



Quotes to remember:

“The robes of lawyers are lined with the obstinacy of clients.”  
-Old Proverb

June 2001

Volume 3, Issue 2

# The Finish Line

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

## SCERS Board Holds Down Rates, Provides Benefits, And Protects Against Bears And Other Critters

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The SCERS Board (Trustees) at its meetings held November 16 and December 21, 2000 adopted recommendations of the SCERS Chief Executive Officer and consulting actuary in establishing employer and employee contribution rates to be effective July, 2001.

The effect of the results of the annual actuarial valuation and the Board's utilization of earnings is to maintain the existing aggregate (i.e. average) contribution rates for another year.

With allotments of \$71.1 million and \$5.1 million respectfully, the Board maintained aggregate rates of 6.86% and 5.42% for employers and employees.

Without the utilization of earnings, respective aggregate employer and employee rates would have increased to 7.69% and 5.53% of payroll.

Projected employer and employees' contributions for FY 2001-2002 are \$38.4 million and \$30 million, based upon total annual SCERS gross salaries of \$559 million.

Sacramento County's 2001-2002 contributions to SCERS are in addition to the County's \$39.1 million projected 2001-2002 debt service and trustee fees on pension obligations bonds issued on behalf of the County in 1995,

for a total \$77.5 million.

In another action, the SCERS Board allocated \$10.8 million to continue the non-vested Retiree Health Care Program for fiscal year 2001-2002 (see article on Non-vested Benefits on page 2 of this newsletter).

Also, the SCERS Board has placed \$121 million in reserve for utilization in mitigating against contribution rate spikes which could arise in the "Ventura" litigation (see *The Finish Line* articles of December 1999 and December 2000 on SCERS web site at "www.co.sacramento.ca.us/retirement", and page 6 of this newsletter).

And, the SCERS Board expanded the System's "contingency reserve" account, i.e. the reserve against deficiencies in interest earnings in other years, losses on investments, and "other contingencies," beyond the statutorily required 1% of assets to 2.5% for a total of \$106 million. This action particularly has merit in light of the recent "bear" market and the Board's planning for long-term funding of SCERS benefits.

### Historical Perspective

SCERS is a "trust." The trust is a venerable institution peculiar to English and American law. In its earliest form, as early as the thirteenth century, it made possible conveyances for the benefit of friars in monasteries.

### Important Telephone Numbers

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# Non-vested Health Benefits Extended Through June 2002



Good health doesn't cost; it pays!

“We should manage our fortunes as we do our health – enjoy it when good, be patient when it is bad...”

—Francois de La Fochefoucauld



The SCERS Board and the Sacramento County Board of Supervisors have acted to provide a continuation of non-vested medical plan premium offsets for retirees and surviving spouses for fiscal year 2001-2002, beginning with "coverage" for July 2001, utilizing \$10.8 million in SCERS investment earnings which the SCERS Board has allocated for that purpose. The Retiree Health Care Benefits Program for Fiscal Year 2001-2002 medical plan premium offsets are based upon a graduated scale related to SCERS credited service at time of retirement. The "old" and "new" amounts (effective with June 2001 pension payroll) are as follows:

<u>Credited Service</u>	<u>Maximum Monthly Offset</u>
If you are credited with:	Then, SCERS will pay as described below and the retiree will pay the rest of the premium.

	Old	New
Less than 10 years	\$ 93.00	\$101.00
10 years but less than 15	\$116.00	\$126.00
15 years but less than 20	\$139.00	\$151.00
20 years but less than 25	\$162.00	\$176.00
25 or more years	\$186.00	\$202.00

Years of additional service creditable to a member retired for nonservice-connected disability in accordance with Government Code Sections §31727(b) and §31727.2(b) are not included in determination of credited service for purpose of determining medical benefit eligibility.

The increase in offset amounts ("Old" to "New") is reflective of the increase in determined base premium for the Program, i.e., the highest premium offered for County-sponsored health maintenance organization plans for a member under age 65 or with no Medicare eligibility with enrollment greater than 10% of the overall retiree population (changed from \$186 to \$202).

