

12 SDCERA benefit basics for 2012

As 2012 begins, here are 12 important items to help you better understand your SDCERA benefit. To learn more visit www.sdcera.org.

1

Member contributions

As an active member, the percentage of biweekly pay that you contribute toward your retirement benefit is based on two things: the age at which you became an SDCERA/reciprocal member and the amount of your employer-paid offset, if any.

2

Vesting requirements

Becoming vested is the first step in becoming eligible for a lifetime benefit from SDCERA. Once you have five years of SDCERA/reciprocal service credit you are vested, entitling you to a lifetime benefit once you are eligible to retire.

3

Eligibility to retire

You are eligible to retire as an SDCERA member once you meet one of the following three criteria: Have 10 years of SDCERA/reciprocal service credit and be at least 50 years old (55 years old for General, Tier B members); have at least 30 years of service credit (20 years for Safety members); or still be working at age 70 or older.

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Annual financial report inside

The *Popular Annual Financial Report (PAFR)* is included with this issue of *News*. The report includes information about assets of the SDCERA fund, historical membership and a message from our Chief Executive Officer, Brian White. You can view the complete *Comprehensive Annual Financial Report (CAFR)* in the Investments section of the SDCERA website.



Cost-of-living adjustment for 2012

Retired SDCERA members are eligible for an annual cost-of-living adjustment (COLA) to help offset the effects of inflation. In February of each year, the Consumer Price Index (CPI) for the San Diego area is announced by the U.S. Bureau of Labor Statistics. At their first meeting in March, the Board of Retirement approves the COLA for members. Once approved, the COLA is announced on the SDCERA website at www.sdcera.org. The applicable adjustment is effective with the April benefit payment. If you retire by March 31, you are eligible for the COLA in 2012. If you retire after March 31, you will be eligible for a COLA in April 2013.

Supplemental Benefit Allowance reductions on schedule

The Supplemental Benefit Allowance (SBA) is a nonvested benefit paid to retired Tier A members based on their years of SDCERA service credit and is funded by excess earnings and existing reserves. In January 2011, the SBA was reduced to a maximum of \$350 per month. SDCERA's latest actuarial report confirms that additional reductions to the SBA are expected to occur in 2013 and the remaining funds are projected to be exhausted sometime in 2017, subject to the rate of retirements.

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.

SDCERA monitoring the Governor's pension proposal

Governor Jerry Brown submitted a 12-point proposal for pension reform to the public on October 27, 2011, after suspending action on legislation in progress in September. The proposal is far from becoming law and its provisions will likely change during the course of legislative discussions; however, SDCERA is monitoring the discussions and will provide periodic updates in newsletters, at www.sdccera.org and at Board of Retirement meetings.

SDCERA and the County of San Diego have been in the forefront of best practices: many changes Gov. Brown suggests, such as increased retirement ages and three-year final compensation periods, were implemented with the introduction of Tier B. Other provisions such as limiting post-retirement employment to 960 hours or 120 days, and prohibiting the purchase of "airtime" (service credit purchased for time not actually worked), are also already in place at SDCERA.

At this time, retired members' benefits would be unaffected by the Governor's proposal; however, Gov. Brown proposes significant changes for employees hired in the future. He proposes increasing the retirement age for General members to 67 and creating a hybrid retirement plan that is partially a defined benefit and partially defined contribution plan so that some financial risk shifts to the employees.

The Governor is in the early stages of this discussion and has not released draft legislative language. Many legal and practical issues will require analysis before specifics are known.

The following resources are available to help you understand the potential changes and to make your views known.

For more information

Read the Governor's 12-point plan, analysis of the plan, and stay current on the issue by visiting these websites:

Governor's Office: <http://gov.ca.gov>

Legislative Analyst's Office: <http://www.lao.ca.gov/>

Contact your elected officials

Tell Governor Brown and your state representatives your views on the proposed changes.

Governor Jerry Brown
c/o State Capitol, Suite 1173
Sacramento, CA 95814
Phone: (916) 445-2841

Email: <http://gov.ca.gov> and select Contact.

