

# SamCERA Times

Your San Mateo County Employees' Retirement Association Newsletter  
Volume 9, Number 3, August, 2001



## SamCERA Investment Update

Your Retirement Fund experienced a -4.25% return for the twelve months ending on June 30<sup>th</sup>. While this is not a return to write home about, it is close to the -4.10% mid-point return of a comprehensive sample of California public pension funds.

The price of an average share of stock in the global equity markets has declined 28% since early last year. In this kind of environment SamCERA's -4.25% return demonstrates the value of holding a well diversified investment portfolio.

"Value" stocks hit a home run. Value stocks turned out to be the strongest sector of the market during the past year, after having lagged behind during the hi-tech, dot-com exuberance. The Russell 3000 stock index tracks the performance of 98% of the investible U.S. stock market. During the twelve months ending June 30<sup>th</sup>, the Russell 3000 was down -13.93%, with the "growth" stocks in the index down -35.31% and the "value" stocks in the index up a positive 11.64%.

It was also a great year for the bond market. For example, the Salomon Smith Barney index of investment grade bonds typically held by pension funds was up a positive 11.26%.

So investors who have very clear crystal balls would have performed very well last year, **if** they had concentrated their portfolios in value stocks and investment grade bonds.

SamCERA and most other pension funds, however, do not try to anticipate the next move in the market. Since we are invested for the long haul, we stick with a long-term asset allocation designed to meet our actuarial funding requirements.

SamCERA's asset allocation is as follows: 40% large cap stocks, 10% small cap stocks, 15% international stocks, 29% bonds, 6% real estate.

**[Caution:** This allocation should work well for a pension fund with an "infinite" funding horizon, but it may not be the optimum allocation for you, since you will need your money a lot sooner. Your personal asset allocation should change over time, as your life progresses. Attend our seminars for more information.]

## SamCERA Hires New Investment Consultant

Your Board of Retirement selected a new Investment Consultant during its meeting on August 28<sup>th</sup>.

Strategic Investment Solutions of San Francisco will guide the Board through a new asset/liability modeling study. The study will analyze a broad spectrum of economic and investment scenarios and compare them to the County's pension promises. The study helps the Board make certain the structure of the investment portfolio will generate the cash flow needed to pay each member's benefit as it becomes due. The Board conducts such a study every three to five years to assure that SamCERA's funding program is still on target.

The new consultant will also provide quarterly performance analyses of the investment portfolio, conduct special studies & provide educational programs.

In addition, the consultant will help the Board with its oversight of SamCERA's four institutional investment managers: Barclays Global Investors, Bank of Ireland Asset Management, Deutsche Asset Management and INVESCO Realty Advisors. The new consultant will help the Board conduct any new manager searches that may be called for in the future.

SIS replaces Gray & Company of Atlanta.

## Be grateful for Your SamCERA Defined Retirement Benefit...

**News Brief from P&I Daily (8/27)...** A new report by the Congressional Research Service noted that most small-business employees who are not covered by retirement plans at work also don't have IRAs. Less than 44% of workers in businesses with fewer than 100 employees are covered by employer-sponsored plans. And in 1999, the latest year for which information is available, only about 17% of workers who weren't covered by employer-sponsored plans had individual retirement plans. Moreover, not everyone who has an IRA contributes to it every year. Many workers are "either wittingly or unwittingly putting all their retirement eggs in one basket, namely Social Security," the report notes.



## Let's Compare Plan 3 & Plan 4

Since July 13, 1997, new County General members of *SamCERA* have been offered a choice of joining "Plan 3" or "Plan 4"...