In the event that the recipient's choice of a plan and coverage results in a premium that is less than the maximum monthly offset, the actual benefit shall be the amount of the premium.

As part of the Retiree Health Care Benefits Program For Fiscal Year 2001-2002, the SCERS Board has extended its Agreement with Delta Dental Service to provide SCERS-paid dental care coverage to SCERS retirees and surviving spouses, and coverage to living retirees' spouses at the retirees' expense. Living retirees' spousal dental care plan premiums will remain at \$28.43 monthly.

[Special Note: Legal instruments under which the Sacramento County Retiree Health Care Benefit Program For Fiscal Year 2001-2002 is created provide that the plan does not create any contractual, regulatory, or other vested right or entitlement to either present or future retirees, their spouses or dependents, to any particular level of subsidization of health care costs, or to subsidization at all. Whether subsidization continues, and if so, the level of subsidization is vested within the sole discretion of the Board of Supervisors.]

Tomorrow: a husband's greatest labor-saving device.

## *SCERS' Mid-year Investment Update: Investment Objectives Still Being Met*

SCERS investment return objective is to earn a total return over time equal to or greater than the actuarial rate of 8% with a high level of certainty. This objective continues to be met even though the stock market has been down over the past year. The annualized 3-year return of 9.9% and 5-year return of 12.5% are well above the 8% objective.

Year 2000 is the first time since before 1992 that investment return for a calendar year was negative. SCERS one-year return of -1.0% for 2000, although disappointing, was better than CalPERS and CalSTRS and much better than the return of the US stock market that saw the S&P 500 decline 9.1 % and international stocks decline by -14.2%. The one year return is within the expected standard deviation of annualized returns of 11.71%.

The SCERS Board has developed

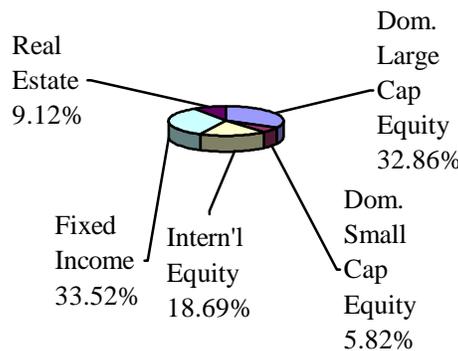
<b>SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM INVESTMENT PERFORMANCE DECEMBER 31, 2000</b>			
Asset Class	1 year	3 year	5 year
Dom. Equity	-4.9 %	10.9%	16.5%
Int'l. Equity	-18.4%	7.9%	7.0%
Fixed Income	11.4%	6.9%	6.8%
Real Estate	12.3%	11.7%	12.7%
Total Fund	-1.0%	9.9%	12.5%

an asset allocation that maintains a diversified portfolio of investments in the asset classes shown in the chart. This diversification of investments reduces investment risk and increases the certainty that over time SCERS will meet its return objective. The SCERS Board works with its staff, investment consultant and investment managers to maintain compliance with the policy.



**Two points about your income, — make it first — then make it last.**

**Sacramento Co. Employees' Retirement System  
Net Asset Allocation as Invested  
December 31, 2000  
(\$ in millions)**



**Income: When your outgo exceeds your income, your upkeep is your downfall.**

## Did you know?

Facts for the curious revealed in SCERS actuarial valuation as of 6/30/00



“The cure for boredom is curiosity. There is no cure for curiosity.”

- Ellen Parr



SCERS Web Site Address:  
[www.co.sacramento.ca.us/retirement](http://www.co.sacramento.ca.us/retirement)

