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2005 Member Education Programs

Learn more about your SDCERA benefits

Understanding retirement and the related SDCERA benefits available to you is valuable in assisting you with your long-term retirement planning.

SDCERA offers a variety of member education programs to help you plan for your retirement throughout your career.

To enroll in an SDCERA program, you may 1) download an enrollment form via the web site and mail the completed form to us or 2) contact the SDCERA Call Center and request a form be mailed to you.

Below are the specifics on each of SDCERA's programs.

Retirement Planning Workshops

Wednesdays, 8:00 a.m. to 12:00 p.m.

This workshop (RPW) is designed for members to attend as early in their careers as possible. It takes time to implement the strategies learned and smart investing usually takes years to pay off. Members who attend are better able to chart a course to retirement that includes financial planning strategies, health care options and other important details. The four-hour class consists of two major elements: the first half of the workshop is presented by SDCERA staff, who

educate members on how their retirement benefit will be calculated and explain options such as purchasing service credit, establishing reciprocity and the SDCERA Health Benefits Program for retired members.

The second half of the workshop focuses on important financial

The Retirement Planning Workshop is designed for members to attend as early in their careers as possible.

planning to help ensure a secure retirement, and is taught by a financial education firm.

Estate Planning Seminars

Wednesdays, 1:30 to 3:30 p.m.

SDCERA's two-hour Estate Planning Workshop is an excellent resource to learn how to plan for the distribution of your assets upon your death. The workshop is taught by a professional financial education firm, who stresses that anyone who has income and/or owns property should have an estate plan. Members who attend learn the difference between a will and a trust and how (and why) to



avoid probate. Spouses and beneficiaries are encouraged to attend. Each attendee receives an estate planning workbook that includes the steps necessary to create an estate plan.

Service Retirement Meetings

Tuesdays, 1:30 to 3:30 p.m.

Service Retirement Meetings are for members retiring within 60 days (or less) of the day they attend the meeting. These meetings are working meetings to complete and sign paperwork necessary to process your retirement application. SDCERA staff are available to answer questions about forms and the health benefits program. Retirement and health benefit options are discussed in detail, which helps members make their important decisions.

(continued on page 4)




Board of Retirement elections set for May

Active General (non-Safety) and retired members are encouraged to participate in elections for the Board of Retirement on May 17. The Board's second seat, represented by active General members, and eighth seat, represented by retired members, both expire June 30, 2005. Retired members will also vote for an alternate retired member. Retired members' ballots will be delivered via U.S. mail and active General members will receive their ballots by County mail in the first week of May.

General or retired members

interested in running for the seat they represent can pick up a petition from the SDCERA office, in the 14th floor lobby, beginning March 25. Petitions must be returned to the office no later than noon on April 18. A retired candidate may run for either the retired member or alternate retired member seat, or both. Each elected candidate serves a three-year term, beginning July 1, 2005.

To learn more about the responsibilities of a board member, visit SDCERA's web site and click on About Us. 

CalPERS Long-Term Care offers new materials and planning tools

As it celebrates its 10th anniversary, the CalPERS Long-Term Care Program has developed new materials, including a DVD, for its more than 175,000 members to use in planning for the serious issue of long-term care.

All California public employees (including non-CalPERS members), retirees, their spouses, parents, parents-in-law and siblings age 18 or older are eligible to apply for the program. This year, the program is also offering additional plan options for members.

The application period for the program is from May 1, 2005 through September 30, 2005. Call 800-338-2244 to request an application kit or visit www.calpers.ca.gov. Applications will be mailed upon request in early May 2005.

SDCERA 2005 Board Election Calendar	
Friday, March 25	Candidate petitions available
Monday, April 18 by noon	Candidate petitions filing deadline
Tuesday, May 17	Election day
Monday, May 23	Election winners certified
Friday, July 1	Board members begin terms



Dave Meyers

Meet the Board: Dave Meyers

Sheriff's sergeant Dave Meyers represents Safety members on SDCERA's Board of Retirement. Dave came to the Board in 2003 and was recently re-elected to a second term.

Dave has served on a variety of committees, including the legal affairs, fixed income committees and most recently, as chairman of the Board's committee to relocate the SDCERA office.

