



8% Interest Credited to All Accounts for 95/96 Fiscal Year

On May 23rd, the Board of Retirement voted to credit 8% interest to member and employer retirement reserves. The interest will be added to eligible account balances on June 30th.

More than \$52.4 million will be credited as interest during the current fiscal year.

Under the provisions of the State law which governs *SamCERA*, interest is credited to accounts twice a year. The Board credited 2.5% on December 31st, based on reserves on deposit as of June 30, 1995. An additional 5.5% will be credited June 30th, on reserves on deposit as of last December 31st.

The Board also adopted a new policy to credit all reserves with all actuarial earnings in excess of 1% of the Fund's market value. This new policy is expected to accelerate the elimination of *SamCERA*'s unfunded actuarial liability, thereby saving millions of dollars in future contributions. The new policy will go into effect with the crediting of interest on December 31, 1996.

What's news?

8% Interest Credited to All Accounts... - pg 1
How Safe is My Retirement? - pg 1
Investment Plan Completed - pg 2
Passive vs. Active - pg 2
Administrative Budget Approved - pg 2
What is Reciprocity? - pg 3
Bette Perroton Stuart Nominated to be First... - pg 3
New Regulations...now Official - pg 3
Board...Meets - pg 3
Survey Says - pg 4

Call 363-4930 if you want a copy of any of the documents referred to in this issue of *SamCERA Times*.

How Safe Is My Retirement?

Your *SamCERA* retirement benefit is guaranteed. The courts have ruled time and time again that your vested pension rights are a contractual obligation which can not be altered without your consent.

If you are already retired, the monthly retirement benefit you receive can not be reduced. Errors can be corrected, but your vested retirement benefit can not be changed--not by the Legislature, not by the Board of Supervisors, not by the Board of Retirement, not by your union. It is guaranteed.

A few retirees have expressed concern that the cancellation of the Medicare Part B Reimbursement program was the first step in cut backs in retiree benefits. There is no basis in fact for that fear. That \$33 per month was not a vested retirement benefit. The \$33 was paid directly out of the earnings of the Retirement Fund by annual resolution of the Board of Retirement. The Board terminated the \$33 payment as part of a comprehensive program to strengthen *SamCERA*'s actuarial funding.

Your Board of Retirement has no authority and no desire to reduce your vested retirement benefits.

If you are still an active employee of the County or Mosquito Abatement District, you and your union can negotiate changes in *SamCERA*'s benefits. However, your benefits can not be reduced unless you receive something of comparable value in return and you chose to agree to the change.

When the City of Los Angeles attempted to unilaterally force benefit reductions on the members of the Los Angeles Fire & Police Pension System, the courts reaffirmed the **time honored rules that vested benefits are sacred and prospective benefits can not be altered without the consent of the members.**

Your *SamCERA* Retirement Benefit is Safe.



Investment Plan Completed

The Board of Retirement has finished its work on *SamCERA's Investment Plan - First Revision*. The approved Plan will be used to guide the course of *SamCERA's* investments for the next three years. While the Board will review the *Plan* annually, the document is expected to stand the test of time in both rising and falling markets.

As noted in the March issue of *SamCERA Times*, the new asset allocation is based on projected returns generated by an Asset & Liability Study performed by Wyatt Investment Consulting.

An active manager of international equities will be hired to round out *SamCERA's* team of investment managers.

SamCERA's Asset Allocation

ASSET CLASS	ORIGINAL PLAN	FIRST REVISION
Stocks		
Large Capitalization	36%	25%
Small Capitalization	6%	15%
International	8%	20%
Bonds (original "Global" allocation has been replaced)		
Domestic	~13%	21%
International	~27%	9%
Real Estate	10%	10%
	100%	100%

TARGET ALLOCATIONS AT \$800 MILLION MARKET VALUE

ASSET CLASS (\$ in mil.)	PASSIVE	ACTIVE	TOTAL
Stocks			
Large Capitalization	\$160	\$40	\$200
Small Capitalization	72	48	120
International	96	64	160
Bonds			
Domestic	101	67	168
International	43	29	72
Real Estate	0	80	80

TOTAL PORTFOLIO	\$472	\$328	\$800
-----------------	-------	-------	-------

Passive vs. Active

The Board of Retirement held extensive discussions regarding the allocation of *SamCERA's* assets to passive managers vs. active managers. Passive managers promise to try to match the performance of specific market indexes. On the other hand, active managers promise to try to beat their target benchmark.

The historical evidence is mixed regarding the value added by active managers, even though their fees are significantly higher. Consequently, the Board of Retirement voted to commit 80% of *SamCERA's* large capitalization stock investments and 60% of its other stock and bond portfolios to passive management.

SamCERA's Administrative Budget Approved

The Board of Retirement has adopted its administrative budget for the 96/97 fiscal year. The new budget is slightly below the approved 95/96 budget.

The reduction reflects the fact that the initial costs of streamlining and strengthening *SamCERA's* operations have already been funded.

Between now and this time next year, the major new task confronting *SamCERA's* staff is the implementation of the new Retirement Benefits Administration System. ReBAS is a relational data base driven computer system which will allow *SamCERA* to accumulate a full employment and benefit history for each of our members. In addition, ReBAS is expected to accommodate the many changes which will be forced on *SamCERA* by the collective bargaining process in the years ahead. ReBAS was one of the major projects initiated to make *SamCERA* as cost effective as reasonably possible.

The adopted budget includes \$506,000 for Salaries & Benefits, \$422,000 for Services & Supplies and \$25,000 for Fixed Assets. The \$953,000 spending

plan is \$31,500 less than the final 95/96 Budget.
Further reductions are planned for 97/98.

