



# The *Latest* Wrinkle

*A Periodic Publication for Retirees and Beneficiaries of SCERS*

## SCERS BOARDS' JUGGLING ACT

### DUTY OF LOYALTY-TO ALL

Recent articles published in the quarterly newsletter of the Sacramento County Retired Employees' Association ("SCREA") newsletter alluded to SCREA requests to the SCERS Board for the Boards' support of certain benefit increases which the SCREA Board has championed. Such requested support would come in the SCERS Boards' allocation of monies from earnings in order to pay for or mitigate against the total cost of such benefits. The requested benefits are essentially in addition to and different from the promised benefits at time of your retirement.

Although SCERS always has our retirees and survivors in mind when making our decisions, we also recognize that for most of SCREA's requests, it is the Sacramento County Board of Supervisors, not the SCERS Board, which has approval authority for these newly requested benefits.

The SCERS Board, in offering support for benefits, recognizes that SCERS plan participants include retirees, survivors, active employees and those in deferred status, not just those retirees and survivors in membership of SCREA. Although the sincere and honest efforts of the SCREA Board are recognized and appreciated, SCERS has a duty of loyalty to all plan participants. The SCERS Boards' use of system moneys for one purpose to benefit some participants often means that those same moneys become not available for others.

In addition to the duty of loyalty to members, SCERS also has a duty to attempt to minimize membership employer contributions.

This is SCERS juggling act. This is SCERS duty!!



#### Inside this issue:

SCERS Board's Juggling Act	1
Dental Premium Holiday Granted	2
Medical Premium Offsets Approved	2
April 1, 2002 COLA Set	3
Automatic Deposit Is Best	3
Contribution Rates	4
Portfolio Performance	5
SCERS Office Relocation	6

#### Important Telephone Numbers

- SCERS: 916-874-9119
- SCERS FAX: 916-874-6060
- SCERS TOLL FREE No: 1-800-336-1711
- Web Address: [sacretire@saccounty.net](mailto:sacretire@saccounty.net)
- COUNTY INSURANCE OFFICE: 916-874-5568; 916-874-5569
- PACIFIC GROUP AGENCIES (DELTA DENTAL PLAN): 916-537-2996



## *Dental Premium Holiday and Anticipated New Schedule of Allowances*

SCERS is pleased to announce a one-payment dental plan “premium holiday” for the month of June 2002.

Under SCERS’ contract provisions with Delta Dental Plan of California neither SCERS nor our SCERS annuitants (who pay individually for living retirees’ spousal coverage) will be required to pay the \$28.43 June 2002 premium.

In addition, SCERS expects to extend its contract with Delta for at least another year of coverage, but maintaining existing premium rates.

**Reminder:** SCERS’ dental care coverage with Delta may be extended to living retirees’ “new” spouses only in event a retiree submits to SCERS a copy of the marriage certificate and a completed SCERS’ dental care sign-up form within thirty days of date of marriage. Forms may be obtained by telephoning or writing SCERS’ administrative offices.

## *Medical Premium Offsets Recommended to Board of Supervisors*

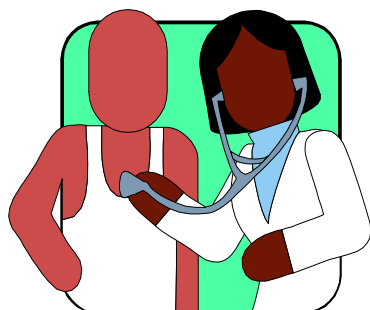
In accordance with governing rules mutually adopted by the SCERS Board and the Sacramento County Board of Supervisors, and in following guidelines set in place in 1993 by these same boards, the SCERS’ Chief Executive Officer has recommended to the Board of Supervisors a continuation of, and, indeed an increase in the medical premium offset for fiscal year 2002-2003. This increase amounts to approximately twenty-one percent over existing offsets. Moneys utilized for this purpose were approved by the SCERS Board to be paid from earnings of the fund.

The recommended offsets are essentially for County-sponsored medical plans, in accordance with the following eligibility criteria:

<u>Years of SCERS credited service</u>	<u>Monthly offset</u>	
	<u>Old</u>	<u>Recommended</u>
Less than 10 years	\$101	\$122
10 years, but less than 15	\$126	\$152
15 years, but less than 20	\$151	\$182
20 years, but less than 25	\$176	\$212
25 or more years	\$202	\$244

At the Board of Supervisors meeting of April 16, 2002 the Supervisors made public the \$13,291,000 projected cost, and the Board is expected to approve the Program on April 30, 2002. If approved, these new offsets will be implemented for coverage beginning July 2002.

[Special Note: Legal instruments under which the Sacramento County Retiree Health Care Program for Fiscal Year 2002-2003, is created to 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.]