Recently, Dave has taken a staunch position in favor of the preservation of defined benefit plans such as SDCERA's. This comes in the wake of current proposals by the state, which aim to move public retirement systems to a defined

contribution plan for future employees.

"I support defined benefit plans as the only viable retirement plan economically feasible for the retention, recruitment and economic stability of the members and employers," says Meyers. "We all must take an active role in this debate by telling our elected officials, both locally and at the state level, that we support the preservation of this kind of retirement plan and strongly oppose any measures to change it."

Dave is especially concerned about the benefits fellow Safety members stand to lose.

"The Governor's proposal does not address the disability and death benefit components included in our defined benefit plan," says Dave. "Under the proposed plan, all the member's family would receive is a funeral."

Board approves maximum COLA for 2005

SDCERA's Board of Retirement has approved a 3% Cost of Living Adjustment (COLA) for 2005. This increase is the maximum amount that retired members are eligible to receive.

Each year the COLA is based on the Consumer Price Index (CPI) data for the San Diego area, obtained from the U.S. Department of Labor. The 2004 CPI reported an increase of 3.65% in daily living expenses.

COLA Bank

Because the maximum allowable COLA is 3%, any increase in the CPI beyond that maximum (in this case .65%) is rounded to the nearest 1/2% and placed in the COLA bank; therefore, .5% was placed in the COLA bank this year. This amount can be applied in a future year, when the CPI change is less than the maximum.

STAR COLA

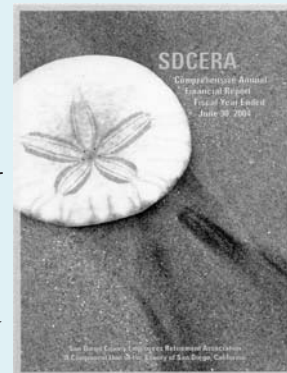
The Board of Retirement also approved a STAR (Supplemental Targeted Adjustment for Retirees) COLA, effective April 1, 2005, for eligible retirees. STAR COLA applies to those retirees who have lost more than 20% of their purchasing power to inflation since retiring. This adjustment allows retirees to retain at least 80% of their purchasing power regardless of how many years they have been retired. Refer to the chart to see if the STAR COLA affects you.

STAR COLA		
Retirement Date	Increase in Original Pension	
	Tier I	Tier II
4/1/87 - 3/31/88	no increase	0.97%
4/1/86 - 3/31/87	no increase	1.86%
4/1/85 - 3/31/86	no increase	5.22%
4/1/84 - 3/31/85	no increase	9.20%
4/1/83 - 3/31/84	no increase	10.12%
4/1/82 - 3/31/83	no increase	15.31%
4/1/81 - 3/31/82	6.03%	28.24%
4/1/80 - 3/31/81	18.58%	44.82%
4/1/79 - 3/31/80	34.11%	44.82%
4/1/78 - 3/31/79	43.16%	44.82%
4/1/77 - 3/31/78	48.18%	Tier II is not applicable prior to 10/01/78
4/1/76 - 3/31/77	52.64%	
4/1/75 - 3/31/76	61.97%	
4/1/74 - 3/31/75	74.71%	
4/1/73 - 3/31/74	80.67%	
4/1/72 - 3/31/73	82.13%	
4/1/71 - 3/31/72	83.70%	
4/1/70 - 3/31/71	89.71%	
4/1/69 - 3/31/70	95.57%	
Before 4/1/69	99.56%	

2004 annual report available

SDCERA's 2004 CAFR (Comprehensive Annual Financial Report) is now available to view or print from SDCERA's web site.

Members received the condensed version by mail in February, but for those interested in more detailed information on the investment, management and funding activities of SDCERA, the CAFR is an excellent resource. Included is an overview of the financial status of SDCERA as well



as the current investment program, including information on the fund's strategic asset allocation and other portfolio information. (See page 8 for related investment information).



Member Education Programs *(continued from page 1)*

2005 Outreach Program

To help you further understand your SDCERA benefits, our Outreach program is offered in the form of departmental meetings conveniently scheduled at members' own work sites. Although it is not possible to learn all there is to know about your benefits in just one meeting, Outreach is an excellent one-stop resource for new employees, as well as seasoned members, to begin the learning process or add to what they already know.

"Confirmed what I thought I knew. Learned things I didn't know I didn't know."

