

Quotes to remember:

"A billion, here, a billion there, sooner or later, adds up to real money."  
- Everett Dirksen, the late Senator from Illinois



# The Finish Line

A Publication for Active Members of the Sacramento County Employees' Retirement System

## SCERS' MEMBERS: Who are they? Where are they?

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Most of us are aware that Sacramento County employees become members of the Sacramento County Employees' Retirement System ("SCERS") at the time of their appointment to permanent full or part-time positions within County agencies. But did you know that certain elected officials may choose to participate in SCERS as well? Thus, Sacramento County's Sheriff, District Attorney, Assessor, and members of the Board of Supervisors are also members of SCERS. In addition, employees of certain special districts such as Carmichael, Mission Oaks, Orangevale and Sunrise recreation and park districts, Elk Grove, Fair Oaks and Galt-Arno cemetery districts and the Sacramento Employment and Training Agency are members of SCERS.

There are also many former employees of the county and special districts who have retained

their membership in SCERS by leaving their retirement contributions on deposit with SCERS, deferring their retirement to some future date. Still



others have gone on to employment in other public sectors and have established reciprocity between SCERS and their current public retirement system. All told, there are over 12,500 active, deferred and reciprocal members of SCERS.

In addition to "actives," SCERS has more than 4,800 retired county and special district employees receiving monthly retirement allowances. While our retirees live all over the globe, most live in California, Washington, Oregon, Nevada and Arizona.

## A SCERS "FIRST"

This is the inaugural edition of a regular and informative communication to you from your retirement system. We hope to provide you with timely information about the benefits which you are entitled to receive from your retirement system, but we also plan on bringing you information about the ways in which your retirement benefits are secured via the Board of Retirement's investment strategies and policy making procedures. Your questions or suggestions about what you would like to see in this newsletter are encouraged!

### Important Telephone Numbers

SCERS:

916-874-9119

SCERS FAX:

916-874-6060

SCERS TOLL FREE No:

1-800-336-1711

E-mail address:

irisb@mail.sna.com



## Asset Allocation Primary Determinant of Investment Performance

Numerous studies have shown that asset allocation is the primary determinant of a fund's investment performance. The studies indicate that as much as 90% of a fund's investment return is determined by the allocation of investments to stocks, bonds, real estate, cash and other investment vehicles. An appropriate asset allocation reflecting a fund's investment objectives can maximize investment returns while minimizing risk.

The SCERS Board has set a target asset allocation for the fund of 47% U.S. equities (stocks), 23% fixed income (bonds), 15% international or non-U.S equities and 15% real estate. With the strong U.S. equity market the actual asset allocation as of June 30, 1998 was 51.8% U.S. equity, 14.5% non-U.S. equities, 9.9% real estate and 23.8% fixed income.

This asset allocation has allowed the fund to participate in the long running domestic equity bull market while reducing investment risk by not concentrating investments in a single asset type. Bond investments tend to increase in value when stocks drop. Real estate valuations generally are more stable than stocks and do not change with movements in the stock market. This diversification protects the fund's value when stock investments fall.

### SCERS' Investments Return 18.0% For Last Fiscal Year



How are we doing????

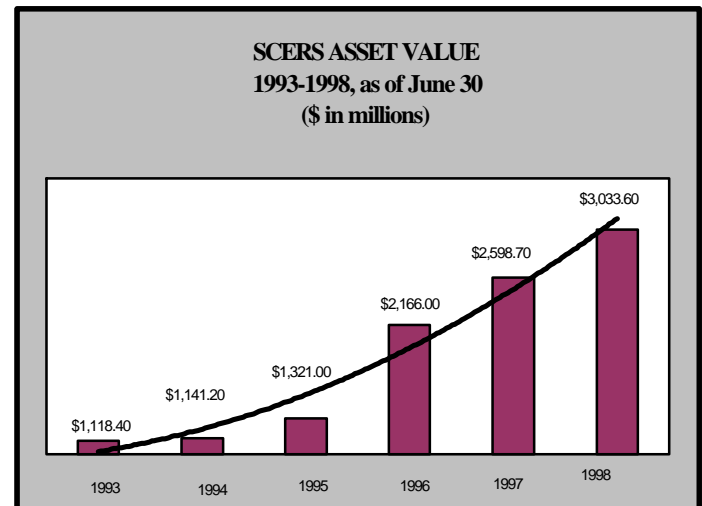
The fund investment return for the year ending June 30, 1998 was 18.0%, net of manager fees and administrative expenses, according to Mercer Investment Consulting, Inc., SCERS performance evaluator. The gross return of the fund was 18.2%. SCERS investment manager returns by asset class for the twelve-month period ending June 30, 1998 were: 26.6% for domestic equity, 10.2% for fixed income, 2.6% for non-U.S. equity and 18.1% for real estate.

