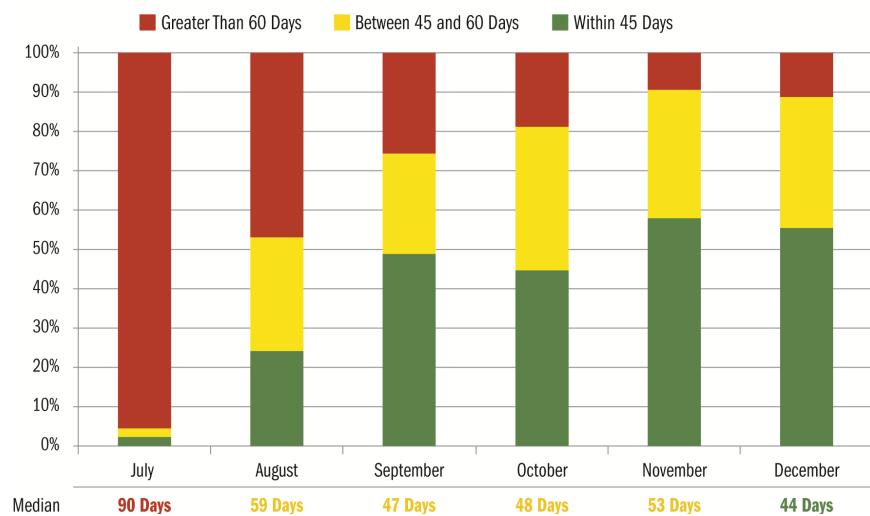


SCERS NEWSLETTER

RETIREMENT INFORMATION

What's inside

- Investment Updates
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A Message from SCERS' CEO

Every year, SCERS gets an annual health checkup in the form of an actuarial valuation that looks at the ability of our investments today to pay for future benefits. While the goal is always to have 100% of the assets on hand to pay for benefits, our funded status is healthy and improving.

The SCERS funded status increased from 80.4% to 82.5% as of June 30, 2018. The SCERS Board adopted the actuarial valuation in November 2018, with new contribution rates effective July 2019, to help close the funding gap over time.

Employer contributions will increase modestly in 2019–20, while employee contributions will remain relatively flat, though contribution rates for some employees will vary by bargaining unit agreement.

Detailed contribution rates by retirement tier can be found on our website at www.scers.org/contribution-rates.

— Eric Stern

First Retirement Checks Get Out Faster

Over the last six months of 2018, the SCERS staff cut in half the time it takes for retirees to receive their first pension payments. The median time to process a retirement application in July 2018 took 90 days; by December 2018, the median time dropped to 44 days.

SCERS targets 45 days for retirees to receive their first payments, and we have taken several steps to achieve that goal, including hiring additional staff, improving how we track applications in progress, and streamlining processes. SCERS also is investing in new technology to automate and speed retirement calculations.

As the chart above shows, we have been making steady progress. Last summer, nearly all retirees were waiting more than two months for their first checks. By the end of the year, about 90% of retirees were receiving their first checks within 60 days, with 56% receiving their checks within our 45-day target.

SCERS recognizes the hardship that new retirees face when they have to wait for their first pension payment, often after a long career in public service. Our dedicated staff remains committed to narrowing the gap between your last paycheck and first pension check, and sustaining our progress on that goal through 2019.



Investment Update: 2017 Strategic Asset Allocation Offers Downside Protection

If you have personal retirement savings in a 457(b) or 401(k) plan, you have choices about where to invest your money and how aggressively or conservatively you want to invest it — how much should go in stocks versus bonds, or in international versus domestic markets.

As a large institutional investor, SCERS also makes those types of choices. We structure our investment program around a strategic asset allocation with the objective of generating a desired rate of investment return with an acceptable level of investment risk. To achieve this, the asset allocation is broadly diversified across asset classes to provide consistent long-term performance. The asset allocation is typically reviewed every three to five years.

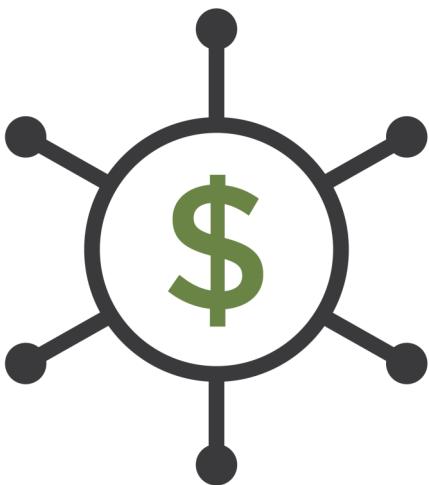
The current strategic asset allocation was established in January 2017. The SCERS Board set several objectives within the strategic asset allocation, including: a reduction in portfolio volatility; improvement in the funding status of the plan; protection against significant market drawdowns; and, improvement in the cash flow generation of the portfolio.

SCERS functionally groups the portfolio into three asset categories:

Asset Allocation



1. The Growth asset category includes those segments of the portfolio that tend to perform best in a high growth, and low/moderate inflationary environment, including most equity and credit investments; both public and private. In contrast, they tend to perform poorly during recessionary periods, when GDP growth is contracting, or during certain periods of unexpected inflation. Growth assets tend to comprise the dominant allocation within most institutional investment portfolios, including that of SCERS.
2. The Diversifying asset category includes those segments of the portfolio that are expected to protect capital, and perform better than the Growth asset category during dislocated and stressed market environments, including traditional fixed income and other market strategies.
3. The Real Return asset category includes those segments of the portfolio that protect against inflation, generate cash flow, and provide further portfolio diversification, including real estate, infrastructure, energy, agriculture, and commodities investments.



