Volume 7, Issue 1

Spring 2006

The Finish Line

Sacramento County Employees' Retirement System

Inside This Issue:

PUBLIC EMPLOYEE BENEFITS IN THE HOT SEAT

The following article summarizes efforts over the past year to modify public employee retirement benefits. Additional information about the issues in this debate will be provided in subsequent articles and/or can be found on SCERS website – www.scers.org.

Public employee retirement benefits used to be a quiet little aspect of government that did not generate much attention. Few people outside of the participants in public employee retirement systems knew much about how they operated. And if you really wanted to end a conversation, all you had to do was to start talking about actuarial valuations.

How things have changed!

Now, a week rarely goes by without a newspaper article that takes issue with some aspect of public employee benefits. And terms like 'Chief's Disease,' 'double dipping,' and 'unfunded liability' have become part of everyday speech.

While it seems like all this change took place in the past year, in truth, the seeds were planted over the last ten years.

It began with the booming stock market of the second half of the 90's, which resulted in a dramatic increase in the assets of public employee retirement systems. The steady stream of double-digit investment returns and the rise

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WE'RE BACK!

After a longer-than-anticipated hiatus, *The Finish Line* is back, with a new look and more feature articles than in the past. We hope you find this publication helpful and informative.

Going forward, *The Finish Line* will come out twice annually, with one issue published in the Spring and one in the Fall. For 'real time' news regarding SCERS and your retirement benefits, we encourage you to visit SCERS' website at www.scers.org.

The information available on the website has been expanded and in the future the website will play an ever greater role in providing SCERS members with information and services regarding matters of interest to you. Please check it out to stay current on developments.

As always, however, if you have any questions, please know that the friendly staff at SCERS will be glad to help.

A MESSAGE FROM SCERS CEO

Greetings!

For those of you who I have not had a chance to meet, I wanted to take a moment to introduce myself. My name is Richard Stensrud, and it has been my privilege to serve as Chief Executive Officer of SCERS since John Descamp retired a little more than a year ago. As many of you know, John worked for SCERS for more than twenty-six years, undertaking his duties with uncommon passion, dedication and integrity. John tirelessly strived to make SCERS the best retirement system it could be, and I am honored and excited to have the opportunity to build upon the excellent foundation he laid.

In taking on this challenge, I will be drawing upon more than twenty years of experience managing public funds and administering public employee benefits. Fortunately, I will also be getting help from the great staff at SCERS. And last, but by no means least, the ultimate leadership and direction of SCERS will continue to rest with the outstanding individuals who serve on the SCERS Board of Retirement.

The strength of SCERS has always been in our adherence to the highest fiduciary standards. SCERS has been able to meet such standards due to the solid partnership we have with our members, retirees and participating employers, under which all our stakeholders understand that the SCERS Board must manage the retirement system in the best interests of the system as a whole. This approach of removing politics from the process has enabled the SCERS Board to make the sometimes difficult decisions necessary for assuring the sound financial condition of the retirement system. It has also allowed SCERS to maintain the trust and confidence of, and to serve as a resource for, all of our stakeholders. As a result,

Richard Stensrud, CEO

SCERS stands as an example of a public employee retirement system that is working the way it should.

I will do my utmost to maintain these standards. And we will constantly look for ways to do a better job of serving you, our customers.

It is great to be a part of YOUR retirement system!

RETIREMENT PLANNING SEMINARS ARE BACK!

Beginning in June 2006, SCERS will kick-off new retirement planning seminars for active SCERS members. The first two seminars will be geared toward SCERS members who are planning to retire within the next ten years. In the Fall, SCERS will begin offering seminars for members who are more than ten years from retirement. The subjects covered in both the 'late' career program and the 'early to mid' career program will be similar, but each program will put a different emphasis on the particular issues based on where the member is relative to retirement. Among the subjects addressed will be SCERS benefits; legal affairs; deferred compensation and investment planning; Social Security; and post-employment health care benefits.

