

SCERS NEWSLETTER

RETIREMENT INFORMATION

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A Message from SCERS CEO

One of the lessons from the Great Recession was to expect the unexpected. While SCERS could not predict how a global pandemic would impact our fund—or predict how we will emerge from it—we are better positioned today than we were a decade ago for an economic downturn.

This newsletter focuses on how SCERS has prepared for and responded to the COVID-19 pandemic, from our staff working remotely to process retirement applications, to the investment team positioning our fund to withstand periods of volatility.

Despite the uncertainty of the moment, we know that SCERS will continue moving forward with a renewed attention to improving our members' experience and providing high quality customer service.



— Eric Stern

Your Pension is Healthy

SCERS is here to stay and serve our members

The global health pandemic has sent shockwaves through the economy, including the SCERS investment portfolio. While the impact will be felt for some time, SCERS is a long-term investor, and we think in terms of decades, not days, weeks, or months.

Our members' benefits continue to be secure. SCERS' investment portfolio is broadly diversified in order to mitigate the effect of periods of market volatility and uncertainty.

Established in 1941, SCERS has matured into a multibillion-dollar trust fund that has held strong throughout the decades, through wars and recessions.

During this difficult time, we are aware that many of our members have concerns and questions about the implications of the COVID-19 pandemic to your long-term retirement plans.

We at SCERS recognize that the service we provide—retirement income—is essential to our members' lives. We are very much aware that having financial security and confidence is probably more important than ever today.

For current retirees, we do not anticipate any delays or interruptions with monthly pension payments.

Employees who are ready to retire or have submitted retirement applications and are about to see their regular paychecks stop will not be left behind. We are continuing to accept and process retirement applications.

We are also committed to younger workers who are years from retirement, to safeguard their funds and prudently manage our investment program through this storm.





Investments: How SCERS was Prepared to Weather COVID-19

Your Retirement in a Time of Crisis

■ Recession looming

Due to COVID-19, global economists are forecasting a global recession, and the trajectory of an economic recovery could well depend on the path of the disease. Volatility within financial markets has been at extreme levels, with most asset classes down significantly in value. SCERS' portfolio has also been negatively impacted by the market dislocation, on pace to fall short of its assumed rate of return for the current fiscal year.

■ SCERS' portfolio

SCERS' investment portfolio is broken out between three asset categories, including Growth assets (58%), Diversifying assets (25%), and Real Return assets (16%), in addition to a 1% cash allocation. Growth assets, and to an extent Real Return assets, are key return drivers that assist SCERS in meeting its 7% assumed rate of return, but tend to be more volatile and experience greater downside during an economic downturn.

SCERS' strategic asset allocation emphasizes a reasonable level of growth assets to drive returns, and an ample allocation to less correlated and cash-flowing assets that can reduce downside risk and the range of outcomes that the portfolio is exposed to.

■ Changes we've made

Over the past few years, SCERS has made measured changes to reduce the risk profile of our portfolio, including the amount of downside risk the portfolio is subject to in a market dislocation. These include:

- Reducing SCERS' public equity exposure by 5% in favor of less correlated assets, and to higher cash-flowing assets.
- Restructuring the fixed income portfolio to add a 5% U.S. Treasury allocation that was up 8% in the first quarter of 2020.
- Adding a 1% dedicated cash allocation to further reduce SCERS' risk profile, and improve SCERS' liquidity position.

■ A healthy position

These changes help to mitigate downside losses in the current environment, and better ensure that SCERS is in a healthy position to fund its benefit payment obligations.



SCERS IT Modernization has Enabled Continued Services

Phase Two on Track: More online tools coming next year for members

With all the changes to daily life from the global pandemic, one constant at SCERS has been the ongoing provision of benefits without disruption in service. In these unsettling times, our members can be assured that benefits will continue to be paid as usual.

SCERS made fortuitous investments in technology recently, such as upgrading our public website to better communicate with our members. SCERS is also designing a new benefit system that has allowed our dedicated staff to work safely from home during the crisis.

In July 2019, SCERS implemented the first phase of the new system, replacing a manual process where file folders of retirement applications were passed from desk to desk. Now, all retirement applications are entered into and processed through the IT system.