Investment Terminology: Diversification

Diversification is a risk management tool that incorporates a wide mix and variety of investments within a portfolio. The logic behind diversification is that a portfolio constructed of different kinds of investments will on average, yield higher returns with a lower risk profile than individual investments found within the portfolio.

For SCERS, diversification translates to a \$9 billion investment portfolio with a variety of exposures beyond “the stock market,” such as private equity, bonds, real estate, infrastructure, and private lending. A properly diversified portfolio contains assets that have low and negative correlations to other assets in the portfolio. Correlation measures the degree to which two portfolio holdings move in relation to each other.

Portfolio diversification often demonstrates its benefit during stressed market environments. As an example, in 2018, global public equity markets were down approximately 10% due to market concerns over increasing interest rates, slowing economic growth, uncertainty around global trade, and the fading impact of U.S. tax cuts on corporate earnings. Meanwhile, SCERS' overall portfolio was down only about 1% through 2018 due to the diversification of the portfolio across segments outside of public equities.



SCERS Board to Approve COLA for April 1

The SCERS Board will adopt annual cost-of-living adjustments (COLA) for retirees and beneficiaries at the February 20, 2019, Board meeting.

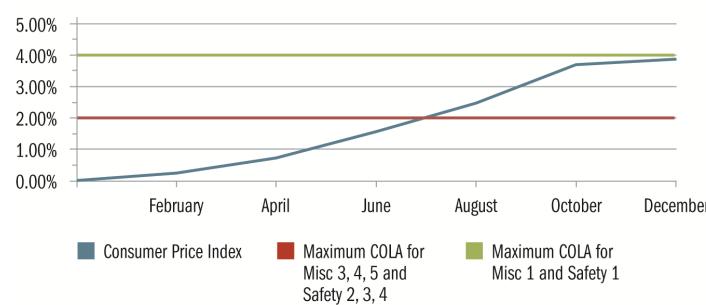
The COLA is applied to pension payments each April 1 and is based on the average annual change in the U.S. Department of Labor, Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers for the San Francisco-Oakland-Hayward area.

The actual COLA that a retiree receives is dependent upon the individual's tier and date of retirement. The maximum annual COLA for Miscellaneous Tiers 3, 4, and 5, as well as Safety Tiers 2, 3, and 4, is 2%. The maximum annual COLA for Miscellaneous Tier 1 and Safety Tier 1 is 4%. Miscellaneous Tier 2 does not receive a COLA.

In making the COLA calculation, the average annual CPI for the calendar year that just ended is compared with the average annual CPI for the preceding calendar year, and rounded to the nearest one-half percent.

SCERS recently added a "COLA Tracker" feature to our website to show retirees how the COLA is trending throughout the year as of the most recent CPI data, which is released bimonthly. For the COLA effective April 1, 2019, the "COLA Tracker" is projecting a 2% COLA for Miscellaneous Tiers 3, 4, and 5, and Safety Tiers 2, 3, and 4, and a 4% COLA for Miscellaneous Tier 1 and Safety Tier 1.

Retiree COLA Tracker 2018



www.scers.org/retiree-cola-tracker

FAQs: How Do I Set Up Direct Deposit?

SCERS has launched an initiative to increase the use of direct deposit. About 96% of SCERS members already have their monthly pension payments directly deposited into their bank accounts. Just 4%, or approximately 400 retirees, are receiving paper checks in the mail.

Several SCERS retirees living in Butte County lost their homes in the recent fire, but SCERS was able to process their retirement payments through direct deposit without interruption. The fire highlighted the convenience — and importance — that direct deposit provides to our members. Having your benefits directly deposited into your account guarantees your benefit is delivered and received in a timely manner, even in the event of a natural disaster.

If you have not elected direct deposit, please complete an Authorization for Direct Deposit form at www.scers.org and return to SCERS, Pension Payroll, 980 9th Street, Suite 1900, Sacramento, CA 95814. You can also fax the completed form to (916) 874-6060 or email Retirement-PensionPayroll@saccounty.net.

Important Tax Info: 1099-Rs and New EIN

Retirees should receive their Form 1099-R from SCERS by early February 2019. Please note that the SCERS' Employee Identification Number (EIN) has changed. The change is effective for the 2018 tax year and for future tax years. Please be sure to update your tax filing records and forms accordingly. If someone prepares and/or files your taxes for you, be sure to notify your tax preparer of this change.

SCERS State EIN: 80072218

SCERS Federal EIN: 26-0096542

Why the change? Sacramento County and SCERS operate distinctly different lines of business. Sacramento County serves active county employees while SCERS serves county retirees. For improved financial reporting, Sacramento County and SCERS agreed that SCERS obtain its own EIN to improve financial reporting and related activities.

If you have questions, please call SCERS at (916) 874-9119.

Sacramento County
Employees' Retirement System
980 9th Street, Suite 1900
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Ben Lamera—Ex-Officio Director of Finance
Alan Matré, CPA Elected by Miscellaneous Members
Kathy O'Neil Elected by Retired Members
Matt Petersen Elected by Safety Members
John Conneally Elected by Safety Members
Martha Hoover Elected by Retired Members



Upcoming Events

Board Meetings

(Open to public)

980 9th Street, 19th Floor

- 10 a.m. Wednesday, February 20, 2019
- 10 a.m. Wednesday, March 20, 2019
- 10 a.m. Wednesday, April 17, 2019

Quarterly Retirement Seminars

For members within 10 years of retirement;
registration required — call (916) 874-9119

Board of Supervisors Chambers

700 H Street, First Floor

- 8 a.m. Monday, March 18, 2019
- 8 a.m. Monday, June 17, 2019
- 8 a.m. Thursday, October 3, 2019