



NEWS

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Investment REPORT

SDCERA uses technology to enhance returns and manage risk

by Robert Snigaroff, Chief Investment Officer



Robert Snigaroff

As you might expect, technology is used extensively in the management of SDCERA'S retirement assets. We use significant technological resources both internally and externally through our service providers. But, technology is not only used to enhance performance, it is also used to manage risk.


When considering the fact that asset management is also an information management issue, it becomes apparent that technology is important. Those investors who are able to better process information add the most value as a service provider. As a consequence, many of our external service providers expend large amounts of money and effort into such areas as software development and systems.

In the area of risk management, technology is also crucial. For example, SDCERA gets frequent updates on security positions in our various portfolios so management can monitor SDCERA holdings. Without these updates, SDCERA would only be getting part of the financial picture.

Unfortunately, many investment managers who oversee large sums of money managed for institutions often forget that technology does not replace sound management and judgment. In fact, **technology can sometimes give management a false sense of security, especially with respect to the measurement of risk.** For example, software written to monitor a portfolio only

incorporates what the designer of the software had in mind; if something new and different happens, the software might not pick it up in a timely fashion.

How decisions are made and the quality and motivation of who makes those decisions are also crucial components in risk management. There are many examples of poor management creating serious problems within institutional pools of money; the Orange County Treasurer's Cash Pool is one of them.

While SDCERA routinely uses technology to enhance returns and manage risk, it also uses a sound management and decision process to achieve success. Technology partnered with sound management is the key. 

Cost of living adjustment

Each year the Board of Retirement approves a Cost of Living Adjustment (COLA) to all retirees and all beneficiaries receiving monthly survivor benefits. To determine the percentage granted, the Board uses the Consumer Price Index (CPI) as it relates to the San Diego area. The CPI is an index published by the Department of Labor designed to reflect the change of living expenses in a particular area.

Retirees in Tier I are authorized an increase amount equal to the actual change measured by the CPI, not to exceed 3% per year. Tier II members have a maximum of 2% per year. This adjustment is rounded to the nearest one-half percent. In the event that the rounding is down or the CPI exceeds the maximum authorized, any excess is accrued in a COLA bank that can be used in years when the actual CPI is less than 2 or 3 percent.

The change in the CPI index from 1997 to 1998 was 1.95%. Using the rounding method described above, the amount to be paid for this year is 2.0%. (See the table below for this year's adjustment.)

Cost of Living Adjustment Table

RETIREMENT DATE	TIER I	TIER II
Before 3/31/90	3%	2%
4/1/90 — 3/31/99	2%	2%

Star Cola Adjustment

For the second year, the Board of Retirement has approved the Annual Supplemental Targeted Adjustment for Retirees (STAR COLA) for retirees who have lost more than 25% of their purchasing power to

Continued on page 6

IN THIS ISSUE

Cost of living adjustment 1	New document imaging system works for you 6
From Your Administrator 1	Answers to frequently asked questions 7
The Year 2000 issue (Y2K) 2	Investment Report 8
SDCERA is proud to announce its new web site 3	
Getting on-line with SDCERA 4	



Brian White

From Your Administrator

Welcome to the technology issue of SDCERA News. We've been working diligently to utilize new technology to communicate more efficiently with our members. One such development we're initializing is the use of the Internet. Hence, we are proud to present to you our SDCERA web site. This site provides information about our Association, member benefits and much more. We welcome your feedback and suggestions.

When you think of technology today, you can't forget about the Year 2000 Issue. This is a problem SDCERA has been monitoring closely. Look inside to learn more about this issue.

One of the biggest benefits of technology is that it creates greater efficiency, resulting in improved customer service. We are currently implementing a new imaging system to enhance customer service. Read inside for further details.

Those are just a few of the news highlights in this issue. We welcome back the months of spring and hope you enjoy them. 



San Diego County Employees Retirement Association
1495 Pacific Highway, Suite 400
San Diego, CA 92101-2427

Bulk Rate
U.S. Postage
PAID
Permit No. 2325
San Diego, CA

The Year 2000 issue (Y2K)

by Joseph J. Puncec, Controller & Information Technologies



Joseph J. Puncec

No doubt you have heard about "The Year 2000 Problem," commonly known as the "Y2K Issue."

The Y2K problem stems from the universal practice of using two digits rather than four to designate the calendar year (e.g. DD/MM/YY). Computer programmers originally used the two-digit notation to save valuable storage space and data entry time during a period when space had a much higher value than it does now. With today's larger hard drives and random access memory (RAM), this is no longer a problem.

