

SDCERA

Strength. Service. Commitment.

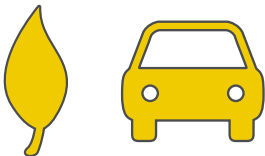
News

2008
July • August • September

Think green: save money and gas

With rising fuel prices and concerns about global warming, it pays to remember you can get the answers to your SDCERA questions without getting in your car. It's easy: just visit our web site (www.sdcer.org), phone our Call Center (619.515.6800), or take the trolley to the Rio Vista station—it's only two-tenths of a mile away—about a five to 10 minute walk. The station is serviced by the green line

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Actuarial study changes mortality tables and contribution rates

SDCERA carefully manages the retirement fund to ensure retirement benefits are available for all eligible members now and in the future.

Many variables (such as life expectancy, salary increases and investment return) affect a retirement plan's funded status. For example, if members generally live longer than expected, SDCERA must plan to pay benefits for more years. To ensure proper funding, SDCERA adopts assumptions about the variables and periodically compares them to actual experience. Every three

years, the actuary compares non-economic assumptions, such as life expectancy, to actual experience in an actuarial experience study. If there are differences, the Board of Retirement makes adjustments to ensure continued proper funding.

Based on the results of a recent actuarial experience study, the

(Study continued on page five)

Annual financial report wins highest honors

The Government Finance Officers Association (GFOA) awarded SDCERA the Certificate of Achievement for Excellence in Financial Reporting for its 2007 Comprehensive Annual Financial Report (CAFR).

The Certificate of Achievement is the highest form of recognition in the area of governmental financial and accounting reporting. Attaining it represents a significant accomplishment by an organization and its management. SDCERA has received the award each year for the past twelve years. Awards for the companion document, the Popular Annual Financial Report, have not been released yet; however, SDCERA fully expects to be honored for this document as well.

SDCERA exploring options for health plans

Health care during retirement years is a significant expense for many SDCERA members.

The fact that health insurance costs in the United States are consistently climbing, makes coverage options a bigger consideration than ever before.

Experts report the rising cost for health coverage is largely due to the increased use of health plans and the increased cost of pharmaceuticals. SDCERA negotiates plan rates each year; however, for 2009 we are conducting an even more extensive search with the goal of offering high quality health insurance plans at the best rate possible.

The rates for SDCERA's insurance plans (or any group insurance plan) are based on the experience and usage of the population they cover. As an example, if a plan has only a few hundred members enrolled, rates are significantly affected by the covered members' health and usage of the insurance.

As SDCERA explores options for 2009, we are evaluating bids from a number of carriers including various benefit design options and cost-control strategies. These could include various co-pay and deductible options in an effort to reduce rates for 2009. The next issue of *News* and the Open Enrollment packet, mailed to retired members each fall, will include information about the 2009 plan offerings.

SDCERA's goal remains the same as it has in the past: to research, evaluate and select health plans that will give the members the best value for their coverage.

Medicare Part D

Medicare Part D provides outpatient prescription drug coverage, for those people who do not have it through their health insurance plan. The cost for Medicare Part D varies based on the plan selected.

All SDCERA-sponsored Medicare health plans include prescription drug coverage. There's no need to enroll separately in a Medicare Part D prescription drug plan because you already have the coverage included in your SDCERA-sponsored health plan. In fact, if you enroll in a Medicare Part D plan, your SDCERA health coverage may be canceled.

If you leave an SDCERA health plan, or if you're currently enrolled in a plan other than those sponsored by SDCERA, you may choose to enroll in a separate Medicare prescription drug plan. Unlike Medicare Parts A and B, to enroll in Part D, you must enroll directly with an approved plan. For more information about Medicare, call 1.800.633.4227 or visit www.medicare.gov.

James W. Feeley, Doug Rose and Kay Ryan reelected to the Board of Retirement

Their new three-year terms begin July 1.

Board of Retirement seats new member and reelects three

The Board of Retirement has nine members: four elected by the members, four appointed by the Board of Supervisors, and the Treasurer Tax Collector, who serves on the Board of Retirement while he or she holds that office. In May, members reelected three board members and in June the Board of Supervisors appointed a new member.



