

# SCERS NEWSLETTER

RETIREMENT INFORMATION

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## Funding Holds Up: Employer Contribution Rates to Decrease

The long-term funding outlook for the Sacramento County Employees' Retirement System (SCERS) remains strong after the pension fund experienced a rare loss in the 2021-22 fiscal year.

SCERS ended the June 30, 2022 fiscal year with a funded status of 87.1%, a decrease from last year's 94.4%.

The funded status is the ratio of pension assets to liabilities. It represents a "temperature check" on how the pension fund is performing at a point in time and guides SCERS' actuaries on how to adjust contribution rates to ensure the funding is sufficient over the long term to support the benefit obligations due to more than 30,000 employees, retirees, and beneficiaries.

SCERS targets a 100% funded status over a 20-year period, and remains on track to achieve that goal.

"SCERS was closing in on a fully funded plan last year, which created a cushion to absorb future investment losses that are inevitable," said Eric Stern, SCERS Chief Executive Officer. "We're holding up well under a turbulent time and have a strong foundation to maintain our growth and stability through different economic cycles."

SCERS experienced a -3.5% investment loss in 2021-22, after seeing a record 27.7% investment return in 2020-21. Because SCERS smooths gains and losses over a 7-year period to set contribution rates for employers, the previous gains exceed the recent investment loss, which results in a decrease in contribution rates for SCERS' employers. The prior-year gains are also still available to mitigate future losses.

At its December 7, 2022 meeting, the SCERS Board of Retirement will be reviewing the actuarial valuation and adopting contribution rates for the 2023-24 fiscal year. The aggregate employer contribution rate is dropping from 31.74% of payroll to 31.12% of payroll for 2023-24 fiscal year.

Employee contribution rates are not impacted by investment gains or losses, and will remain relatively flat from the prior year. The specific rates vary by employer and retirement tier.

For more information, visit [scers.org/contribution-rates](https://scers.org/contribution-rates).

## A Message from SCERS' CEO

The past year has seen many challenges—some affecting global markets, and others affecting supply chains and staffing in many industries. Our answer to these have been addressed by our investment staff and advisors on one end to maintain a strong pension fund in terms of dollars, and aggressive hiring at the other to maintain a strong pension fund in terms of service delivery.

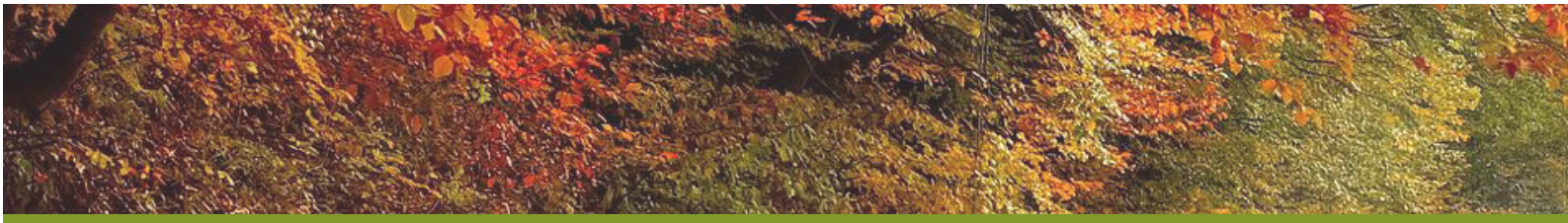
We are finishing 2022 with \$12 billion in assets, and recently hired several permanent staff and added temps to work with us in the important process of improving your user experience.

We were happy to present a joint pension planning webinar in November with representatives from Social Security Administration, SCREA, Fidelity Investments, and the Sacramento County Employee Benefits Office. We are here for you throughout your career, and look forward to serving you in 2023.

Happy holidays!



—Eric Stern



## Public Pension FAQs & Answers

**What is a pension?** A pension is the strongest and most stable retirement option. Workers earn their pension by contributing a portion of every paycheck toward their retirement. Their contributions are combined with their employer's contributions and then invested. After they retire, the worker receives their pension through a monthly benefit that will last for the rest of their life.

### **What is the difference between a pension and a 401(k)?**

A defined benefit pension offers a guaranteed payment in retirement for the rest of a person's life. A defined contribution plan, like a 401(k) or 457 does not guarantee a certain amount each month in retirement. Instead, workers are only guaranteed a certain contribution from their employer during their working years. The worker then receives these contributions as a lump sum when they retire. The worker must decide how to invest this money, unlike in a pension, where the money is collectively pooled and professionally managed.

**How are pension benefits calculated?** Pensions use an employee's age at retirement, years of service, and highest salary to calculate the monthly pension benefit in retirement. The longer an employee has worked and paid into the system, and the higher their salary was, the larger their pension benefit will be.

