



NEWS

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION



Stock market volatility

by Robert Snigaroff, Chief Investment Officer



Robert Snigaroff

When asked, in the early part of this century, why the market had dropped, investor J.P. Morgan replied, "Stocks will fluctuate."

In Morgan's time, most people didn't buy stocks — stocks were for speculators. Although Morgan's reply was meant as a derisive dismissal of the then upstart asset class, what he said about stocks fluctuating is as true today as it was then.

In fact, about two-thirds of a typical pension fund now is invested in stocks. (This is true of SDCERA's pension

fund.) Investors know that the fluctuation of stocks (volatility) is one of the market's defining characteristics.

After the markets declined in August, I received a few calls asking if we sold our stocks. We did not. Recent events are the norm, not the exception. For that reason, the Board of Retirement established an asset allocation policy to which the investment staff of SDCERA adheres. The Board believes that over the long investment horizon of a pension fund (20 years and more), it pays to

invest in stocks and to maintain that investment — even in fluctuating markets.

The Board also recognizes the difficulty of trying to time markets — that is getting in and out of stocks with pinpoint timing. Much academic research testifies to how hard it is to successfully execute this type of strategy.

So, SDCERA does not try to time the market. Instead, we believe SDCERA's best policy is to keep on course with our long-term plans. ~~~



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

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Important mailings Is your address correct?

In the next few months, you will receive various materials from the San Diego County Employees Retirement Association (SDCERA). While designed to be useful and informative, some of this information is of a private and confidential nature. To ensure these communication materials go directly to each employee, we will mail to your home addresses as listed with your departmental payroll information. To assure you receive important member materials, please confirm your departmental payroll clerk is using your correct mailing address. If you have moved recently, remember to advise your payroll clerk of your new mailing address. ~~~



Brian White

From Your Administrator

We are pleased to present our second newsletter which features an overview of your retirement association. The center section explains SDCERA functions, member services and how your retirement funds are administered.

In the last issue we offered our members an opportunity to participate in a Retirement Workshop. This workshop had a terrific response, with over 1,000 employees signed up for sessions extending into 1999. We will be offering this workshop throughout the new year.

In recent news, a court decision expands Tier I membership for returning members; the details are on page 2. We are also starting a new column entitled "Frequently Asked Questions", which we hope you will find informative.

These are just a few of the news highlights in this issue.

Happy Holidays from all of us at SDCERA. The Retirement Association will be closed on December 24, 25 and 31, 1998 and January 1, 1999. We hope you and your families enjoy a wonderful season of celebration. ~~~

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Re-establishing Tier 1 level Lear case decision

A recent court of appeal decision determined that a Tier I member who left the retirement system and took a refund of contributions was entitled to Tier I benefits upon rehire and redeposit of those contributions plus interest. In a recent local superior court case, the court decided to follow the court of appeal decision. It determined that members whose original benefit level was established under Tier I provisions for the San Diego County Employees Retirement Association (SDCERA) are entitled to retain the Tier I level upon reemployment with the County of San Diego. The fact that the Tier I members withdrew their contributions upon leaving the system will not alter their right to Tier I retirement benefits.

Tier I eligibility

To be eligible for Tier I membership status, an employee must have been a permanent biweekly member of SDCERA prior to October 1, 1978. Then, after leaving the retirement system and taking a refund of contributions, upon rehire these members must redeposit the contributions plus interest to regain Tier I status.

The court further determined that the members will be required to pay any difference in the rates of contributions which employees have made as Tier II and the rates of contributions employees

would have made for Tier I, plus interest in order to be placed in Tier I status for rehired service after October 1, 1978.

Prior to the courts' decisions, when members left SDCERA and withdrew their contributions, upon rehire and entering SDCERA again on or after October 1, 1978, they were placed in Tier II membership. They had the right to redeposit the contributions plus interest to re-establish the Tier I benefits only for period of service prior to reentry.

The County Board of Supervisors and Board of Retirement have decided to comply with this portion of the superior court's judgment without waiving their right to appeal whether reciprocity members are entitled to Tier I membership if their service in another county commenced prior to October 1, 1978.

Tier I vs. Tier II

Tier I benefits differ from Tier II benefits in the following ways: Tier I retirement benefits are higher with higher rates of contribution; upon completion of 10 years of service, Tier I members can retire at the age of 50 rather than at the age of 55; Tier I members receive up to an annual 3% cost of living increase rather than 2%; and, final compensation for Tier I members is based on the highest one year of compensation earnable rather than the average of three years.

SDCERA has identified approximately 250 contributing members who have reentered employment with prior Tier I service credit, which they have repurchased or are repurchasing. The retirement staff is going to contact these members directly in February 1999. Others may not have been identified because they have not begun the re-deposit of their previously withdrawn contributions. Retired members who did not redeposit during any subsequent reemployment period and prior to retirement will not be eligible for this change in benefit. Retired members who retired on or after September 24, 1995 and who re-deposited contributions prior to retirement may be eligible for additional benefits upon payment of additional contributions.