-- Outreach attendee

Attending an Outreach meeting couldn't be more convenient. SDCERA visits your work

location to provide you with information, as well as the opportunity to ask your own questions.

2005 marks the third year of our Outreach efforts, with this year's program entitled *"Navigating through SDCERA Benefits."*

Topics are based on feedback from members who have attended an Outreach meeting in the past and include an introduction to the Board of Retirement; discussion of member contributions; how to calculate a retirement benefit and an overview on how to navigate the SDCERA web site.

Meetings are usually scheduled through Department Personnel Officers, training coordinators or



Jan Garner, SDCERA Disability Retirement Specialist, addresses Department of Human Resources employees at an Outreach meeting.

department payroll representatives. Check with these key contact people in your department to see when SDCERA Outreach will be visiting your department and mark your calendar to attend. Members have told us that regardless of how many years they have been an SDCERA member, they always learn something new at an Outreach meeting.

Californians can now receive free annual credit report

Thanks to the Fair and Accurate Credit Transactions Act (FACT), consumers may now receive a free copy of their credit report each year.

Keeping track of your credit history and status are important components of your long-term financial planning. In the past, the only way to receive a free copy was if you lived in one of several states that required you be sent a free report when denied credit; California was not one of those states.

Now there are several ways you may obtain a free annual credit report: 1) you may go on line, at www.annualcreditreport.com, 2) you may phone 877-322-8228 to request the report be mailed or 3) you may also submit a standardized form, available from the Federal Trade Commission at www.ftc.gov/credit.

Remember, do not contact the three nationwide consumer credit reporting companies (Equifax, Experian and Trans Union)

individually; you must use one of the methods listed here in order to receive your comprehensive report.

In addition to helping you plot out your financial future, obtaining a copy of your credit report can alert you to any errors or fraudulent activities that may show up on your report. For these reasons, obtain your free copy on a regular basis.



Resources at your fingertips

Using the SDCERA web site

If you are looking for more information about their SDCERA retirement benefits, health benefits, new legislation or one of many other topics, take a few minutes to explore SDCERA's web site, where a wide range of information and materials is just a mouse click away.

SDCERA's comprehensive web site offers a variety of information, planning tools and a complete library of all SDCERA forms and publications for viewing or printing. Below are some helpful features of our web site.

Retirement Benefit Calculator

www.sdcera.org/calculators

One of the most frequently visited areas of the web site is the Retirement Benefit Calculator, which allows you to project your monthly retirement benefit, based on variables such as your age at retirement and your final compensation. You can create different scenarios based on your retirement plans and projection of income, and use the estimate as an invaluable planning tool for the future.

Forms and Publications

www.sdcera.org/communications/forms-and-publications

Whether you need one of SDCERA's specialized booklets, such as the *Survivor and Beneficiary Information* or *Service Retirement Information* booklet, a change of address form or one of our Fact Sheets, you can find a printable version on our web site.

The Forms and Publications section is updated routinely to assure you are downloading the latest document.

Retirement Planning Checklist

www.sdcera.org/communications/forms-and-publications

This comprehensive checklist offers important suggestions and reminders to help you prepare for retirement in three stages: five years prior to retirement, one year prior to retirement and two to three months prior to retirement. Members are encouraged to view the document on line to take advantage of the many links to related documents, forms and exterior web sites, as well as to print a copy of the checklist for future reference.

Health Care

www.sdcera.org/health/health

For any member wishing to learn more about SDCERA's retiree health benefits program,




the Health Care section of our web site offers extensive information on the insurance plans available, enrollment process, health allowance and Health Insurance Reimbursement (HIR) program.

Valuable information on Medicare, including the new Medicare-approved drug discount cards is also available.

Links

www.sdcera.org/about/links

This section provides access to an assortment of important sites, such as AARP, the Social Security Administration and the California Legislation web site, which tracks important legislation that could affect SDCERA members. 

For service retirement eligibility requirements, [click here](#).

Calculator worksheet

Your age at retirement

Your final compensation
(highest average monthly salary) \$ (highest 1 year)
(do not use commas)

Your service credit at retirement

	General		Safety
	Tier I	Tier A	3% @ Age 50
Service credit	<input type="text"/>	<input type="text"/>	<input type="text"/>

Your membership classification at retirement General Safety

[Click here to receive a benefit estimate for the Unmodified option.](#)

The Retirement Benefit Calculator estimates what you can expect to receive as a retirement benefit, based on the variables you input.