Get the name and contact information for your California Senator and Assembly Member:

<http://www.leginfo.ca.gov/yourleg.html>

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- 4 Estimate your retirement benefit**

SDCERA provides an online calculator to help you estimate your retirement benefit. Visit SDCERA's website and click Calculators to access the Retirement Benefit Calculator. Input your estimated age at retirement, service credit and final average compensation to see an estimate.
- 5 Seminars explain benefits**

To learn more about the SDCERA benefit you will receive, attend a seminar offered by SDCERA. The mid-career seminar is designed for members five to 20 years from retirement, and the late-career seminar is for those within a year of retiring. Contact the Call Center to enroll.
- 6 Beneficiary designations should be current**

Be sure to keep your beneficiary designations up to date. Designations were made when you were hired, but if you've married, divorced, or had children since then, update your designations by completing a *Beneficiary Designation* form available from SDCERA.
- 7 Change your address**

If you have an address change as an active member, contact your payroll representative or update your information in PeopleSoft Self Service. If you are deferred or retired, you should complete SDCERA's *Change of Address* form, available at www.sdccera.org or by calling SDCERA.
- 8 Reciprocity links public retirement systems**

Reciprocity allows you to preserve your retirement benefits when you change employment through an agreement between certain public retirement systems within the state of California. To establish reciprocity, contact your previous retirement system.
- 9 Temporary Supplement to the benefit options**

If you retire before the age of 62 and are eligible for Social Security at age 62, you can select the Temporary Supplement to the benefit options. The Temporary Supplement increases the SDCERA benefit you receive prior to age 62, and permanently reduces your SDCERA benefit at and after the age of 62. If you receive a disability retirement benefit you are not able to select the Temporary Supplement.



10

Board of Retirement

SDCERA is governed by a nine-member Board of Retirement. Four members are elected by SDCERA members, four are appointed by the County Board of Supervisors, and the Treasurer-Tax Collector holds a permanent seat. Board meetings are generally held on the first and third Thursday of each month. Meetings are open to the public and can be viewed on SDCERA's website.

11

Pension Facts

The Pension Facts page on SDCERA's website is designed to help stakeholders better understand the national discussion on public pensions. You'll find studies and articles demonstrating that many defined benefit plans, including SDCERA, are financially solvent and cost effective.

12

Working during retirement

If you work for an employer other than the County of San Diego, or other participating employer, there is no effect on your SDCERA retirement benefit. If you are temporarily re-employed with the County after the required 90-day waiting period and work no more than 120 days (960 hours) per fiscal year, there is no effect on your SDCERA retirement benefit.

Verification of contributions or monthly benefit

With historically low interest rates, many members are requesting that SDCERA provide documentation that can be given to lenders. Active members can verify the balance of their member contribution account and retired members can receive verification of their monthly benefit amount. If you require this type of documentation, simply contact the Call Center at 619.515.6800 or toll free at 888.4.SDCERA.



Peter Q. Davis appointed to the Board of Retirement



Peter Q. Davis has been appointed by the San Diego County Board of Supervisors to a seat on the Board of Retirement to fill a mid-term vacancy. He is a fifth-generation San Diegan who has been involved in civic leadership for much of his career, even seeking election as mayor of the City of San Diego. In fact, Davis' great, great, grandfather was Mayor of Coronado in the late 1800s.

"The first board I ever served on as a young man was with the County," said Davis. "My perspective has always been regional when it comes to San Diego.

"I also served as one of the first presidents of the Honorary Deputy Sheriffs' Association, a citizen support group that raises funds for law enforcement personnel," he said. In 1986, then Sheriff John Duffy awarded Davis the top award for non-sworn personnel, the Citizen's Award.

Davis has specialized in financial oversight, serving as President and Chief Executive Officer of the Bank of Commerce. He also served three terms as Chairman of the Centre City Development Corporation (CCDC) Board of Directors in a time of rapid downtown development that included the expansion of the convention center and the building of Petco Park.

"I'm interested in investments and take a common sense approach to money management," said Davis. "I hope I can contribute to SDCERA by defining policies and procedures that will guide us through the current economic turbulence and beyond."



Published for members of the San Diego County Employees Retirement Association

Member comments and suggestions should be directed to SDCERA's Communications Department.

EMAIL:
communications@sdcera.org

CALL:
619.515.6800
888.4.SDCERA

SEND WRITTEN INQUIRIES TO:
SDCERA
2275 Rio Bonito Way, Suite 200
San Diego, CA 92108-1685

VISIT:
www.sdcera.org

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(alternate retired)

Tim Hancock
(alternate Safety)

Retirement Board Meetings

First and third Thursday of each month at the SDCERA Board Room, 2nd floor, 8:30 a.m.