The first two seminars will be offered at the following dates and locations:

- Wed., June 14, 2006
  8:00 a.m. to 4:00 p.m.
  Cooperative Extension
  4145 Branch Center Rd.
  Sacramento (East)

- Wed., June 21, 2006
  8:00 a.m. to 4:00 p.m.
  Sheriff's Comm. Center
  7000 65th Street.
  Sacramento (South)

Registration forms can be obtained on the SCERS website at www.scers.org or by contacting SCERS' offices. Space is limited and registration will be on a first-come, first-served basis. If the demand is high, SCERS will try to schedule another seminar in late June or early July, but either way, SCERS plans to conduct additional 'late' career seminars starting in late August.

PUBLIC EMPLOYEE BENEFITS IN THE HOT SEAT

(Continued from Cover Page)

in the actuarial funding status of public retirement systems prompted an increase in retirement benefit formulas and low retirement costs for the governments that sponsored those systems, including, in some cases, 'contribution holidays.' It also caused many people to think that these 'excess' investment earnings were permanent.

The error of such thinking was brought home by the extended downturn in the investment markets starting in 2000. Not only were retirement systems falling short of their target investment earnings rates, but many systems experienced negative returns, and any surplus funding left from the preceding few years was quickly drained in an effort to make up for current-year investment shortfalls. The combination of poor investment performance and the higher cost of the improved retirement benefits caused the actuarial funding status of systems to drop, and as a result, contribution rates increased dramatically.

At the same time, the legislature and the courts were relaxing the rules for obtaining disability retirement, and expanding the types of compensation counted for retirement purposes. Meanwhile, people were retiring earlier, with higher than expected salaries, and living longer in retirement.

All of these factors added to the cost of retirement benefits. And not only had costs rebounded sharply compared to the low cost period that preceded it, but they were hitting at a time when governmental revenues were lower due to a broad economic slowdown. As a result, in some places, covering the cost of public employee benefits was putting pressure on the ability of the government to maintain current service levels in other areas.

In short, all the ingredients were in place for a demand for reform by parties who believed the costs attributable to public employee benefits were too high and must be scaled back. This kindling was then ignited in the broader political collision that took place between the Democrats and organized labor on one side, and Governor Schwarzenegger, the Republicans and fiscal conservatives on the other side. Not surprisingly, the press was more than happy to pour gasoline on the fire whenever it could.

What followed was a classic example of how not to make sound and sensible public policy and it can be summed up in the following maxims: 'For every complex problem there is a simple solution which is almost always wrong;' 'Don't confuse me with the facts;' and 'The unstoppable force meets the immovable object.'

'For Every Complex Problem There is a Simple Solution Which is Almost Always Wrong'

As suggested above, a number of factors contributed to the increased costs associated with

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"Overall, it was not clear when any savings might be seen from switching public employees to DC plans."

IS YOUR BENEFICIARY INFORMATION UP-TO-DATE?

One thing in life you can depend on is change. Is your designated beneficiary correct? As a member of the Sacramento County Employees' Retirement System, it is critical to keep this information up-to-date. The Members Affidavit is the basis by which SCERS will distribute your benefits in the event of your death. You should keep it current at all times.

Accordingly, if you need to update your beneficiary information, complete and return a Member's Affidavit. You can obtain the Member's Affidavit on the SCERS website at www.scers.org; visit the office at 980 9th Street, Suite 1800; or phone the office at (916) 874-9119 to have a form mailed to you.

RECIPROCITY REVIEW

Reciprocity – What is It?

Under the SCERS benefit feature known as "reciprocity", members who leave employment with the County of Sacramento ("County") or a participating special district to take a position with another public employer often find that they can (1) maintain their benefits with SCERS, (2) reduce or eliminate the vesting period required by their new employer's retirement system, and (3) simplify financial planning by ensuring that all pension benefits reflect the same wage at retirement. However, in order to obtain these benefits, departing SCERS members must abide by several criteria:

- Defer receipt of benefits from SCERS by leaving member contributions and interest with SCERS.
- Become a member of a reciprocal retirement system within 180 days of separating from service with the County or a participating special district.
- Avoid periods of overlapping service between the new employer and the County or a participating special district.
- Complete the forms required by SCERS to establish reciprocal membership with the new retirement system.
- Ask the new retirement system to verify your status as a reciprocal member.

In addition to CalPERS, CalSTRS and other plans subject to the County Employees Retirement Law of 1937, SCERS has reciprocity agreements with a number of retirement systems sponsored by California municipalities and special districts. For a full listing of these municipalities and special districts, please see the Retirement Handbook link at www.scers.org.