The annualized investment return was 18.4% on an annualized basis for the past three years and 14.6% for the last five years, well ahead of the 8% annualized return set as the actuarially recommended long-term investment interest assumption rate.

The market value of the fund topped \$3.0 billion for the first time during June 1998. The market value of the fund on June 30, 1998 was \$3.033 billion (unaudited) as determined by the fund's custodial bank State Street Bank of California. This is an increase in value of over \$400 million during the last year.

SCERS Investment Performance June 30, 1998			
Asset Class	1 Year	3 Year	5 Year
Domestic Equity	26.60%	26.9%	21.0%
International Equity	2.6%	11.7%	11.3%
Fixed Income	10.2%	7.9%	7.1%
Real Estate	18.1%	10.9%	7.1%
Total Fund Return	18.0%	18.4%	14.6%

This increase continues the substantial growth that has occurred in the fund's assets over the past five years. The fund has increased by over 250% from a value of \$ 1.18 billion on June 30, 1993 to its current level. The fund's value dropped during the September quarter as the stock market fell. On September 30, 1998 the value had declined to approximately \$2.861 billion, a decline of 6.1% compared to a stock market decline of 11.2% as measured by the Russell 3000 index. Notwithstanding that decline, the fund market value was 10% greater than the value on June 30, 1997. As of the end of November 1998, however, the fund's market value was back to \$3.0 billion.



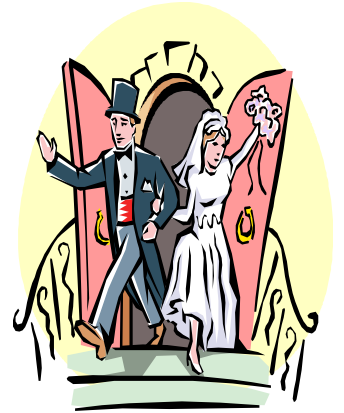
## What to do after the honeymoon.....

*It was accepted practice in Babylon 4,000 years ago that for a month after the wedding, the bride's father would supply his son-in-law with all the mead that he could drink. Mead is a honey beer and because their calendar was lunar based, this period was called the "honey month" or what we know today as the "honeymoon."*

Generally, at the time of your hire into a permanent position, you have completed a form giving to SCERS the name and relationship of the person who, if you died, would receive any retirement benefits. If your family relationships change after any life cycle event, you may wish to change your beneficiary. A married member normally names the spouse as

beneficiary because of the community property laws of California and the survivorship benefits available to a spouse in the event of a member's death. (You may change the named beneficiary any time that changes occur in your personal circumstances.)

Active members may change beneficiaries by filling out a new Member's Enrollment Affidavit form which is available from SCERS or from your departmental personnel/payroll office. Since your retirement system provides benefits upon death, it is very important that you make sure that the designated beneficiary on file with SCERS is your intended beneficiary, and is, indeed, alive.



**A life cycle event like marriage or divorce, or death of a spouse, may call for a review of your named beneficiary.**

## If "the honeymoon is over....."

If you are faced with the prospect of divorce, it is important to be aware of the potential effect community property interest may have on your retirement account. In the stress of the moment, SCERS members may overlook their future benefits. It is important to establish a fundamental understanding of monies or benefits payable by SCERS under the various scenarios which may or may not be applicable, but which should be considered in a marital settlement agreement. To do so you should request from SCERS a "dissolution packet" which generally describes these benefits and scenarios. For now, the basic scenarios are as follows:

In the event of member termination of employment and request to withdraw. In this event, only contributions made by the member (and not contributions made by the employer/County) and SCERS interest credited to the member contributions, are payable.

In the event of member death before retirement and while an "active" employee. The "basic death benefit" is described in Section 31781 as return of contributions and interest plus a lump sum salary benefit of a maximum of six months.

In lieu of the Section 31781 benefit, other benefits may be payable, particularly in event the deceased member is survived by a spouse (not ex-spouse) or minor children. Such benefits are described in Sections 31781.1, 31781.3 and 31787.

In the event of member retirement. If the member retires, the monthly retirement allowance is generally divided at that time. At retirement, the member must select an "option" for providing benefits payable to the designated beneficiary(ies) in event of the member's death. These available options are addressed in the Handbook on pages 15 and 16 as "unmodified," "option 1," "option 2," "option 3," and "option 4" and are found in Government Code Sections 31760.1, 31761, 31762, 31763 and 31764, respectively.

