

SDCERA

Strength. Service. Commitment.

## News

2007  
January . February . March

## Annual financial report inside

The Popular Annual Financial Report (PAFR) is included in this edition of *News*, offering a snapshot of SDCERA's financial accomplishments for 2006. For a more detailed report, you may also visit our web site's Investments section to view the Comprehensive Annual Financial Report (CAFR).

## Board of Retirement to continue discussion on health allowance

In an effort to inform our members on developments regarding the County Board of Supervisors' resolution to eliminate the health allowance for some members, SDCERA has developed a list of related questions and answers.

In addition, we will update our web site regularly to include any new information we receive.

**Q: When will the Retirement Board make a decision about the Board of Supervisors' resolution to eliminate the health allowance for some members?**

A: SDCERA's Board of Retirement is currently assessing the complex issues related to Resolution No. 06-229 adopted by the Board of Supervisors on December 5, 2006. Over the next several months, the Board of Retirement will be seeking out further information on topics such as tax and legal issues before taking any action.

**Q: Isn't it unlawful for my health allowance to be taken away?**

A: No. While your pension is a vested benefit and guaranteed by law, the health allowance is not a vested benefit, and neither the availability nor the amount is guaranteed. The allowance can be reduced or eliminated at any time.

**Q: How can members voice their concerns to the Board of Retirement?**

A: Members may submit written concerns to the Board of Retirement via U.S. mail to SDCERA, 2275 Rio Bonito Way, Suite 200, San Diego, CA 92108. Also, e-mail may be sent to [communications@sdcera.org](mailto:communications@sdcera.org), and members may attend a Board of Retirement meeting.

**Q: When would the current health allowance be eliminated?**

A: Until the Board of Retirement assesses the proposed changes outlined in the resolution, we are unable to confirm exactly what may change, or when changes would take place. The effective date for changes outlined in the resolution that the County Board of Supervisors has adopted is July 1, 2007.

**Q: Which members does the Board of Supervisors' resolution affect?**

A: The resolution currently outlines changes that would affect General, Tier A members, as well as Safety members who are covered by the 3% at 50 retirement formula.

If you are a retired General, Tier A member, or a Safety member covered by the 3% at 50 formula, any health allowance you are eligible to receive will be eliminated if the proposed changes are implemented. If you are an active General, Tier A member, or Safety

*continued on page 3*

# Solving the Medicare Part D mystery

## Important tips to ensure you retain your prescription drug coverage



To be in compliance with Medicare guidelines, many health providers must notify plan participants of their ability to opt out of Medicare-compliant prescription drug plans each year. As a result, if you are a Medicare participant and enrolled in an SDCERA health plan, you may receive enrollment correspondence from your current carrier regarding Medicare Part D and the annual opt-out provision.

Before you enroll, disenroll or make any changes to your current plan, it is important that you contact your carrier to confirm your options.

SDCERA's plans include comprehensive medical coverage as well as the Medicare prescription drug coverage. Therefore, if you are enrolled in an SDCERA plan, your drug coverage will be provided through

the SDCERA plan you select; it is not necessary for you to enroll separately in an additional Medicare drug plan.

*Before you enroll, disenroll or make any changes, contact your carrier to confirm your options.*

However, if you choose to opt out of an SDCERA health plan, which includes prescription coverage, your prescriptions will not be covered by the prescription plan that is tied to that SDCERA plan. Furthermore, in most circumstances when you opt out of the prescription coverage portion of an SDCERA plan, you will automatically be disenrolled from the entire group health plan—not just from the prescription coverage.

### Medicare plan provider contact information

**Health Net HMO**  
1.800.522.0088  
Group #57358-B  
www.healthnet.com

**Health Net Seniority Plus**  
1.800.275.4737  
Group #57358-S  
www.healthnet.com

**Kaiser Permanente Senior Advantage**  
1.800.464.4000  
Group #104302-00  
www.kaiserpermanente.org

**Pacificare Senior Supplement**  
1.800.851.3802  
Group #00010957-S0001  
www.pacificare.com

**Secure Horizons**  
1.800.228.2144  
Group #004497  
www.securehorizons.com

# SDCERA hosts annual retiree health fair

The second annual SDCERA retiree health fair was held in November, in Balboa Park. More than 250 retired members and their spouses attended the fair, which featured more than 30 health- and wellness-related vendors.

In addition, SDCERA staff were on hand to assist retired members with

enrolling in SDCERA's health insurance program. With open enrollment for those plans held during the month of November, many members took advantage of the opportunity to ask questions and obtain help in completing and submitting their health and dental enrollment forms for 2007.