What are the Benefits?

Reciprocity provides for the uniform recognition of service and retirement applicable wages among two or more public retirement systems. By doing so, it allows career public employees to move from one employer to another without (1) necessitating a cash-out of benefits from the current retirement system or (2) requiring an entirely new vesting and eligibility period with the next retirement system.

EXAMPLE

After much deliberation, 48 year-old Joe Public decides to leave his position with the County to accept a new job with Big City. At the time that he leaves the County, Joe has three years of service with SCERS and is not vested. However, when he starts with Big City a week later, Joe (a) becomes a member of CalPERS and (b) asks his old retirement office to establish reciprocity with CalPERS.

After establishing reciprocity, Joe works for Big City until he reaches age 55, at which point he has seven years of service with CalPERS. While many members in his position cannot receive monthly benefits for several

more years, Joe's ten years of service with CalPERS and SCERS allow him to retire immediately. Furthermore, Joe is eligible to receive monthly benefits from SCERS, which also recognizes his CalPERS and SCERS service for vesting purposes and can pay him a monthly retirement benefit reflective of his three years with SCERS.

Beyond preserving Joe's ability to (i) retire from CalPERS at age 55 and (ii) receive monthly benefit payments from SCERS with only three years of service, reciprocity enables both retirement systems to calculate Joe's benefits using the higher retirement applicable wage paid by Big City.

What are the Restrictions?

Along with the benefits gained by reciprocity, come a number of restrictions, which members should remember throughout their public service career:

- Members who establish reciprocity are precluded from requesting single sum distributions or "refunds" from SCERS as long as they work for a reciprocal public employer.
- Members who establish reciprocity must retire from each retirement system for the same

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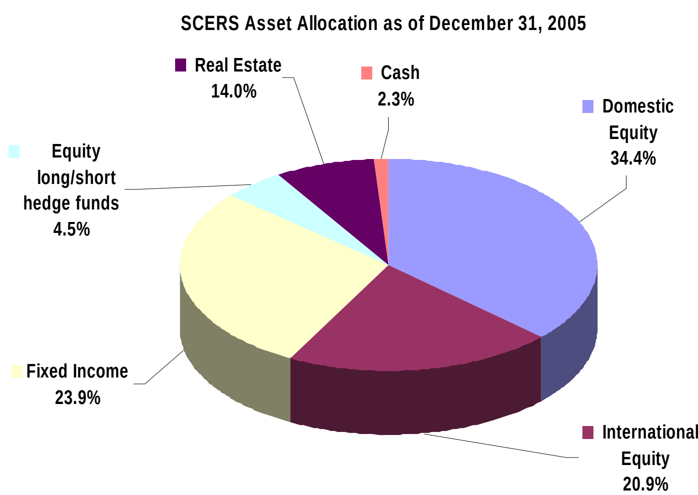
MARKET VALUE ABOVE $5 BILLION

The Sacramento County Employees' Retirement System (SCERS) investment portfolio had a return of 9.8%, net of fees, for calendar year 2005 according to Mercer Investment Consulting. This marks the third consecutive calendar year that SCERS' investment return was above its long term performance objective of 7.75%. Annualized investment returns over the 1, 3 and 10 year periods were solidly in positive territory. Only the 5 year annualized return, which includes the bear equity market years of 2001 and 2002, is below the long term performance objective. All of SCERS investments by asset class had positive returns for the calendar year. The best portfolio investment performance came from investments in real estate and international equity. SCERS invests internationally in developed and emerging country stock markets. The emerging market equity investment had a return of 38.4% while the investments in developed countries returned 16.2%.

Sacramento County Employees' Retirement System
Annualized Investment Returns
For Periods Ending December 31, 2005

Asset Class	1 Year	3 Year	5 Year	10 Year
Domestic Equity	5.9%	15.7%	1.9%	9.1%
International Equity	20.5%	25.2%	7.2%	7.3%
Fixed Income	2.4%	5.1%	6.0%	6.5%
Real Estate	28.2%	15.9%	12.3%	12.4%
Cash	4.0%	2.9%	3.1%	4.5%
Total Fund	9.8%	14.3%	5.5%	9.1%

SCERS investment portfolio has a fair market value of $5,121.8 million as of December 31, 2005. This is the first time that the market value of SCERS investments has been above $5.0 billion. SCERS maintains a diversified portfolio of investments designed to meet the long term investment objective with an acceptable level of risk. The assets on December 31, 2005 were allocated as shown in the chart.



