

SCERS NEWSLETTER

RETIREMENT INFORMATION

What's inside

- Employer Spotlight: SETA
- Investment Performance Update
- SCERS Lowers Long-Term Investment Assumption
- Fast Facts
- Upcoming Events

A Message from SCERS CEO

As change and instability seem to surround us this year, some things remain steadfast.

One of our valued employers—Sacramento Employment Training Agency (SETA)—has participated in SCERS since 1978. This quarter we turn the spotlight to SETA to highlight the value this agency has added to our community and region over the decades.

SCERS is also proud to highlight the positive changes we've made to keep our members better informed while our office remains closed during the pandemic. We are adding educational videos to the scers.org website, have simplified an online version of the Member Handbooks, and are building out more tools on the Member Resources page of the website.

As always, we are here for you as we all navigate through changes toward a better future.



— Eric Stern

Retiring in March: Tips to Consider

Many members choose to retire on or before March 31 to become immediately eligible for the retiree Cost of Living Adjustment (COLA) effective on April 1, and this year was no exception.



However, there are many factors to consider when selecting a retirement date. Here are a few tips to help you with your retirement plans.

Tip #1: You do not have to retire on March 31. You can retire any day of the year. Pick a date that best suits your retirement plans and optimizes your retirement allowance.

Tip #2: You do not have to retire between January and March 31 in a given year to receive the retiree COLA. Even if you retired during the previous calendar year, if you are eligible to receive the retiree COLA, you will receive it when it becomes effective on April 1.

Tip #3: Consider your Retirement Benefit Age Factor. Your age at retirement is converted to a percentage used to calculate your benefit. The percentage increases incrementally every quarter year until you reach the maximum age for your tier's formula. You may want to consider a date that is on or after one of these incremental increases.

Tip #4: Consider your overall retirement income. Look at your SCERS benefit alongside all of your other income replacement sources in retirement (Social Security, 457(b) and 401(k) accounts, savings) to ensure that you will meet your income goals after your retirement date.

We know how important your retirement is to you and we're honored to be a part of your process. If you have questions, please contact us at (916) 874-9119 or refer to the Member Handbook at scers.org.





Employer Spotlight: Sacramento Employment Training Agency (SETA)

The Sacramento Employment Training Agency (SETA) has been a valued employer with SCERS since the agency's formation in 1978, serving our community by connecting people to jobs and business owners to employees through workforce development services. SETA also provides education and nutrition to children through the Head Start program, and assists refugees in achieving economic self-sufficiency.



SETA Office, 925 Del Paso Blvd.

As a joint powers agency of the City and County of Sacramento and the designated Community Action Agency for the provision of federal Community Services Block Grant (CSBG) services, SETA stands as a front-line organization in the alleviation of poverty. Recipients of SETA's numerous services become better equipped to live successful lives—some even finding employment with the agency.

Kathy Kossick has served SETA as Executive Director since 1997 and is passionate about helping others, as are many of the 600 other employees in the organization. "Our culture is

one of service. We're not out to make a profit; we're here to help people in whatever need they have," she said.

SETA values community outreach and is actively seeking families who can benefit from their vast resources. The Agency operates 36 Head Start sites serving 5,100 children (currently quarantined but

soon to reopen) and sub-contracts with school districts and other community-based organizations. SETA's job centers have remained open—virtually or by appointment—for assistance with job seeking or training.

"We are a matchmaker between the job-seeker and employer," Kossick said. "I want that word to continue to spread, and for people to know this: Employers—we are here to serve you; job-seekers—we are here to serve you; and families—we are here to serve you."

Visit seta.net or call (916) 263-3800 for more information on how SETA can help additional Sacramento County families in need.

Investment Performance Update



COVID-19 leads to market volatility

SCERS' investment portfolio has experienced a volatile year, particularly due to the coronavirus pandemic. As of March 31, 2020, SCERS' portfolio has generated a fiscal year to date return of -4.3%, gross of investment management fees, and -4.4% net of fees (SCERS' fiscal year ends June 30, 2020). While below expectations, this return ranks in the top decile among public pension plans with assets greater than \$1 billion, and reflects how SCERS approaches investing.

