

The SamCERA Times



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RETIREES & BENEFICIARIES EDITION

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Investment returns strong amid pension debate

The "Great Recession," as it is now frequently called, took a heavy toll on the assets of retirement systems, including *SamCERA*, mainly in 2007 and 2008. Fortunately, the world and U.S. economies have been improving and *SamCERA's* financial standing is following suit.

For the fiscal year ending June 30, 2010, *SamCERA's* fund earned 12.80%, and for the calendar year ending Decem-

ber 31, 2010, the fund earned 13.55%. That is good news.

But there is more ground to gain back and employer contribution rates remain at historically high levels. San Mateo County and other *SamCERA* employers are likely to have increased contribution rates for some years to come. To lower costs, the

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COLAs to be 1.5% based on 2010 inflation

The Bay Area experienced low inflation during 2010 according to the U.S. Bureau of Labor Statistics, resulting in a 1.5% cost of living adjustment (COLA) for nearly all *SamCERA* retirees and beneficiaries. The increase will be effective on April 2011 benefit payments.



COLAs are calculated according to California law, which requires them to be based on the change in the annual Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area as determined by the federal Bureau of Labor Statistics. The law also requires the amount to be rounded to the nearest one-half of one percent.

This year the Bay Area CPI, as validated

by *SamCERA's* actuarial firm, Milliman, Inc., showed a 1.37% increase. Per law this number was rounded to 1.5%. This will be the COLA applied for nearly all members. Members who retired on or before April 1, 1969, will receive a 3% COLA.

Remember, annual COLAs can increase or decrease, depending on whether the Bay Area experiences inflation or defla-

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county is negotiating with its bargaining units to place new employees into lower-cost, lower-benefit, retirement formulas. Another step is to require that new employees pay an increased share of the retirement cost.

Public pensions are the subject of debate all across the country. Issues include: benefit levels, contract rights, spiking, placement agents, employer costs, actuarial assumptions—basically everything that impacts the costs of a plan.

For the *SamCERA* staff's part, we be-

lieve our proper role is to serve as an objective provider of information. Regardless of who is asking, *SamCERA's* goal is to provide unbiased information to support a debate based on the facts.

While these issues are important, they should not raise concerns among retired members. Retirees can be fully confident in the ability of the fund to pay their benefits. Earned retirement benefits are guaranteed under California law, and as plan sponsor, San Mateo County has a perfect record of making on time and accurate required contributions.

Board efforts result in portfolio allocation adjustments

The Retirement Board spent the better part of the last two years positioning the fund to take full advantage of the recovering economy by improving the diversification of the fund and adding top tier fund managers.

To meet this challenge, the trustees embarked on a study to restructure the fixed income portfolio and reassess the mix of investment categories for the total portfolio.

The fixed income restructuring resulted in the addition of a Public-Private Investment Program (PIIP) mandate, a U.S. Treasury Inflation Protected Securities (TIPS) mandate, a Credit Opportunities mandate and a Global Bond mandate, all of which added nicely to the diversification of the fixed income portfolio. Since implementation, those strategies have also added nicely to overall perform-



ance.

SamCERA completed the asset allocation study in August 2010. The study resulted in a total portfolio allocation that adds alternative investments. The new allocation is 53% equities, 22% fixed income, 20% alternatives and 5% real estate. The new alternatives portfolio will be constructed with 40% private equity, 30% risk parity, 15% hedge funds and 15% commodities. It will take a couple of years to fully implement some of the alternative strategies.

SamCERA believes the portfolio changes will reduce risk and increase returns. This has been the case over the short period in which some of the strategies have been implemented. We will keep you posted as these investments establish a longer track record.

Tax Tips from the Social Security Administration

By Linda Zamfino

Social Security Public Affairs Specialist in Oakland

Shakespeare wrote “Beware the Ides of March,” but that was before tax day found a resting place in mid-April of each year, (April 18 this year.) Let us help you “be aware” of some Social Security tax tips by answering some of the most common questions SSA receives about taxes and Social Security.

Are Social Security benefits taxable?

Sometimes. About one third of beneficiaries pay taxes on their Social Security. If your total income, including Social Security and all your other taxable income, is \$25,000 or more, you’ll need to pay federal taxes on your benefits. That amount is \$32,000 for married couples filing a joint return.

Will I get a tax form for my Social Security benefits?

Yes, and you should have already received it. Social Security Benefit Statements (Form SSA-1099) for tax year 2010 were mailed to beneficiaries and should have been received by January 31, 2011. If you receive Social Security and haven’t received your 1099, you can request one online at <https://secure.ssa.gov/apps6z/i1099/main.html>.

Does Social Security have any advice to make tax filing and future benefit applications go smoothly?

We strongly encourage you to carefully check that your name, Social Security number and all of the data on your 1099-R is correct. A mismatch could delay your tax refund and might cause problems with your Social Security benefits in the future. Such errors are easy to fix now. If you do notice an error, you should contact *SamCERA*.



I changed my name when I got married last year. Do I need to report it to Social Security?

Yes. If you’ve legally changed your name due to marriage, divorce, court order or for any other reason, make sure you change your name with Social Security. Make sure you change your name with your

employer as well. If you change with one source but not the other, it could cause your earnings to be improperly recorded. You can learn more about Social Security numbers and how to change your name in Social Security’s records at www.socialsecurity.gov/ssnumber.

For more information about Social Security, visit www.socialsecurity.gov or call 1-800-772-1213 (TTY 1-800-325-0778.)

COLAs to be 1.5%

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tion, but your pension will never go below the basic benefit allowance you were entitled to when you retired.

More retirees take customer survey on line

SamCERA's customer service survey results for 2010 were slightly better than past surveys, but within the same range. On a scale of 1 through 4, with 4 being the best, the average score for 2010 was 3.33.

More retirees took the survey than in any other year. A total of 411 retirees responded, whereas last year only 272 did.

Our sincere appreciation to all those who took part.

Of those who completed a survey this year, 345 retirees took the survey on line as opposed to on paper. SamCERA now



has the email addresses for more than 840 retirees. Those on the email address list can receive this newsletter through email and receive other SamCERA information online, such as the survey.

Giving SamCERA your email address is also a good emergency planning step. In the event of an emergency in which postal mail service is interrupted, SamCERA would have one additional method to communicate with you.

To get on the SamCERA email list, call the retirement office at 650-599-1234 or send an email to samcera@samcera.org.

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