James (Jim) W. Feeley ran unopposed for the eighth seat, which represents retired members. This is Feeley's ninth term as a member of the Board of Retirement. He has served for over 20 years both as an active and a retired member.



Doug Rose, Deputy District Attorney, was reelected to his third term on the Board of Retirement. Rose, who occupies the second seat, represents active, General members.



Kay Ryan was reelected by retired members to the alternate eighth member seat. This is her second term on the Board of Retirement.

Board of Supervisors appoints new board member to replace outgoing appointee



Laura Stanley DeMarco (left) resigned from the Board of Retirement effective May 1, 2008. DeMarco, a Board of Supervisors appointee, served on the Board of Retirement from May 2005 through May 2008. SDCERA thanks her for her expertise, dedication and commitment to the Board and SDCERA's members.

SDCERA and the Board of Retirement welcome newly appointed member Loretta Morris. Morris was appointed by the Board of Supervisors to the ninth seat to fill the unexpired term of Laura Stanley DeMarco and re-appointed to serve a new term ending June 30, 2011.

Separation and divorce can affect retirement benefit payments

Statistics for dissolution of marriage or registered domestic partnership show that more than half of SDCERA members could be affected by a legal separation or divorce.

California is a Community Property state, which means assets earned during a marriage or partnership (including your SDCERA benefit) are subject to division if the marriage/partnership dissolves. If your benefit is to be split, there are two options for active and deferred members, and one option for retired members.

Active members have two options

Separate Accounts

Creating separate accounts is the most commonly used method by active and deferred members. Using this method, the member's contribution account and service credit are divided to create a separate account for the former spouse/partner.

For example, if a member worked for the County of San Diego for 13 years and was married for 11 of those years, typically the 11 years would be split equally: 5.5 years for the member and 5.5 years for the former spouse. The member would keep the two years earned after the legal separation or dissolution and would also continue earning service credit while an active member.

Similarly, if the member contribution account total for the 11 years was \$8,000, typically the amount would be split equally. The

member would continue to make contributions to his or her own account while an active member.

The former spouse's/partner's monthly benefit will be based on his or her retirement age and service credit (credited to his or her account when the account was split). The member's highest final average monthly compensation as of the date the former spouse/partner begins to collect a retirement benefit will be used in the calculation.

If the member is vested on the date of legal separation or dissolution, the former spouse/partner may begin to collect a benefit payment as soon as either she or he (or the member) meets retirement eligibility requirements (usually age 50 with at least 10 years of service credit). This is true, regardless of whether the member retires at this time.

If the member is not vested on the date of dissolution, the only option

The designation of a spouse/partner as beneficiary for SDCERA benefits is automatically canceled by a dissolution of marriage/partnership that occurs after January 1, 2002. A *Beneficiary Designation* form is available at www.sdcera.org, or from SDCERA.

available to a former spouse/partner is to receive a refund.

A member's retirement benefit will be based on his or her age, total service credit and his or her highest final average monthly compensation at the time of retirement.

Shared Payments

Using the shared payments method, a former spouse/partner is not eligible to receive a benefit until the member retires. At the time of retirement, the member must elect an Option 4 retirement benefit and designate the former spouse/partner as a beneficiary.

The community property portion is calculated by SDCERA based on a formula. Generally, the former spouse/partner receives a percentage of the member's benefit that is proportional to the time worked during the marriage/partnership period. The member's monthly retirement benefit amount is reduced accordingly.

Retired members have one option

Retired members have one method to consider when deciding how a retirement benefit will be divided because the retirement benefit option a member elects at retirement cannot be changed.

Assigned Payment

Using the Assigned Payment method, a retired member's retirement benefit payment is reduced by a percentage agreed upon by the parties.

For example, if a retired member's monthly benefit payment is \$1,000 and the court awards the former spouse/partner 50%, the member's retirement benefit reduces to \$500, and the former spouse/partner receives a \$500 payment (50%).

