



Board of Retirement Elections just around the corner

Tom Bryan, Secretary of the Board and Vice Chair of the Finance Committee, has announced that three elections will be held this Spring.

□ Safety Member Election. In a surprise to all, Michael McQueen has announced his retirement from the County. McQueen was elected to a three year term by the Safety members in June of 1994. However, the lure of the "golden handshake" has convinced him to give up his seat on the Board and to take an early retirement. His successor will complete the last two years of the current term.

□ General Member Election. Tom Bryan has announced his intention to run for a new three year term representing SamCERA's General Members. Michael McMahon, the other SamCERA trustee who represents General Members, was reelected to a three year term last year.

□ Retired Member Election. Bette Perroton has announced her intention to run for a new three year term representing SamCERA's retirees.

Candidates will be able to pick up petitions in the Retirement Office in early April. Candidate statements and ballots will be distributed early in May. Ballots will be counted in June and the new terms will start in July.

Direct Deposit a big hit Nearly 75% of you have accepted our invitation to have your retirement check deposited directly into your bank account. Thank you. It really does work. If you are one of the 25% who have not responded, try it. You'll like it. Fill out the form on page 4, mail it in and join the party.

Wells Fargo, in the saddle and riding hard

The Board of Retirement has retained Wells Fargo Nikko Investment Advisors of San Francisco to be the first member of SamCERA's new team of investment managers. Wells Fargo will be responsible for the management of a \$430 million portfolio of stocks and bonds.

Wells Fargo's job is to duplicate the performance of the investment market. SamCERA's assets will be invested in a series of commingled index funds, similar to mutual funds, which are designed to mirror the performance of widely recognized market indices.

In announcing the appointment, Board Vice Chairwoman Bette A. Perroton noted that "Wells Fargo was the pioneer in the development of indexed portfolios for pension funds. With more than twenty years in the business and more than \$160 billion under management in index funds, the Board identified Wells Fargo as #1 in the industry."

Seventeen firms responded to the Board's request for proposals. Wells Fargo was selected from among five finalists interviewed by the Board on December 15, 1994.

The Board is in the process of searching for managers for the rest of SamCERA's assets. In the meantime, the County's Master Custodian, the Bank of New York continues to provide interim investment management services.

Coming soon Staff has spent its spare time over the past year creating a new booklet full of important questions & answers about your retirement, disability and death benefits. Draft copies are available for those of you who would like to help us edit the final version. Call (415) 363-4581 for a copy of the draft.

Board reevaluating Actuarial Assumptions, Contribution Rates and Interest Crediting

Rates The Board of Retirement has retained the consulting firm of William M Mercer to evaluate SamCERA's actuarial soundness.

The consulting actuary is responsible for helping the Board analyze the changing characteristics of SamCERA's membership (*more than 42% of our members are no longer on the County payroll*), project future benefit payments (*it has been estimated that in the year 2024 SamCERA will pay out \$180 million in benefits*), and establish realistic economic assumptions about inflation, investment returns, salary increases and growth in payroll (*it has been estimated that over the next couple of decades SamCERA's investments will return an average of between 8% and 8.25% a year*).

After consideration of all of the relevant variables, the actuary calculates the contributions required to fund SamCERA's future benefit payments. The member and employer contribution rates are then calculated as a percentage of payroll.

The actuary has also been asked to assist the Board in the setting of the interest crediting rate. As SamCERA reassesses its long-term funding objectives, the interest crediting rate becomes increasingly important. On December 15th, the Board adopted the Retirement Administrator's recommendation to suspend the crediting of interest until completion of the actuarial valuation. Interest for fiscal 1994-95 will be credited to all accounts on June 30, 1995.

When is an Orange really a

Lemon? Orange County's bankruptcy caused most of SamCERA's members to ask about our investments. SamCERA has **no** money invested with Orange County and **no** investments in the types of derivative securities which created Orange County's financial disaster. Orange County's problem was compounded by the fact that it borrowed enormous amounts of money to invest on a very risky bet that interest rates would decline. Fortunately, Orange County Employees' Retirement Fund was not part of the County Treasury and will suffer relatively minor losses.

SamCERA's Investment Plan is being implemented

The Board of Retirement approved the Investment Plan on September 29, 1994. SamCERA's Investment Plan calls for the diversification of the Retirement Fund across a board range of assets and markets in order to help protect the fund from major set backs in any one sector of the market. The Board's diversification program is expected to be 90% complete by the end of the first quarter.

As noted on page 1, the first investment manager was selected on December 15th and searches are currently underway for a large capitalization U.S. stock manager, a global fixed income manager and a small capitalization U.S. stock manager. The search for a real estate manager will be deferred until after the Board conducts a series of workshops on the institutional investment-grade real estate market. Wyatt Investment Consulting is assisting the Board and the Retirement Administrator in the implementation of the Investment Plan.

Medicare Part B Reimbursement program challenged

Concern is mounting over the possible termination of the Medicare Part B Reimbursement program. Under the program retirees over 65 and disability benefit recipients receive \$33 per month toward the reimbursement of their out-of-pocket Medicare premium expenses. The program has been funded out of the Retirement Fund's Unallocated Fund Balance. The Unallocated Fund Balance serves as SamCERA's reserve for actuarial deficiencies.

