

SCERS NEWSLETTER

RETIREMENT INFORMATION

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Public Sector Workers May Need More Savings for an Adequate Retirement

A recent study from the National Institute on Retirement Security and the financial services firm Aon sheds light on critical financial issues facing public employees in retirement.

While defined benefit plans like the one SCERS members contribute to help them build a solid financial foundation, the study finds that public service workers still need to save an additional four to six percent of their salary to ensure a secure retirement. The reasons include rising inflation and increasing health care costs.

One way SCERS members can increase their savings is to take advantage of other tax-advantaged savings programs, such as Sacramento County's deferred compensation 457(b) plan. The plan enables employees to set aside additional money for retirement beyond their pension contribution. The earlier in their careers members can begin investing in this account, the greater the benefit will be at the end of their careers. For additional information about the county's 457(b) plan, visit netbenefits.com/saccounty.

"There's no doubt that defined benefit plans provide public service workers with a strong financial base as they enter retirement," said Eric Stern, SCERS' chief executive officer. "But this study makes clear that our public service workers need to save more to achieve financial security. The good news is the 457(b) savings plan the county offers can help our members reach their goals and enjoy the retirement they've earned."

The study, "The Real Deal for the Public Sector: Retirement Income Adequacy Among U.S. Public Sector Employees", highlights how retirement is growing more challenging for younger generations working in government, particularly because rising medical costs are leaving them less prepared for the future than prior generations.

Among the study's other key findings:

- Female public service employees are less prepared for retirement security due to longer life expectancies.
- Individual factors make it difficult to determine an accurate "retirement number," making additional savings even more important.
- Defined benefit plans typically provide more income in retirement than defined contribution plans like a 401(k).

The study says it's important for public service workers to educate themselves about what they can expect from their retirement plan and Social Security benefits as they prepare for retirement. For more information, visit nirsonline.org.

A Message from SCERS' CEO

Inflation had everyone talking last year. Gas prices, food costs, new cars – everything was more expensive.

For the pension system, it's more of a mixed story. SCERS certainly shared in the pain; we experienced a rare loss last year due to inflation's impact on the markets. However, SCERS has ample exposure to assets such as real estate and infrastructure that perform well during periods of inflation, which offset losses.

For retirees, high inflation is resulting in the maximum cost-of-living adjustment for our retirees in April this year. And with higher interest rates, bond yields are now at higher levels, which is a good thing because we rely on income from bonds within our portfolio.

What we don't like at SCERS is uncertainty. As inflation seems to be slowing into 2023, we hope the year brings more calm. We can't control the economy, but our investment program is built for the long term, with a carefully constructed asset allocation that doesn't get derailed by the ups and downs of the market.

We've been going strong for more than 80 years, and we'll continue to be here for you. You can count on us to pay you for what you've earned when you retire. For life.



—Eric Stern

Employer Spotlight: Sacramento Superior Court



The new Sacramento Courthouse under construction, October 2022

If you've driven on Interstate 5 near downtown Sacramento lately, you may have seen the construction of a new building in the Railyards at the NW corner of H and 6th Street and wondered what it was. This is the future home of Sacramento Superior Court, an agency SCERS has provided retirement benefits for since 1941.

Court employees (other than judges) have been members of SCERS for more than 80 years. When the Court separated from the County to become an independent public employer in

January 2001, its employees remained with SCERS for their retirement, disability, and death benefits.

Court Executive Officer Lee Seale considers SCERS to be an invaluable partner. "This relationship with SCERS allows us to attract and retain an excellent workforce with the promise of a gainful pension," Seale said. "As a result, many of our employees stay with the Court for the entirety of their career. Like our cherished employees, SCERS is dependable and trusted."

Employees of Sacramento Superior Court are excited about their future home. "The court takes great pride in our mission to protect the public's rights and provide timely access to justice. This building will reflect this pride and serve as a reminder that the work we do is not only important, but must be approached with care and sensitivity," said Seale. "The new courthouse will remind us to honor that work every day when we walk in the door."