### RETIREMENT BOARD

Jan Hoganson, President  
Elected by Safety Members

Ronald Suter, First Vice-President  
Elected by Miscellaneous Members

James A. Diepenbrock, Second Vice-President  
Appointed by the Board of Supervisors

Mark Norris, Director of Finance  
Ex-Officio

William Cox  
Elected by Retired Members

Keith DeVore  
Elected by Miscellaneous Members

Winston H. Hickox  
Appointed by the Board of Supervisors

John B. Kelly  
Appointed by the Board of Supervisors

Robert Woods  
Appointed by the Board of Supervisors

Vacant Alternate  
Elected by Safety Members

#### Executive Staff

John R. Descamp  
Chief Executive Officer

Jeffrey States  
Chief Investment Officer

Linda Seher  
Chief Benefits Officer

Steven A. Grimshaw  
Chief Operations Officer

Newsletter Coordinator - V.J. HAYES

Sacramento County Employees’  
Retirement System  
980 9th Street, Suite 1800  
Sacramento, CA 95814

## APRIL 1, 2002 COLA SET

The SCERS Board, at its meeting of February 21, 2002, adopted cost-of-living increases to be effective April 1, 2002, for eligible monthly annuitants. April 2002 pension payroll warrants will reflect a percentage increase for eligible retirees and survivors, according to the membership category indicated below (the category applicable to you is indicated on the “tax information letter” you received and kept in your personal records, since retirement).

If Your Category of Membership is:	Then, the applicable COLA is:
Safety Tier 1	4%
Safety Tier 2	2%
Miscellaneous Tier 1	4%
Miscellaneous Tier 2	0
Miscellaneous Tier 3	2%

For retirees who retired with service under more than one category, the COLA applicable to each category will generally apply to the portion of your monthly allowance applicable for each category.

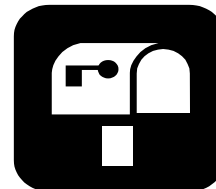
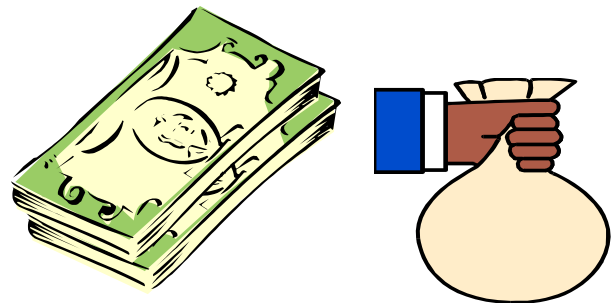
The COLA does not apply to medical premium offsets, but does apply to the total of your current service annuity, your current service pension, and your accrual of prior years’ cost-of-living increases.

## AUTOMATIC DEPOSIT IS BEST!

SCERS makes 5,547 monthly annuitant payments. Of these, 4,543 (82%) are done through electronic fund transfer to depository of choice rather than through U.S. mail.

Some thoughts to ponder with electronic deposit:

- \* Your deposit will never be delayed because of mail (particularly, holiday mail) delivery
- \* You need not wait in line for deposit
- \* You have no security risk
- \* Deposits are made last working day of each month
- \* A remittance advice (pay stub) is forwarded to your mailing address of record.



Why bother with U.S. mail? Go with electronic fund deposit!!

Call SCERS at (916) 874-9119 or 1 (800) 336-1711 for more information.

**S.C.E.R.S.**  
**Employer and Employee Contribution Rates Adopted**

*[As retirees and survivors, of course, you no longer make contributions!]*

*Following receipt and discussion of the triennial actuarial experience analysis and the annual valuation report, the SCERS Board at its meeting of December 20, 2001:*

- \* Approved the County and Member Districts' total (basic and cost-of-living) composite contribution rates of 7.86% of payroll (based upon an 8% investment interest assumption rate, with a salary scale reflecting merit and longevity of 1.50% plus inflation of 4.25% for a total of 5.75% per year) to be effective the first full pay period in July 2002.
- \* Approved the revised member total (basic and cost-of-living) composite contribution rate of 5.58% (based upon an 8% investment interest assumption rate, with a salary scale reflecting merit and longevity of 1.50% plus inflation of 4.25% for a total of 5.75% per year) to be effective the first full pay period in July 2002.

These rates were ratified by the Board of Supervisors on April 9, 2002

**FINANCIAL ANALYSIS:**

Contribution rates applicable to SCERS are determined as a percentage of payroll. Following is the estimated impact on 2002-2003 fiscal year employer contribution rates of the recommendations in these studies and a summary of gain/loss arising out of the valuation relative to employer rates.

