



Quotes to remember:

"Nothing is particularly hard if you divide it into small jobs."

- Henry Ford

June, 1999

Volume 1, Issue 2

The Finish Line

A Publication for Active Members of the Sacramento County Employees' Retirement System

1999 SCERS Advance Planning for Retirement ("APR") Seminars Successful

Inside this issue:

Logging On to Retirement's New Web Site	2
Perspectives from the Internet	2
Investment Performance Ranks High	3
Actuarial Audit	4
Interesting Actuarial Statistics	4
Contribution Rates Lowered	5
SCERS Earnings Produce Benefits	6

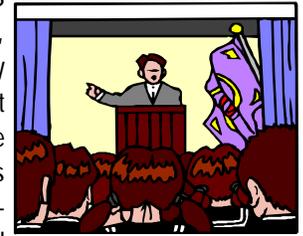
The SCERS Board is pleased to announce completion of another successful round of our series of advance retirement planning ("APR") seminars. Three one-day seminars, intended for SCERS members who are younger or are at least ten years from expected retirement from SCERS member service, were given in two half-sessions on Monday evening, May 17 and Thursday evening, May 20, and in all-day sessions Saturday, June 5 and Saturday, June 12 at the Board of Supervisors chambers.

Recognizing the seriousness and necessity for members with younger families to provide security in event of life's unexpectancies, each seminar included topical presentations by experts on Legal Affairs (Wills, Trusts and Estates), Private Investments, and SCERS benefits. These presentations were augmented by checklists, case studies, reading lists and examples.

Of the 306 SCERS members who enrolled, 200

actually attended. Critical comments, mostly positive, were submitted.

In addition to SCERS "APR" seminars, Sacramento County and Special District employees who are SCERS members may enroll in Pre-Retirement Financial



Planning seminars, which are offered each year, generally in the fall. These seminars are presented over two days. In addition to the subjects covered in our one-day seminars, presentations are made about Tax Planning, Social Security, Health Insurance and Deferred Compensation. Information regarding enrollment in these two-day seminars is to be distributed to County and Special District SCERS members by their payroll clerks in late July. Watch for your notice!

Important Telephone Numbers

SCERS:

916-874-9119

SCERS FAX:

916-874-6060

SCERS TOLL FREE No:

1-800-336-1711

E-mail address:

irisb@mail.sna.com



SCERS NEWSFLASH!

In accordance with the "Ralph Brown Act" and the SCERS Board's Bylaws, the Board of Retirement has passed a resolution changing its regular board meeting schedule. Effective July 15, 1999, "regular" board meetings will be held once per month, on the third Thursday of the month beginning at 1:00 p.m., at 980 9th Street, Suite 750. Special meetings will continue to be called as required by the Board President or a majority of the members of the Board as provided in the Brown Act and Board Bylaws.

Logging on to Retirement's New Web Page <http://www.co.sacramento.ca.us/retirement/index.html>

The Sacramento County Employees' Retirement System strode into cyber space in late March when SCERS added its Web page to the World Wide Web, and linked it to Sacramento County's home page. Web page designers from the Office of Communications and Information Technology worked with staff to develop SCERS' look. Initially, the web page provides access to SCERS' published newsletters, The Latest Wrinkle (for retirees) and The Finish Line (for active employees), functional and reporting organizational charts for Retirement Administration, and several segments from the latest Retirement Handbook. In the next few months, the entire Handbook will be made

available through the Internet, and plans are underway to add financial statements which will provide SCERS members with information about system assets and liabilities. Ultimately, the Retirement Administration intends to build an interactive page which will enable a SCERS member to view his or her own account balances: particularly service credits, contributions and interest earned. There is strong potential, as well, for the development of an interactive retirement benefits estimate program. While planning for this exciting possibility, SCERS staff is researching security safeguards to insure that a member's right to privacy is protected.

