

SCERS NEWSLETTER

RETIREMENT INFORMATION

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A Message from SCERS CEO

I'd like to wish all of our members a happy new year. As we reflect on 2021, I am grateful for our SCERS team, our Board, and our partnership with all of you—our valued members who serve our communities. Even as the past year continued to challenge us all as we navigated through the pandemic, our commitment to your retirement security and to serving you has never wavered.

We have stayed focused on our commitment to you while strategically planning for the future, and we are making progress in those plans. Whether you are just starting your career, already enjoying retirement, or somewhere in between—we have you in mind and we're working hard for you every day.

Inside this newsletter we are happy to share the good news that SCERS is currently more than 94% funded and well on the way to fully-funded status.

We appreciate you and look forward to serving you in 2022 and in many more years to come.



—Eric Stern

Board to Approve COLA for 2022

The SCERS Board of Retirement is set to approve the following Cost of Living Adjustment (COLA) levels effective April 2022, as recommended by the system's actuary:

Miscellaneous Tier 1 and Safety Tier 1:

Retired April 1, 1976-March 31, 2022: 3%

Retired before April 1, 1976: 4%

Miscellaneous Tier 3, 4, 5 and Safety Tier 2, 3, 4:

Retired before April 1, 2022: 2%

There is no COLA for Miscellaneous Tier 2.

The new benefit amount will be reflected in retirees' monthly payment for April. The COLA benefit is based on the rate of inflation and the unique factors of your benefit tier and retirement year that ensures the value of your money at retirement keeps up with the rate of inflation.

In 2021, while there was inflationary growth in Northern California, the data suggests it was not as high as other parts of the country where it was reported to have reached 7%.

The CPI-U for the Bay Area (the index SCERS uses to determine the COLA) showed an increase of 3.2% from 2020 to 2021. This is likely due to Bay Area prices generally being higher over a longer period of time, with the rest of the country experiencing a higher pace of inflation to catch up.

Since 1982, the CPI-U for the Bay Area has outpaced the CPI-U index for a broader index that includes the Western states. This means the CPI-U for the Bay Area has led to higher cost of living increases, compounded over time, than other CPI indices. According to Bureau of Labor Statistics, prices today for the Bay Area are more than 3.09 times (or 309%) the prices back in 1982-84 compared to 2.87 times (or 287%) for the Western states region.

Please note that the CPI-U Bay Area index may not reflect your personal inflation experience or how you spend your money, but is a statistical average of many households' spending patterns. The measure provides a consistent, reliable and valid method for SCERS to determine the COLA the same way every year. SCERS cannot pick a more favorable CPI index from year to year to influence a different outcome.

For more information, visit scers.org/retiree-cola-tracker.

SCERS Nears Fully-Funded Status

SCERS is closing in on a fully-funded pension plan to support the long-term benefit obligations for its 30,000 members.

Following a record-setting investment return of 27.8% in the 2020-21 fiscal year, SCERS now stands at more than 94% funded, as of June 30, 2021. This means SCERS has in hand 94 cents of every dollar owed to current and future retirees. Last year, SCERS was 79% funded.

The SCERS Board of Retirement adopted a 6.75% assumed rate of return in 2020. The \$12.4 billion fund gained more than \$2 billion in 2020-21, reducing the unfunded liability, or gap between assets and liabilities, to \$745 million.

“This is the best position SCERS has been in since the dot-com boom in the late 1990s,” said Richard Fowler II, Board President. “But the lesson from the ‘90s was the boom became a bust, and it’s critical to hold steady.”

SCERS’ funding policy is designed to reach full funding in 20 years. Additionally, before setting contribution rates, SCERS has been building a contingency reserve equal to 3% of assets to offset future losses. The reserve is now nearly full.

More than half of the unfunded liability payments are 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 assumptions used in its funding model to keep the plan solvent and healthy for decades. Importantly, more than 42% of the unfunded liability payment is due to assumption changes adopted by the Retirement Board that better take into account variables such as increased longevity for members and a more prudent investment outlook.

“Our funding position will help SCERS absorb any future economic shocks in coming years,” said Chief Executive Officer Eric Stern. “It’s even more impressive because SCERS has taken a slightly more conservative outlook on our investment assumption, which had the effect of increasing liabilities and moving the goalposts out. Our members’ pensions are safe and secure.”



Alameda Corrections Status Update

The correction process to comply with the California Supreme Court decision in the case of Alameda County Deputy Sheriffs’ Association is experiencing delays, and SCERS is now working toward a goal of completing the corrections by June 30, 2022.

Since the Court’s ruling in July 2020, SCERS has been diligently identifying the impacted population of members whose compensation included pay elements that can no longer be included in pension calculations, dating back to Jan. 1, 2013.

SCERS established and tested a methodology to automate the correction process but experienced a setback last December when finalizing the data set, which includes more than 100,000 payroll records. Now the raw data is in a re-review process to ensure its accuracy before SCERS can push through all corrections at one time.