Legislative Highlights - Expanded Edition

Pension reform ballot measure

ACA 5, ACA 1X and the Fair and Fiscally Responsible Public Employee Retirement Act

In response to the state's recent proposals to abolish traditional public pension plans for future employees, the Board of Retirement recently adopted a firm position opposing the measure, citing negative consequences that would result from such drastic changes.

Currently, state and local government agencies have authority to determine retirement benefits for defined benefit (DB) plans such as SDCERA's. There are, however, three proposals, each of which would require voter approval to amend the California constitution to prohibit all non-federal public employees in California hired on or after July 1, 2007 from enrolling in a DB plan. Voter approval is also sought to permit enrollment in an employer-sponsored defined contribution (DC) plan, and allow current employees to rescind membership in their existing DB plans and transfer assets to the new DC plan.

The first proposal, ACA 5, was introduced by Assemblyman Richman last year; the second proposal, ACA 1X, was also introduced by Richman and is sponsored by Governor Schwarzenegger. Finally, the Howard Jarvis Taxpayers Association, and Richman, presented "The Fair and Fiscally Responsible Public Employee Retirement Act" as a third proposal. (Read the legislation in full at www.leginfo.ca.gov)

DB vs. DC: the differences

Defined benefit plans such as SDCERA's are a staple of public sector employment. A DB plan provides a pension based on a formula typically using age, service credit and final compensation to determine benefits. In most cases, contributions are mandatory and the amount is pre-determined based on the age you entered membership, membership type and wages. DB plans are usually funded through employee contributions, employer contributions and returns on professionally invested and managed assets. Typically, 70 to 80 percent of the money in pension funds comes from investment returns.


Under DB plans, retirement benefits are guaranteed, paid to the retiree until death and considered unbreakable contracts per the state constitution. DB plans also typically include provisions that pay a benefit to those who become disabled and cannot work.

By contrast, a **defined contribution** plan usually provides benefits equal only to the combined employer and employee contributions, plus interest less administrative expenses. These plans are often found in private companies, in the form of a 401(k) or similar plan.

One of the most important and troublesome distinctions of DC plans is the absence of a guaranteed benefit. The duration of a retirement benefit is dependent on how much money was contributed by the employee and employer, plus investment earnings; when the money runs out, so does the pension. In addition, DC plans shift investment-related risk from the employer to the employee. Because not all individuals are investment-savvy, DC plans have had historically lower investment returns than DB plans.

Also noticeably absent from the proposed DC plan are specific provisions for death and disability benefits now provided by SDCERA and most public DB plans, and of crucial importance to Safety members, who work in high-risk positions. While employer-funded death and disability benefits could be a replacement, there is currently no comparable insurance product available.

A recent study by SDCERA's actuary analyzed additional negative effects SDCERA and its membership would face under such reform. A DB plan closed to future employees would require a change in amortization methods, resulting in an immediate increase in employer contributions. Although those hired prior to July 1, 2007 would retain their DB plans, member contributions could be expected to increase due to the probability of needing to adopt a more conservative asset allocation. This conservative approach would also jeopardize funding of ancillary benefits such as the Health Allowance and STAR COLA. Both are currently funded by excess earnings and conservative investment strategies would not likely yield the returns necessary to fund those benefits.

The proposed reform would cost the County an estimated \$232 million in the first four years, plus additional costs that would result from having to adopt a more conservative investment approach. In addition to consequences the County and its employees face, the general public stands to lose as well, as the ability to attract and retain a specialized workforce to provide service and protection for San Diego County would be greatly impaired. 



Answers to Frequently Asked Questions

I am an active member and am considering purchasing service credit. How do I look into this option?

Service credit purchases must be completed before your retirement date and can be purchased in the form of a lump sum payment, or through an installment plan if you are an active member.

If you are eligible and thinking of purchasing one of the four types of eligible service credit (service prior to membership, sick leave without pay, redeposit of withdrawn contributions, or prior public agency) the first step is to find out if the time qualifies for a purchase and how much it will cost you. Go to the *Communications/Forms and Publications* section of our web site and download the *Request for SDCERA Retirement Service Credit Costs* form, or contact our Call Center to request the form be mailed to you.