Problems arise when computers shut down or handle dates incorrectly because they cannot tell the difference between the year 2000 and the year 1900. This, in turn, can cause problems with other systems we all depend upon such as banking and utilities. Over the last five years, however, there has been a high awareness of this issue. Unfortunately, many companies are forced to spend billions of dollars to correct the problem.

The Problems with Y2K

Briefly defined, the Y2K problem can involve any and/or all of the following situations:

1. Representation of the year as a two-digit number will cause

failures in arithmetic, comparisons, sorting and input and output to databases or files when date information is manipulated. One way this could effect a consumer, for example, would be if a computer applied your monthly mortgage payment to January 1900 instead of January 2000. You might get a notice that you did not pay your payment, even though you did.



2. Programmers used mathematical equations to determine dates, which would not work properly to determine if a year was a leap year. For example, if your credit card interest is charged by the day and it was a leap year, the computer would skip over February 29, 2000, and the bank would lose a day of interest. Because of this problem, some computers

think February 29, 2000, does not exist.

3. Computer programmers often used "Magic Numbers" such as "19", "99" and "00" (meaning, "never delete this" or "this is a demonstration account") in software. The use of such numbers, which were not meant as dates, caused computers to malfunction when looking for date fields. For example, if a computer comes to a field that was originally programmed to ensure something was not deleted by using a 99, it would assume the date to be 99 even when this might not be accurate.

What does this mean?

When the above problems appear, date fields can be mistakenly interpreted as 1900 rather than 2000 — the result being negative date calculations.

Incorrect leap-year calculations will assume that the year 2000 has only 365 days instead of the proper 366.

Lastly, although most of the Y2K concerns address the exact date of January 1, 2000, many date-dependent algorithms and forward-referencing systems, not corrected, fail because they are going beyond that date.

As you can see, there are many computer-based problems as a result of the programs written over the last 40 or so years. Programmers in the 1950s

Continued on the next page

SDCERA is proud to announce its new web site!

The San Diego County Employees Retirement Association (SDCERA) is proud to showcase its new web site over the following



two pages. The web site and this newsletter are designed to be major components in SDCERA's effort to better communicate with you — our valued member.

Our goal is to give you the information you need, when you need it.

As a member of SDCERA, you can log on any time and access all kinds of information about SDCERA and your retirement benefits. For example, we will use the web site to highlight topics like retirement planning, including retirement planning workshops and retirement benefits. One of the future plans includes a section that will enable you to calculate your retirement benefits on-line.

The web site also provides information about contacting SDCERA, where we are located and how to get here, and how to contact us by phone, e-mail and U.S. mail. It also details the organizational structure and

information on the governing board of SDCERA. Also, we include some of our most commonly used forms, so that you

can print them out from your computer, saving you time and effort. And, of course, you can read any issue of *SDCERA News* while on-line.

We expect our Frequently Asked Questions section to be very popular. Here, you'll find answers to our most commonly asked questions from other members. That way, you are likely to get your answer without having to pick up the phone.

The web site will be updated as needed, and **we strongly encourage member feedback**. Your input regarding the user friendliness of the site, the flow of information within the site, and the look of the site are extremely important to us. You can e-mail our webmaster with your feedback while you are on-line.

So, jump on-line and type in www.sdcera.org to surf the SDCERA web site. 🌊

Getting on-line with SDCERA

SDCERA is happy to announce its new web site at www.sdcera.org. The San Diego County Employees Retirement Association's web site is designed to help improve your customer service options by detailing the benefits available to you.

Type in www.sdcera.org to learn more about your San Diego County Employees Retirement Association (SDCERA). There you'll find comprehensive information about SDCERA benefits, member services and communications including:

- **ABOUT SDCERA**

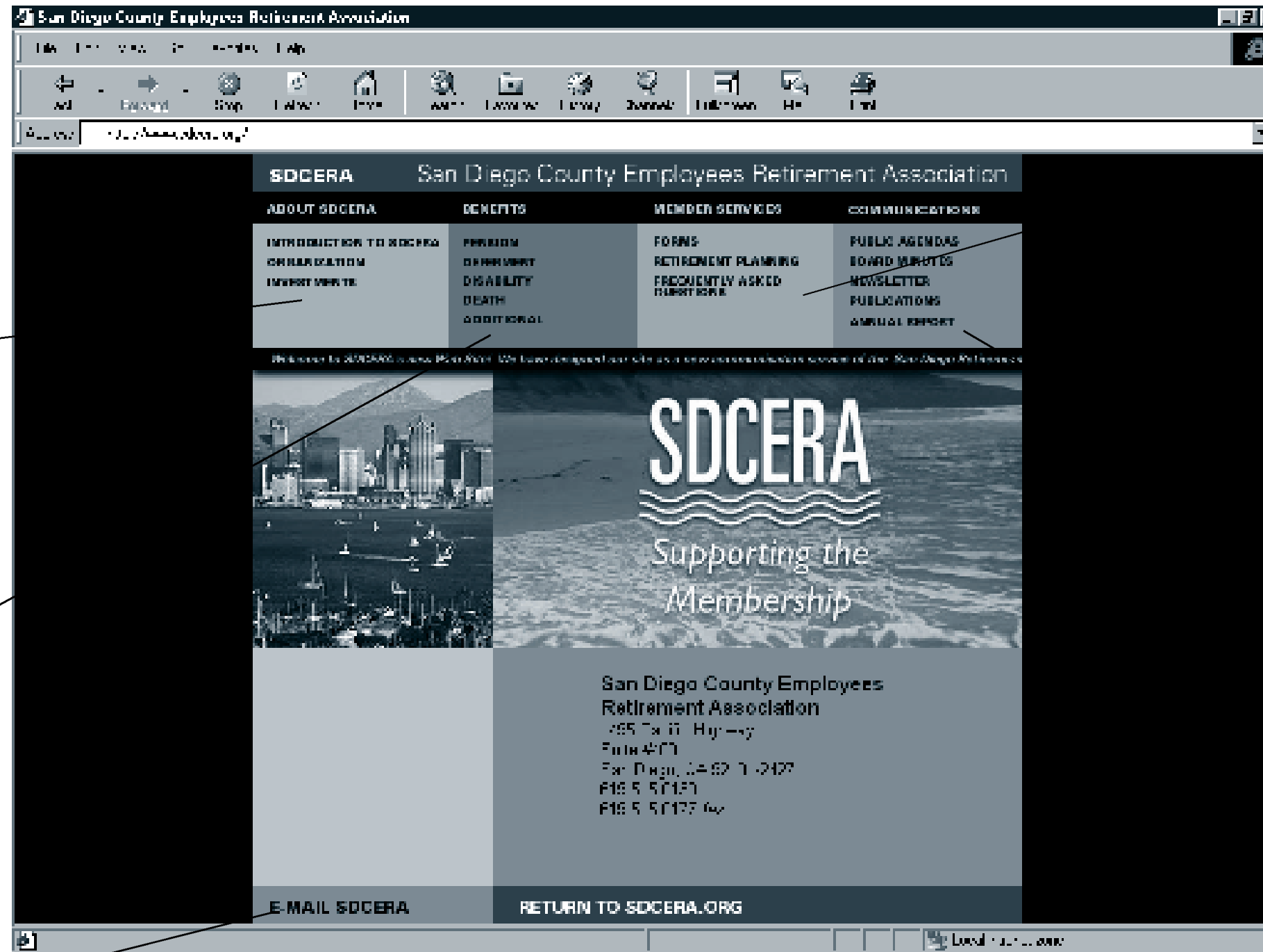
Go to this page to read more about SDCERA as an organization, including an **Introduction to SDCERA**, our Mission Statement, an Organizational Chart, the people who manage the **Organization** and the Board of Retirement. In addition, **Investments** and financial information, including our investing philosophy, are available here.

- **BENEFITS**

Go to this page for general information about your retirement **Benefits, Pension, Deferment, Disability, Death** and **Additional** benefits.

- **E-MAIL SDCERA**

Go to this part of the site to e-mail our webmaster with questions or feedback.



- **MEMBER SERVICES**

Go to this page for information on **Retirement Planning** and answers to your most **Frequently Asked Questions**. Also, this portion of the site gives you an opportunity to print out **Forms**.

- **COMMUNICATIONS**

Go to this page to learn more about the public side of SDCERA including its **Public Agendas**, and **Board Minutes**. You can download our **Newsletter** and view other **Publications** from this portion of the site as well. We have even made our **Annual Report** available to you.

SDCERA'S HOME PAGE When you log on to www.sdcera.org, you should see the above screen.

Cost of living adjustment (continued from page 1)

inflation since retirement. The STAR COLA adjustment decreases slightly from the previous year because the 3% / 2% Cost of Living Adjustment (COLA) is **greater this year** than the actual 1.95% inflation rate. The new STAR COLA adjustment maintains the 75% purchasing power of the original retirement benefit. In summary, because this year's COLA adjustment is greater than the inflation rate, the STAR COLA adjustment decreases slightly from the previous year. (See the table at right for this year's total STAR COLA payment.)