RECIPROCITY REVIEW

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reason recognized by their final public employer, i.e. service or disability.

- Members who establish reciprocity must retire from each retirement system on the same date if they want to ensure that the combined years of service will be recognized for retirement eligibility purposes.
- Members who establish reciprocity must retire from each retirement system on the same date if they want to ensure that all retirement benefits will be calculated using the highest retirement applicable wages paid by a reciprocal employer.

Given the simultaneous retirement requirement, it is critical that reciprocal members inform SCERS of their retirement plans and deliver an Application for Service Retirement on or before the date that they retire from their last public employer and retirement system.

Where can I get More Information?

Our Benefits staff are the best source of information regarding the reciprocity rules and processes in place at SCERS. If you are anticipating a move to a public employer with a reciprocal retirement system or contemplating retirement from a public employer with a reciprocal retirement system, we encourage you to contact SCERS before the effective date of the change.

ANNUAL COST-OF-LIVING ADJUSTMENT ("COLA") SET BY BOARD OF RETIREMENT

At its meeting on February 16, 2006, the SCERS Retirement Board approved the annual cost-of-living adjustments (COLA) to be effective April 1, 2006, for eligible SCERS monthly annuitants. SCERS' April benefit payments will reflect the approved increases as indicated in the chart to the right.

The membership category applicable to you is indicated on your retirement system advice or warrant. [Note for beneficiaries and survivors: The applicable retirement dates are the retired member's retirement date or active member's date of death.]

For annuitants with service under more than one membership category, the COLA applicable to each category will apply to the portion of your monthly allowance based on that category.

This increase does not apply to insurance subsidies shown as "Medical Plan Premium Off-Set."

For further information on how the COLA was determined, visit www.scers.org and left-click the link for 'Important Notices'.

If Your Membership Category (Plan/Tier) Is:	And Your Retirement Date Is:	Your Increase Is:
Miscellaneous Tier 1 or Safety Tier 1	On or before 3/31/1981	4%
	On or after 4/1/1981	2%
Miscellaneous Tier 3 or Safety Tier 2	All	2%
Miscellaneous Tier 2	All	0%

PUBLIC EMPLOYEE BENEFITS IN THE HOT SEAT

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public employee benefits. However, rather than focusing on making reasonable changes in those areas where there was room for legitimate reform, the advocates for reigning-in public employee benefit costs proposed that the current method of providing retirement benefits to public employees – a defined benefit pension plan like the one provided by SCERS – be thrown out entirely and replaced by a different type of retirement plan – a defined contribution plan similar to a 401(k) plan or 457 deferred compensation plan.

While both types of retirement plans are widely utilized as part of the overall compensation package between employers and employees, the features of the two plans differ, as do the relative advantages and disadvantages to the employer and employee, respectively. Under a defined benefit ('DB') plan, the retiree receives a guaranteed level of income for life, based on a formula tied to years of service, age at retirement, and final average salary. The investment activities necessary to pay the benefits are carried out by the retirement system, and if the investments do not generate enough returns, the burden falls on the employer to make up the difference. Under a defined contribution ('DC') plan, the ultimate retirement benefit is based on how much the employee can save. The investment decisions on the retirement account are made by the employee and it is up to the employee to assure that he or she has saved and earned enough to last through retirement.

In assessing the merit of a particular retirement plan it is important to: (1) Identify the goals you are trying to achieve; (2) Establish the relative priority of those goals; and (3) Determine the costs and benefits associated with the plan and/or switching to a new type of plan. The advocates for DC plans clearly had different views regarding items (1) and (2) than the supporters of DB plans. However, the debate on these questions never truly got underway because of the failure of the DC promoters to carefully think-through all the ramifications of the third consideration.