Each affected member will receive a letter and advanced notice describing the adjustment. Because SCERS will need to recover overpaid benefits from retirees, we will ensure that the recovery period is fair and reasonable. We appreciate your patience as we manage this significant workload as a top priority.

New Hours for Member Services

SCERS has made an adjustment to its public office hours. Effective now, SCERS is open for member services Monday - Friday, 8:30 a.m. - 4:00 p.m.

Member appointments can be made by calling (916) 874-9119.



Employer Spotlight

Sunrise Recreation and Park District is one of SCERS' longest term employers, joining the system in 1961 as an Independent Special District. SCERS caught up with Dave Mitchell, District Administrator, to learn more about the organization.

Describe what you do.

The mission of Sunrise Recreation and Park District is to be responsive to its communities' needs for an enhanced quality of life, and to advocate for positive social interactions.

One way we achieve this goal is by offering valued recreational experiences in the form of affordable leisure and learning opportunities to individuals of all ages and abilities. By providing forty-six clean, safe, well-designed parks, three multi-use community centers and two pool complexes, we promote health and wellness, cultural unity, a stronger sense of community, and the support of human and economic development in our region.

What makes your organization a great place to work?

A family-like culture thrives within the organization. Staff members truly care for and enjoy working with one another to accomplish The District's mission.

In your opinion, what makes special districts special?

Special districts offer their constituents a single public resource, in our case a park system with recreational opportunities. Unity in mission from the Board of Directors to administration and throughout the entire organization is a natural by-product of the special district. Another benefit of this unified approach is that vision and direction come locally and in a flatter hierarchy structure allowing the public more direct access to their public servants.

What do you recommend people visit in your District?

Sunrise Recreation and Park District offers something for everyone, including:

- Rusch Park Skatepark – often featured on social media
- Arcade Creek Park Preserve – a family friendly 10-acre nature experience in the heart of Citrus Heights
- Rusch Historic Home – built in 1916 and recognized as a California Point of Historical Interest
- Antelope Community Pool complex – offers tube slides, an adventure island and a beautiful competition pool
- Dog parks at Cabana and C-Bar-C Parks
- Pickleball courts – including 12 courts at Rusch Park

Visit sunriseparks.com for more information.



The Aquatic Complex in Antelope Community Park opens to the public Memorial Day weekend, with swim lesson sign-ups beginning March 1.

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
- Vacant, Vice President.** Appointed by the Board of Supervisors
- Keith DeVore, Vice President.** Appointed by the Board of Supervisors
- Vacant, Trustee,** Appointed by the Board of Supervisors
- Dave Comerchero,** Elected by Miscellaneous Members
- Alina Mangru,** Elected by Miscellaneous Members
- Martha Hoover,** Elected by Retired Members
- Jack Noble,** Elected by Safety Members
- Ben Lamera, Ex-Officio.** Director of Finance
- Kathy O'Neil (alternate),** Elected by Retired Members
- Chris Giboney (alternate),** Elected by Safety Members

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

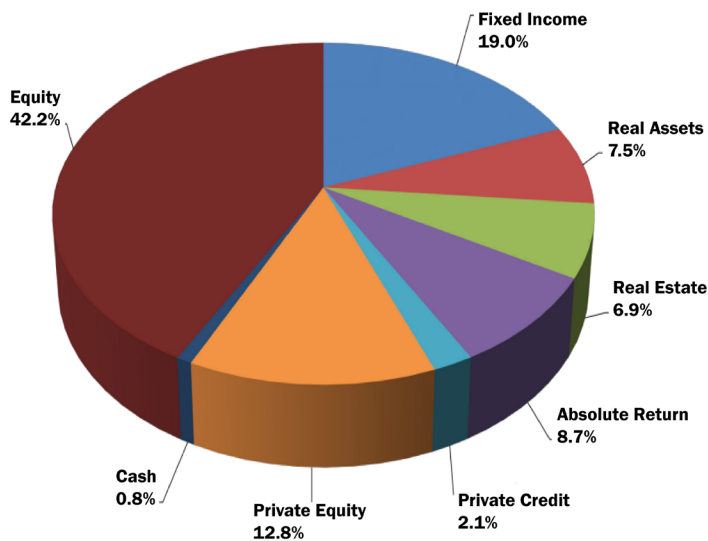


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Asset Allocation

SCERS' investment program is structured around a strategic asset allocation model to ensure the diversification of investments in a manner that generates a desired rate of investment return with an acceptable level of investment risk. Below are SCERS' actual asset allocations as of June 30, 2021.



Source: scers.org/post/annual-financial-report-summary (June 30, 2021)

Upcoming Events

To comply with the latest Sacramento County Health Department order, Board meetings have returned to streamed events, with meeting links accessible from our home page quick link menu on meeting days. Visit scers.org/retirement-board-meetings for agendas, minutes, and other Board updates.

Pension Planning webinar information can be found at scers.org/pension-planning-webinars.

Board Meetings - 10:00 a.m.

- Wednesday, March 16
- Wednesday, April 20
- Wednesday, May 18

Pension Planning Webinars - 10:00 a.m.

- Wednesday, April 27
- Wednesday, August 24
- Wednesday, November 2