**How are public pensions funded?** Funding for public pensions comes from three sources: employee contributions, employer contributions, and investment earnings. Of the three, investment earnings typically make up the majority. At SCERS, net investment earnings contribute 61 cents, employers contribute 29 cents, and employees contribute 10 cents out of every dollar in benefits.

**Who benefits from a defined benefit pension?** According to the 2021 National Compensation Survey from the Bureau of Labor Statistics, roughly 15% of private-sector employees have access to a pension fund compared to 86% of state and local government workers.

## SCERS Email Changing to .gov

In keeping with Sacramento County agency changes, SCERS will soon be dropping the .net extension to all email addresses associated with the system, replacing it with .gov. SCERS' website address will remain scers.org.

This change is expected to be complete in early 2023, with a grace period to allow ample time for notifications and adjustments. Stay tuned for more information.

## Alameda Refund Update



SCERS has distributed overpaid retirement contributions to current and former County employees for pay elements that can no longer be included in pension calculations, pursuant to the California Supreme Court decision in the case of Alameda County Deputy Sheriffs' Association et al. v. Alameda County Employees' Retirement Association and Board of Retirement of ACERA (Alameda).

In November, SCERS issued Alameda refund checks to more than 3,400 active and deferred members, in amounts ranging from a few pennies to several thousand dollars. The median refund is about \$70. SCERS also processed rollover transactions for members who elected to have refunds rolled into Fidelity 457 or other retirement accounts.

Additionally, SCERS has notified about 400 retirees who are owed a refund but do not require further pension adjustments. Those members can expect to receive their refunds or rollovers by the end of December 2022.

SCERS is finalizing pension adjustments for other retirees affected by the Alameda decision, and will be sending notifications and begin making corrections by early 2023.

For a list of Alameda refund FAQs and answers, visit [scers.org/alameda-corrections](https://scers.org/alameda-corrections).

## SCERS' General Counsel Appointed to Serve as Superior Court Judge

SCERS will be saying goodbye to General Counsel Stephen Lau, who will be taking on a new position of Sacramento County Superior Court Judge, appointed by Governor Gavin Newsom on November 7, 2022.

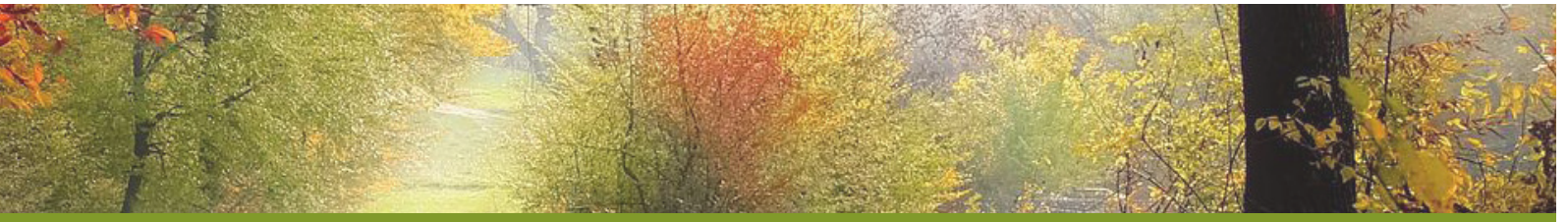


Before joining SCERS in 2019, Mr. Lau was Assistant General Counsel of the California Department of Business Oversight, by appointment of Governor Brown. Previously, he was a partner at Mennemeier Glassman LLP, a litigation firm in Sacramento, where he specialized in disputes arising in the financial industry and the defense of public entities and officials. He also

clerked for Hon. William B. Shubb, U.S. District Judge for the Eastern District of California.

SCERS wishes Mr. Lau all the best in his new career as we begin the process of seeking a replacement General Counsel.



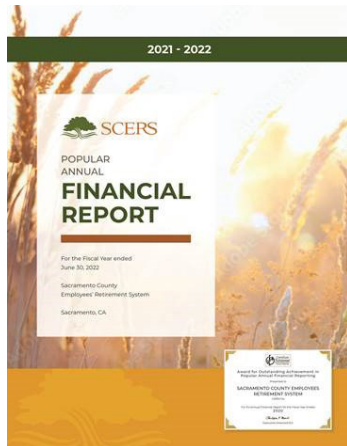


## New Financial Report Coming Soon

A newly re-designed Popular Annual Financial Report (PAFR) will be arriving in your mailboxes in the new year.

The PAFR provides insight into the organization's services, financial results, investments, and membership information.

The financial data presented in the PAFR is derived from SCERS' Annual Comprehensive Financial Report (ACFR) as of and for the fiscal years that ended June 30, 2022 and 2021.



## SCERS Welcomes Newly-Elected Board Members and Returning Appointee

Two new trustees have recently been elected to take their place on the SCERS Board of Retirement.

