

SDCERA

Supporting The
Membership

Spring 2006
April/May/June

NEWS

In this issue

- 2 Upcoming contribution rate changes
- 3 COLA and STAR COLA
- 4 Wellness
- 5 Update personal information
- 6 Legislative Highlights
- 7 Frequently Asked Questions
- 8 Investment Report

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

SDCERA busy making good moves for members



SDCERA will move to its new Mission Valley offices this summer.

You may have heard that the only thing constant is change. At SDCERA, we're embracing that concept.

SDCERA is a member services organization and our primary duty is to our members. By prudently managing the retirement fund and providing superior service to our members, we support this mission—yet, we are always searching for areas where we believe we can improve.

For the better part of the last year, SDCERA has been participating in an internal business review to determine where to improve processes within our day-to-day work. We're concentrating on areas where we can do more, faster and achieve better results more efficiently. In some cases this could mean changing the way we do business, which ultimately meets our goal of delivering improved service to you—the member.

With this investigation into our current practices, we are confident that we will “fill some gaps” and improve areas that involve providing service to you. Examples of

improvements range from reducing the amount of time it takes to process retirement applications, to allowing you to view and access personalized information via our web site. We know we're headed in the right direction with these types of changes because again, it means improved service to you.

We're gearing up for external changes as well—such as providing service from our new location. You may know that as part of the Board of Retirement's investment approach, the Board has approved the purchase of a building in the Mission Valley area of San Diego. The SDCERA office is scheduled to move into the new building this summer. Stay tuned for more information coming your way regarding the new location. SDCERA's new home will be central to a large percentage of the members we serve and if you agree with the philosophy that it's better to own than rent, then you recognize that the new location is a long-term investment opportunity for SDCERA as well.

Amidst the winds of change, be assured that two things will NOT be changing at SDCERA: (1) Our commitment to providing members with the resources you need to help you make informed decisions about your benefits and (2) our conscientious, sophisticated approach to managing investments.

The Board of Retirement and our investment staff receive accolades yearly from well-known, independent plan reviewers for their exceptional management of our plan assets. Our approach to investments at SDCERA

(continued on page 5)

Upcoming contribution rate changes

General and Safety members will have an increase (or decrease) to their biweekly member contribution effective July 1, 2006. Please locate your new rate on the appropriate chart.

The average increase is a little less than one third of one percent, or .30%. The average decrease is approximately .06%.

The Board of Retirement recently adopted new member and employer contribution rates as a result of changes made to several actuarial assumptions that were recommended to the Board by the plan's actuary. The new rates reflect a combination of both higher salary increases and lower cost of living assumptions recommended by the actuary.

The employer's contributions to the retirement fund will increase by 1.61%—from 23.08% to 24.69% of payroll.

Use the SDCERA web site—the best resource to calculate the new dollar amount that will be deducted from your paycheck. Visit www.sdcera.org, click Calculators/Contribution Calculator, and calculate your contribution by inputting your SDCERA entry age—generally the age you were when you first entered SDCERA membership; your representation unit—based on your job classification, and your hourly or biweekly salary.

If you have questions about the increase, please contact the SDCERA Call Center.

General Members (employed in Non-Law Enforcement)

Tier A—Member Contribution Rates, Effective July 1, 2006

(Tier I members can visit www.sdcera.org or contact the Call Center for new contribution rates).

Entry Age	Contribution Rate		Entry Age	Contribution Rate	
	Current	Effective July 1, 2006		Current	Effective July 1, 2006
16	7.52%	7.91%	36	10.74%	10.94%
17	7.67%	8.05%	37	10.92%	11.12%
18	7.81%	8.19%	38	11.11%	11.30%
19	7.95%	8.32%	39	11.31%	11.49%
20	8.10%	8.46%	40	11.50%	11.66%
21	8.25%	8.59%	41	11.71%	11.85%
22	8.40%	8.74%	42	11.91%	12.04%
23	8.55%	8.88%	43	12.13%	12.25%
24	8.70%	9.03%	44	12.35%	12.45%
25	8.86%	9.18%	45	12.57%	12.65%
26	9.01%	9.33%	46	12.80%	12.87%
27	9.17%	9.48%	47	13.04%	13.10%
28	9.34%	9.63%	48	13.30%	13.35%
29	9.50%	9.79%	49	13.59%	13.62%
30	9.68%	9.95%	50	13.78%	13.79%
31	9.84%	10.10%	51	13.93%	13.92%
32	10.02%	10.26%	52	14.02%	14.01%
33	10.19%	10.44%	53	14.09%	14.05%
34	10.37%	10.60%	54+	14.11%	14.05%
35	10.55%	10.77%			

