



## 2% Cost of Living Approved for Retirees

The Board of Retirement has voted to grant a 2% cost of living increase to all retirees. The increase will appear in the April 30th checks issued to retirees and their beneficiaries.

The law ties *SamCERA's* cost of living adjustments to changes in the Consumer Price Index for the San Francisco/Oakland region. The local CPI increased 1.95% during 1995, according to William M. Mercer, Inc., *SamCERA's* actuaries.

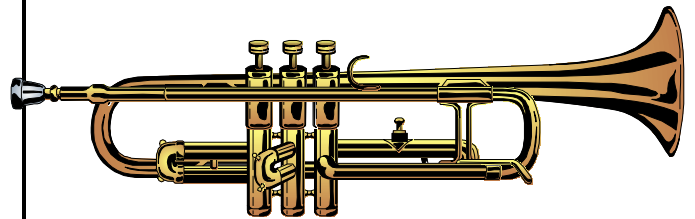
The County has made Plan 1 General and Safety retirees eligible for an adjustment of up to 5% per year. All Plan 2 retirees and Plan 1 Probation retirees are entitled to receive up to 3% per year.

When the change in CPI exceeds the maximum, the County allows Plan 1 retirees to *bank* the difference between the actual and the maximum.

The balances in the bank are then used to provide for maximum cost of living adjustment in years when the increase in CPI is lower than the maximum. As a result, Plan 1 General and Safety retirees who retired on or before April 1, 1981, will receive a 5% increase in their retirement check. Plan 1 Probation retirees who retired on or before April 1, 1991 will receive a 3% increase.

The cost of living adjustments will be included in each month's check for Plan 1 & 2 members who were retired on or before April 1, 1996. The County has not granted cost of living benefits to Plan 3 retirees.

**SamCERA 2001** *SamCERA's* proposed budget for next year includes a glimpse into the future. Among the "visions" of *SamCERA* five years from today: your investment portfolio will be worth \$1.2 billion; *SamCERA's* actuarial funding ratio will have improved to a strong 80%; County intranet web-site-like access will be offered for estimates, applications, regulations, member booklet, financial planning information, annual reports, board materials, etc; all new essential documents will be optically scanned; each staff member will be trained to provide you with the full range of *SamCERA's* counseling and other cost-effective services.



## 25.5% is simply amazing

It's O.K. to toot your own horn this one time, because it was **your** Retirement Fund that shared in 1995's outstanding stock and bond market returns.

Wyatt Investment Consulting reports that *SamCERA's* investments returned 25.5% for the year.

*SamCERA's* stocks returned approximately 32% and our bonds returned approximately 19%.

Don't forget--what goes up, will come down! But you don't need to worry, because *SamCERA's* Investment Portfolio is actually structured to generate a more realistic 9.5% return over the long haul.

All you need to remember is that we are in this for a lifetime. That's why we are known as "long term investors".

## SamCERA's New Smiles

Next time you are in the neighborhood, drop in and meet our two new members of your *SamCERA* team.

**Sophia Sebastiani** is our new Office Assistant II. She joins us after nearly two years with Child Protective Services. You can find Sophia at our front desk, helping you get the answers to your questions.

**Lonni Hocker** has also joined your *SamCERA* team. Lonni is our Departmental Business Systems Manager. She is dedicated to acquiring, modifying, installing and implementing our new Retirement Benefits Administration System. Lonni knows a lot about your retirement system, because she managed our account while she was with the Information Services Department.

**Investment Plan Revised** The Board of Retirement has revised *SamCERA's* Asset Allocation. The new allocation is based on the findings from an Asset & Liability Study performed by Wyatt Investment Consulting.

The Wyatt study evaluated more than 40,000 computer snapshots of the theoretical investment returns which might be generated by *SamCERA's* Investment Portfolio and the impacts which those returns would have on *SamCERA's* Actuarial Liabilities.

Wyatt evaluated a variety of potential asset mixes under 500 simulated economic scenarios and then generated a range of asset allocations with various risk and return characteristics.

The Board adopted a new asset allocation which reflects the midrange of the scenarios proposed by Wyatt. The new asset allocation is expected to produce long term investment returns of nearly 9.5% a year with a standard deviation of 12%.

**SamCERA's Asset Allocation**

ASSET CLASS	ORIGINAL	REVISED
<b>Stocks</b>		
Large Capitalization	36%	25%
Small Capitalization	6%	15%
International	8%	20%
<b>Bonds - Global</b>	40%	30%
<b>Real Estate</b>	10%	10%
	100%	100%

The Original Asset Allocation was based on a 1993 Asset & Liability study conducted by SEI Corporation and was adopted by the Board on September 29, 1994 as part of *SamCERA's Investment Plan*.

**Passive vs. Active**

Over the next several months, the Board will hold workshops on the percentage of each asset class to be managed in a passive (indexed) style vs. an active style. Those workshops will also consider whether or not the Board feels it necessary to add additional managers to *SamCERA's* team.



**Investment Management**

**News** As part of its strategy to implement *SamCERA's Investment Plan*, the Board of Retirement selected **Invesco Realty Advisors** to manage *SamCERA's* 10% allocation for investment in real estate. The firm was selected from among seven finalists identified by Wyatt Investment Consulting and interviewed by the Board in December. Staff expects the Invesco contract to be ready for Board approval during the March meeting.

**Wells Fargo Institutional Trust** was purchased by Barclays and is now known as **BZW Barclays Global Investors**. BZW is one of the world's largest managers of institutional assets. BZW's index funds will be managed by the same team that has been managing *SamCERA's* account for the past year. They will remain in their current headquarters in San Francisco.

