

SCERS NEWSLETTER

RETIREMENT INFORMATION

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A Message from SCERS' CEO

SCERS hit the \$10 billion mark at the end of 2019 and continues to gain strength.

The funded status increased to 83%, as of June 30, 2019, which was helped by a fiscal year investment return of 7.2 percent, slightly above the assumed rate of return. SCERS continues to manage an unfunded liability of \$2.1 billion over a 20-year period to ensure sufficient assets are in place to support long-term benefit obligations.

Employer contributions will increase modestly as expected in 2020-21, while employee contributions will remain relatively stable. New contribution rates will be reflected in the July 2020 pay period, and vary by employer and retirement tier.

Details can be found at scers.org/contribution-rates



— Eric Stern

Pensions let public employees retire when they want, with confidence

Most working Americans today have managed to save little to no money to guarantee a secure retirement, forcing many to continue working longer than expected.

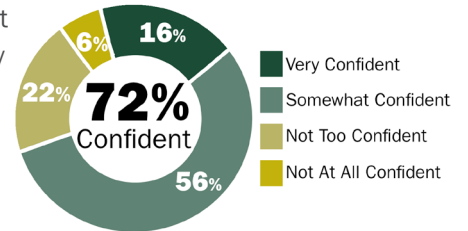
For public-sector employees, pension plans like SCERS remain a vital tool for retaining workers, but also for allowing those employees to retire when they're ready. These findings are contained in new research published by the National Institute on Retirement Security (NIRS).

Key findings include:

1. Benefits are viewed as a powerful recruitment and retention tool. Nearly all state and local workers (93%) say pensions incentivize public workers to have long public service careers. The vast majority (89%) say they plan to stay with their current employer until they are eligible for retirement or can no longer work.
2. State and local employees believe they will be financially secure in retirement. Nearly three-fourths (72%) are confident they will be financially secure, and about two-thirds (67%) are confident they can maintain their standard of living in retirement. More than half (53%) say they would be less confident about their financial security in retirement if saving was their responsibility rather than having a pension.
3. Pensions with lifetime income provide peace of mind. Nearly all state and local employees (98%) say that providing retirement income that lasts is an important feature of a pension. More than three-fourths (78%) say a pension means not worrying about poverty or relying on others in retirement.

More information is available at www.nirsonline.org.

How confident are you that you will be financially secure in retirement?





Investment Forecast: Late-Cycle Considerations

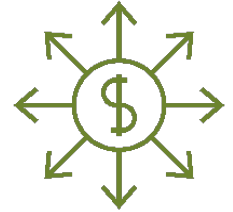
The U.S. economic expansion has passed the 10-year mark, representing the longest run in history. Valuations—or the worth—of stocks, companies, and other assets that SCERS invests in are at record levels. While that has been good news for the public employees and retirees who depend on the SCERS trust fund, we also know that what goes up, will at some point go down.

SCERS maintains a diversified portfolio that is designed to meet a 7% assumed rate of return in the long term, at reasonable risk levels, to fully fund benefit payments. Though SCERS has beat the target for the last several years, 10-year projections—or capital market assumptions—point to lower returns and increased risk as the economic cycle progresses and markets continue to rise.

Lower Returns Projected

Recent modeling showed SCERS’ strategic asset allocation generating 6.5% over the next 10 years instead of the 7% target. The drivers of an institutional investment portfolio like SCERS have changed significantly over time. In 2005, a 50/50 split between stocks and bonds could reasonably generate a 7% return, because yields on bonds used to be much higher. Today, safe haven assets like bonds are expected to return less than 2 or 3%, which puts greater

pressure to make up the difference with more volatile—or riskier—asset classes. SCERS has been sensitive to taking on too much risk, and our portfolio has evolved over time to incorporate a meaningful allocation to alternative asset classes to enhance returns, increase cash flows, and improve diversification. However, the reduced expectations could impact our ability to generate returns sufficient to meet the 7% return assumption, and may require adjustments to contribution rates from employers and employees, modifications to the portfolio, or a combination of both.



More Analysis Ahead

This does not necessarily mean that SCERS is lowering its assumed rate of return. The capital market assumptions reflect one data point in a broader conversation that the SCERS Board will have throughout the year with economists, investment advisors, actuaries, and stakeholders, to ensure our portfolio is prudently balanced from a risk and return perspective, to meet SCERS’ long-term benefit obligations.

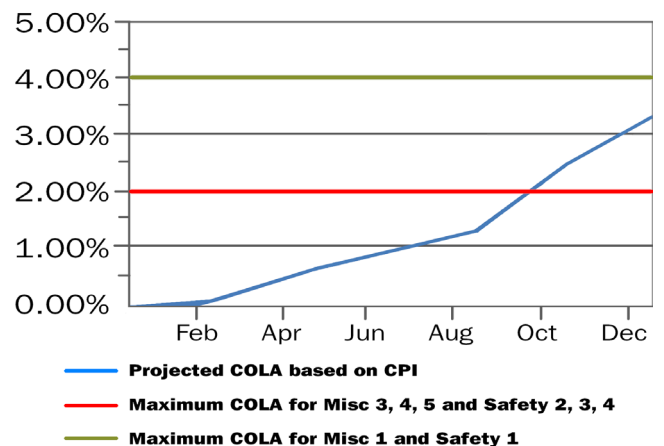
SCERS will keep our members posted along the way as the Board studies and evaluates impacts on the fund.

SCERS Board to Approve COLA

The SCERS Board will adopt annual cost-of-living adjustments (COLA) for retirees and beneficiaries at the February 2020 Board meeting.