*(continued from page 1)*

member, the current health allowance would not be available to you when you retire.

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**Q: Does the Board of Supervisors' resolution affect the group health insurance plans if the health allowance is eliminated for some members?**

A: No. The resolution that the County Board of Supervisors has adopted does not include making any changes or eliminating the current health plans that are offered by SDCERA.

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**Q: Will the proposed changes affect me if I was granted a disability retirement?**

A: Yes. The resolution that the Board of Supervisors has adopted does not

outline exceptions for members receiving a retirement benefit due to a disability. Changes are outlined for General, Tier A members and Safety members covered by the 3% at age 50 benefit formula, regardless of whether your retirement benefit was based on a disability retirement or not.

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**Q: Do the proposed changes affect Safety members?**

A: Yes. The resolution that the Board of Supervisors has adopted affects General, Tier A and Safety members covered by the 3% at age 50 benefit formula.

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**Q: How can I determine if I might be affected?**

A: Tier A became effective on March 8, 2002; therefore, if you retired prior

to March 8, 2002, the proposed changes would not affect you. If you retired on or after March 8, 2002, as either a General, Tier A member or a Safety member covered by the 3% at age 50 benefit formula, the proposed changes may affect you. If you are uncertain about your membership status, contact the SDCERA Call Center at 619.515.6800 to confirm.

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**Q: Could the Board of Supervisors' resolution affect Tier I and Tier II members?**

A: If the Board of Retirement does not adopt the benefit changes in the Board of Supervisors' resolution, the resolution provides that the County will stop making contributions to the 401(h) account. If this happens, SDCERA will not be able to provide a tax-exempt ancillary benefit to any of the members.

# SDCERA launches improved web site

Revamped menu aims to simplify benefit information for members

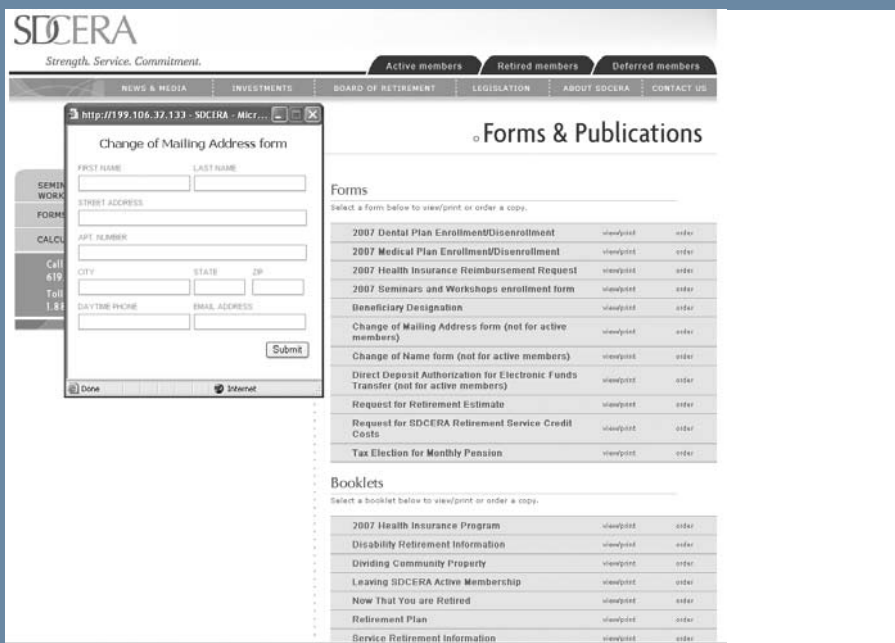


visit [www.sdccera.org](http://www.sdccera.org)

A recent overhaul of SDCERA's existing web site yielded an improved site intended to be more user-friendly for members, with benefit information reorganized for easier navigation. Members may now visit the **Active**, **Deferred** or **Retired** sections for the benefit information that pertains to their current member status. Visit [www.sdccera.org](http://www.sdccera.org) to take a look.

Members will find sections such as **Seminars and Workshops**, **Forms and Publications** and others easy to navigate. In addition, the home page has been designed to

provide a location for up-to-date announcements, upcoming events and recent news items. SDCERA's popular **Contribution Calculator** and **Retirement Benefit Calculator** have also been redesigned, with helpful definitions added for members seeking to calculate their retirement benefit estimate. In addition, a sick leave component has been added to the **Retirement Benefit Calculator** to factor available unused sick leave hours into the retirement benefit estimate.