Construction of the Gordon D. Schaber Courthouse, circa 1963

The Gordon D. Schaber County Courthouse, where Sacramento Superior Court employees currently work, was built in the

1960s with 22 courtrooms that eventually extended to 44 in order to handle the increasing volume of criminal, civil, probate, and small claims cases in Sacramento County. But the old building is no longer sufficient to serve the community as intended. The California Courts website states, "The facility is very overcrowded, and it lacks many significant features that are needed to safely function as a criminal courthouse."

The new Sacramento Courthouse will include the operations currently located at the Hall of Justice, and 53 courtrooms in the 538,000 square foot 18-story facility. It will bring value to the region in many ways. Besides providing a modern environment with more room for the public, jurors, litigants, and over 400 Court employees, the facility will provide free Civil Self-Help Services, offering assistance to people without lawyers who have questions or need help preparing forms.

The Court's Chief Deputy Executive Officer Kelly Sullivan considers the greatest value of the new courthouse to be access and inclusion. "Anyone will be able to walk into the courthouse and observe, firsthand, the strength of our legal system," Sullivan said.

Safety will also be a feature of the new courthouse. "Now more than ever, our courts serve as a safe haven for the peaceful resolution of disputes. And this new courthouse will be our community's safe haven. The space will have a welcoming environment, ensure meaningful access to justice, and be the heart of the community," Sullivan said.

But it's not all about the new building, as the Sacramento Superior Court's mission of service hasn't changed. As Seale explained, "We are a part of your community and we are here to serve you. Our workforce reflects the diversity of the Sacramento region. Our judges are impartial and committed to applying the facts and law independently and objectively. Whether you are a litigant, victim, witness or interested party, we are here to ensure that you are treated with dignity, respect, and fairness. We are honored to deliver that service every day."

The new \$515 million Sacramento Courthouse was authorized under court-construction legislation in 2008 (SB 1407) and construction is estimated to be complete in May 2024. After the move-in process, it is anticipated that the courthouse will be operational in the fall of 2024.

For more information, visit <https://www.courts.ca.gov/facilities-sacramento.htm>.



Court CEO Lee Seale and judges touring the new building



Alameda Update: Board Approves Change to Pension Overpayments

SCERS has changed its approach regarding the recovery of overpaid pension benefits subject to reductions under the *Alameda* decision, and will not collect overpaid pension benefits directly from retirees.

Approximately 1,500 SCERS retirees are facing pension reductions since the California Supreme Court's July 2020 *Alameda* decision, which triggered a correction process for SCERS and other county retirement systems to exclude pay items that were not supposed to be included in pension calculations going back to 2013.

Under the original correction plan adopted by the SCERS Board, SCERS was to recalculate and adjust pensions, and recover overpaid benefits made since September 2020. This was the same approach adopted by other county retirement systems. However, SCERS is unique due to its larger volume of *Alameda* corrections – affecting nearly 20% of the SCERS membership – as well as various administrative and technical challenges.

Some 2½ years after the *Alameda* decision, the correction process is ongoing and will take several more months to complete. SCERS recognizes that the potential overpayment a retiree owes to SCERS grows each month, placing financial uncertainty on the retiree due to a complex administrative correction process for which they have no control.

SCERS will continue to make the pension reductions, as instructed by the Court. However, on February 15, 2023, the SCERS Board adopted a new approach regarding overpaid benefit amounts, and directed staff to account for and reconcile those amounts actuarially through the employer pension liability as permitted by the Internal Revenue Service.

SCERS expects this approach to have an insignificant impact on the \$12 billion pension fund. The median pension reduction calculated to date is about \$1.57/month, with a median overpayment due to SCERS of about \$49.30, representing about 30 months of overpaid benefits.

For more information, visit scers.org/alameda-corrections.