As the first step in the implementation of the revised Asset Allocation, the Board has authorized BZW to invest a total of \$70 million in BZW's Low Cap Equity Market Index Fund. The fund is an institutional version of a mutual fund, with very low fees. The fund is structured to track the performance of the Russell 2000 small capitalization stock index. The Board also authorized BZW to increase *SamCERA's* international stock investments to a total of \$160 million in index funds which are structured to track the performance of the Morgan Stanley Capital Index for the World ex US, which follows stocks in the industrialized nations.

The Board ended its interim management agreement with the **Bank of New York** on February 29th. The bank had been named interim investment manager on March 31, 1994, when it was given management responsibility for *SamCERA's* entire portfolio. Over the past two years, funds have been transferred from the bank to each new investment adviser retained by the Board. The last \$95 million was transferred to BZW for investment in the

funds noted above.

## Retirees' \$33 Medicare Part-B Premium Reimbursement will End July 1st

The Board of Retirement is expected to end the \$33 per month reimbursement as of July 1, 1996. Bette Perroton Stuart argued for a continuation of the program, but the majority of the Board does not appear to be convinced that *SamCERA's* Unallocated Fund Balance is an appropriate source of long term funding for health benefits.

The Board had initiated the Medicare Part-B Premium Reimbursement Program in January, 1993, as a temporary program. It has provided \$396 per year to retirees over 65 and to those who receive a disability retirement.

Last year, the Board voted to extend the program until June 30, 1996, with the hope that the Board could work with the County to create a permanent, broad based, health care program for retirees. However, the County has indicated that it has no plans for altering the County's health benefit program for current retirees.

## Reclassification Completed

The Board of Supervisors has authorized the reclassification of three members of *SamCERA's* staff. Anne Hernandez, Linda Manning and Alena Rehacek are all now known as *Retirement Specialists*. Employee & Public Services recommended the expansion of the Retirement Specialist series based on a study conducted by Kelly Magowan.

The Board of Retirement continues to support the Administrator's belief that the team needs to be trained and paid at the analyst level to fully meet our members' needs. Consequently, *SamCERA* is committed to a long term staff development effort to further enhance the professionalism of our services.

## No More Taxes for Out-of-State Retirees

If you are a retiree who no longer resides in California, federal law now prohibits California from taxing your *SamCERA* benefits.

If we are sending your benefit out-of-state, you should have received a letter from us about changing your California withholding. If you have not received the letter, all you have to do is write to tell us that you want

us to stop withholding California taxes from your retirement check.

## New Regulations On the Way

The Board of Retirement has been working for months on a comprehensive set of regulations for the Association. The Regulations will provide a member with a clearer understanding of how benefits get granted and the procedures to follow to protect her or his rights.

*SamCERA* is governed by State law. *The County Employees' Retirement Law of 1937* spells out the benefits that San Mateo County can offer. *SamCERA* administers the '37 Act benefits for all of our members. The new Regulations are designed to show the link between the State law and *SamCERA's* various programs.

Members will probably be most interested in the provisions regarding *Membership Duties & Rights* and *Election of Trustees*. Other Articles include: *Authority, Board of Retirement, Investments, Benefits Offered, Purchase of Credit for Public Service, Disability Retirement* and *Dissolution of Marriage*.

The Board has held hearings on each of the Articles as County Counsel and *SamCERA's* staff have completed the drafting process. Copies have been sent to each employee union for comment. The schedule calls for Board of Retirement adoption of the full set of proposed Regulations on April 25th. Once approved, they must be ratified by the Board of Supervisors before they can become effective. Contact Sid for additional information.



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*If this Newsletter has been forwarded to you  
with a yellow label from the Post Office,  
please drop us a note to change your  
address on our records*

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**Member Survey** Please take a few minutes to answer the following questions [please rank your preferences from 1=highest to 10=lowest] and mail your answers to Sid at the address listed above.

1. Which **SamCERA Member Services** are most important to you?

- Individual Retirement Counseling
- Retirement Planning (*Brown Bag*) Seminars
- New Employee Orientation
- Individual Retirement Estimates
- Member Booklet (*Important Questions & Answers About Your Retirement Benefits*)
- Annual Report (*First Annual...*)
- Newsletter (*SamCERA Times*)
- Other: \_\_\_\_\_

2. Which of the following services would you like **SamCERA** to offer?

- Financial Planning Seminars
- Monthly  Quarterly  Annually
- Day of the Week \_\_\_\_\_ Time of the Day \_\_\_\_\_
- Location \_\_\_\_\_

- Retirement Planning Seminars
- Monthly  Quarterly  Annually

Day of the Week \_\_\_\_\_ Time of the Day \_\_\_\_\_  
Location \_\_\_\_\_

- San Mateo County Intranet access for on-line
- Retirement Estimates  Member Booklet
- Annual Report  Contribution Information
- Other: \_\_\_\_\_

3. What kinds of information would you like included in future issues of the **SamCERA Times**? Tell me more about...

- How the Board of Retirement works
- SamCERA's** Investment Portfolio
- How the Unfunded Liability will be paid off
- How safe my **SamCERA** benefits really are
- How I become eligible for benefits
- My Plan 3 / Plan 2 / Plan 1 Benefits
- Social Security & **SamCERA** Planning for a secure future
- Planning for a long & healthy retirement
- How inflation and compound interest work
- Others: \_\_\_\_\_

4. **SamCERA** is **Your Retirement Association**.