Safety Members (employed in Active Law Enforcement)

3% @ 50—Member Contribution Rates, Effective July 1, 2006

Entry Age	Contribution Rate		Entry Age	Contribution Rate	
	Current	Effective July 1, 2006		Current	Effective July 1, 2006
18	10.46%	10.76%	34	13.16%	13.31%
19	10.46%	10.76%	35	13.41%	13.53%
20	10.46%	10.76%	36	13.65%	13.76%
21	10.46%	10.76%	37	13.91%	14.00%
22	10.64%	10.94%	38	14.17%	14.24%
23	10.84%	11.12%	39	14.44%	14.50%
24	11.02%	11.31%	40	14.73%	14.77%
25	11.22%	11.49%	41	15.03%	15.05%
26	11.43%	11.68%	42	15.37%	15.36%
27	11.63%	11.86%	43	15.72%	15.69%
28	11.84%	12.06%	44	16.11%	16.08%
29	12.06%	12.25%	45	16.35%	16.29%
30	12.27%	12.46%	46	16.51%	16.42%
31	12.48%	12.66%	47	16.54%	16.42%
32	12.71%	12.87%	48	16.43%	16.30%
33	12.94%	13.08%	49+	16.22%	16.08%

Cost of Living Adjustment

Board approves maximum COLA for retired members

The Board of Retirement recently approved the maximum 3% Cost of Living Adjustment (COLA), effective April 1, 2006. The increase is the maximum increase that retired members can receive annually, as stated in the 1937 Act, the section of law which governs SDCERA.

The annual COLA is based on the consumer price index for the San Diego area. These numbers are obtained each year from the U.S. Department of Labor, which reported an increase of 3.67% in 2006 for San Diego.

COLA Bank

Because the maximum allowable COLA is 3%, any increase in the CPI beyond that maximum (in this case .67%) is rounded to the nearest 1/2% and placed in the COLA bank; therefore, .5% was placed in the COLA bank for 2006. This amount can be applied in a future year, when the CPI changes is less than the maximum.

STAR COLA

The Board of Retirement also approved the STAR (Supplemental Targeted Adjustment for Retirees) COLA, effective April 1, 2006, for eligible retired members. STAR COLA is a discretionary benefit approved by the Board of Retirement each year; the benefit was implemented for those retirees who have lost more than 20% of their purchasing power to inflation since retiring, and ensures that a retiree's or survivor's pension maintains at least 80% of the purchasing power at the time of retirement. Refer to the chart to see if the STAR COLA affects you.

STAR COLA		
Retirement Date	Increase in Original Pension	
	Tier I	Tier II
4/1/88 to 3/31/89	no increase	0.15%
4/1/87 to 3/31/88	no increase	1.63%
4/1/86 to 3/31/87	no increase	2.53%
4/1/85 to 3/31/86	no increase	5.91%
4/1/84 to 3/31/85	no increase	9.91%
4/1/83 to 3/31/84	no increase	10.84%
4/1/82 to 3/31/83	no increase	16.06%
4/1/81 to 3/31/82	6.72%	29.07%
4/1/80 to 3/31/81	19.35%	45.76%
4/1/79 to 3/31/80	34.98%	45.76%
4/1/78 to 3/31/79	44.09%	45.76%
4/1/77 to 3/31/78	49.14%	Tier II is not applicable prior to 10/01/78
4/1/76 to 3/31/77	53.63%	
4/1/75 to 3/31/76	63.03%	
4/1/74 to 3/31/75	75.85%	
4/1/73 to 3/31/74	81.84%	
4/1/72 to 3/31/73	83.31%	
4/1/71 to 3/31/72	84.89%	
4/1/70 to 3/31/71	90.95%	
4/1/69 to 3/31/70	96.84%	
Before 4/1/69	100.86%	

Foods that can help to fight disease

Planning for retirement can include strategies for living a long, healthy life in order to enjoy your retirement for many years to come.