Perspectives from the Light Side of the Internet:

If you can start the day without caffeine,

If you can keep going without pep pills,

If you can always be cheerful, ignoring aches and pains,

If you can resist complaining and boring people with your troubles,

If you can eat the same food every day and be grateful for it,

If you can understand when your loved ones are too busy to give you any time,

If you can overlook it when those you love take it out on you when, through no fault of your own, something goes wrong,

If you can take blame without resentment,

If you can ignore a friend's limited education

and never correct him/her,

If you can resist treating a rich friend better than a poor friend,

If you can face the world without lies and deceit,

If you can conquer tension without medical help,

If you can relax without liquor,

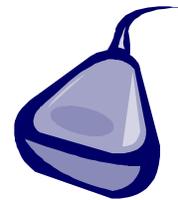
If you can sleep without the aid of drugs,

If you can honestly say that deep in your heart, you have no prejudice against creed, color, religion or politics,

Then my friend, you are ALMOST as good as your dog

ANONYMOUS

“ In the next few months, the entire Handbook will be made available through the Internet....”



A journey of a thousand sites begins with a single click!

Modem Times



“If you can overlook it when those you love take it out on you when, through no fault of your own, something goes wrong.....”



1998 Investment Returns Ranks SCERS Fund High in Comparison to Public Funds Universe

17.2% One Year Return Ranks in 19th Percentile of TUCS Public Fund Universe

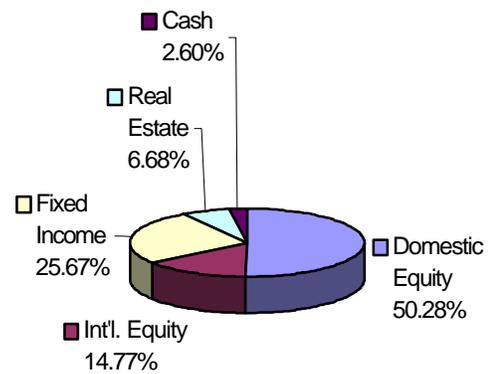
The 17.2% investment return for the Sacramento County Employees' Retirement System for calendar year 1998 ranked in the top 19th percentile in the Trust Universe Comparison (TUCS) Public Fund Universe according to Mercer Investment Consulting, the Systems performance consultant in its *Investment Performance Evaluation Report for periods ending December 31, 1998*. This is the fourth consecutive year that investment returns have been in double digits. The Total Fund also ranked in the 23rd percentile for the three year period and 33rd percentile for the five year period ending December 31, 1998 in the TUCS Public Fund Universe.

The 17.2% return raised the market value of SCERS investment portfolio to \$3,229 million, an increase of \$509 million from the market value on December 31, 1997.

The outstanding performance results come from the comparatively good performance of the domestic equity and fixed income investments. The total domestic equity performance over the 1, 3 and 5 year periods as reported in the Mercer Report have consistently been at or near the 33rd percentile in the universe comparisons. The domestic fixed income results also have been above the median public fund for each of the periods. SCERS investment performance for the 1, 3 and 5 year period is shown in the following table.

The consistent, above median, fund performance and the double digit investment returns, demonstrate the effectiveness of the fund's strategic asset allocation, set by the SCERS Board. The asset allocation is well diversified between stocks, bonds and real estate with a five year focus for investment returns and does not attempt to tactically time the market by making short-term shifts. This allocation is currently under review by the SCERS Board. The current distribution of SCERS assets on December 31, 1998 was 50.3% in domestic equity, 14.8% international equity, 25.6% fixed income, 6.7% real estate and 2.6% cash.

**Sacramento County Employees' Retirement System
Asset Allocation December 31, 1998**



■ Domestic Equity ■ Int'l. Equity ■ Fixed Income ■ Real Estate ■ Cash

Sacramento County Employees' Retirement System Investment Performance December 31, 1998			
Asset Class	1 Year	3 Year	5 Year
Domestic Equity	19.5%	23.4%	20.8%
International Equity	19.4%	10.0%	9.4%
Fixed Income	9.1%	7.5%	7.5%
Real Estate	12.5%	13.6%	9.5%
Total Fund Return	17.2%	16.7%	14.6%

"Money is a singular thing. It ranks with love as man's greatest source of joy. And with death as his greatest source of anxiety."

John Kenneth Galbraith,
The Age of Uncertainty



SCERS Actuary Passes Muster!

“We found no financially significant actuarial issues to report.....”

At a special meeting held on Thursday, May 20, 1999, the SCERS Board was presented with an Actuarial Audit Review dated April 22 which set forth the findings and comments resulting from a detailed review of the actuarial services currently performed by SCERS’ retained actuary – William M. Mercer, Inc.

