



15% INTEREST CREDITED TO MEMBER ACCOUNTS

Your *SamCERA* Member Account will benefit from the Retirement Fund's excellent investment returns. The Board of Retirement has voted unanimously to credit all accounts with *SamCERA*'s full actuarial earnings. In supporting the Board's action, Tom Bryan, Board Secretary, noted that the policy is fair and equitable for all members and their employer.

The 15% actuarial earnings are less than the current 18.6% investment returns, because the actuary smooths market values over a five year period in order to dampen the impact of major market swings. In the past, member accounts were credited a maximum of the actuarial interest assumption, which has been set at 8% for several years, with any excess earnings flowing to the employer's accounts.

The new interest crediting policy will be implemented with the December 31st interest crediting program.

SamCERA's ANNUAL REPORT IS NOW AVAILABLE

Among the highlights in this year's annual report:

- Your Retirement Fund's assets topped \$1 billion on June 30th,
- *SamCERA*'s investments earned 18.6% for the year and
- *SamCERA*'s Actuarial Assets now equal 82.6% of its Actuarial Accrued Liabilities.

To order your copy of *SamCERA*'s *Comprehensive Annual Financial Report* simply drop us a card with your name and address and the words "Annual Report, please." Send your card to the address on the back of this newsletter.

Sign Up Right This Minute for *SamCERA*'s Free 1998 Retirement Planning Seminar

Why? You will learn all the basic information you need to Take Charge of Your Destiny.

Who? *SamCERA* has teamed up with Net Equity Associates to bring you this highly acclaimed four part seminar that will teach you everything you need to know to prepare yourself for A Successful Retirement. Join Sid McCausland, Anne Hernandez and a cast of guest experts, including Robert Setser & Stephen Schwerin, for an eye opening reality check.

What? See page 3 for a list of the topics covered during the four sessions.

When? Four Thursdays: January 15, 22, 29 and February 5 at 9:15 a.m. and 6:15 p.m. Identical sessions will be offered in the mornings and evenings to provide more members with an opportunity to attend.

Where? The seminars will be held in the Elk's Lodge at 229 West 20th Avenue, San Mateo, just two blocks West of El Camino Real.

How Much? While tuition is usually charged for this program, *SamCERA* & Net Equity Associates are picking up the full cost of providing it to *SamCERA*'s members. There will be no cost to *SamCERA*'s members and guests.

Sign up Now! Simply complete the Enrollment Form on Page 3 and send it to *SamCERA*. Enrollment is limited to 50 per session. Retirement Planning is so important to your future well being that you should bring your spouse or significant other along. If space becomes a problem, preference will be given to those nearing retirement.

Confirmations will be sent the week of January 5th.

CALIFORNIA SUPREME COURT CHANGES DEFINITION OF “COMPENSATION EARNABLE”

On October 1, 1997, California's Supreme Court rendered a decision which may affect (1) your contributions to the Retirement Fund, (2) the amount of your retirement benefit and (3) how you want to use your accrued vacation during your last one or three years before you retire.

In *Ventura County Deputy Sheriff's Association, et al v. Board of Retirement of Ventura County Employees' Retirement Association*, the Court held that certain items of compensation paid in cash must be included in the “final compensation” used to calculate your retirement benefit.

Your service retirement defined benefit is equal to your “final compensation” multiplied by your years of service multiplied by a factor for your age at the time you retire. Biweekly Member and Employer Contributions are collected on all compensation you receive for the pay codes which are included in the calculation of “final compensation”.

Many of the items identified by the Court are already included in *SamCERA*'s definition of final compensation. However, as a result of the *Ventura* decision, the Board of Retirement has adopted regulations which add *premium pay* and *shift differentials* to *SamCERA*'s definition of final compensation.

Contributions will be collected on *premium pay* and *shift differentials* beginning on December 28th. General and Safety members who retire within the next year, and Probation Members who retire within the next three years, may wish to make ad hoc contributions for premium pay and shift differentials earned between October 1st and December 28th. *SamCERA*'s staff will discuss this option with you when you apply for retirement.

Counsel has advised the Board that the *Ventura* decision did **not** specifically include “terminal pay”. Consequently, the new regulations do **not** include cash received for accrued vacation or sick leave. Counsel distinguishes between cash-out rights which an employee can exercise annually (as in *Ventura*)

vs. cash-out rights which can only be exercised at the time of termination of County service (as in San Mateo County).

Counsel believes that the “terminal pay” issue will ultimately be decided by a subsequent appellate court decision or the Legislature and that a final decision may take two years.

It may be a long time before we know if “terminal pay” is, or is not, part of “final compensation”. Accordingly, if you are planning to retire, you may, or may not, wish to take this uncertainty into consideration when planning the use of your vacation.

Similarly, the Supreme Court did not address the question of “retroactivity”. Consequently, the Board is implementing the decision prospectively from October 1st. If later Court decisions resolve the retroactivity issue, the Board will notify you when a final decision has been reached.



YOUR *SamCERA* BOARD OF RETIREMENT

BETTE PERROTON STUART, Chair

DENNIS J. COSGROVE, Vice Chair

TOM E. BRYAN, Secretary

LAURYN AGNEW BIERDEMAN

LEE BUFFINGTON

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meets at 9:00 a.m. on the 4th Tuesday of each month.

phone 363-4930 for location & agenda.

[The December Board Meeting has been canceled.]

Yes, I want to register for *SamCERA's* & Net Equity Associates' Four Session Course on *Financial Strategies for A Successful Retirement*.