LET'S COMPARE	PLAN 3	PLAN 4
<b>Estimated Monthly Benefit with \$3,000 Final Average Salary:</b>		
<b>At Age 50 with</b>		
10 years of Service	0	355
20 years of Service	0	709
30 years of Service	0	1,064
<b>At Age 55 with</b>		
10 years of Service	123	448
20 years of Service	245	895
30 years of Service	368	1,343
<b>At Age 60 with</b>		
10 years of Service	192	575
20 years of Service	383	1,150
30 years of Service	575	1,725
<b>At Age 65 with</b>		
10 years of Service	314	730
20 years of Service	629	1,429
30 years of Service	943	2,489
Final Average Salary (FAS)	3-years	3-years
Max. Benefit as % of FAS	<b>70%</b>	<b>100%</b>
Vested after	<b>10years</b>	<b>5 years</b>
Benefit <b>reduced</b> by % of Social Security Benefit	<b>Yes</b>	<b>No</b>
Benefit <b>reduced</b> for more than 35 years of Service	<b>Yes</b>	<b>No</b>

LET'S COMPARE	PLAN 3	PLAN 4
Cost of Living Allowance	<b>No</b>	<b>Up to 2%/year</b>
<b>Examples of the Cost of Living Allowance, based on Retirement at Age 60 with 20 years of Service:</b>		
Benefit at Retirement	383	1,150
10 years later	383	1,402
20 years later	383	1,709
30 years later	383	2,083

Disability Benefits	<b>No</b>	<b>Yes</b>
Death Benefits	<b>No</b>	<b>Yes</b>
Surviving Spouse Benefit	<b>50%</b>	<b>60%</b>

<b>You Pay (as a % of your Salary):</b>
<b>Plan 3</b> members contribute nothing toward the cost of their Plan 3 benefits.
<b>Plan 4</b> members contribute based on <b>your age when you are hired</b> ; for example: Entry Age 29 = 5.31%, Entry Age 35 = 5.82%, Entry Age 40 = 6.14%. Entry Age 59 = 8.09%.

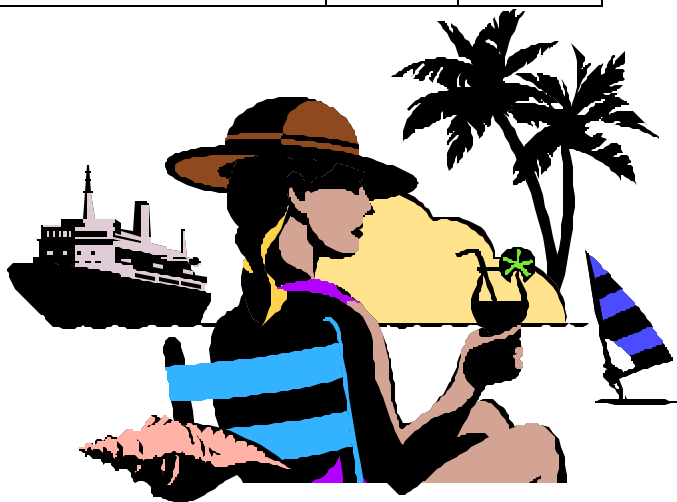
**Plan 3 is not offered to Safety, Probation, or Mosquito Abatement Members.**

**IMPROVING YOUR BENEFIT:** Once a Plan 3 member has completed 5-years of Service Credit, she or he is eligible to transfer to Plan 4. Under current rules, the Plan 3 time will always be Plan 3 Service Credit, but the new service will accumulate under the new plan.

However, the County is expected to approve a union request to permit members to pay for the full cost of upgrading their Plan 3 service to their new plan. A future newsletter will report on the outcome of the Board's deliberations.

**WARNING FOR PLAN 3 MEMBERS:** If you terminate County employment before you have accumulated 10-years of Plan 3 Service Credit and you return to County employment after being away for more than two years, then the Plan 3 Law **eliminates all of your Service Credit for your first period of Plan 3 employment** and you begin again with zero years of Service Credit.

However, if you return to County employment within two years following your termination, then Service Credit will be saved.



Yes, I want to register for *SamCERA's* & Net Equity Associates' Four Session Course on

## **Financial Strategies for A Successful Retirement**

I / We promise to attend all 4 Tuesday Morning Sessions from 8:15 a.m. to 11:45 a.m.