'Don't Confuse Me with the Facts'

The advocates of DC plans argued that public employees could achieve the same level of retirement security as under DB plans by making good investment decisions. One difficulty with this claim, however, was that the data showed that the typical DC plan investor does not do as well as the investment returns obtained by a DB plan. Plus, the DC plan investor bears the risk that a sudden drop in the investment markets near or after retirement could significantly alter the amount available

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PUBLIC EMPLOYEE BENEFITS IN THE HOT SEAT

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for retirement. Finally, the DC plan member has to figure out how to make his or her retirement funds last for the rest of his/her life. This means either taking the risk that the retiree will outlive his or her assets or converting the DC account into an annuity that provides a stream of payments until death. While this reduces the risk, it also significantly reduces the dollar value a retiree receives from the retirement account due to the fees charged by the provider of the annuity.

A central argument made by the advocates of DC plans was that they would reduce costs for the employer. This argument did not take into account, however, the increased costs that would result for a number of years due to closing down the defined benefit plans to new employees. The proponents of defined contribution plans also did not account for the pressure that would be brought to bear on employers to pay higher salaries as compensation for the employee taking on the risk of having saved enough for retirement. Overall, it was not clear when any savings might be seen from switching new public employees to DC plans.

While there were a number of other criticisms of the DC plan proposal, perhaps the key flaw in the proposal was the failure to sufficiently address the issue of death and disability benefits. Those benefits – which are particularly important for Safety personnel and other public employees who serve in high risk positions – are integrated into the benefits provided by a DB plan. However, DC plans are not designed to provide these types of benefits at the same level and in the same way that the benefits are provided by a DB plan. This omission became the rallying point in the counter-offensive mounted against the DC proposal.

'The Unstoppable Force Meets the Immovable Object'

The proposal to change public employee retirement benefits quickly became a hot topic when Governor Schwarzenegger included it in his State of the State address. The Governor not only endorsed the DC plan proposal, but he threw down the gauntlet by saying that if the Democrat-controlled legislature did not act upon it, he would take the proposal directly to the voters through a ballot initiative.

The response of the Democrats and the other supporters of DB plans was equally direct – in essence, their reply was to 'bring it on' – and they immediately launched an aggressive campaign pointing out the flaws in the DC proposal. They also unleashed a steady barrage of criticism regarding any and all other measures supported by the Governor.

As has been well-documented, in the end, the Governor decided not to take the DC plan proposal to the voters. And the measures the Governor did take to the voters were not well-received.

Now What?

The efforts to change public employee retirement benefits have not ended, they have simply died down for a while. All of the parties who pushed the DC proposal last year insist that the fight is not over and that they will take the issues to the voters unless substantial reforms are made by the legislature. For now, the protagonists on both sides are focusing on the upcoming elections, but the outcome of those elections will have a substantial effect on what happens next.

In sum, it appears that it is not a question of whether there will be further debate about public employee retirement benefits, but rather, what form that debate will take. Will it be a reasoned and rational analysis of what is right and what is wrong with our current retirement benefit system? Will it feature an informed discussion of the goals we are trying to achieve through an employer-provided retirement benefit, and how those goals fit with the other goals that government is trying to achieve? Or will it be a 'sound bite war,' with the complex questions and important issues decided by voters based on what they read in the newspapers and see on television?

The answer to these questions will have a profound impact on both current and future public employees.

And lurking around the corner is the next issue and phrase that everyone will soon become familiar with – Other Post Employment Benefits or 'OPEB.' The most familiar OPEB is retiree health care coverage. In our next issue we will talk about how and why OPEB will factor into the debate about public employee benefits.

SURVIVORS BENEFITS FOR REGISTERED DOMESTIC PARTNERS

As many SCERS members may know, the state legislature recently enacted the California Domestic Partner Rights and Responsibilities Act of 2003, extending the rights and duties of marriage to persons registered as domestic partners on and after January 1, 2005. Under the referenced act, the California Family Code was amended to include Section 297.5, which states in pertinent part:

> *Registered domestic partners shall have the same rights, protections, and benefits, and shall be subject to the same responsibilities, obligations, and duties under law, whether they derive from statutes, administrative regulations, court rules, government policies, common law, or any other provisions or sources of law, as are granted to and imposed upon spouses.*
>
> *[Family Code § 297.5.(a)]*

To implement this law, SCERS has modified a number of rules and practices to address the registered domestic partner benefits. A prime example of these modifications can be seen in the Election of Retirement Allowance form, which is required of all active members who retire from SCERS.