Once SDCERA receives your completed form, it will take approximately six to eight weeks to research. Remember, by requesting an estimate of the cost of the purchase you are not obligated to actually make the purchase.

Purchasing SDCERA service credit is an investment that should be weighed carefully. By evaluating the cost against your estimated benefit, you can decide if it's an investment you want to make.

I'm a deferred member planning to retire soon, but I no longer live in San Diego County. What do I need to do?

If you reside outside of San Diego County, you may apply for retirement by mail. You must submit your completed application and other necessary paperwork within the 60-day period prior to your retirement date. Contact the SDCERA Call Center to request the necessary forms and information, including the documents you will need to submit with your application, such as a copy of your birth certificate. Review the SDCERA *Service Retirement Information* booklet available from our web site's *Communications/Forms and Publications* section or contact the Call Center to receive the booklet by mail.

I am not eligible for Medicare based on my current employment. Can I qualify in any other way?

You may be eligible for Medicare based on the employment of a current, former or deceased spouse. You may also qualify through other employment, or if you are receiving Social Security Disability benefits and have been receiving those benefits for at least two years. Contact Medicare directly to determine if you qualify. To avoid Medicare penalties, you should enroll in Part B when you become eligible, even if you are not eligible for premium-free Part A through your spouse until a later date (note: this does not apply if you are still working at age 65).

Published for members of the San Diego County Employees Retirement Association

Member comments and suggestions should be directed to Robyn Bullard, Communications Officer.

E-mail: communications@sdcera.org or contact:

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Brian P. White

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David A. Myers
Douglas Rose
Frank Russell Jr.
Garry Sobeck

Warren L. Gibson II
(alternate Board member)

George Shoemaker
(alternate retired Board member)

Retirement Board Meetings

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

April 7, May 5, June 2

Investment Board Meetings

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

April 21, May 19, June 16

Electronic Deposit Retirement Payment Dates

April 29, 2005

May 31, 2005

June 30, 2005

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

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.



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INVESTMENT REPORT

Managing the Fund: The Board's role

Managing the investments of the SDCERA retirement Fund is an ongoing function that requires prudent decision-making on many levels.

The Board of Retirement plays an integral role in the management of the Fund. In addition to setting policies that help govern SDCERA as a whole, the Board also sets the policies that control how much risk SDCERA is willing to bear in its investments.

With the help of Investment staff and money managers, the Board's job is to select the best mix of asset classes that is anticipated to earn the targeted return; the current targeted return is 8.25%. The Board adopts multiple asset classes, including real estate, private equity, international stocks and bonds, domestic stocks and bonds, currencies and commodities.

This asset allocation review is done every two to three years. At that time, the Board has the option to rethink and reset the policies and allocations they have adopted.

The Board must also set policy on how it manages other types of risk within the organization, such as liquidity needs. An example of a liquidity need is the amount of money SDCERA pays out each month in retirement and disability benefits; currently that amount is more than \$20 million a month. Investment strategies must take these

types of liquidity needs into consideration as well. In addition to managing the fund, the Board also reviews and ratifies certain decisions made by the Investment staff, such as the hiring and termination of external money managers.

As with other retirement systems, the Board is made up of individuals from a variety of professional backgrounds. In order to continually educate Board members on the intricacies of managing the Fund, there is a broad range of schooling, seminars and other educational resources available and SDCERA's Board takes full advantage of these opportunities. In addition, the Investments unit fully supports the board with professional expertise and advice, and the two work in concert to ensure that the management of the Fund yields the greatest possible success at an acceptable level of return.

Returns for 4th quarter 2004 (net of fees)				
SDCERA RETURNS	4th Quarter	1 Year	3 Year	5 Year
Total fund	10.7%	15.6%	11.3%	4.6%
Domestic equities	10.6%	13.6%	6.5%	0.8%
International equities	15.5%	23.1%	16.2%	1.2%
Fixed income	6.5%	10.6%	11.5%	9.5%
INDICES	4th Quarter	1 Year	3 Year	5 Year
S&P 500	9.2%	10.9%	3.6%	-2.3%
EAFE	15.1%	20.5%	12.4%	-0.4%
Lehman Aggregate	1.0%	4.3%	6.2%	7.7%

Total assets under management on December 31, 2004 were \$6,315,486,000.