-employment. When you retire again, the initial retirement benefit would resume and the additional benefit earned from the second employment period would be added.

CalPERS long-term care rates increase

If you are a retiree participating in the CalPERS long-term care insurance program, your rate increase is effective December 1, 2003. You should have received a letter regarding this increase in July from CalPERS. If you have your insurance premium deducted directly from your monthly SDCERA benefit payment, this rate increase will appear beginning with your December 31 retirement payment.

If you have questions about this change, please contact CalPERS directly at **888/285-6270** or visit their web site at www.calpers.ca.gov/longtermcare.



Published for members of the San Diego County Employees Retirement Association

Member comments and suggestions should be directed to Suzanne Ketcham, Communications Officer.

E-mail: communications@sdcera.org

or contact:

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David A. Myers

Douglas Rose

Frank Russell Jr.

Retirement Board Meetings

First Thursday of each month at the SDCERA office Board Room, 14th Floor, 8:30 a.m.

October 2, 2003

November 6, 2003

December 4, 2003

Schedule of 2003 Retirement Payment Dates	
Month	Electronic Deposit Date
September	September 30
October	October 31
November	November 28
December	December 31

SDCERA will make every effort to meet this schedule; however, please verify with your financial institution that each deposit has been made to your account.



INVESTMENT REPORT – Fund Performance

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A portion of the SDCERA portfolio is invested in venture capital, one of several subsets of alternative assets. SDCERA's total allocation to alternative assets is 8.6%, with 3.6% in venture capital.

What is venture capital?

Venture capital (VC) consists of investments in small, young companies. The typical VC company begins with a group of entrepreneurs banding together around an idea or product and developing it to the point of sale (i.e., sell to another company or hold an initial public offering). Financing for VC companies may come initially from friends and relatives, later from VC partnerships and banks, and eventually from either a partial or complete sale to another company or an IPO. Hewlett Packard is an example of a VC funded company.

Due to the unproven nature of the product, often times an idea never fully develops or becomes

successful. Investment returns on individual companies can range from either a total loss to a return of 20 to 50 times the initial investment. Most returns are somewhere between these two extremes.

Why does SDCERA invest in venture capital?

Alternative assets possess characteristics which are referred to as high risk and high return. Over time, expected returns are substantially higher than the overall stock market (approximately 5% higher than the S&P500); however, the

volatility is also higher, and the range from lowest to highest expected returns is wider.

In SDCERA's recent asset liability study, the S&P500 was assumed to have an expected return of 8%, with a standard deviation of 17%. This means that 66% of the time returns would be expected to fall between 8% and plus or minus 17%. Venture capital was modeled at a 13% expected return, with a 35% standard deviation. Higher expected returns make VC (and other alternatives) a useful addition to the SDCERA portfolio. ☰

Returns for 2nd Quarter 2003 (net of fees)

SDCERA RETURNS	2nd Quarter	1 Year	3 Year	5 Year
Total fund	13.3%	3.7%	-3.1%	3.4%
Domestic equities	16.4%	-1.4%	-8.2%	0.5%
International equities	22.0%	-1.8%	-11.0%	-2.3%
Fixed income	4.0%	12.7%	7.3%	9.5%
INDICES	2nd Quarter	1 Year	3 Year	5 Year
S&P500	15.4%	0.2%	-11.2%	-1.6%
EAFE	19.3%	-6.5%	-13.5%	-4.0%
Lehman Aggregate	2.5%	10.4%	10.1%	7.5%

Total assets under management as of June 30, 2003 were \$4,112,400,000