The former spouse/partner receives a monthly benefit for the retired member's lifetime. If the member dies before the former spouse/partner, the benefit stops. If the former spouse dies before the member, the benefit is paid to the former spouse's estate or designated beneficiary for the lifetime of the member.

(Study continued from page one)

Board of Retirement adjusted the current retirement assumptions and mortality tables to more accurately reflect experience. General members are assumed to retire a little earlier and Safety members are assumed to retire a little later than previously. Retired Safety members' life expectancy improved by about one year, whereas General members' life expectancy decreased.

These changes in experience caused changes in contribution rates and optional benefit calculations for active members beginning July 1. Contribution rates increased slightly for all members and the reduction factors used to calculate benefits for Options 1 through 4 were also adjusted. The changes to the mortality tables did not affect the Unmodified benefit.

To compute your benefit or contribution amounts visit www.sdccera.org and use the online calculators.

Additional information about splitting a benefit

When a legal separation or dissolution action has been initiated, the member and/or other parties involved should immediately notify SDCERA in writing.

If a retirement benefit payment is to be divided, SDCERA must be joined as a party to the dissolution and a court-executed domestic relations order (DRO) must be in place. The DRO is separate from the community property settlement agreement. More information on dissolutions and models of DROs are in the *Dividing Community Property* booklet, at www.sdccera.org.



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(which runs from Santee to Old Town) and connects with both the orange and blue lines (which serve South Bay, El Cajon and downtown). Bus stops are also close by: Metropolitan Transit Service (MTS) bus route 14 stops at the intersection of Rio San Diego and Rio Bonito Way (about a block from our building) and bus route 6 stops at Camino de la Reina and Qualcomm Way, a half-mile away from SDCERA.

Use San Diego Metropolitan Transit Service's trip planner at www.sdmts.com or call 619.233.3004 to plan your route and determine the fare.

Legislative highlights



Bills under consideration

AB 2023 Disability Retirement Determinations

This bill requires the Board of Retirement to consider only competent medical opinions in determining whether a member is eligible to retire for disability, and would prohibit the use of disability retirement as a substitute for the disciplinary process.

AB 2754 Disability Retirement— MRSA Presumption

This bill expands the scope of the blood-borne infectious disease presumption under Government Code §31720.7 for Safety members to include any methicillin-resistant *Staphylococcus aureus* (MRSA) skin infection.

For more information, visit the California legislative information site at www.leginfo.ca.gov

Published for members of the San Diego County Employees Retirement Association

Member comments and suggestions should be directed to SDCERA's Communications Department.

E-mail:
communications@sdcera.org

Call:
619.515.6800
888.4.SDCERA

Send written inquiries to:
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San Diego, CA 92108-1685

Visit:
www.sdcera.org

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Doug Rose
Vacant
(alternate active)
Kay Ryan
(alternate retired)

Retirement Board Meetings
First Thursday of each month at the SDCERA Board Room, 2nd floor, 8:30 a.m.

Investment Board Meetings
Third Thursday of each month at the SDCERA Board Room, 2nd floor, 8:30 a.m.

Visit www.sdcera.org to view meeting calendars, agendas and minutes.

2008 Electronic Deposit Retirement Payment Dates July 31, August 29, September 30, October 31, November 26, December 31

SDCERA makes every effort to meet the retirement payment schedule; however, please verify with your financial institution that each deposit has been made to your account.

Answers to frequently asked questions



How will the court ruling allowing **same-sex marriage** affect my domestic partner's survivor benefit?

The ruling legalizing same-sex marriage has no effect on your SDCERA benefit if you are already in a registered domestic partnership. Under California law, a surviving domestic partner is eligible for the same retirement benefits as a surviving spouse. Therefore, if you marry your registered domestic partner, there is no change in the survivor benefit that your new spouse will receive upon your death. The court ruling gives a gay or lesbian spouse the same rights to a survivor retirement benefit as a heterosexual spouse without being required to be a registered domestic partner.