As a long-term investor, minimizing downside risk during a market dislocation are important for SCERS to be able to meet its long-term objectives. That's why the asset allocation structure includes several defensive components, including a dedicated U.S. Treasury allocation and a portfolio of strategies that have less directional movement with equities and therefore tend to perform better during downturns. Financial markets are up for the second quarter of calendar year 2020, so the expectation is that SCERS' portfolio has made up some of these losses heading into the end of the fiscal year.

SCERS Lowers Long-Term Investment Assumption

The SCERS Board of Retirement adopted new actuarial assumptions that will be used to keep funding on track and benefits secure for the system's 29,000 members and retirees. The new assumptions will be used to set contribution rates beginning in July 2021.

The most significant change adopted at the May 20 Board of Retirement meeting was to reduce the long-term inflation outlook, which in turn lowers the assumed investment return from 7.00% to 6.75%. Because the fund is expected to generate less investment revenue, SCERS needs to adjust contribution rates to make up the difference to support benefit payments in the long term.

The Board of Retirement conducts an Actuarial Experience Study every three years to review how the plan performed compared to its demographic and economic assumptions. After the 2017 study, the Board lowered the investment return from 7.50% to 7.00%, reflecting a lower inflation and investment outlook.

The magnitude of adjustments in the 2020 study is significantly less than in 2017 but will lead to an average contribution rate increase of 2.4 percentage points for employers and 0.8 percentage points for members, though it varies depending on retirement tier. To minimize the costs for employers, SCERS will phase in the unfunded liability portion of the rate impact over two years.

COVID-19 Impact

The Experience Study was developed before and conducted independently of the recent market volatility from the global pandemic, and keeps SCERS in strong position heading into economic downturn. After building in the new assumptions and liabilities from the study, SCERS' funded status drops to 80% of assets on hand to pay for future benefit obligations.

The investment assumptions are based on long-term projections of an average investment return; a sharp increase or decrease in a single year will not influence that long-term outlook. Any investment losses in 2020 will be recognized, or smoothed in, over 7 years, then amortized over 20 years under the SCERS funding policy to minimize contribution-rate volatility. When the economy rebounds, those investment gains will be amortized and built into future contribution rates, offsetting prior year losses.

Shared Responsibility

Pension funding is a shared responsibility between employers and employees to "pre-pay" for benefits through contributions during an employee's working years, to allow those contributions to generate investment income over time.

While costs have increased for employers and employees, investment earnings are still the engine that pays for benefits. Over the last 20 years, investment earnings paid for 61% of every dollar of retirement benefits that SCERS provided to retirees. Employers made up 29%, while employee contributions provided 10% of the cost of benefits. In other words, SCERS members only pay a dime for every dollar of pension benefits they receive, earning a 10-to-1 return on their paycheck deductions.

Employer and member contribution rates for the 2020-21 fiscal year have already been adopted and can be found at scers.org.



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

Kathy O'Neil (alternate), Elected by Retired Members

Vacant (alternate), Elected by Safety Members

Learn more about our Board at scers.org/board.

SCERS

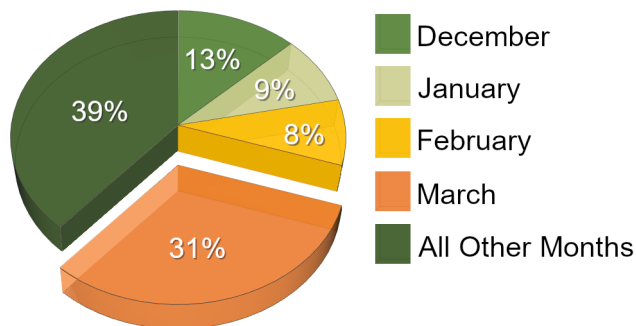
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Employees' Retirement System
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Sacramento, CA 95814

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Fast Facts

March is the most popular month for our members to retire.

SCERS Retirements by Month



Estimates are used for April, May and June

Upcoming Events

Due to the pandemic, Board meetings will be conducted by teleconference until further notice. Visit scers.org/retirement-board-meetings for information.

Board Meetings - 10:00 a.m.

- Wednesday, August 19
- Wednesday, September 16
- Wednesday, October 21
- Wednesday, December 9

Quarterly Retirement Seminars

- On hold until further notice

Visit scers.org/retirement-planning-seminars for resources and materials.