Because 1994 investment returns were below the 8.25% actuarial interest assumption, the Unallocated Fund Balance may fall below 1% of assets by the end of the fiscal year. If the balance does fall below 1%, funding for the Medicare Part B program will not be available next fiscal year. Retirees who rely on the Medicare Part B reimbursement should plan on attending as many Board meetings as possible, both to understand fully the financial challenges facing SamCERA and to offer their opinions during the upcoming debate.

Financial Report enclosed The Treasurer's Annual Report of the San Mateo County Employees' Retirement Association is being distributed with this edition of the *SamCERA Times*. In summary, the Retirement Fund's assets had a book value of \$642.8 million on June 30, 1994. The assets of the fund were distributed among the following reserves (in millions):

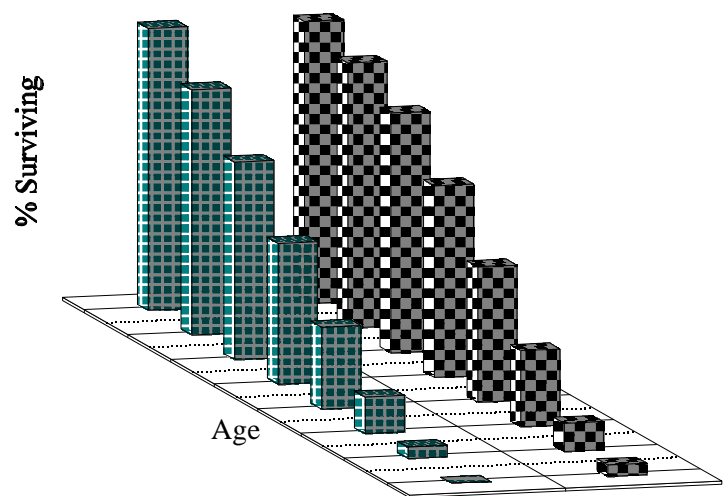
Members' Deposit Reserves	\$110.6	17.2%
Retirees' Reserves	227.4	35.4%
Cost-of-Living Reserves	236.7	36.8%
County Advance Reserves	55.9	8.7%
Unallocated Fund Balance	12.1	1.9%
Payables	0.1	0.0%
TOTAL	\$642.8	100%

The report indicates that \$48.2 million in interest was credited to reserves during the year. \$40.6 of that came from investment earnings. The remaining \$7.6 million that was credited as interest was drawn from the Unallocated Fund Balance. As noted in another article, the Board has suspended the crediting of interest until it completes the actuarial valuation. Interest for fiscal 1994-95 will be credited on June 30, 1995. If you have questions about the Financial Report, please call Gary Clifton at 599-7231.

Senior Accountant on board Gary Clifton has joined SamCERA's staff. His new duties include initiating our Investment Accounting system and Investment Manager Monitoring program. Gary came to work for San Mateo County five years ago. He served as Senior Accountant in the Tax Collector/Treasurer's Office before moving to SamCERA the first of January. He hails from South Dakota and was a banker before he came to work for the County. Mr. Clifton can be reached at 599-7231. In related news, Nadia Bernert has moved to Human Services and Margarita Massaglia has moved to the Housing Division. Their friends at SamCERA wish them well in their new jobs.

Retirement requires planning

ahead Most of us grow up reading about the average life expectancy being someplace in the mid-sixties. None of us realize that those numbers include all the babies that die in infancy, the teens that die in accidents, the women who die during the child bearing years... By the time you've lived to be fifty, many of the riskiest years are behind you. The following graph indicates the importance of planning for a long-healthy retirement. The graph indicates how many women and men will be alive at various ages after 65.



APPROXIMATE NUMBER OF SURVIVORS
AT VARIOUS AGES
OUT OF 100 WOMEN AND MEN AGE 65

Age	65	70	75	80	85	90	95	100
Women	100	93	86	68	47	27	11	3
Men	100	88	70	49	29	13	4	<1

So start planning for your retirement today. Your personal investment program will be an important supplement to your SamCERA and Social Security benefits.

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San Mateo County Employees' Retirement Association
Attn: Sid McCausland, Retirement Administrator
2317 Broadway, Redwood City, California 94063
Address Correction Requested

Board meeting dates The Board of Retirement is scheduled to meet on the following Thursdays during the first six months of 1995:

JANUARY	12	MARCH	9	MAY	11
	26		23		25
FEBRUARY	9	APRIL	13	JUNE	8
	23		27		22

Meetings begin at 9:00 a.m. in the 2nd Floor Auditorium at 1250 San Carlos Avenue, San Carlos. Parking is free in the basement. From time to time, a Closed Session will be held at 9:00, with the Public Session beginning around 9:15. The Board may change the schedule, so please call 363-4581 to confirm the dates.

DIRECT DEPOSIT AUTHORIZATION FOR RETIREMENT BENEFITS

Name (Last, First, Middle Initial) Social Security Number

Name of Financial Institution Account Number

Account Type: (check one) ☐ Checking ☐ Savings

I hereby authorize the San Mateo County Employees' Retirement Association to initiate credit entries to my checking or savings account indicated above. In the event of an error, I hereby authorize the Association to make appropriate corrections.

I have enclosed a **voided** check imprinted with my account number and the name of the financial institution.

Signature: _____ Date: _____

Please send the completed form to SamCERA, 2317 Broadway, Suite 115, Redwood City, CA 94063