What is Reciprocity? "Reciprocity"

enables you to link your *SamCERA* retirement with other public retirement systems in California.

If you are a new member of *SamCERA* and are coming from another public retirement system in California, you may be eligible for reciprocity. This means *SamCERA* will base your contribution rate on the age you entered your previous system.

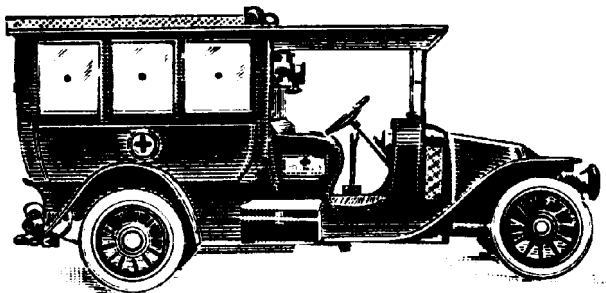
If you leave *SamCERA* and go to another public retirement system in California, your new system may base your contribution rate on the age you entered *SamCERA* (if they utilize an age-based variable contribution rate).

Most importantly, when you finally retire with reciprocity, *SamCERA* will use your highest compensation between all of your reciprocal systems to calculate your *SamCERA* benefit.

To qualify for reciprocity, (1) you must tell both the system you are leaving and the system you are joining that you think you are eligible, (2) you must become a member of your new retirement system within 180 days of leaving your former retirement system, (3) you must file separate applications to retire with each retirement system, and (4) you must retire from all reciprocal systems on the same day.

If you worked for the State, or any agency that is a member of the California Public Employees' Retirement System (PERS), you may be eligible for reciprocity. The vast majority of California counties, cities and special districts belong to PERS. Non-teaching employees of school districts belong to PERS, as do the staff and faculty of the State University campuses, such as San Jose State and San Francisco State. California Counties that are not members of PERS also offer reciprocity.

If you think you may be eligible for reciprocity, you may check with Linda Manning at 363-4820.



Bette Perroton Stuart Nominated to be First Retiree to Serve as Board Chair

The Board will elect new officers in July. The Nominating Committee has nominated Bette Perroton Stuart to succeed John Carberry as Chair. If elected, Ms. Stuart will be the first retiree to serve as Chair of your Board of Retirement. Todd Doersch has been nominated to succeed Ms. Stuart as Vice Chair and Tom Bryan has been nominated to continue for another term as Secretary.

New Regulations of the Board of Retirement are now Official

The Board of Supervisors has ratified the *Regulations of the Board of Retirement*. The regulations outline your rights and responsibilities on a broad range of issues affecting your retirement benefits.

The most significant change in the new Regulations is Article 9 which allows members and their former spouses to split their community property interest in the Retirement Fund at the time of their divorce. The new regulations let each party make her or his own decision about *SamCERA*'s benefits.

SamCERA is governed by the provisions of California's Constitution, the County Employees' Retirement Law of 1937 and applicable case law. *SamCERA*'s regulations attempt to explain the law in terms that can be understood by those of us who are not attorneys.

Hopefully, *SamCERA*'s member booklet, *Very Important Questions and Answers About Your Retirement Benefits*, tells you all you need to know. But if you want to dig deeper, give us a call and we will send you a copy of the new *Regulations of the Board of Retirement*.

Board of Retirement Meets in the Second Floor Auditorium of the SamTrans Headquarters in San Carlos, 1250 San Carlos Avenue, at 9 a.m. on July 18, August 15, September 19, October 17 and December 12.

(No meeting in November.)

Published & Distributed by the
San Mateo County Employees' Retirement Association
Attn: Sid McCausland, Retirement Administrator, RET 141
2317 Broadway, Suite 115, Redwood City, California 94063
*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*

Survey Says...

Our members have spoken, the votes are in...

The March issue of *SamCERA Times* asked each of you to fill out and mail in a survey to tell us how we are doing and what you would like improved.

Your Board of Retirement and *SamCERA's* staff have read each of your comments and want to thank you for taking the time to share your thoughts and concerns. Your comments are very important to us and will be taken into consideration when we prepare our next budget.

Responses were received from 93 active members and 76 retired & deferred members.

For those of you who did not respond, we hope you will complete our next survey so that we can try our best to meet your needs in the years ahead.

Individual retirement counseling and estimates were the big winners with our active members, nearly 90% voted to keep them around.

88% of our active members want **Quarterly Retirement Planning Seminars** to help them get ready to go. We have already provided these seminars for about 10% of our members and will try to expand our schedule for next year.

86% of *SamCERA's* active members and 42% of our retired members asked us to sponsor **Quarterly Financial Planning Seminars** that are not conducted by salespersons. We will begin developing such a program as soon as we complete

work on this year's annual report.

It is important to our members that we conduct these special seminars in several locations around the county, so that everyone will have reasonable access. The most popular sites suggested by the survey are **Redwood City, South San Francisco and County General Hospital**. See you there!

75% of all respondents said that *SamCERA Times* is an important service that helps you keep up with what is going on with your retirement program. Our member booklet, "**Very Important Questions and Answers About Your Retirement**", was also popular with more than 70% of you.

Half of you suggested that the **Annual Report** was more than you could digest, while half of you seemed to feel it was just about right. We want you to have all the important information, so we will keep trying to find ways to express that information in a useful and meaningful manner.

YOUR *SamCERA* BOARD OF RETIREMENT

LAURYN AGNEW BIERDEMAN

TOM E. BRYAN

LEE BUFFINGTON

JOHN J. CARBERRY

DENNIS J. COSGROVE

TODD D. DOERSCH

MICHAEL E. MCMAHON

JOHN B. SEGALL

BETTE PERROTON STUART