<p>Number of active members – 12,235</p> <p>Total active payroll – \$559,047,000</p> <p>Average monthly salary – \$3,808</p> <hr style="border: 1px solid cyan;"/> <p>Active miscellaneous plan members</p> <ul style="list-style-type: none"> <li>• Number 10,217</li> <li>• Average Age 43.70</li> <li>• Average years service 8.62</li> <li>• Annual Salary \$441,118,000</li> <li>• Average Salary \$43,175</li> <li>• Aggregate contribution rate             <table style="margin-left: 20px; border: none;"> <tr> <td style="padding-left: 20px;">Tier 1</td> <td style="padding-left: 20px;">6.65%</td> </tr> <tr> <td style="padding-left: 20px;">Tier 2</td> <td style="padding-left: 20px;">5.78%</td> </tr> <tr> <td style="padding-left: 20px;">Tier 3</td> <td style="padding-left: 20px;">6.12%</td> </tr> </table> </li> </ul> <hr style="border: 1px solid cyan;"/> <p>Active safety plan members</p> <ul style="list-style-type: none"> <li>• Number 2,018</li> <li>• Average Age 34.14</li> <li>• Average years service 10.77</li> <li>• Annual Salary \$117,930,000</li> <li>• Average Salary \$58,439</li> <li>• Aggregate contribution rate             <table style="margin-left: 20px; border: none;"> <tr> <td style="padding-left: 20px;">Tier 1</td> <td style="padding-left: 20px;">9.13%</td> </tr> <tr> <td style="padding-left: 20px;">Tier 2</td> <td style="padding-left: 20px;">8.62%</td> </tr> </table> </li> </ul>	Tier 1	6.65%	Tier 2	5.78%	Tier 3	6.12%	Tier 1	9.13%	Tier 2	8.62%	<p>Number of annuitants</p> <ul style="list-style-type: none"> <li>• Retired for Service 3,937                  Average monthly allowance \$1,547</li> <li>• Retired for Disability 675                  Average monthly allowance \$1,468</li> <li>• Beneficiaries Receiving Annuities 876                  Average monthly allowance \$ 823</li> </ul> <hr style="border: 1px solid cyan;"/> <p>Total annuitant payroll \$91,391,000</p> <hr style="border: 1px solid cyan;"/> <ul style="list-style-type: none"> <li>• Average monthly allowance \$1,388</li> </ul> <p>Retired “miscellaneous” plan members</p> <ul style="list-style-type: none"> <li>• Total retired benefit \$65,071,820</li> <li>• Average age 68.55</li> </ul> <hr style="border: 1px solid cyan;"/> <ul style="list-style-type: none"> <li>• Average years retired 11.08</li> </ul> <p>Retired “safety” plan members</p> <ul style="list-style-type: none"> <li>• Total retired benefit \$28,548,654</li> <li>• Average age 60.87</li> <li>• Average years retired 9.02</li> </ul>
Tier 1	6.65%										
Tier 2	5.78%										
Tier 3	6.12%										
Tier 1	9.13%										
Tier 2	8.62%										

## SCERS Web Site A Much Visited Success

Our statistics reveal that during a representative 800 day period March 1999 through May 2001, 153,635 successful requests for access to SCERS web site were made. The average per day was 192. Two extremely high volume months occurred: September 1999 (23,576 re-

quests) and August 2000 (20,069 requests). Fridays appear to receive more hits (is this no wonder?) . The most popular request is access to SCERS retirement handbook and benefit calculator program.

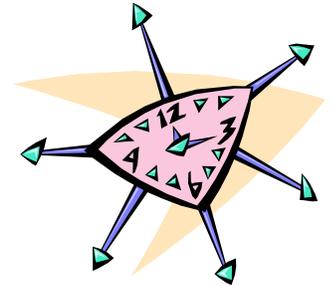


# Planning For Retirement

Are you planning your retirement and wanting to spread out your other assets over your expected years? This table reveals results of SCERS actuarial study using SCERS historical experience over many, many years.