<b>Summary of Gain/Loss</b>	<b>Rate Impact</b>		<b>Dollar Impact</b>
June 30, 2000 Employer Rate	6.91%	\$	43,895,000
Investment return greater than expected	-0.03%	\$	(190,000)
Transfer to Offset Future Employer Contributions	0.00%	\$	-
Salary increase greater than expected	0.53%	\$	3,364,000
Change in Normal Cost	0.06%	\$	381,000
Retiree COLA greater than expected	0.04%	\$	241,000
Dilution of Pre-funded Actuarial Accrued Liability Credit	0.32%	\$	2,044,000
Impact of Assumption Changes	0.21%	\$	1,333,000
Miscellaneous (gains)/losses	-0.18%	\$	(1,171,000)
Subtotal	0.95%	\$	6,002,000
June 30, 2001 Employer Rate	7.86%	\$	49,897,000

**Explanation of Gain/Loss Items**

Investment return greater than expected – The System's actuarial valuation assets earned 0.11% in excess of the 8% return Assumption.

Salary increase greater than expected – The average salary for continuing actives increased by 7.66% and was higher than the expected increase of 5.55%.

Change in Normal Cost – There was a slight increase in the Normal Cost.

Retiree COLA greater than expected – Average COLA increase for retirees was greater than expected.

Dilution of Prefunded Actuarial Accrued Liability Credit – The aggregate payroll increased by 13.39% and was higher than the expected increase of 4.25%.

Impact of Assumption Changes – Net employer rate impact of experience study.

## **FOR THE RECORD: Portfolio Performance**

*SCERS had a strong 7.7% investment return for the last quarter of 2001, net of fees. This was a welcome result after experiencing several quarters of weak and negative performance reflecting the U.S. recession and the bearish stock market. The returns compare favorably to SCERS' investment policy benchmark return of 7.3% and to the returns of other public funds. For example, in the Trust Universe Comparisons (TUCS) Public Fund Universe SCERS' performance ranked in the 24<sup>th</sup> percentile. The median public fund had a return of 6.5%.*

*The calendar year 2001, SCERS' total fund return was -3.1%, net of fees. This is the second consecutive calendar year that investment returns were negative. Although a negative return is disappointing, the return for the year is 1.3% better than policy benchmark return of -4.4%. In the TUCS' Public Fund Universe, SCERS ranked in the 28<sup>th</sup> percentile. Over the last five years the annualized total fund return, net of fees, is 8.7%. The annualized return over the past ten years is 9.6%, net of fees.*



*SCERS has a widely diversified portfolio designed to reduce risk and achieve a return of greater than 8% over a period of five or more years. This objective is being achieved and over time the fund is meeting the Retirement Board's performance objective.*

*Shown below is SCERS' investment performance.*

<b>Sacramento County Employees' Retirement System Investment Performance December 31, 2001</b>				
Asset Class	4 <sup>th</sup> Quarter	1 Year	3 Year	5 Year
Domestic Equity	12.4%	-9.4%	1.2%	9.7%
International Equity	14.1%	-15.5%	-4.0%	0.9%
Fixed Income	0.0%	7.4%	6.2%	7.4%
Real Estate	1.6%	7.9%	10.2%	12.9%
<b>Total Fund Return</b>	<b>7.7%</b>	<b>-3.1%</b>	<b>3.4%</b>	<b>8.7%</b>

**SACRAMENTO COUNTY  
EMPLOYEES' RETIREMENT  
SYSTEM**

980 9th Street, Suite 1800  
P.O. Box 627  
Sacramento, CA 95812-0627

Phone: 916 874-9119

Fax: 916-874-6060

Email: [sacretire@saccounty.net](mailto:sacretire@saccounty.net)

PRESORTED  
STANDARD MAIL  
U.S. POSTAGE

**PAID**

SACRAMENTO, CA  
PERMIT #24

VISIT THE RETIREMENT WEBSITE :  
[www.co.sacramento.ca.us/retirement](http://www.co.sacramento.ca.us/retirement)



**SCERS**

*SCERS OFFICE RELOCATION COMPLETE*

*The Administrative Offices of the Sacramento County Employees' Retirement System ("SCERS") have moved from the seventh floor of the U.S. Bank Plaza Building at 980 9<sup>th</sup> Street, Sacramento, to the eighteenth floor of the same building.*

*The move was motivated by the pressing demands for services brought as result of increased SCERS' membership and actual and projected increases in workload arising out of collective bargaining as well as the possible effects of litigation (such as "Ventura").*

*With the additional space, SCERS has "up-staffed" and our offices are being made more comfortable for retirees and other visitors.*

*Reminder: The U.S. Bank Plaza Building has two sets of elevators. Visitors to SCERS should remember to take the set marked "14 to 25." Once there, be sure to say "hello."*