Living healthy means eating the right foods. While you may sometimes feel bombarded with the abundance of studies and recommendations regarding what we should eat, what we shouldn't eat, and what causes what, there are proven benefits from a variety of foods known to help reduce the risk of disease and illness.

Get colorful with your fruits and veggies

When it comes to fruits and vegetables, the deeper the color—the better. Oranges and dark berries, such as blueberries and cranberries, are rich in natural plant chemicals that can help to protect you against diseases such as cancer and heart disease, according to the American Dietetic Association. Likewise, orange and dark green vegetables such as carrots, sweet potatoes and spinach are also rich in these same plant chemicals.

Remember your fiber

Fiber comes in two forms—soluble and insoluble. Soluble fiber, found in fruits, vegetables, brown rice, oats and barley lowers blood cholesterol levels and slows the entry of glucose into the bloodstream—an important factor in preventing or controlling diabetes. Insoluble fiber, found mainly in whole grains, fruit and vegetable peels, high fiber cereals and wheat and corn bran, keeps your digestive tract in order. In addition, try brown rice, high-fiber cereal, bran and whole-grain breads for additional fiber.

Eat fatty fish

While we need to be mindful of our fat intake in general, remember that your body needs some fats to actually stay healthy. The fats found in fish such as salmon and tuna are good for your heart. Fish also provides a rich source of protein without the large amount of unhealthy fat you get from red meat.

Give soy a try

Just one to two ounces of soy protein each day can help to lower your cholesterol and the unhealthy fat in your diet—thus helping to protect you from heart disease. Soy products, when substituted for animal protein, also show promise in reducing LDL (“bad”) cholesterol.



Your heart benefits the most

No other part of your body benefits more from smart dietary choices than your cardiovascular system. Saturated fat, found mostly in meat and full-fat dairy products, is the major culprit in raising blood cholesterol—the main ingredient of artery-clogging plaque. As you've most likely heard, overindulging in these foods raises the risk of developing heart disease. But you can lower this risk by shifting the emphasis so that nutrient- and fiber-rich foods such as vegetables, fruits and grains make up approximately two-thirds of what you eat each day.

These are only a few valuable tips, but the good news is there is an abundance of information in book stores and on the internet regarding preventive nutrition. Some of most popular web sites include:

American Cancer Society

www.cancer.org

American Heart Association

www.americanheart.org

American Diabetes Association

www.diabetes.org

American Dietetic Association

www.eatright.org

Good moves for members *(continued from cover)*

is innovative and allows us to create earnings above and beyond our expected rate of return. Current assets are approximately \$7 billion, and SDCERA continues to be the country's top-performing retirement fund among public pension plans with \$1 billion or more in assets. You can be assured that your plan is secure.

Please stay tuned as we bring the various changes we're anticipating to life and begin to implement better ways to work and provide improved service to you. As always, we'll keep you posted about our progress and we welcome your feedback.

Remember to keep personal information updated

SDCERA would like to remind all members about the importance of keeping your personal information up to date. Current address, beneficiary and banking information goes a long way in avoiding snags related to your SDCERA benefits, and is also an assurance that important communication from SDCERA reaches you in a timely manner. All necessary forms are available at www.sdcer.org (click Forms and Publications), or by contacting our Call Center. Below are some key items to keep current:

Active members

Beneficiary form

When you first entered SDCERA membership, you were required to name a beneficiary, in the event of your death prior to retirement. For some members, this was many years ago and your situation may have changed. Remember, SDCERA does not receive the information you update through the Options beneficiary information with Employee Benefits. If you don't remember who you named as your beneficiary for SDCERA and want to be certain you have the correct information on file, the easiest solution is simply to obtain and submit a new form, because SDCERA can not release beneficiary information to you over the phone. Even if you submit a new form naming the same beneficiary you named 20 years ago, you will be sure that we have the correct information on file.