I didn't receive the last issue of the SDCERA quarterly newsletter.

How do I update my address?

If you are an active member, you must update your address with your payroll representative or on PeopleSoft Employee Self Service. After your address is corrected, SDCERA automatically receives the update. If you are a retired or deferred member, complete the SDCERA *Change of Address* form, which is available from www.sdccera.org, or from SDCERA. If you are retired, you probably receive your monthly retirement benefit via electronic deposit; however, it's important to keep your mailing address current so you receive the additional mailings from SDCERA (such as the quarterly newsletter, Board of Retirement election notices and open enrollment information).

Review your next earnings statement (active members receive a statement biweekly and retired members receive one monthly) to be certain the address shown is correct. If you don't receive a statement, that is a good indication that you need to make an update!

Personalized annual statement coming in September

Active and deferred members: look for your annual member statement in your home mailbox in September. Each fall, SDCERA mails you a personalized statement to help you estimate your retirement benefit and plan for retirement. Your statement includes all the information you need to generate an estimate using SDCERA's online retirement benefit calculator. It's easy: when you get your statement, just go to www.sdccera.org and click on calculators. In addition to your service credit, eligible compensation, membership classification and tier, your statement also lists your named beneficiaries. Review this information carefully. To update your beneficiaries just complete and submit a new *Beneficiary Designation* form, which will be included with your statement.

This newsletter provides disclosure of certain terms and conditions of SDCERA membership and benefits available to members. It is designed to give you this information as simply and as accurately as possible as of the date of publication. SDCERA is governed by the County Employees Retirement Law of 1937 (Government Code Section 31450 et. seq.) as it has been adopted and implemented by the San Diego County Board of Supervisors and the SDCERA Board of Retirement. If there is any inconsistency between this newsletter and the governing law, the law will govern. Decisions relating to the plan will be made after reference to the statutes and any resolutions, regulations and policies governing administration of SDCERA as they exist at the same time of the decisions.



Investment report

Economic troubles continued to plague investors during first quarter 2008. Weak credit markets and rising energy prices troubled most investments worldwide.

Equity markets around the world were down for the quarter and US small cap growth stocks experienced the largest decline. International and emerging market stocks were down but buoyed in part by continued weakness in the US dollar. SDCERA's approach to managing large company domestic stocks through an equity overlay plus the Alpha Engine underperformed this quarter due to systemic credit and liquidity problems. However, wide diversification within the Alpha Engine tempered the downside and it is expected to recover and recoup losses over time.

The fixed income portfolio performed relatively strongly against their respective benchmarks. Additionally, SDCERA's decision during the housing boom, to avoid investing in certain types of securitizations in the mortgage markets (such as collateralized debt obligations and collateralized

loan obligations), has helped our performance relative to our peers.

The credit crisis creates opportunities for SDCERA as well. Banks and other financial institutions continue to look for capital to shore up weak balance sheets. Pension funds are ideal sources of long term capital and SDCERA is evaluating strategies that recapitalize the stronger banks. Additionally, many securities in the credit markets

are undervalued in this pessimistic market, which creates opportunities for SDCERA to earn shorter term rewards as markets quiet down.

"We believe the issues in the credit markets will resolve and a new system for distributing and valuing credit risk will emerge", says CIO David J. Deutsch, "Until then, we will use specialized, opportunistic investments to take advantage of current market conditions."

Returns for 1st quarter 2008 (net of fees)				
SDCERA Returns	1st Quarter	1-Year	3-Year	5-Year
Total fund	-4.3	4.2	10.8	15.7
Domestic equities	-10.3	-9.4	3.8	11.2
S&P 500 Domestic benchmark indices	-9.4	-5.1	5.9	11.3
International equities	-10.1	4.3	19.4	27.2
MSCI EAFE — International benchmark indices	-8.8	-2.3	13.8	21.9
Fixed income	3.5	10.5	8.4	9.5
Lehman Aggregate — fixed income benchmark indices	2.2	7.7	5.5	4.6
Total assets under management as of March 31, 2008 were \$8,442,387,000				