Members can access our **Forms and Publications** section to complete a request for a particular document to be mailed to their home, or print it themselves. This section houses a variety of SDCERA member publications, forms and fact sheets.

# Reciprocity offers way to maximize retirement benefit

Moving between reciprocal employers allows members to preserve retirement benefits in one system when moving to another

Reciprocity is an arrangement between certain public employers who offer retirement benefits through public pension systems—including SDCERA—that links your retirement benefits together when you move between these reciprocal systems.

With reciprocity, you preserve your retirement benefits even though you may move from one retirement system to another. Reciprocity exists between SDCERA and many public agencies in California.

You can establish incoming (coming to SDCERA from a reciprocal system) or outgoing (leaving SDCERA to go to a reciprocal system) reciprocity.

## Requirements

- You must enter your new employer's retirement system within 6 months of your termination date from SDCERA.
- You must leave your accumulated contributions on deposit with SDCERA. You also may not withdraw your contributions in another reciprocal system or you will break reciprocity.
- Reciprocity is not established automatically; you must begin the process by notifying SDCERA or your previous system and obtaining the necessary paperwork.
- You must retire from all reciprocal systems on the same date and begin the process of retirement with each system separately.

## Benefits

- Some retirement systems, including SDCERA, base your contribution rate on your age. If you leave active SDCERA membership and establish outgoing reciprocity with such a system, your contribution rate will be based on your age when you first entered SDCERA's retirement system, instead of the age when you enter the reciprocal system. In this case, this would mean your required contribution would be less.
- Reciprocity also allows your highest eligible average earnings in any reciprocal system to be used when calculating your retirement benefit, regardless of when those earnings took place. For example, if your highest year of earnings with SDCERA was \$52,000 and your highest year of earnings with a reciprocal employer was \$65,000, SDCERA would use \$65,000 to calculate your retirement benefit.
- Service credit that you earn in each system counts toward vesting and retirement eligibility requirements. While the service credit you earn in one system does not literally transfer to another system, it does count toward these requirements.

For more information, visit our web site, in the Forms and Publications section, and view/print the *Reciprocity* fact sheet.

## Reciprocal agencies

Reciprocity exists between SDCERA and the following:

California Public Employees' Retirement System (CalPERS) and all agencies whose employees are members of CalPERS including state agencies, county schools, various cities, counties and special districts, excluding the University of California Retirement System.

State Teachers' Retirement System (CalSTRS)

Judges Retirement System (JRS)

Judges Retirement System II (JRS II)

California counties that maintain retirement systems under the County Employees Law of 1937:

Alameda • Contra Costa • Fresno  
Imperial • Kern • Los Angeles  
Marin • Mendocino • Merced  
Orange • Sacramento  
San Bernadino • San Diego  
San Joaquin • San Mateo  
Santa Barbara • Sonoma  
Stanislaus • Tulare • Ventura

A variety of independent public agency retirement systems throughout California who are not part of the various systems listed above (such as City of San Diego, East Bay Municipal Water District and many others).

# Facts about military service credit

## Eligibility requirements

Active members (members currently employed with the County) who leave their job to serve in the military, then return to County service, may be eligible to receive service credit for that period of military service.

There are several criteria that apply in order to receive this credit. The Board of Supervisors has provided that the County of San Diego will make both member and employer contributions for periods of military service if you:

1. Resign to enter the U.S. Armed Forces and return to county service within 90 days of termination from military service, or
2. Obtain a leave of absence to enter the U.S. Armed Forces and return to county service within one year of termination of the leave. Additionally:
  - For General, Tier A and Safety members, the period of military service must begin on or after July 1, 1990.
  - For Tier I members, the period of service must begin on or after September 27, 1948.

Remember, previous military service that occurred prior to your County service does not qualify for credit, nor can it be purchased as prior public agency service.



## The process

It is the member's responsibility to begin the process of obtaining military service credit.

*Remember, previous military service that occurred prior to your County service does not qualify for credit, nor can it be purchased as prior public agency service.*

Upon contacting SDCERA, members will receive a brief request form, which must be completed and returned with a copy of their military discharge certificate (DD Form 214 or its equivalent) to verify the period of military service.

Following receipt of this information, SDCERA will calculate and verify the amount of eligible service for the member. The member will be notified and ultimately credited with the additional service credit for the eligible period of military service.