COLA Approved for 2023

The SCERS Board adopted the following cost-of-living adjustments, effective April 1, 2023, for members with retirement dates on or before March 31, 2023:

4%

- Miscellaneous Tier 1
- Safety Tier 1

2%

- Miscellaneous Tiers 3, 4, and 5
- Safety Tiers 2, 3, and 4

Miscellaneous Tier 2 is not eligible for a COLA.

For more information, visit scers.org/retiree-cola-tracker.

New Law Allows Service Purchases for Unpaid Family Leave



Governor Newsom signed legislation on September 25, 2022 that expands the ability for members of SCERS and other county retirement systems to buy service credit for absences due to a family member's illness.

Under prior law, employees could buy service credit from SCERS for unpaid medical leaves of absence only due to their own illness. Assembly Bill 1971 (Cooper) creates a pathway to recover service credit for unpaid time to take care of a family member under the Family Medical Leave Act (FMLA) or California Family Rights Act. Additional service credit is used in pension calculations to increase years of service and pension allowances.

A similar provision to purchase FMLA time has been in place for many years for members of the California Public Employees' Retirement System and the California State Teachers' Retirement System.

The service-purchase option does not go into effect until approved by the Board of Supervisors, and the employee will be required to pay both the member and employer retirement contributions, plus interest, for the period of absence.

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.

- Keith DeVore, President**, Appointed by the Board of Supervisors
- James Diepenbrock, Vice President**, Appointed by the Board of Supervisors
- Robert Aguillo, Jr.**, Appointed by the Board of Supervisors
- Ronald Suter**, Appointed by the Board of Supervisors
- Ben Lamera**, Ex-Officio. Director of Finance
- M. Tapa Banda**, Elected by Miscellaneous Members
- Alina Mangru**, Elected by Miscellaneous Members
- Jack Noble**, Elected by Safety Members
- Chris Giboney (alternate)**, Elected by Safety Members
- Martha Hoover**, Elected by Retired Members
- Dave Irish (alternate)**, Elected by Retired Members

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



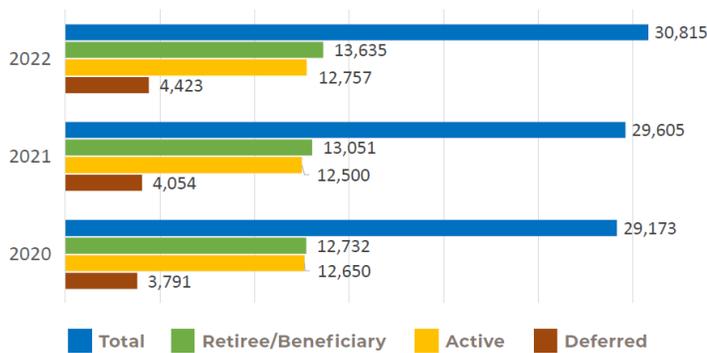
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SCERS' Membership at a Glance

In January, the Popular Annual Financial Report (PAFR), a brief version of SCERS' Annual Comprehensive Financial Report (ACFR), was mailed to members. This report provides insight into SCERS' services, financial results, investments, and information on membership growth and status. If you haven't seen the report, both the PAFR and ACFR are available online at scers.org/financial-reports.

MEMBERSHIP GROWTH
 AS OF FISCAL YEAR ENDED JUNE 30



Membership growth from the 2021-2022 PAFR

Upcoming Events

Board Meetings - 10:00 a.m.

- Wednesday, March 15
- Wednesday, April 19
- Wednesday, May 17

Board meetings are presented as in-person events, with live-streamed meeting links accessible from our home page quick link menu.

Visit scers.org/retirement-board-meetings for agendas, minutes, and other Board updates.

Pension Planning Webinars - 10:00 a.m.

- Tuesday, March 21

Joining SCERS will be representatives from Social Security Administration, Fidelity Investments, Sacramento County Retired Employees Association, and Sacramento County Employee Benefits Office. Register at scers.org/pension-planning-webinars.

SCERS Annual Statements for active and deferred members have been mailed. Let us know if you have not received yours.