The packet includes recitations of provisions of retirement law and family law as well as a "sample" court order. But it is important to remember that when you are in doubt about legal issues, you should consult qualified counsel; when in doubt about your retirement benefits, consult your retirement office!

"It is important to establish a fundamental understanding of monies or benefits payable by SCERS....."



# Retirement 101: Learn the Basics Early!

## RETIREMENT BOARD (AS OF JANUARY 1, 1999)

Jan Hoganson, President  
Elected by Safety Members

Ronald Suter, Vice President  
Elected by Miscellaneous Members

John Dark, Director of Finance  
Ex-Officio

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Elected by Retired Members

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John B. Kelly  
Appointed by the Board of Supervisors

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Linda Seher  
Chief Benefits Officer

Steven A. Grimshaw  
Chief Operations Officer

Newsletter Coordinator - Iris Bachman  
Sacramento County Employees'  
Retirement System  
980 9th Street, Suite 750  
Sacramento, CA 95814

Beginning with your permanent, full-time employment with Sacramento County or with a member special district, there are many opportunities you can take to learn about the benefits available to you during your SCERS membership, as well as those benefits you will be enjoying after your retirement. We urge you to take the time to become familiar with the plan and its benefits.

**NEW EMPLOYEE ORIENTATION:** Generally, any new County employee (including SETA employees) is introduced to County policies, procedures and benefits on the first day of his or her employment. Retirement staff provides information about retirement contributions and retirement benefits at each orientation.

**ADVANCE PLANNING FOR RETIREMENT-(APR):** "APR" is a one day program intended for SCERS' members who are 10 or more years from retirement or those interested in providing security for their younger families. Featured subjects: wills, trusts and estates; investments; SCERS' benefits. For maximum convenience to SCERS' members, this seminar is offered on Saturdays, generally in late spring or early summer.

**PRE-RETIREMENT FINANCIAL PLANNING SEMINARS:** In these two-day seminars, special emphasis is given to financial planning. The title of these seminars is "SCERS Pre-Retirement Financial Planning Seminar." Segments of each seminar include topical presentations by experts on: Legal Affairs (Wills, Trusts, etc.); Taxes; Investments; Social Security; SCERS Benefits; County Deferred Compensation; and County Insurance. Presentations are augmented by checklists, case studies, reading lists, and examples. Each seminar consists of two non-

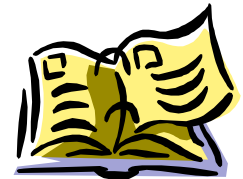
consecutive days of instruction, beginning at 8:00 a.m. and ending at 4:00 p.m. Our goal is to accommodate every SCERS member who requests enrollment. However, these are pre-retirement planning seminars and are primarily intended for those who are one full year or more from retirement.

**RETIREMENT GROUP INTERVIEW:** During the sixty day period prior to actual retirement, each retiree is scheduled to attend a group interview. The spouse may also attend. The group interview provides the most current information available about the specific applicant's probable retirement benefit, and also provides an opportunity to learn about health and dental insurance available to SCERS' retirees.

**RETIREMENT HANDBOOK:** The Retirement Handbook will acquaint you with general and statistical information and the benefits you may be eligible to receive as a member of SCERS.

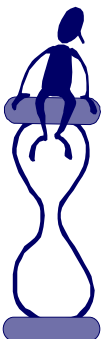
**PERSONAL CONTACT:** You may visit SCERS' administrative office at any time for information about retirement benefits to which you may be entitled. If you write to request such information, include your Social Security number, home address, or County interdepartmental mailing code, home and office phone numbers, and signature. Please do not telephone about matters of confidential records. If you visit the office, please bring photo identification with you.

## Everyone's talking about the year 2000.....



As you have heard, Sacramento County has begun a major overhaul of all its financial systems: accounting, purchasing, materials management, fixed assets, personnel planning, payroll processes, etc. Team members from all county departments, as well as representatives from other agencies (such as SCERS) are participating in this important project. One of the many benefits which will derive from the expansive Compass

Project is the prevention of problems which could result from date related changes in computer systems and programs. SCERS' staff is working with staff from the Office of Communications and Technology (OCIT) to build the interface between the county's new payroll system and the GRA (the retirement system's accounting records), so that your service credits and contributions will continue to be accurately maintained.



"Time is on my side....."  
Mick Jagger, The Rolling Stones.