I / We will be attending

[please check one]

☐ 4 Thursday Mornings from 9:15 am to Noon

☐ 4 Thursday Evenings from 6:15 pm to 9:00 pm

Name: _____ Projected Date of Retirement: _____

Spouse or Significant Other: _____

Home Address: _____ City: _____ Zip: _____

PONY Address: _____ Work Phone: _____ Home Phone: _____

Complete this Application Form and Mail it to SamCERA today at PONY RET 141.

Please Sign Up Today for *SamCERA's* Retirement Planning Seminar

SamCERA and Net Equity Associates have teamed up to present a four session seminar that will teach you everything you need to know to prepare yourself for A Successful Retirement. Each session will be offered in the morning and evening at the **Elk's Lodge at 229 West 20th Avenue, San Mateo**, on the following dates:

SESSION 1 - JANUARY 15TH

- Foundation for a Successful Retirement
- Retirement Planning is for Everyone
- Retirement Income: Perception vs Reality
- Objectives of Retirement Planning
- The Success Triangle
- Nine Main Reasons people fail to capitalize on their retirement years
- You can put your dollars to work with compound interest
- The impact of inflation on income
- Taxes and their impact on retirement planning
- The "double whammy" of taxes and inflation

SESSION 2 - JANUARY 22ND

YOUR RETIREMENT INCOME

- Your *SamCERA* Benefits
- Your Social Security Benefits
- IRA's
- Home Equity
- Working After Retirement

PUTTING YOUR DOLLARS TO WORK WITH FIXED INCOME SECURITIES

- Savings and cash reserves
- Tax-deferred annuities
- Corporate & Treasury Bonds
- Municipal bonds- tax-free income
- Nine Steps to Retirement Success

- Your Personal Retirement Plan

SESSION 3 - JANUARY 29TH

PUTTING YOUR DOLLARS TO WORK WITH EQUITY INVESTMENTS

- Common & Preferred Stock
- Mutual Funds
- Inflation Proofing Income
- Tax-deferred Investing in variable annuities
- Direct participation programs
- Portfolio hedging with tangible assets
- Asset Allocation

SESSION 4 - FEBRUARY 5TH

RISK MANAGEMENT

- Medicare
- Long-Term Health Care
- Life Insurance at Retirement
- Disability Insurance
- Health & Fitness for a Successful Retirement
- San Mateo County Retiree Health Benefits

ESTATE PLANNING

- Objectives of Estate Planning
- Understanding Probate
- Advantages of Joint Tenancy
- Using trusts to Reduce Estate Transfer Costs
- Three Ways to Avoid Estate Shrinkage
- Charitable Giving

Optional, free, private Financial Planning Consultation
will be offered after the conclusion of the Seminar.

San Mateo County Employees' Retirement Association

Attn: Sid McCausland, Retirement Administrator, RET 141

702 Marshall, Suite 280, Redwood City, California 94063-1823

\$43.80 MEDICARE PART-B REIMBURSEMENT MAY BEGIN WITH YOUR JULY 31ST RETIREMENT CHECK

Your Board of Retirement has voted unanimously to sponsor creation of a tax-free Medicare Part-B Reimbursement Program. The next step is for the Retirement Administrator to prepare the proposal for approval by the Board of Supervisors.

Members of the Board of Supervisors have also expressed preliminary support for the new program, according to Bette Perroton Stuart, Chair of the Board of Retirement.

If approved by the Board of Supervisors, the new program will reimburse retirees who are enrolled in Medicare for the cost of their \$43.80 per month Medicare Part-B Supplemental Insurance Premium.

Approximately three-quarters of *SamCERA's* retirees are expected to qualify for the new program. Retirees must be at least 65 years old or disabled to be enrolled in Medicare.

The reimbursement will be tax-free, if the Board of Supervisors and Board of Retirement co-sponsor the program in accordance with the applicable provisions of the Internal Revenue Code and County

Employees' Retirement Law of 1937.

SamCERA's original Medicare Part-B program was not tax-free, because it had not been approved by the Board of Supervisors.

Ms. Stuart attributes the Supervisors' willingness to look at the new program to four factors:

(1) *SamCERA's* investment portfolio has performed well over the past three years, (2) *SamCERA's* employer contributions declined approximately 2.5% this year and are projected to decline nearly 5% next year, (3) *SamCERA's* actuarial funding status has improved dramatically over the past three years to nearly 83% of the goal and (4) nearly 2/3's of the Medicare Part-B money will go to retirees who have been retired the longest and are receiving the smallest monthly retirement allowances.



If you support the new Medicare Part-B Reimbursement Program, please send a letter to the members of the Board of Supervisors encouraging each of them to co-sponsor this vital program. Send your letters to Board of Supervisors, County of San Mateo, 401 Marshall, Redwood City, CA 94063.

If all goes well, the program will be implemented with the July 31, 1998 retirement checks.

GRAND JURY THINKS ITS TIME FOR A SAN MATEO COUNTY DEFINED CONTRIBUTION PLAN

The 1997 Civil Grand Jury has recommended that the County evaluate the potential savings to the County of a new retirement plan for County workers. Quoting at length from materials prepared by the sponsors of Assembly Bill 3252, the Grand Jury notes that “in a defined benefit plan, the employee receives a predetermined benefit upon retirement, usually in the form of a lifetime annuity...While the benefit is specified in advance for the employee, the actual cost to the employer is not know ahead of time and fluctuates...In contrast, a defined contribution plan does not specify the retirement benefit to be received by the employee. Instead, it specifies a contribution...which is deposited into an individual’s account and self-directed into investments by the employee. The actual benefit is based on the amount contributed to the

account by the employer and employee, and the investment earnings attributable to the account...” The Grand Jury wants a report by July 31, 1998.