This first time review of SCERS actuary was performed to provide assurance to the SCERS Board that the actuarial functions of SCERS are currently being completed accurately and in accordance with all applicable statutes, policies and actuarial standards of practice. The actuarial firm of Milliman & Robertson, Inc. was selected to undertake the review project following a search process completed in November 1998.

Milliman & Robertson, Inc., it happens, is the

same firm selected by the Retirement Board of Los Angeles County in spring 1998 to conduct an actuarial audit of that county’s retirement system. That review revealed a surprise additional liability to Los Angeles County in the amount of \$1.2 billion due to actuarial error (by an actuarial firm other than Mercer).

Milliman & Robertson, Inc. had this to say about SCERS’ retained actuary:

“Based on a thorough review of the most recent actuarial work of the Board’s actuary [William M. Mercer, Inc.], we are pleased to report that we found the work to be reasonable and performed according to generally accepted actuarial standards and principles. We found no financially significant actuarial issues to report.”

Interesting Statistics from the June 30, 1998 Actuarial Valuation



Weighted down by facts yet?

ACTIVE MEMBERS			
Retirement Tier	Average Age	Average Years of Service	Average Salary
Miscellaneous Tier 1 Members	50.81	22.35 years	\$47,866/year
Miscellaneous Tier 2 and 3 Members	42.31	6.4 years	\$39,901/year
Safety Tier 1 Members	40.17	12.29 years	\$58,886/year
Safety Tier 2 Members	34.77	6.56 years	\$42,084/year
RETIRED MEMBERS			
Retirement Type	Number of Retirees	Average Monthly Allowance	
Service	3,504	\$1,432	
Disability	626	\$1,395	
Beneficiaries	754	\$880	
Number of Living Retirees Born in 1800's Dates of Birth: 9/11/1899; 9/15/1898; 10/27/1895	3		

Contribution Rates Reduced!

On January 14, 1999, the SCERS Board adopted, and on February 16, 1999 the Board of Supervisors ratified, assumptions recommended by SCERS' retained actuary William M. Mercer, Inc. in Mercer's Actuarial Valuation Report as of June 30, 1998.

Although actuarial valuations are statutorily required triennially, SCERS Board policy is to value and set actuarial assumptions annually. Each year, SCERS employer and employee (member) contribution rates are fixed as a result of the coupling of those actuarial assumptions with the results of SCERS' triennial experience analysis, and SCERS' investment earnings.

For contributions to be made during fiscal year 1999-2000 beginning July 1, 1999, the SCERS Board is pleased to announce a reduction in aggregate employer and employee contribution rates of 1.92% and .84% which translate into contribution reductions of \$9,069,000 and \$3,961,000, respectively. For membership tiers which include post-retirement cost of living increases, this results in average biweekly reductions ranging from \$8.28 to \$30.00 for non-safety membership tiers and \$8.90 to \$40.00 for "safety" (law enforcement and fire suppression) membership tiers. Miscellaneous Tier 2 members will, however, experience a very nominal .04% rate increase.



"...contribution rates are fixed as a result of the coupling of those actuarial assumptions with the results of SCERS' triennial experience analysis, and SCERS' investment earnings."

What Was That You Said????? A Short Primer on Actuarial Terms

ACTUARIAL ASSUMPTION

An assumption that is made about a factor, or factors which may affect the cost of a retirement benefit. Such factors include rates of inflation, rates of salary increase, age at retirement, length of service, mortality, etc.

ACTUARIAL VALUATION

An examination of a pension plan to determine whether contributions are being accumulated at a rate sufficient to provide the funds out of which the promised benefits can be paid when due. The valuation shows the actuarial liabilities of the plan and the applicable assets. [SCERS valuations are performed annually.]

ACTUARY

A person trained in mathematics, statistics and legal accounting methods and in the principles of sound

operation of insurance, annuities and pension plans, who employs life expectancy projections, financial projections, and related data in the funding and management of a retirement plan.

EXPERIENCE ANALYSIS

A review and analysis of actual events experienced by a retirement system which may induce a change in actuarial assumptions.

INVESTMENT EARNINGS

The earnings of a retirement system which, along with contributions by members and employers, are used to fund obligatory retirement benefits. Excess investment earnings are earnings beyond those which are required to fund obligatory benefits and may be used to reduce required contributions or to provide additional benefits not required by law.