## YEARS OF LIFE EXPECTANCY AFTER SCERS SERVICE RETIREMENT

Age At Retirement		Miscellaneous Retirees		Safety Retirees	
		Male	Female	Male	Female
50	OK.	30.94	34.24	30.01	34.24
51		30.01	33.29	29.09	33.29
52		29.09	32.34	28.18	32.34
53		28.18	31.40	27.28	31.40
54		27.28	30.47	26.38	30.47
55		26.38	29.53	25.49	29.53
56		25.49	28.61	24.61	28.61
57		24.61	27.68	23.74	27.68
58		23.74	26.77	22.88	26.77
59		22.88	25.86	22.04	25.86
60		22.04	24.97	21.20	24.97
61		21.20	24.09	20.38	24.09
62		20.38	23.22	19.57	23.22
63		19.57	22.36	18.78	22.36
64		18.78	21.52	18.01	21.52
65		18.01	20.69	17.26	20.69
66		17.26	19.88	16.53	19.88
67		16.53	19.09	15.81	19.09
68		15.81	18.30	15.11	18.30
69		15.11	17.53	14.42	17.53
70	HM!	14.43	16.77	13.77	16.77
71		13.77	16.01	13.11	16.01
72		13.11	15.26	12.48	15.26
73		12.48	14.53	11.85	14.53
74		11.85	13.81	11.25	13.81
75		11.25	13.11	10.66	13.11
76		10.66	12.43	10.08	12.43
77		10.08	11.76	9.52	11.76
78		9.52	11.11	8.98	11.11
79	HUH!!	8.98	10.49	8.46	10.49
80		8.46	9.88	7.97	9.88
81		7.97	9.30	7.51	9.30
82		7.51	8.74	7.07	8.74
83		7.07	8.20	6.65	8.20
84		6.65	7.68	6.24	7.68
85		6.24	7.18	5.86	7.18
86		5.86	6.71	5.48	6.71
87		5.48	6.25	5.12	6.25
88		5.12	5.83	4.78	5.83
89		4.78	5.42	4.45	5.42
90+	GOD!!!	4.45	5.05	4.15	5.05



There isn't any "now."

By the time you've said the word your "now" is "then."



# SCERS Board Awaits Judge's Decision Ala "Ventura"

(see *The Finish Line* articles of December 1999 and December 2000 on SCERS web site at "[www.co.sacramento.ca.us/retirement](http://www.co.sacramento.ca.us/retirement)").

The "Ventura" litigation concerns a California Supreme Court determination in 1997 regarding items of compensation which should be included in calculating a member's "final compensation", a determining factor in calculation of a member's actual retirement allowance.

SCERS has two suits brought against the System involving SCERS interpretation of the Supreme Court decision. They are: Ernest Buda, Thomas J. Burns, and Michael Dutra (Plaintiffs) vs. SCERS, Board of Retirement; and Richard Price and Scott Eckert (Petitioners) vs. Board of Retirement of SCERS. These suits and all other similar suits with other retirement systems have been referred to the Superior Court in San Francisco.

In July 2000 Superior Court Judge Stuart R. Pollak issued a "Statement of Decision" in which he found that the contested forms of compensation need not be included as compensation earnable/final compensation, thus appearing to side with SCERS on this matter.

Now, SCERS and all other parties await Judge Pollak's decision on the remaining considerations left over from the original Supreme Court decision: 1) For systems which, as result of the decision, recognized some forms of compensation not previously

recognized as compensation earnable, must the recognition be applied retroactively (i.e. to compensation earned prior to October 1, 1997); 2) if so, must contributions be required to be paid by the affected employees; 3) if retroactively applied, for employees who actually retired prior to October 1, 1997, must there be retroactive adjustment to their retirement allowances; and 4) if "yes" to number 3, how far back must adjustments go?

Depending upon the findings and conclusions, Judge Pollak's decision, expected mid to late summer of 2001, could result in significant unfunded liability to SCERS. Because unfunded liabilities are paid for through SCERS' amortization schedule (now at 22 years) through employer contribution rates, Sacramento County and SCERS' member district employers anxiously await Judge Pollak's decision.

Once issued, expectations are that the losing parties will appeal the decision up through higher levels of the California court system.

With this expectation at least one retirement system CEO has asked: "Will this madness never end?"

## RETIREMENT BOARD

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Ronald Suter, 1st Vice-President  
Elected by Miscellaneous Members

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Appointed by the Board of Supervisors

Mark Norris, Director of Finance  
Ex-Officio

William Cox  
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Keith DeVore  
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John B. Kelly  
Appointed by the Board of Supervisors

Robert Woods  
Appointed by the Board of Supervisors

James C. Crump, Alternate  
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Executive Staff  
John R. Descamp  
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Jeffrey States  
Chief Investment Officer

Linda Seher  
Chief Benefits Officer

Steven A. Grimshaw  
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Today: the tomorrow you worried about yesterday.