Visit www.sdcera.org to view meeting calendars, agendas, minutes and streaming video of Board of Retirement meetings.

2012 Electronic Deposit Retirement Payment Dates
January 31; February 29; 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.

Observed Holidays (office closed)

January 16; February 20; March 30; May 28; July 4;
September 3; November 12, 22, 23; December 25

“As a retiree myself, I understand the challenges and concerns we face...”

- Peter Q. Davis

Davis’ leadership has been honed as Chairman the Board of Port Commissioners for the San Diego Unified Port District and as part of the Board of Administration of the San Diego City Employees’ Retirement System (SDCERS).

“As a retiree myself, I understand the challenges and concerns we face—and I consider it a privilege to be part of a group of intelligent, sophisticated leaders who take to heart the responsibility of securing a stable future for retirees who have served the County of San Diego,” he said.

Davis’ term on the Board of Retirement will continue through June 30, 2012.

Answers to frequently asked questions



For more answers, please contact the Call Center at 619.515.6800 to speak with a representative.

Can I increase my retirement contribution to increase my retirement benefit amount?

Active

Individual members cannot increase their contribution amounts. Contribution rates are based on recommendations to the Board of Retirement by SDCERA’s actuary and follow a fixed formula. When you retire, the amount of your SDCERA benefit is not calculated based on the amount of your contributions, but rather your age at retirement, service credit and final average compensation.

Does my member contribution account continue to accrue interest if I am a deferred member?

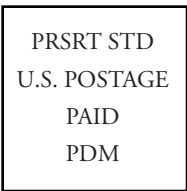
Deferred

As a deferred member, your member contributions left on deposit with SDCERA will continue to accrue interest. The contributions are held in your individual member account and accrue interest twice each year.

Does it matter if the name on my Social Security card does not match what SDCERA has on record for me?

Retired

Yes. If your name is not identical with both agencies, it can affect your enrollment in an SDCERA-sponsored medical plan if you are eligible for Medicare. To avoid delays, determine which entity has incomplete or incorrect name information and update it. To change your name with the Social Security Administration, call 800.772.1213 or visit www.socialsecurity.gov. To change your name with SDCERA, submit a *Name Change Request* form and supporting documentation.



Investment report

As the economic situation in the European Union worsened over the course of the third quarter of 2011, capital markets experienced significant strain. According to the Wilshire Trust Universe Comparison Service (TUCS), the median public plan with at least \$1 billion in assets lost 8.53% during the third quarter. SDCERA's portfolio performed significantly better than the median, decreasing 4.9%.

SDCERA's performance during this period of financial stress is a significant accomplishment, performing better than anticipated by its benchmark. By controlling downside risk, SDCERA has preserved more of the gains that were generated during the first half of the calendar year, as compared to its peers.

The benefit of SDCERA's diversified investment approach is highlighted by the returns of the various building blocks of

the portfolio. Stable value assets increased by 3.7%; growth oriented assets decreased by 13.7%; and inflation-sensitive assets decreased by 2.9%. By closely managing the allocation to each of these components, SDCERA was able to minimize losses during this period

of financial instability. The core benefit of SDCERA's approach to investing is its consistent containment of downside risk while actually improving long-term returns. The most recent quarter's results lend further support for the soundness of the strategy.

Returns for quarter ended September 30, 2011 (gross of fees)				
SDCERA Returns	Quarter	1-Year	3-Year	5-Year
Growth oriented ¹	-13.7%	-2.8%	2.9%	1.4%
Growth oriented benchmark	-14.5%	-1.3%	2.3%	0.3%
Stable value ²	3.7%	5.3%	10.1%	8.6%
Stable value benchmark	3.0%	4.6%	9.1%	7.0%
Inflation-sensitive ³	-2.9%	12.0%	0.1%	2.3%
Inflation-sensitive benchmark	-4.4%	9.0%	1.0%	3.5%
Total fund	-4.9%	5.8%	4.4%	3.0%
Total fund benchmark	-5.1%	5.1%	4.9%	3.7%
Total assets under management: \$7,980,936,975.⁴				

¹ Global, Emerging Market, Private Equities, and High Yield Bonds

² Emerging Market Debt (Local), Global Macro/CTAs, Relative Value, and U.S. Treasuries

³ Real Estate, Natural Resources and Other Real Assets, and Treasury Inflation Protected Securities

⁴ Includes \$200M investment in JP Morgan Strategic Properties