

SCERS NEWSLETTER

RETIREMENT INFORMATION

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A Message from SCERS CEO

As SCERS enters its 80th year, we are hopeful it will bring less stress and uncertainty than the last, but are confident in our proven ability to adapt to challenges and work together to successfully carry out our mission. We have much to be thankful for, and nothing can take away our appreciation for one another.

Last year, the phrase “essential worker” seemed to come out of nowhere. We’ve always seen you—the public servants who keep government operations going 24/7 and our community safe and healthy—as essential. Thank you for all you do for our community, whether you are an active member, deferred, or retired.

We take pride in your work, and we take pride in ours to provide excellent service and ensure your retirement is secure. Here’s to 80 more years of service to you, our much appreciated members!



— Eric Stern

SCERS Turns 80! A Historic Milestone

1941 A year etched into the collective memory of Americans as the year the United States was suddenly thrust into WWII. Our older retirees, parents, or grandparents may well remember that historic time and the accompanying soundtrack of Glen Miller Orchestra’s “Chattanooga Choo Choo” and the Andrew Sisters’ “Boogie Woogie Bugle Boy,” or films such as “Sergeant York,” “Citizen Kane,” and “Dumbo.”

Locally, the Sacramento Army Depot was activated in 1941, and in agricultural news, local acreage was highly productive in wheat, barley, sugar beets, asparagus, and tomato crops, with dairy and livestock bringing in the greatest returns.

But 1941 is especially significant for SCERS—the Sacramento County Board of Supervisors established SCERS and set the retirement system on a similar mission to bring security and great returns to the region.

For 80 years, SCERS has provided retirement, disability, and survivors’ benefits to the public servants of Sacramento County and their families. While acknowledging this milestone throughout the year, we’ll also look to the future. Working with the Board of Retirement, SCERS is revisiting our mission and vision statements in 2021 to reflect our common purpose and goals. At the core, we manage and grow assets for our nearly 30,000 members, but we also:

- Provide retirement income and comfort for our members for the rest of their lives.
- Safeguard what is likely our members’ largest financial asset.
- Assist members on their retirement journey after a long career in public service.
- Provide peace of mind to spouses and beneficiaries when members pass away.
- Partner with our employers to provide a generous benefit program that retains career employees.
- Offer injured workers the ability to stop working and retire with dignity.

We’ve come a long way in 80 years, and we’re glad you’re with us.





Funding Status Update: SCERS Holds Steady Through Pandemic

In December 2020, the SCERS Board of Retirement adopted the annual actuarial valuation, a “health check” on how the pension fund is doing at the end of the fiscal year, and arguably the most important financial document reviewed.

The Board uses this report to adjust contribution rates for the upcoming fiscal year to ensure that funding is on track to support benefit payments over the long term.

Here are the highlights from the June 30, 2020 valuation:

- SCERS ended the 2019-20 fiscal year with approximately \$10 billion in assets, as of June 30, 2020.
- The funded status dropped from 83% to 79%. The funded status measures the percent of assets we have on hand as a percent of our long-term pension obligations.
- The funding gap between the assets and our pension obligations, or “unfunded liability,” grew from about \$2.1 billion to \$2.7 billion; that amount is amortized and paid down over the next 20 years.
- The main reasons for the increase in unfunded liabilities were twofold:
 - The 2019-20 market downturn due to the pandemic – SCERS’ investment return was 2.9% for the fiscal year, below the assumed rate of return, though the market has significantly rebounded since the summer.
 - The SCERS Board adopted new assumptions earlier this year, reducing our long-term investment rate of return from 7% to 6.75%. This means SCERS expects

investment returns in future years to be slightly lower than what was previously expected. The low-inflation environment is driving the assumption change.

- Contribution rates are planned to increase modestly in July 2021 by 2% of payroll on average for employers and 0.8% on average for employees, though the detailed rates will vary by employer and member retirement tier.

Here’s the big picture: SCERS remains in very good shape and continues on a strong path.

We have good years and bad years for investments that, over time, even each other out. In fact, only 6% of the annual payment for unfunded liabilities is tied to recent investment under-performance. More than half of the unfunded liability is still tied to pre-2012 events: benefit enhancements that increased liabilities followed by the financial crisis that severely impacted assets.

Since then, SCERS has built back the fund and made conscientious decisions to tighten up the assumptions we use in our funding model to keep our plan solvent and healthy for decades.

Importantly, more than 40% of the unfunded liability is actually due to assumption changes adopted by the Retirement Board that better take into account variables such as increased lifespans/longevity for our members and a more prudent investment outlook.