❶ Under the revised Election of Retirement Allowance form, a member who retires from SCERS and selects the plan's normal or "Unmodified" form of payment agrees to provide a 60% survivor annuity or "Continuance" to the current spouse or domestic partner, provided that the member has been married or registered for at least one year prior to his or her retirement effective date.

❷ As with the Unmodified benefit provided to a member with a spouse at the time of retirement, a member with a registered domestic partner at the time of retirement cannot waive the 60% Continuance or request a less favorable survivor benefit without the consent of the registered domestic partner. This consent must occur in writing and must be witnessed by a SCERS representative or notary public.

Members and other interested persons who wish to learn more about these changes may view a sample of the Election of Retirement Allowance form at SCERS' website. To view the sample form, go to www.scers.org and left-click the link to "Forms". Then left-click the link for "Planning for Retirement" and select the appropriate document.

INTERESTING OBSERVATIONS REGARDING SCERS ANNUITANTS

- *Our oldest living retiree is 101.*
- *Our oldest living active member death survivor is 103.*
- *We have 57 benefit recipients credited with more than 40 years of service credits.*
- *We have a service retiree now retired for 42 years.*
- *We have a nonservice-connected disability retiree now retired for 46 years.*
- *We have a service-connected disability retiree now retired for 51 years.*

"DRO" INFORMATION NOW AVAILABLE ON WEBSITE

Overview

During or following a divorce, the parties to a marriage often agree to divide property acquired or accrued during the marital period. This property can include benefits provided by qualified retirement plans, such as SCERS. Unlike other property addressed in a marital settlement agreement or other Court-endorsed stipulation, however, the Internal Revenue Code provides that retirement plans like SCERS cannot assign any portion of a member's retirement benefits to an alternate payee without a specific document known as domestic relations order ("DRO").

Resources from SCERS

To assist members and nonemployee spouses who are trying to divide retirement benefits upon divorce, SCERS provides model documents to consider when preparing a DRO. Whether the affected member is self-represented or working with an attorney, we find that our model documents and information packets facilitate a division of SCERS benefits in the quickest and most cost-effective manner possible. This is because the model documents already include all required DRO elements and are written to address the separate needs of persons who divorce before and after retiring from SCERS.

Web Viewing & Downloads

Electronic versions of the DRO packets are available to active and retiree members through SCERS' website. Interested persons with Adobe Acrobat or Acrobat Reader installed on their PCs can now access and download this information as follows:

Establish Internet access.

⇒ Go to SCERS Web site at www.scers.org.

⇒ Left-click link to "Forms".

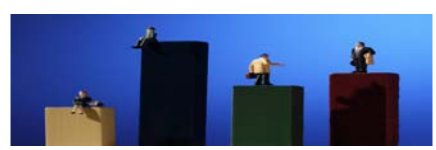
⇒ Left-click link for current plan status, "Still Working" or "Already Retired".

⇒ Left-click link to "Dissolution of Marriage Guidelines" to view cover memo, model document and any other DRO information provided by SCERS for reference.

Other Questions Regarding Model Document or DRO Process

SCERS' staff remain available to answer questions that you or your representatives may have regarding DRO requirements, processes and implementation. If you have any questions regarding any of the information on the website, please call SCERS' main line at (916) 874-9119 and ask to speak with someone designated to discuss DRO issues.

RETIREMENT CONTRIBUTION RATES CHANGE



Each year SCERS retains an independent consultant to perform an actuarial valuation. The annual actuarial valuation measures the current and projected assets and liabilities of the retirement system, as well as the system's funded status. This information forms the basis for establishing the actuary's recommendations for employee and employer contribution rates for the upcoming fiscal year.

The SCERS Board utilizes the actuary's recommendations in adopting the appropriate contribution rates, which are then conveyed to the Board of Supervisors for implementation.

Contribution rates will change in July for the new fiscal year. This is good news for employees, who will see a decrease from the rates paid during the current fiscal year. The new rates will take effect for all active SCERS members during the first full pay period that falls in the calendar month of July. County employees will see the new rates in their paychecks on July 28, 2006. On the following page are contribution rates for members by plan and tier.