Retired members

Change of address

If you are a retired member and you move, please complete a change of address form with SDCERA. You may authorize a change of address only in writing. If SDCERA does not have your correct address, this can prevent you from receiving important correspondence, your 1099-R, monthly earnings statements, open enrollment information and other communication. *(Reminder: Active members must submit change of address forms to their individual departments, not to SDCERA).*

Direct deposit information

If you change banks, you must submit a new direct deposit form to SDCERA; the bottom portion of that form must first be completed by your new bank, authorizing SDCERA to deposit your monthly benefit into your new account. Failure to update this information will cause a delay in receiving your monthly retirement benefit.

Beneficiary form

When you retired, you chose a beneficiary to receive either a continuance of your retirement benefits or a lump sum (depending on the benefit option you chose) upon your death. Beneficiary changes for Option 1, the lump sum death benefit, may be made at any time so be certain the information is current.

If you chose the Unmodified option, you may change your designated beneficiary after retirement if you marry, remarry or have a spouse or registered domestic partner who may become eligible to receive a monthly continuance upon your death.

If you selected Option 2, 3 or 4 when you retired, you may not change that beneficiary.



Legislative Highlights

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

Bills under consideration

AB 2366

Currently retired members can work for the County as a permanent employee for up to 120 days, or 960 hours, in a fiscal year. This bill would authorize a retired member to work for the County up to 12 months or 2080 hours, whichever is greater, in a fiscal year or other designated 12-month period. This bill would additionally authorize the Board of Supervisors to extend by resolution that reemployment period for consecutive 12-month periods.

AB 2428

This bill would authorize a local body subject to the Ralph M. Brown Act to require that a speaker addressing the body who claims to represent a group disclose the number of members in the group, the top three sources of funding for the group, and the location of the group's headquarters or where the group is based. It would require any person who appears before any committee who claims to represent a group to make the same disclosures.

AB 2795

This bill would eliminate the reciprocity restriction regarding the period of time between the member's public employment subject to the various reciprocal retirement systems and would thereby make those reciprocal benefits available irrespective of the length of that intervening period. Currently you cannot establish reciprocity if employment between qualified systems exceeds six months.

ACA 23

Reintroduced in 2006, this amended bill now provides that on and after July 1, 2007 any person hired by a public agency shall enroll in a defined benefit plan (DB) and also permits a new employee to enroll in a voluntary defined contribution plan. The measure would prescribe contribution rates and other requirements for defined contribution plans, establish a formula for providing defined benefits, require disability and death benefits to be provided under those plans and specify the entities responsible for administering those plans.

As reported in the Winter 2006 issue of *News*, the 2005 version of ACA 23 originally would not allow new employees hired on or after July 1, 2007 to enroll in a DB plan, but rather only have access to defined contribution or hybrid plans.

Tips to avoid Medicare fraud

The Centers for Medicare and Medicaid Services recently distributed a warning detailing a fraudulent scheme that asks Medicare beneficiaries for money and checking account information to help them enroll in a Medicare prescription drug plan.

All Medicare beneficiaries should be aware of important steps they can take to protect themselves against this and other types of fraud. Remember:

- No Medicare drug plan can ask you for bank account or other personal information over the phone.
- Legitimate Medicare drug plans will not ask for payment over the telephone or internet.
- Always keep your Medicare number safe.

Consumers can report suspicious cases to their local law enforcement agencies, or to 1-877-772-3379.



Answers to Frequently Asked Questions

What is the difference between SDCERA's Retirement Planning Workshop and the Service Retirement Meeting?

The Retirement Planning Workshop is structured to educate members about their SDCERA benefits as early in their careers as possible. SDCERA active and deferred members who attend the workshop learn how to calculate their benefit, and a comprehensive financial planning segment is also presented to cover important financial planning strategies.