The COLA is applied to pension payments each April and is based on a formula using the Consumer Price Index (CPI). The COLA that a retiree receives is dependent upon tier and date of retirement. SCERS’ website features a “COLA Tracker” (scers.org/retiree-cola-tracker) to show COLA trends throughout the year. For the COLA effective April 1, 2020, the Tracker is projecting a 2% COLA for Miscellaneous Tiers 3, 4, and 5 and Safety Tiers 2, 3, and 4, and a 3.5% COLA for Miscellaneous Tier 1 and Safety Tier 1.

Retiree COLA Tracker 2019





Disability Retirement FAQs

SCERS provides Disability Retirement benefits – a valuable component of your benefits as a SCERS member. You may be eligible for Disability Retirement if you have a permanent injury or disease that precludes you from substantially performing your usual job duties. The information below will help you get started in the process of Disability Retirement.

What must I do to apply for Disability Retirement?

The following requirements must be met without exception, and include:

- A completed Disability Retirement Application
- A copy of your current job class specification to be provided to your physician to complete the required medical report
- A medical report from a licensed physician substantiating your disability claim that answers SCERS' prescribed questions
- Authorization and release of medical and other information forms

What else should I know?

- Receipt of a Workers' Compensation award or Social Security disability award does NOT guarantee a Disability Retirement award from SCERS.
- Workers' Compensation records will not be accepted in lieu of the required reports and forms.
- Termination of a member's employment for cause voids that member's right to claim or receive a Disability Retirement benefit.

How long does the process take?

- The process can take 12 months or more to receive an initial determination of approval or denial.
- Disability Retirement claims referred to the hearing process can take 1-3 years or more to conclude.

The information provided is a high-level overview of the Disability Retirement process and requirements and is not a substitute for the governing laws, standards, and policies for Disability Retirement. Please refer to scers.org for more information.

New Board Member

Dave Comerchero, the Employee Benefits Manager for the County of Sacramento, was elected to the SCERS Board in October 2019 and began his 3-year term in January 2020.

A Sacramento native, he has a Bachelor of Arts from Brandeis University and received a California Teaching Credential while holding a training position at a large distribution company. Within a few years, he became responsible for significant



human resource functions which changed his career direction. After a stint as a third-party benefit administration broker, he joined the County of Sacramento as an Employee Benefits Analyst in 2006. Promoted to Employee Benefits Manager in 2013, he has kept his focus on customer service and affordable, competitive benefit options for employees and retirees.

Board of Retirement

The SCERS Board is responsible for administering the pension plan in accordance with governing law, managing risk, and protecting both plan assets and the interests of the plan beneficiaries.

- **Rick Fowler, President.** Appointed by the Board of Supervisors
- **John B. Kelly, Vice President.** Appointed by the Board of Supervisors
- **Keith DeVore, Vice President.** Appointed by the Board of Supervisors
- **James A. Diepenbrock,** Appointed by the Board of Supervisors
- **Dave Comerchero,** Elected by Miscellaneous Members
- **Diana Gin,** Elected by Miscellaneous Members
- **Martha Hoover,** Elected by Retired Members
- **Matt Petersen,** Elected by Safety Members
- **Ben Lamera, Ex-Officio.** Director of Finance
- **John Conneally,** Elected by Safety Members (Alternate)
- **Kathy O'Neil,** Elected by Retired Members (Alternate)

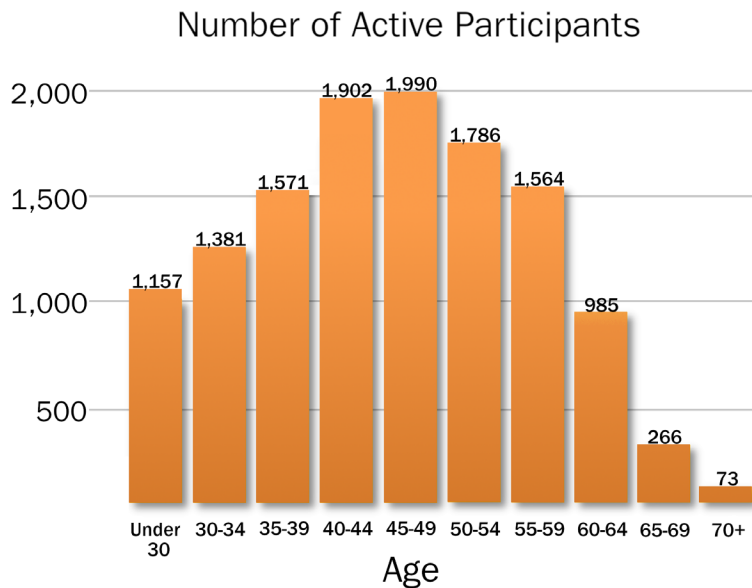
Learn more about our Board at scers.org/board

Fast Facts

Active Participants (currently working) by Age Range

As of June 30, 2019

- Our youngest member was 19 years old.
- Our oldest member was 85 years old.



Upcoming Events

Board Meetings

Open to the public

980 9th Street, 19th Floor at 10 a.m.

- Wednesday, February 19, 2020
- Wednesday, March 18, 2020
- Wednesday, April 15, 2020

Quarterly Retirement Seminars

For members within 10 years of retirement

700 H Street, First Floor at 9 a.m.

- Tuesday, March 3, 2020
- Wednesday, June 3, 2020
- Wednesday, October 7, 2020
- Thursday, December 3, 2020

View more details, including seminar registration,
at scers.org/calendar