Star Cola Adjustment

Date of Retirement	Star Cola Current	Adjusted Star Cola
4/1/80 - 3/31/81	5.17%	4.10%
4/1/79 - 3/31/80	18.95%	17.73%
4/1/78 - 3/31/79	26.97%	25.68%
4/1/77 - 3/31/78	31.43%	30.09%
4/1/76 - 3/31/77	35.38%	34.00%
4/1/75 - 3/31/76	43.68%	42.21%
4/1/74 - 3/31/75	54.95%	53.37%
4/1/73 - 3/31/74	60.23%	58.60%
4/1/72 - 3/31/73	61.54%	59.89%
4/1/71 - 3/31/72	62.92%	61.26%
4/1/70 - 3/31/71	68.29%	66.57%
4/1/69 - 3/31/70	73.45%	71.68%
Before 4/1/69	77.02%	75.21%

Note: The Cost of Living Adjustment and STAR COLA are awarded as of April 1, 1999, and will be effective in the benefit we pay on April 30, 1999. ☞

New document imaging system works for you

by Dave Wolford, Member Services



Dave Wolford

SDCERA has once again raised the performance bar. To improve customer service and staff efficiency, we have installed a new, state-of-the-art, "Imaging System," (or EDIMS — Electronic Document & Image Management System) to automate SDCERA's operations and to support SDCERA's vision for the future. With 166 gigabytes of storage area and Y2K compliance, this system will take us well into the millennium.

More than 1.4 million images

contained in our member's paper files already have been scanned into the system, allowing SDCERA to electronically capture, store, display, manipulate, route and print or fax document images. These document images now can be retrieved in seconds instead of days. Your information is safely stored with one local and two offsite back-up locations.

In the near future, SDCERA plans to scan paper mail into our computer system when it arrives. This will allow electronic document routing of information, eliminating the time delay caused by hand sorting and delivery of

mail. In addition, this will allow several people to concurrently work on their part of the process, instead of waiting for paper files to land on their desk. Our short-term goal is to have all new retiree benefits and death benefits handled in a paperless manner with increased speed and efficiency. Our long-term goal is to process **all** benefit transactions in a paperless manner.

We believe our new imaging system will enhance customer service and staff productivity and will build the foundation for further automation of work processes in the coming years. ☞



Answers to frequently asked questions

Q. When am I eligible to retire?

A. Eligibility is based on your age and years of service credit. General Tier I Members must be at least 50 years old and have at least 10 years of service credit. General Tier II Members must be at least 55 years old and have at least 10 years of service credit. Any general member may retire with 30 years of service, **regardless of age**. Also, any member who reaches age 70 may retire, even if the member has less than 10 years of service credit.

Safety Members may retire at age 50 with 10 or more years of service credit. If you are age 50 **or** have 20 years of service you may retire.

Important Note: Retirement service credit is calculated beginning on your date of membership and excludes unpaid leaves of absence. Retirement service credit is **not** the same as County service, for which you receive service (longevity) awards.

Q. Are my retirement benefits taxable?

A. Most of your monthly retirement benefit is taxable. The only portion that is not taxable is that which is attributable to retirement contributions you paid prior to 1997. During your retirement interview, SDCERA retirement staff will review this information with you and provide information regarding income tax reporting for any tax exempt retirement income after retirement.

Q. How long will I receive my retirement benefit?

A. Retirement benefits from SDCERA are lifetime benefits. Depending upon the option you select at the time of retirement, an eligible beneficiary (if living) may also receive a monthly continuance of your retirement benefit in the event of your death. ☞

Schedule of 1999 Retirement Payment Dates		
Month	Mail Date	Electronic Deposit Date
March 1999	March 30, 1999	March 31, 1999
April 1999	April 29, 1999	April 30, 1999
May 1999	May 27, 1999	May 28, 1999
June 1999	June 29, 1999	June 30, 1999

NEWS

Published for members of the San Diego County Employees Retirement Association

Member comments and suggestions are welcome.

Please call or write
SDCERA
1495 Pacific Highway,
Suite 400
San Diego, CA
92101-2427
619.515.0130
www.sdcera.org

BOARD OF RETIREMENT

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

David Devol
Secretary

Ernest Dronenburg, Jr.

James Feeley

Bart Hartman

Joe McGuire

Robert J. Scannell

Randa Trapp

Marilyn Wiczynski

RETIREMENT STAFF

Brian P. White
Administrator

Jeffery E. Gardner
*Assistant Administrator,
Benefits*

Robert Snigaroff
Chief Investment Officer

Joseph J. Puncce, CPA
Controller

Marsha Boyd
*Retirement Benefits
Officer*

Rose Linzaga
*Retirement Benefits
Officer*

Arlene Thichava
*Retirement Benefits
Officer*

Arne Hansen
Deputy County Counsel