•You Must attend All Four Sessions, If You Sign-Up•

Name: \_\_\_\_\_ Projected Date of Retirement: \_\_\_\_\_

**Please Print Clearly**

Spouse or Significant Other [if attending seminar with you]: \_\_\_\_\_

Home Address: \_\_\_\_\_ City: \_\_\_\_\_ Zip: \_\_\_\_\_

E-mail: \_\_\_\_\_ PONY Address: \_\_\_\_\_ Message Phone: \_\_\_\_\_

*Complete this Application Form and Fax (261-9028) or Mail (address on pg. 4) it to SamCERA today*

## **Financial Strategies for A Successful Retirement**

**8:15-11:45 a.m. at the Elk's Lodge at 229**

**West 20th Avenue, San Mateo**, just one block South of Highway 92 and two blocks West of El Camino Real. **The course is on County time, only if pre-approved by your Supervisor.**

### **Session 1 – October 9th**

YOUR *SamCERA* RETIREMENT BENEFITS

HEALTHWISE LIVING FOR A HEALTHY RETIREMENT

SAN MATEO COUNTY RETIREE HEALTH BENEFITS

### **Session 2 – October 16<sup>th</sup>**

FINANCIAL BASICS

- Setting retirement goals
- Using credit wisely
- Barriers to financial success
- The power of compounding
- The effects of inflation
- Tax reduction strategies
- Making your money last

### **Session 3 – October 23<sup>rd</sup>**

YOUR RETIREMENT INCOME

- Sources of retirement income
- Social Security benefits
- 401(k) plans
- Employer-sponsored retirement plans
- Individual retirement plans (IRAs)
- Roth IRAs
- Systematic withdrawal programs
- Maximizing retirement income

RETIREMENT INVESTMENT OPTIONS

- Importance of cash reserves
- Types of cash reserves
- Government securities
- Municipal bonds
- Corporate bonds
- Equity investment overview
- Common stock
- Preferred stock
- Types of mutual funds
- Mutual funds for income
- Tax-deferred annuities
- Asset allocation techniques

### **Session 4 – October 30<sup>th</sup>**

RETIREMENT LIFESTYLES

- Are you ready for retirement?
- Stress and retirement
- Traveling abroad
- The new "working" retirement
- Thinking about relocating?
- Lifelong learning

ESTATE PLANNING

- Importance of Estate Planning
- Understanding Probate
- Transferring your assets
- Revocable living trusts
- Tax reduction techniques

YOUR SOCIAL SECURITY BENEFITS

CASHING-IN ON DEFERRED COMPENSATION

*An optional, free, private Financial Planning Consultation will be offered after the Seminar Series*

## *SamCERA's Fall 2001 Retirement Planning Seminar Coming in October*

*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 us for an eye opening reality check.

**Who should attend?** All *SamCERA* members. Retirement Planning is so important you should bring your spouse or significant other along.

**When?** Four Tuesday mornings: October 9<sup>th</sup>, 16<sup>th</sup>, 23<sup>rd</sup> and 30<sup>th</sup> from 8:15 a.m. to 11:45 a.m. **If you sign up, you must agree to attend all 4 sessions.**

**Where?** The seminars will be held in the **Elk's Lodge at 229 West 20th Avenue, San Mateo**, one block South of Highway 92 and 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 submit it to *SamCERA* today.

The course is on County time, if pre-approved by your Supervisor.

### MEET YOUR BOARD OF RETIREMENT

William R. Cottle, Chair  
Tom E. Bryan, Vice Chair  
Bette Perroton Stuart,  
Secretary  
Lee Buffington  
John J. Carberry  
Donna Wills Colson  
Aron H. Hoffman  
Michael E. McMahon  
Alma R. Salas

### *"Brown Bag" Retirement Seminars are a Success*

San Mateo County's retirement benefits are comprehensive and good for your lifetime. You owe it to yourself to learn all about them.

Everyone gets their questions answered when they participate in a *SamCERA* Brown Bag Seminar. All you have to do to schedule a lunch time seminar for your work site is e-mail or call Susie Lamica at 363-4821.

**Learn more about SamCERA. Contact us at...**

**web site:** [www.samcera.org](http://www.samcera.org)

**e-mail:** [smccausland @ co.sanmateo.ca.us](mailto:smccausland@co.sanmateo.ca.us)

**telephone:** (800) 339-0761 or (650) 363-4581