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RETIREMENT CONTRIBUTION RATES CHANGE

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	Fiscal Year 2006-07	Fiscal Year 2005-06
Employee Rates*		
Miscellaneous Tier One	4.84%	5.51%
Miscellaneous Tier Two	3.57%	3.63%
Miscellaneous Tier Three	4.67%	4.79%
Safety Tier One	11.58%	12.46%
Safety Tier Two	10.57%	10.75%

* Based on single full-rate payable by members who enter on or after January 1, 1975.

The average aggregate employer contribution rate will increase 1.93% from 17.72% to 19.65%. The employer rate increase is primarily the result of the second year of a two-year phase-in of last year's cost increase. The phase-in of investment losses from the years 2000 to 2003 also contributed to the cost increase.

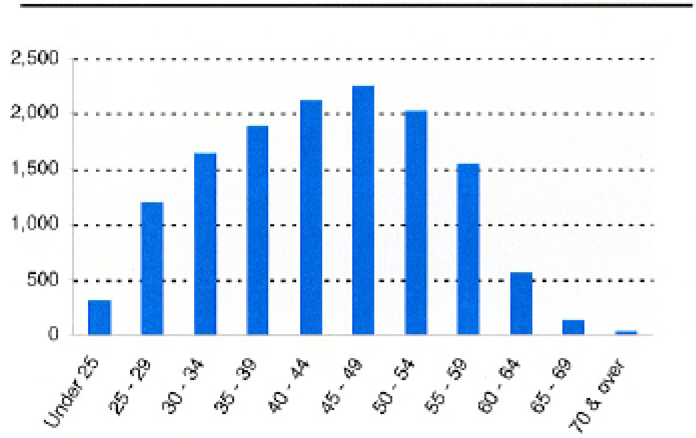
	Fiscal Year 2006-07	Fiscal Year 2005-06
Employer Rates		
Miscellaneous Tier One	16.27%	15.43%
Miscellaneous Tier Two	13.13%	11.49%
Miscellaneous Tier Three	16.16%	14.17%
Safety Tier One	35.24%	33.29%
Safety Tier Two	30.84%	28.57%
All Categories Combined	19.65%	17.72%

SCERS' overall funding objective is to meet long-term benefit promises by maintaining a well-funded plan status through a combination of superior investment returns and employer and employee contributions which are both minimized and maintained as level as possible. The greater the level of overall plan funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the investment potential. To help reduce year-to-year volatility due to fluctuations in investment performance, a rolling five-year period is used to average gains and losses in the calculation of the actuarial value of assets. As of June 30, 2005, SCERS' funding ratio remained stable at 93%.

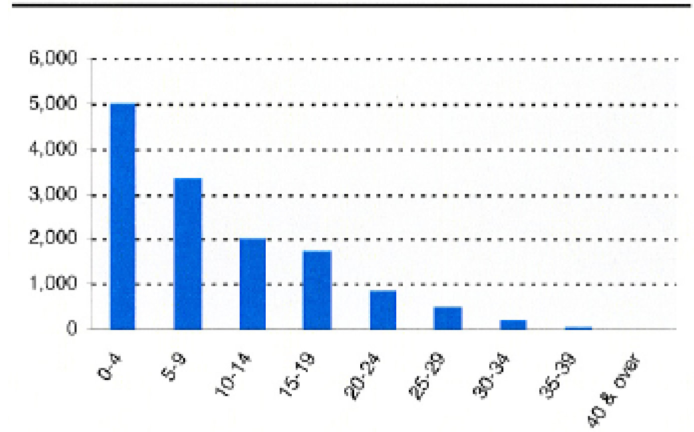
The annual actuarial valuation considers the numbers and demographic characteristics of active members, inactive vested terminated members, and retired members and beneficiaries. As of June 30, 2005, there were 13,728 active members with an average age of 44.0, average years of service of 9.7 years, and average annual compensation of $52,594. Also as of June 30, 2005, there were 6,784 retired members and beneficiaries receiving an average monthly benefit of $2,106. There were 2,135 inactive members.

These graphs show a distribution of active members by age and by years of service.