Establishing eligibility

If you have not already purchased, or begun to purchase, your Tier I service credit and believe you are eligible and should be considered, please contact the retirement office in writing. Include your name, Social Security number, original date of employment, the date you left employment, the amount you were refunded (if known), and the date you were re-employed. This information will be of great assistance in the research of your situation.

Once your situation has been verified and you are found to be

eligible, you will be required to redeposit the withdrawn contributions and interest to be eligible for Tier I status during any subsequent employment periods since October 1, 1978. And then, one must pay the difference between the Tier I and Tier II employee contributions plus interest for rehired service after October 1, 1978. These actions will establish paid-for membership periods as Tier I.

To assist in the payment of contributions and interest and/or difference in Tier I and Tier II employee contributions and interest, a payroll deduction program is available for active San Diego County employees to ease the burden of paying in one lump sum.

Future court decisions

The local superior court also determined that reciprocal members presently in SDCERA who were employed in another retirement system prior to October 1, 1978, should have been placed in Tier I when they were hired by the County of San Diego. These reciprocal members have been placed in Tier II upon entry after October 1, 1978. The County Board of Supervisors and Board of Retirement have decided to appeal this portion of the decision. The outcome of the appeal will be reported at its conclusion. ☞

Are you ready to retire?

by Kevin Halbritter, Member Services

Well, you've done your retirement planning, and your retirement date is just around the corner. You might be wondering what steps you should take and when you should take them to get the ball rolling.

The San Diego County Employees Retirement Association holds weekly meetings for members who plan to retire within 60 days. These meetings are usually held in our office at the Pacific Gateway Building, 1495 Pacific Highway every Monday afternoon, beginning at 1:30 P.M. and ending around 3:30 P.M.

When should you call to schedule your appointment?

We recommend calling approximately 90 days before your date of retirement since we are usually booked about a month in advance. The number to call is **619/515-0130**. When you attend the meeting, remember to bring a copy of your birth certificate, and if married, bring a copy of your spouse's birth certificate and marriage certificate.

What is covered in the meeting?

Our meeting starts off with a half-hour video that explains how to complete your retirement paperwork and also covers such items as direct deposit, taxation of your retirement benefits, and the monthly medical allowance. Once you have viewed the video, we will fill out the "Application for Service Retirement" together and then move on to discuss your medical insurance options.

Finally, when all the paperwork is completed, you will have an opportunity to ask questions. We try to keep the meeting small (between 10 to 15 members) so you will get as much individual attention as possible. Remember, if you are married we encourage you to invite your spouse.

We hope you will find our meeting to be quite informative. Our goal is to alleviate any anxiety or confusion regarding your retirement. ☞



Kevin Halbritter

Look for news in your departmental mail

One of the first communications you will receive from SDCERA in 1999 is the Summary Annual Financial Report for the fiscal year ended June 30, 1998. The report will be distributed to employees through the departments early in January and mailed to retirees. The report is a very important document that states the association's financial results for the prior fiscal year. ☞

SDCERA: Committed to supporting the membership

Your San Diego County Employees Retirement Association (SDCERA) is a public employee retirement system established by the County of San Diego on July 1, 1939. It is administered by the Board of Retirement to provide you with service retirement, disability, death, and survivor benefits under the County Employees Retirement Act of 1937.

Our program is a defined benefit plan, which means member benefits are computed on a set formula using service, age and final compensation to determine the retirement benefit. This type of retirement plan is different than a deferred compensation program, which provides benefits based on the amount of monies in a member's account at the time withdrawal is elected.

SDCERA trustees

SDCERA has its own governing board (The Board of Retirement) and is an independent governmental entity separate and distinct from the County of San Diego. The Board is made up of nine members, four of whom are elected by the

membership, four who are appointed by the Board of Supervisors, and one as mandated by law.

The Retirement Board's principal role is to ensure the benefits you earn as an active employee are available to you after you retire. As trustees of the pension fund, the Board determines policy for both the administration of the system and the investment of its assets. The Board's Statement of Governance Principles and Code of Ethics is used to establish lines of authority over the staff and provide a framework for all Board decisions.

Running SDCERA

SDCERA's staff administers the benefits of the system. This structure consists of the following:

- Administrative - oversees the association on a day-to-day basis.
- Investment - coordinates the investment activities and works with the Board and its investment advisors to implement asset allocation.
- Finance and Accounting - manages accounting, budget and financial reporting.
- Benefits - assists members in

processing their benefits including payroll matters, health benefits, and tax reporting issues.

- Disability - assists members who become disabled during County employment.

In addition to supporting retired members, SDCERA staff also services active members, ensuring that they are enrolled properly, are credited with compensation and service credit, and that they understand the retirement benefits they are accruing in their careers in County government.

SDCERA funding sources

Retirement benefits are funded by three sources of income: employee contributions, employer contributions, and earnings on investments. The investment earnings is the most important component, financing approximately 80% of the benefits paid to members. The fund assets currently exceed \$3.3 billion and are expected to grow well into the 21st century.