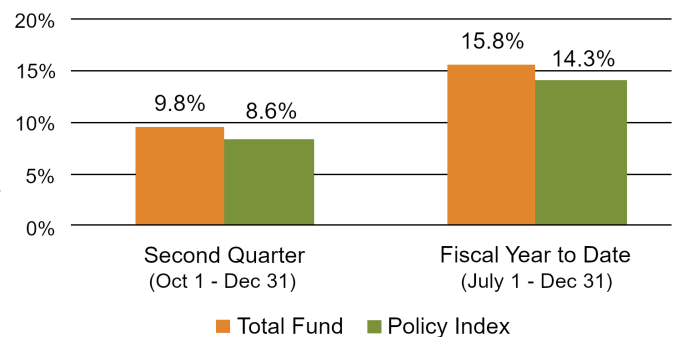
New contribution rates that take effect in July 2021 can be found at scers.org/contribution-rates.

Investment Performance Rebounds

For the second quarter of SCERS’ 2020-21 fiscal year, SCERS’ total fund returned 9.8% gross of investment management fees, (9.7% net of fees), and finished with a market value of \$11.5 billion. The return adds to a strong first quarter, and puts SCERS’ fiscal year to date return at 15.8%, well ahead of the actuarial rate of return target of 6.75%. The results of the first half of the year were driven by unprecedented fiscal and monetary stimulus measures, as well as the roll out of the COVID-19 vaccine, and the results are welcomed given that SCERS’ total fund returned only 2.9% for the prior fiscal year, in a year in which the global financial markets experienced extreme volatility during the global pandemic.

The return for SCERS’ fiscal year to date is above our policy index weighted benchmark return of 14.3%, and ranks in the top 47th percentile among peer public pension plans. SCERS’ policy index benchmark compares our performance relative to our asset mix. Asset classes that are leading performance for the fiscal year include Domestic Equity (+26.3%), International Equity (+26.3%), and Private Equity (+21.8%).

2020-21 Investment Returns



SCERS Board to Approve COLA

Annual cost of living adjustments expected in April

The COLA is applied to pension payments each April and is based on a formula using the Consumer Price Index (CPI) from the prior year. The COLA that a retiree receives is dependent upon tier and date of retirement. For the COLA effective April 1, 2021, the Board is expected to approve a 1.5% COLA for Miscellaneous Tiers 3, 4, and 5 and Safety Tiers 2, 3, and 4 members who retired on or after April 1, 2020; members in those tiers who retired earlier may receive a COLA up to 2% due to the COLA bank. Miscellaneous Tier 1 and Safety Tier 1 members who retired on or after April 1, 1978 can expect a 1.5% COLA; members in those tiers who retired earlier may receive a COLA up to 4% due to the COLA bank.

A retiree accumulates a balance in his/her COLA bank if the actual cost-of-living increase for a year is greater than the maximum annual COLA authorized for the retiree's tier. The balance in the COLA bank would then be applied the next time the actual cost-of-living increase for the year was less than the annual maximum annual COLA. SCERS' website features a "COLA Tracker" (scers.org/retiree-cola-tracker) to show COLA trends throughout the year.

New Law on Parental Leave Service Credit

On January 1, 2021, a new provision of the County Employees' Retirement Law took effect that opens a path for members to buy service credit for an unpaid leave of absence when taking maternity or paternity leave.

Currently, members can purchase service credit to buy back the time they may have missed work for taking an unpaid medical leave of absence. The new law expands that option in county retirement systems for parental leave, similar to provisions in CalPERS and CalSTRS.

Under AB 2101 (Chapter 275, Statutes of 2020), members can buy back up to 12 months of service credit for an unpaid leave of absence for parental leave. The member would need to pay both the employee and employer contributions that would have been made during the absence.

The benefit option is not operative until the Board of Supervisors makes the provision applicable to that county, and it can only be applied to parental leave that commences after a county adopts the provision.

Death Benefit FAQs:



Q: What benefits are available to my beneficiary if I die?

A: Death benefits differ depending on whether you are actively working, separated from employment, or retired at time of death. Your beneficiary may be eligible for a return of contributions and interest, a "continuance" or ongoing monthly benefit, a one-time lump sum death benefit or "burial allowance," or a combination thereof.

Q: What should my spouse or beneficiary do in the event of my death?

A: Beneficiaries should notify SCERS as soon as possible and provide the member's Social Security number, date of death, and their contact information. We will follow up with a list of additional required documents needed.

Q: How long does the process take to receive death benefits?

A: Death benefit payments are normally issued within 45 days of receipt of all required documents.

For more details on death benefits please refer to the Member Handbook 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.

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Employees' Retirement System

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Fast Facts

SCERS established: 1941

Number of current members born in 1941: 266

• 1 Active Member • 36 Separated Members • 229 Retired Members

Sacramento County's 1941 population: Approx. 170,333 (1940 census)



K St. (800s), early 1940s, Courtesy of the Special Collections of the Sacramento Public Library

Upcoming Events

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

Board Meetings - 10:00 a.m.

- Wednesday, February 17
- Wednesday, March 17
- Wednesday, April 21
- Wednesday, May 19

Pension Planning Webinars - 10:00 a.m.

- Tuesday, March 9
- Wednesday, May 12
- Tuesday, July 13

Visit scers.org/pension-planning-webinars for resources and materials.