M. Tapa Banda, elected by the Miscellaneous Members, is the director of finance for the Sacramento Regional County Sanitation District (Regional San) and Sacramento Area Sewer District (SASD).



Dave Irish, elected as the Alternate Retiree Trustee by the Retired Members, is a retired director of finance with Sacramento County and served on the Board as ex-officio from 2005-2010.

Incumbent Martha J. Hoover will continue to serve on the SCERS Board as the Retiree Representative, as her seat went unchallenged in the recent election.

SCERS also welcomes back James Diepenbrock, who previously served on the SCERS Board for 24 years, including 11 years as president. Mr. Diepenbrock was appointed to the Board by the Sacramento County Board of Supervisors in September.

The terms of service for the above trustees will expire on December 31, 2025. Learn more at [scers.org/board](https://scers.org/board)

## Retirement Checklist

If you are planning to retire within the next year, be sure to keep yourself on track toward your goal by doing these things:

- Use the Benefit Calculator at [scers.org](https://scers.org) to obtain a benefit estimate.
- Attend a pension planning webinar, and make an appointment with us for one-on-one help.
- Purchase any additional service credit that you may have earned.
- Resolve any community property issues you may have.
- Submit copies of necessary documents early.
- Establish reciprocity with other California public retirement systems you may have worked for, and notify those systems of your retirement plans.
- Plan to retire on the same day with each reciprocal system.
- Submit your application to SCERS no earlier than 60 days before your retirement date.
- Contact the Sacramento County Employee Benefits Office for health benefit information.
- Contact Social Security Administration for benefit information.

## 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.

**Keith DeVore**, Appointed by the Board of Supervisors

**Robert Aguallo, Jr.**, Appointed by the Board of Supervisors

**James Diepenbrock**, Appointed by the Board of Supervisors

**Ronald Suter**, Appointed by the Board of Supervisors

**Ben Lamera**, Ex-Officio. Director of Finance

**M. Tapa Banda**, Elected by Miscellaneous Members

**Martha Hoover**, Elected by Retired Members

**Alina Mangru**, Elected by Miscellaneous Members

**Jack Noble**, Elected by Safety Members

**Kathy O'Neil**, Elected by Retired Members (through Dec. 31, 2022)

**Chris Giboney (alternate)**, Elected by Safety Members

**Dave Irish (alternate)**, Elected by Retired Members (eff. Jan. 1, 2023)

Learn more about our Board at [scers.org/board](https://scers.org/board).

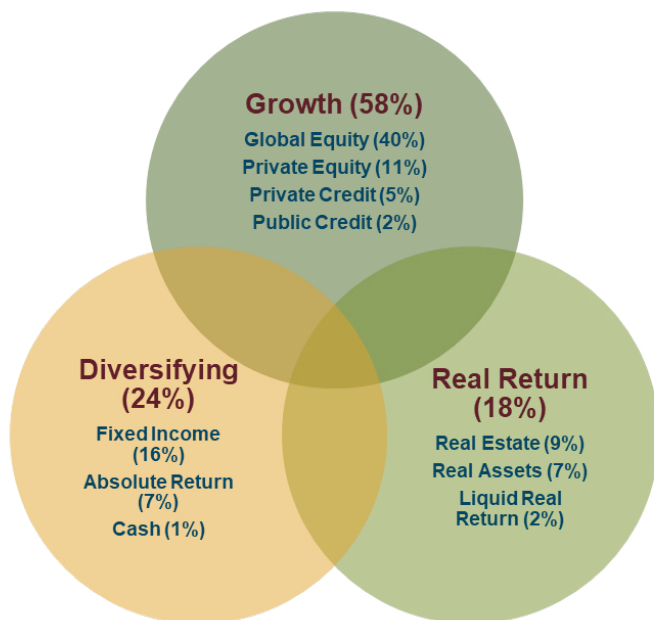


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## SCERS' Asset Allocation

SCERS' asset allocation maintains a balanced approach for the \$12 billion portfolio—growth assets drive performance, combined with uncorrelated, cash-flowing, and inflation-sensitive assets to reduce downside risk.



## Upcoming Events

### Board Meetings - 10:00 a.m.

- Wednesday, December 7
- Wednesday, January 18
- Wednesday, February 15

**Board meetings** have returned to in-person events, with live-streamed meeting links accessible from our home page quick link menu.

Visit [scers.org/retirement-board-meetings](https://scers.org/retirement-board-meetings) for agendas, minutes, and other Board updates.

### Pension Planning Webinars - 10:00 a.m.

- 2023 dates to be posted in the new year

**Pension Planning Webinar** information can be found at [scers.org/pension-planning-webinars](https://scers.org/pension-planning-webinars).

**SCERS Annual Statements** will be mailed to members early in 2023. Be sure your address is up to date with your employer.