Future phases of the system will be rolled out through 2021, including a new member portal where members can review pension payment history, change beneficiaries, and apply for retirement online.



Pension Rules Adjusted During Public Health Emergency

As government agencies continue providing essential services to the public during the pandemic, SCERS has adapted the following policies and practices to help employers and employees comply with changes in law affecting pensions:

Post-Retirement Employment Rules

On March 4, Governor Newsom declared a state of emergency in connection with the COVID-19 pandemic and subsequently issued Executive Orders N-25-20 and N-35-20 to ensure adequate staffing in state and local government to respond to the emergency.

The Executive Orders suspend state laws that require a 180-day sit-out period for new retirees before returning to work and the 960-hour annual limit on work hours for retirees who are serving their former employers.

SCERS has notified participating employers that it is complying with the Executive Orders to waive the “retired annuitant” restrictions. Please note that the rules are relaxed only for retired SCERS members who are helping a SCERS employer alleviate staffing issues related to the COVID-19 pandemic response.

COVID-19 Paid Leave

The Families First Coronavirus Response Act went into effect on April 1, which allows employees to take time off to address the impacts of COVID-19 using various types of new leave, including Emergency Paid Sick Leave and Paid Family and Medical Leave.

For pension purposes, SCERS intends to treat those new leave types for Legacy and PEPRAs members consistently with the SCERS Final Compensation Review Policy. Under the SCERS policy, “Leave Balance Usage” (defined broadly to include paid sick and vacation leave) is subject to retirement contributions and service credit when taken for authorized absences from work.



Read more online at:
scers.org/latest-news

Purchasing Service Credit

Buying Back Unpaid Leave Time

The Families First Coronavirus Response Act (FFCRA) is now in effect, allowing employees to take time off to address the impacts of COVID-19 using various types of leave. This has brought up a common question regarding service credit purchases that we’d like to answer:

Q: When employees exhaust their leave balances or FMLA and are on a Leave of Absence or Leave Without Pay, can they buy back that unpaid time for service credit?

A: Under Government Code section 31646, members may purchase service credit for unpaid leave only if the absence was due to their actual illness. Members may not purchase service credit if they needed to take unpaid leave, for example, to care for children due to school closures.



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

John B. Kelly, Vice President. Appointed by the Board of Supervisors

Keith DeVore, Vice President. Appointed by the Board of Supervisors

James A. Diepenbrock, Appointed by the Board of Supervisors

Dave Comerchero, Elected by Miscellaneous Members

Diana Gin, Elected by Miscellaneous Members

Martha Hoover, Elected by Retired Members

Matt Petersen, Elected by Safety Members

Ben Lamera, Ex-Officio. Director of Finance

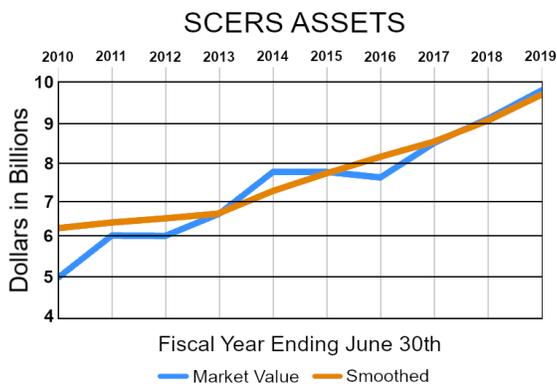
Kathy O’Neil (alternate), Elected by Retired Members

Vacant (alternate), Elected by Safety Members

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

Fast Facts

To help avoid year-to-year spikes in employer contribution rates due to investment performance, SCERS smooths the calculation of assets over a rolling seven-year period. This not only stabilizes contribution rates but also improves the ability of the employer to plan for possible future rate increases.



Upcoming Events

Due to the pandemic, Board meetings will be conducted by teleconference until further notice. Visit scers.org/retirement-board-meetings for information.

Board Meetings - 10:00 a.m.

- Wednesday, May 20
- Wednesday, June 17
- Wednesday, August 19

Quarterly Retirement Seminars

- On hold until further notice

Visit scers.org/retirement-planning-seminars for resources and materials.