By contrast, members who are within 60 days of their retirement date attend the Service Retirement Meeting. This meeting provides a forum to explain benefit options and the health insurance program, plus answer questions and complete forms in an effort to streamline the retirement process and make it as easy as possible for members.

If I have established reciprocity, can I use my service credit earned while working for a reciprocal system to qualify for the health allowance provided by SDCERA?

No. You must have a minimum of ten years of SDCERA service credit to qualify for the SDCERA health allowance. Reciprocal service credit does not count toward those ten years.

What is CalCOBRA health coverage and how do I enroll?

Retired members who are nearing the end of their 18-month enrollment in the County's COBRA health coverage option will have an opportunity to enroll in CalCOBRA, an extension of COBRA in California. This state-mandated program requires the providers of COBRA to offer an additional 18-month enrollment option in the same plans offered through COBRA. The health plan providers administer CalCOBRA, which is currently either Pacificare of Kaiser, and all correspondence will come directly from these providers. An enrollment packet is sent to retired members approximately three months prior to the expiration of their COBRA coverage. If you have questions once you receive the packet, please contact the provider directly. Also, remember you will need to submit a new reimbursement request form annually to SDCERA when the CalCOBRA amount changes.



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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Douglas Rose
Garry Sobeck

Warren L. Gibson II
(alternate Board member)
E.F. "Skip" Murphy
(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 6, May 4, June 1

Investment Board Meetings

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

April 20, May 18, June 15

Electronic Deposit Retirement Payment Dates

April 28, May 31, June 30

SDCERA holidays (office closed)

May 29

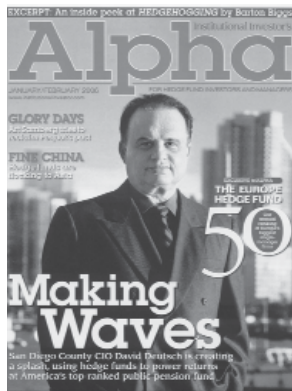
SDCERA makes every effort to meet the retirement payment schedule; however, please verify with your financial institution that each deposit has been made to your account.

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

SDCERA CIO profiled in industry publication



SDCERA Chief Investment Officer, David Deutsch was the subject of an in-depth cover story that ran recently in Institutional Investors' *Alpha* magazine, a publication for and about the hedge fund investment industry.

The story spans Deutsch's career and SDCERA's

alpha. SDCERA currently invests in nine hedge fund managers covering many strategies.

Interviewed in the *Alpha* article was Neil Rue, a consultant in the Portland, Oregon office of Pension Consulting Alliance. Rue commented that SDCERA's allocation to hedge funds puts it in the same class as some of the most sophisticated investors in the country.

To read the *Alpha* cover story in its entirety, visit www.sdcera.org, then click Investments.

history, leading up to the Fund's current success and impressive distinction as the country's top-ranking public pension plan with more than \$1 billion in assets.

At the core of the article is a detailed discussion of SDCERA's success in the use of hedge funds. Hedge funds are allowed to utilize more aggressive strategies typically unavailable to mutual funds, and are exempt from many of the regulations governing other mutual funds—allowing them to accomplish more aggressive investment goals.

At SDCERA, hedge funds are wrapped in an "alpha engine," a version of a portable alpha strategy. The alpha engine aims at adding value to the returns of the S&P 500 index by putting together a number of unrelated strategies for capturing excess return, or

Returns for 4th Quarter 2005 (net of fees)

SDCERA RETURNS	4th quarter	1 Year	3 Year	5 Year
Total fund	2.1%	10.8%	18.8%	7.6%
Domestic equities	3.1%	7.2%	17.5%	3.6%
S&P 500 Domestic benchmark indices	2.1%	4.9%	14.4%	0.5%
International equities	6.0%	24.9%	30.5%	10.3%
Citigroup PMI - International benchmark indices	4.3%	16.2%	24.9%	5.4%
Fixed income	0.5%	3.4%	9.4%	8.4%
Lehman Aggregate - fixed income benchmark indices	0.6%	2.4%	3.6%	5.9%

Total assets under management as of December 2005 were \$7,074,934,000.