

SCERS NEWSLETTER

RETIREMENT INFORMATION

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A Message from SCERS' CEO

Welcome to our new newsletter. Our goal is to provide you with interesting news and resources throughout the year, whether you retired 10 years ago or are 10 years away from retirement.

Also be sure to check out our new website at www.scers.org, which now can be viewed easily on mobile devices. The website still has retirement applications, member handbooks, and other forms you need, but should be simpler to navigate. We plan on adding even more information and tools over the next year.

– Eric Stern




Smarter Funding, Stronger Benefits

For more than 75 years, SCERS has provided retirement security for the dedicated public employees who serve the residents of Sacramento County. Our pension system is more than 80% funded and sustainable. We can provide benefits without interruption to our retirees, current employees, and generations of future workers.

Employees and employers both play a significant role—a shared responsibility—in meeting that funding obligation. By collecting pension contributions through an employee's working years, SCERS is able to invest those funds to provide guaranteed, lifetime retirement income and disability or survivor benefits.

Our job at SCERS is to ensure that funding remains on track to pay for benefits that you have earned. Every three years, the Board of Retirement reviews the underlying assumptions behind those pension contributions and makes necessary adjustments.

Normal contribution rates increased modestly in July 2018 largely due to changes in actuarial assumptions the Board of Retirement approved last year, which took into account longer life expectancies of our members and a more conservative investment outlook.

By increasing the annual, base level of contributions, SCERS is in a better position to weather the inevitable ups and downs of the economy, plan for future benefit costs, and ultimately, protect your pension.



Earnings Top 10% in 2017-18

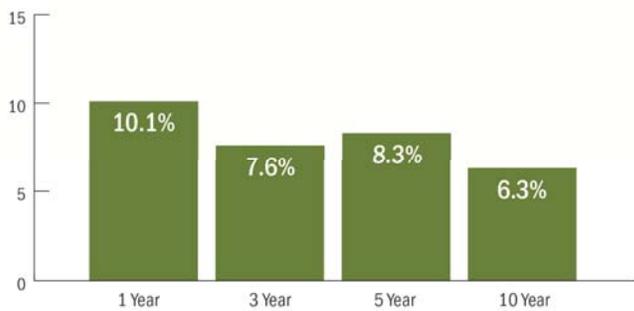
For the fiscal year ending June 30, 2018, SCERS' total fund returned 10.1% gross of investment management fees, and 9.9%, net of fees, and finished with a market value of \$9.2 billion. The gross return for the fiscal year ranks in the top 8th percentile among peer public pension plans.

SCERS is a long-term investor with a well-diversified portfolio that has generated returns of 7.6%, 8.3%, and 6.3% over the last 3-, 5-, and 10-year periods. Though SCERS' returns in the last fiscal year came in above the actuarially assumed rate of 7%, capital market assumptions continue to point toward reduced returns going forward, as demonstrated by periods of increased market volatility in 2018.



SCERS included this Portland office building in a recent sale of properties.

Historic Investment Returns



Real Estate Update

In October 2018, SCERS completed a \$250 million sale of its directly owned commercial real estate properties (apartment, office, grocery-anchored retail, and industrial buildings) in exchange for shares in a larger real estate fund. The transition from owning real estate directly to owning real estate through a fund allows SCERS to maintain broader exposure to multi-family, office, retail, and industrial properties across the country, while also reducing management fees and increasing efficiencies of SCERS' staff resources.

Investment Terminology : Alpha



The concept of “alpha” in the investment world is similar to its other uses, like the leader of the wolf pack, or in astronomy, the brightest star. At SCERS, we use “alpha” as a measure of performance to track if our investments are leading the pack and outshining others. Each of SCERS' asset classes (such as public equity, fixed income, or real estate) is measured against a benchmark index that represents how the market moves for that group of investments as a whole. The excess return of an investment relative to the return of a benchmark index is the investment's alpha. For example, when the real estate market is strong, we want our real estate investments to perform not just as well as the rest of the real estate market, but better than the market.

For SCERS, when the total fund generates alpha, it is earning excess returns above what should be expected from a similar mix of assets. For the recent fiscal year ending June 30, 2018, SCERS earned 1.9% of alpha, or excess returns, due to using active investment managers that outperformed their assigned benchmarks in aggregate. With a total fund market value of \$9.2 billion, this translates to approximately \$175 million in excess returns over the returns expected from the market.