SCERS Earnings Used to Provide Benefits

Health Care Benefits

The Sacramento County Board of Supervisors has acted to provide a continuation of Sacramento County-sponsored medical plan premium offsets for retirees and surviving spouses for fiscal year 1999-2000, beginning with "coverage" for July 1999, utilizing \$7.9 million in SCERS investment earnings which the SCERS Board has allocated for that purpose. The Retiree Health Care Benefits Program for Fiscal Year 1999-2000 medical plan premium offsets are based upon a graduated scale related to SCERS credited service at time of retirement. The "old" and "new" amounts (effective with June 1999 pension payroll) are as follows:

<u>Credited Service</u>	<u>Maximum Monthly Offset</u>
If you are credited with:	Then, SCERS will pay as described below and the retiree will pay the rest of the premium.

	Old	New
Less than 10 years	\$ 78.00	\$ 84.00
10 years but less than 15	\$ 98.00	\$105.00
15 years but less than 20	\$117.00	\$126.00
20 years but less than 25	\$137.00	\$147.00
25 or more years	\$156.00	\$167.00

Years of additional service creditable to a

Burial Allowance

Since 1984 the SCERS retiree burial benefit has been set at \$1,000. By Statutes of 1997, the California Legislature added Government Code Section 31789.5 which permits a board of supervisors to enhance that benefit. Accordingly, the Board of Directors of the Sacramento County Retired Employees' Association ("SCREA") sought support of the SCERS Board to effect an increase in the allowance to \$2,000. The SCERS Board com-

member retired for nonservice-connected disability in accordance with Government Code Sections 31727(b) and 31727.2(b) are not included in determination of credited service for purpose of determining medical benefit eligibility.

The increase in offset amounts ("Old" to "New") is reflective of the increase in base premium for the Program, i.e., the highest premium offered for County-sponsored health maintenance organization plans for a member under age 65 or with no Medicare eligibility (changed from \$156 to \$167).

In the event that the recipient's choice of a plan and coverage results in a premium that is less than the maximum monthly offset, the actual benefit shall be the amount of the premium.

As part of the Retiree Health Care Benefits Program For Fiscal Year 1999-2000, the SCERS Board has extended its Agreement with Delta Dental Service to provide SCERS-paid dental care coverage to SCERS retirees and surviving spouses, and coverage to living retirees' spouses at the retirees' expense. Living retirees' spousal dental care plan premiums will remain at \$28.43 monthly.

[Special Note: Legal instruments under which the Sacramento County Retiree Health Care Benefit Program For Fiscal year 1999-2000 is created provide that the plan does not create any contractual, regulatory, or other vested right or entitlement to either present or future retirees, their spouses or dependents, to any particular level of subsidization of health care costs, or to subsidization at all. Whether subsidization continues, and if so, the level of subsidization is vested within the sole discretion of the Board of Supervisors.]

municated such support to the Board of Supervisors and agreed to utilize \$3.1 million of SCERS investment earnings to fund the enhancement. Effective March 2, 1999, the Board of Supervisors, by resolution, agreed to raise the burial allowance to \$2,000. Congratulations to the SCREA Board, the SCERS Board, and the Sacramento County Board of Supervisors for exhibiting the utmost in cooperation in looking out for SCERS retirees.

RETIREMENT BOARD

- Jan Hoganson, President
Elected by Safety Members
- Ronald Suter, Vice President
Elected by Miscellaneous Members
- John Dark, Director of Finance
Ex-Officio
- William Cox
Elected by Retired Members
- Keith DeVore
Elected by Miscellaneous Members
- James A. Diepenbrock
Appointed by the Board of Supervisors
- Winston H. Hickox
Appointed by the Board of Supervisors
- John B. Kelly
Appointed by the Board of Supervisors
- Robert Woods
Appointed by the Board of Supervisors
- James C. Crump, Alternate
Elected by Safety Members

Executive Staff

- John R. Descamp
Chief Executive Officer
- Jeffrey States
Chief Investment Officer
- Linda Seher
Chief Benefits Officer
- Steven A. Grimshaw
Chief Operations Officer
- Newsletter Coordinator - Iris Bachman
Sacramento County Employees'
Retirement System
980 9th Street, Suite 750
Sacramento, CA 95814



"Predicting the future is hard because it hasn't happened yet."
Yogi Berra, New York Yankees (retired).