## Answers to Frequently Asked Questions

I am planning to retire soon. Does my unused sick leave balance affect my retirement benefit and if so, how is it calculated?

If eligible, upon termination you may convert all or a portion of your unused sick leave to service credit. Eligible sick leave converts on an hour-for-hour basis. Consider the following: there are 2,080 hours in one work year. Converting 1,040 hours of unused sick leave would equal .5000 years (six months) of service credit. If you have your eligible sick leave balance, you may use SDCERA's **Retirement Benefit Calculator** to factor in your sick leave.

Your eligibility to convert unused sick leave is based on your job classification and, if eligible, there are requirements you must meet—such as having a minimum number of years of continuous service and a minimum number of sick leave hours (this minimum varies within representation units). Contact your department's payroll representative to determine your eligibility and requirements.

I am a member in deferred status who may return to work for the County. What will happen if I choose to do this?

When you left County service, you left your contributions with SDCERA and thus became a "deferred" member still eligible to receive a retirement benefit in the future because you were vested when you left. If you return to County service in a permanent position working at least 20 hours weekly, in a position that qualifies for SDCERA membership, you will return to active status.

You will be placed in General, Tier A or Safety membership, whichever is applicable. Your original SDCERA entry age and entry date will be reactivated and your member contribution rate will be based upon your original entry age.

I'm turning 65 soon. Am I automatically enrolled in Medicare?

No, you are not automatically enrolled in Medicare when you become eligible. When you are within 90 days of your 65th birthday you will need to contact the Social Security Administration or visit [www.medicare.gov](http://www.medicare.gov). Both SDCERA and Social Security will send you reminders, but it is ultimately your responsibility to complete the enrollment information.

# SDCERA News

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](mailto:communications@sdcera.org) or contact:

### SDCERA

2275 Rio Bonito Way, Suite 200  
San Diego, CA 92108-1685

Call Center: 619.515.6800

Toll Free: 1.888.4.SDCERA

[www.sdcera.org](http://www.sdcera.org)

### Chief Executive Officer

Brian P. White

### Board of Retirement

David A. Myers  
Chairman

John Arnold	James W. Feeley	Douglas Rose
Laura DeMarco	Dianne Jacob	Garry Sobeck
Marc Doss	Dan McAllister	

Warren L. Gibson II (alternate Board member)	Kay Ryan (alternate retired Board member)
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### 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](http://www.sdcera.org) to view meeting calendars,  
agendas and minutes

### 2007 Electronic Deposit Retirement Payment Dates

January 31, February 28, March 30, April 30,  
May 31, June 29, July 31, August 31, September 28,  
October 31, November 30, 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.

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

### The year in review

SDCERA recently published its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. The report noted that net assets held in trust increased from \$6.3 billion as of June 30, 2005 to \$7.3 billion as of June 30, 2006.

Positive investment performance and pension contributions in fiscal year 2006 have added \$1.3 billion in assets which have funded \$0.3 billion in benefits and added \$1.0 billion in pension assets.

For the fiscal year 2006, investments provided returns of 14.68%, net of fees. Passive implementation of the policy asset allocation (the policy benchmark) would have returned 12.2%; by using active management SDCERA added value of 2.48% above the policy benchmark.

The Plan's annualized rate of return, net of fees, was 16.58% over the last three years, 9.47% over the last five years, and 9.84% over the last 10 years.

The Fund placed in the 5th percentile in the Wilshire Master Trust Universe (TUCS) of peer funds for the year and in the 1st percentile for the three year, five year, and ten year periods against all TUCS public funds with more than \$1 billion in assets.

SDCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2006, the date of the latest actuarial valuation, the funding status (the ratio of system assets to system liabilities) was 83.6%.

#### Returns for 3rd quarter 2006 (net of fees)

SDCERA Returns	3rd Quarter	1 Year	3 Year	5 Year
<b>Total fund</b>	<b>0.9%</b>	<b>8.5%</b>	<b>15.0%</b>	<b>12.1%</b>
Domestic equities	-4.1%	5.8%	12.2%	8.3%
S&P 500 Domestic benchmark indices	5.7%	10.8%	12.3%	7.0%
International equities	4.5%	21.4%	27.0%	20.6%
MSCI EAFE - International Benchmark Indices	3.9%	19.2%	22.3%	14.3%
Fixed income	3.5%	5.1%	8.3%	8.8%
Lehman Aggregate - fixed income benchmark indices	3.8%	3.7%	3.4%	4.8%

**Total assets under management as of September 30, 2006 were \$7,611,746,000**