Distribution of Active Members by Age as of June 30, 2005



Distribution of Active Members by Years of Service as of June 30, 2005



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Retirement Contribution Rates Change

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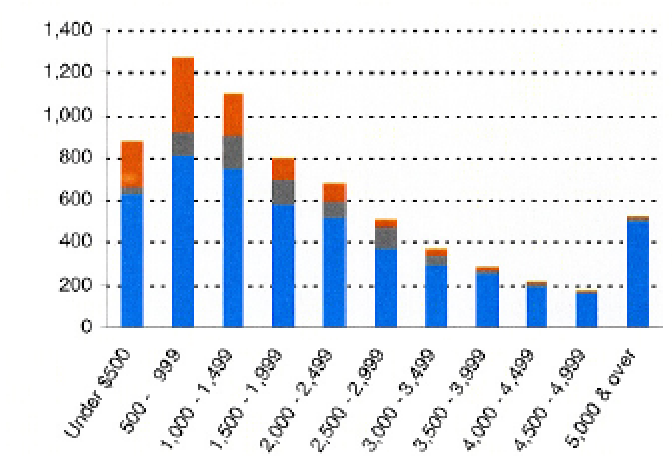
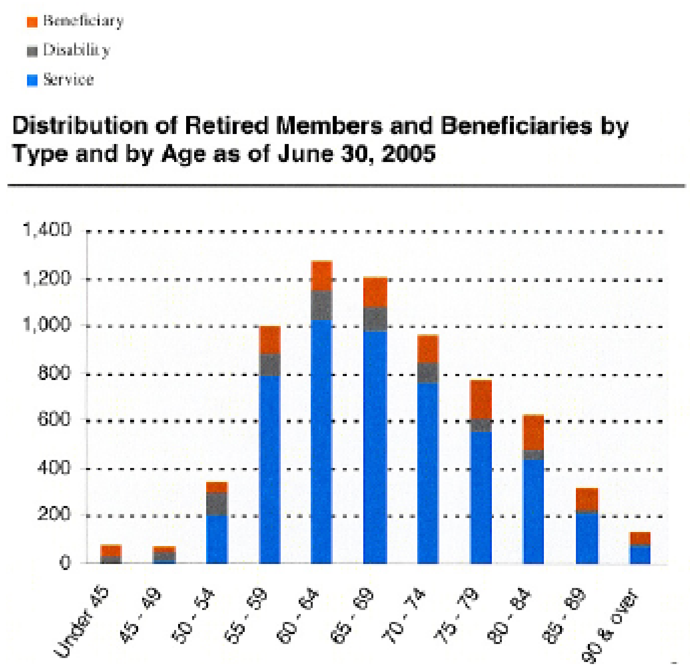
These graphs show a distribution of the current retired members and beneficiaries based on their monthly amount and age, by type of pension.

Distribution of Retired Members and Beneficiaries by Type and by Monthly Amount as of June 30, 2005



Distribution of Retired Members and Beneficiaries by Type and by Age as of June 30, 2005



WHAT FACTS DO YOU KNOW ABOUT SCERS ACTIVE MEMBERSHIP ?

- The oldest member is over 77 years old
- The youngest member is 22 years old.
- The highest years of service a member has is over 38 years.

GUESS WHAT? SCERS HAS A NEW WEBSITE ADDRESS

Internet access is now easier than ever! Visit us on the internet at WWW.SCERS.ORG. A new “Forms” link has been added for convenient access to various retirement forms.

SCERS encourages its members to visit the website to access current and up-to-date information.

Sacramento County Employees' Retirement System

980 9th Street, Suite 1800
Sacramento, CA 95814-2738
P.O. Box 627
Sacramento, CA 95812-0627

Reception: (916) 874-9119
Toll Free: (800) 336-1711
Facsimile: (916) 874-6060

Visit SCERS online at www.scers.org

- Or -

Send your comments by email to Sacretire@saccounty.net

JOIN SCREA!

The Sacramento County Retired Employees Association ('SCREA') is a membership organization concerned with matters affecting SCERS' retired employees, and SCREA advocates and speaks on their behalf. SCREA provides information to its membership through a quarterly newsletter, meetings, and social activities. If you are interested in joining or in finding out more information about SCREA, please contact Palmer Slack, SCREA Membership Chair, at (916) 421-4203.