The Board uses outside money managers to do much of the actual investing and monitors the

performance of these managers with the assistance of investment professionals. Your funds are invested in the capital markets, both domestically and internationally. An annual evaluation measures the benefits required and compares this fund requirement with anticipated sources of income to determine the adequacy of the funding. The most recent report shows the funding level at 108%.

Investing the funds

The investment process is driven by an asset allocation plan, which includes a model portfolio based on historical returns and which incorporates risk. The Retirement Board implements this portfolio through outside money managers who specialize in various areas of the capital markets. The targeted asset allocation will be presented to you along with the actual portfolio, in the 1998 Summary Annual Financial Report you will soon be receiving.

Focus on service


As our emphasis has shifted from a task-driven to a customer-

driven organization, the major priority for your SDCERA staff is improving customer service. This includes improving communications between staff and members about their retirement. The initiation of this newsletter is just one example of the communications effort. Another example is the launch of an educational program series devoted to preparing members for retirement with an explanation of the retirement system and other financial and personal issues. The purpose of this series is to assist members in the change from active employment to a retired lifestyle.

A new computer-based pension administration system, scheduled for completion in the third quarter of 1999, is designed to deliver information more quickly to members. SDCERA has also moved from being a paper-

oriented office to being an electronic one. The ultimate goal is to have our computer systems totally integrated for investment, accounting, and benefit/pension administration.

SDCERA's commitment

SDCERA is committed to continuous member service improvement for years to come. This will be very likely as SDCERA has been repeatedly recognized for excellence in financial reporting and has a strong capacity for meeting its financial commitments. For example, we have been assigned Standard and Poor's AA credit rating. It is Standard and Poor's projection that SDCERA's coverage of benefits by annual revenue and assets will remain strong well into the next century. 

Schedule of 1999 Retirement Payment Dates		
Month	Mail Date	Electronic Deposit Date
December 1998	December 30, 1998	December 31, 1998
January 1999	January 28, 1999	January 29, 1999
February 1999	February 25, 1999	February 26, 1999
March 1999	March 30, 1999	March 31, 1999

New retirement planning workshop Employee participation exceeds expectations

by Arlene Thichava, Retirement Benefits Officer

Employee reaction to our newest seminar has been phenomenal! Since announcing the new program in the debut issue of *SDCERA News* in September, we have received more than 1,000 enrollment forms from you.

As one of our recent attendees commented, "The most valuable part of the program was learning how to calculate my monthly retirement benefits and how much I must save to retire comfortably."

Another participant remarked, "Very informative — it cleared up a lot of the gray areas."

Due to this overwhelming response, additional workshop sessions have been added to the schedule to keep up with the demand. Approximately 275 employees have now attended the workshop and have become more shrewd retirement and financial planning consumers as a result. Because of the demand, those



enrolling now will be attending workshops in May, 1999.

Remember, each workshop is

"The most valuable part of the program was learning how to calculate my monthly retirement benefits and how much I must save to retire comfortably."

- Recent Attendee

limited to 30 participants. Space is reserved when your completed enrollment form (included in our last newsletter) is received and will be confirmed as soon as possible. If you need an enrollment form, please call SDCERA at **515-0130**. You will receive a reminder by mail three weeks prior to the workshop session.

If you are ready to retire, remember to attend one of our weekly group retirement meetings during the 60-day period prior to your retirement date. (See article page 3 for information.)



Answers to frequently asked questions

Q. Can I borrow against the pension contributions deducted from my paycheck?

A. No. There are no provisions in the County Employees Retirement Law that allow SDCERA to make loans against your retirement account. Your contributions represent your cost of your monthly retirement benefit. Those contributions are refunded at your request only if you terminate County employment. Even if you terminate employment, you may leave your contributions with the retirement fund if you establish reciprocity or have five or more years of pension service and will be eligible for a monthly retirement benefit when you reach retirement age.

Q. Will I receive cost-of-living (COLA) increases on my retirement benefit?

A. Yes. Each year, those members retired on or before March 31 receive an annual cost of living adjustment of up to 3% for Tier I members and up to 2% for Tier II members. The amount depends on the change in the Consumer Price Index (CPI) for the San Diego Area. The COLA is paid on April 1 each year and appears in the April 30 retirement payment.

Q. Can I increase my retirement contributions?

A. No. Retirement contribution rates are regulated by state law. However, if you wish to increase your retirement savings, contact the County Treasurer at **531-5840** for information about enrolling in the deferred compensation plans offered by the County. These alternate deferred compensation plans are not connected with SDCERA in any way, but they do provide you with an additional method of saving for your retirement.

Q. How often will I be paid my retirement benefit?

A. Monthly. Retirement payments are directly deposited to your bank account on the last business day of each month.

Q. If a member in deferred status dies, what benefits may the beneficiary expect to receive?

A. A lump sum refund. The beneficiary would be entitled only to a lump sum refund of the member's accumulated retirement contribution plus accrued interest. This is a major reason some members decide to retire rather than go deferred if they meet the age and service requirements.

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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

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