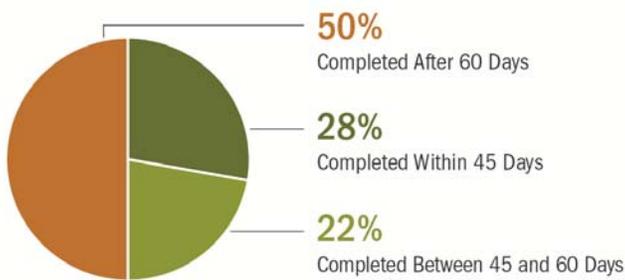


All Hands on Deck

SCERS has taken an “all hands on deck approach” to reduce the time it takes to process retirement applications and help newly retired members receive their first pension checks promptly. Though SCERS attempts to provide retirees their first check within 45 days of retirement, we only hit that target for 1 out of every 4 applications, and it often takes more than two months.

The existing manual process – multiple layers of review and even microfiche – has not been able to keep pace with the Baby Boomer retirement surge. The number of retirements has increased 50% over the last 10 years.

Application Processing Duration



SCERS is currently investing \$10 million in a new Pension Administration System that will automate and speed the retirement process. While the new system is being developed over the next three years, we have committed to making immediate fixes to get results now. As former Sacramento resident Mark Twain once said, “Continuous improvement is better than delayed perfection.” These efforts include:

- Acknowledging we need to do better.
- Hiring additional staff.
- Adding new workflow management tools.
- Deconstructing each step of the existing process to eliminate inefficiencies and embrace new approaches to “the way it’s always been done.”
- Increasing outreach to members to help them prepare for the retirement process.
- Collecting, reporting, and reviewing performance data to inform and drive decisions.

We’ll keep you posted on our progress.

FAQs: What is Reciprocity?

Reciprocity is an arrangement authorized under state law that allows you to link your retirement benefits if you worked under different California public retirement systems.

For example, if you previously worked for state government under CalPERS, you may be able to connect your SCERS benefit to your previous CalPERS service.

Reciprocity provides a financial incentive to members to work a longer career in public service. For more information regarding eligibility requirements for reciprocity visit our website at www.scers.org.

Welcome New Board Members

The Sacramento County Registrar of Voters recently conducted a SCERS’ Board election for a Miscellaneous Representative, a Safety Representative, and an Alternate Safety Representative. Results were announced on October 18, 2018. The terms of office begin January 1, 2019 and end December 31, 2021.



Matt Petersen, a Captain in the Sheriff’s Department, was elected as Safety Representative. Petersen replaces Chris Pittman, who is stepping down from the SCERS Board after serving as a trustee since 2013.

John Conneally, a Fire Battalion Chief at the Sacramento County Airport, was re-elected as Alternate Safety Representative. Conneally was first elected in 2006.



Diana Gin, a Human Resources Manager in the Department of Personnel Services, was elected as Miscellaneous Representative. Gin had previously served on the SCERS Board from 2011-2016. She replaces Steve Baird, who was elected in 2015.

SCERS

Sacramento County
Employees' Retirement System

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Board of Retirement

- 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
- Steven L. Baird**—Elected by Miscellaneous Members
- James A. Diepenbrock**—Trustee—Appointed by the Board of Supervisors
- Ben Lamera**—Ex-Officio—Director of Finance
- Alan Matré, CPA**—Elected by Miscellaneous Members
- Kathy O'Neil**—Elected by Retired Members
- Chris A. Pittman**—Elected by Safety Members
- John Conneally**—Elected by Safety Members
- Martha Hoover**—Elected by Retired Members



Upcoming Events

Board Meetings

(Open to public)

980 9th Street, 19th Floor

- 10 a.m. Wednesday, December 19, 2018
- 10 a.m. Wednesday, January 16, 2019

Annual Employer Forum

(Participating employers)

980 9th Street, 19th Floor

- 9 a.m. Friday, November 30, 2018

Quarterly Retirement Seminar

*For members within 10 years of retirement;
registration required — call 916-874-9119*

Board of Supervisors Chambers
700 H Street, First Floor

- 8 a.m. Friday, December 14, 2018