

SamCERA Times

Your San Mateo County Employees' Retirement Association Newsletter
Volume 10, Number 2, August 2002



Your SamCERA Benefits are Guaranteed, even when the Investment Markets Stumble

The long-overdue correction to the formerly highflying, dot.com-driven Stock Market began in the Spring of "Y2K". It continues to this day, compounded (or confounded) by a not quite robust economy, post-September 11th angst, an epidemic of less than honorable behavior from some corporate leaders and stock prices that are still high relative to historic averages.

There is no reason to believe that the gravity-defying stock prices of the late-1990's will be seen again in our lifetimes. Stocks, bonds and real estate must ultimately be priced to provide a reasonable risk-adjusted return to the investor.

SamCERA's returns have suffered as a result of the market declines. The Retirement Fund experienced negative returns in each of the past two fiscal years, which end on June 30th. Recent returns were as follows: 2000 = 9.95%, 2001 = -4.25% and 2002 = -5.92%

The returns were not worse because of the wisdom of a well-diversified Asset Allocation. SamCERA's Assets are allocated as follows: 40% in Large Capitalization Stocks, 10% in Small Capitalization Stocks, 15% in International Stocks, 29% in Fixed Income and 6% in Real Estate.

Under the law, **San Mateo County guarantees the payment of your earned retirement benefits.** The bad investment returns of the last two years will increase the cost that the County ultimately pays for your benefits.

You are blessed by being part of one of our Country's best Defined Benefit Plans. Regardless of what happens in the markets, **SamCERA's members will receive the full lifetime benefits you have earned.**

SamCERA's Retirement Planning Seminar Series Now More Important Than Ever

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. The younger you are when you attend, the better prepared you will be to manage your finances. Retirement Planning is so important you should bring along your spouse or significant other.

Where? The seminars will be held in the **Elk's Lodge at 229 West 20th Avenue, San Mateo**, 1 block South of Highway 92 and 2 blocks West of El Camino Real.

How Much? 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. The course is on County time, but only if pre-approved by your Supervisor.

When are the Seminars Scheduled?

Final 2002 Series on Four Tuesdays:

October 8, 15, 22, & 29

1st 2003 Series:

February dates to be determined

2nd 2003 Series:

May dates to be determined

Sign Up Now! Simply complete the Enrollment Form on Page 4 and submit it to SamCERA today. **If you sign up, you must agree to attend all 4 sessions in the series.**

Retirement is on the Table

As the County and its employees' Unions gather around the collective bargaining table, retirement has become a big issue this year.

Here are some of the facts SamCERA's General Members should know when you are considering the various proposals...

- *SamCERA's* service retirement benefits are based on your **years of service** times your **final average salary** times a **factor for your age**. Currently a General Member will receive a benefit equal to 2% of final average salary for each year of service credit at age 61.25.

One proposal will grant the 2% benefit at age 55.5, the other "3% @ 60" proposal will grant the 2% benefit at age 50.

Sample Age Factors for General Members...

Retirement Age	Current Formula	2% @ 55.5	3% @ 60
50	.011818	.014750	.020
55	.014923	.019477	.025
60	.019167	.024397	.030
62	.020913	.026113	.030
65	.024322	.026113	.030

For example, **a member who retires at age 60 with 10 years of service credit and a \$1000 final average salary would currently receive an unmodified retirement benefit of \$191.67 per month. Under the 2% @ 55.5 formula that member would receive \$243.97. Under the 3% @ 60 formula that member would receive \$300 per month.**

You can estimate the impact the formulas would have on your retirement by multiplying your own projected years of service at retirement times your estimate of your final average salary times one of the factors for your projected age at retirement. **The longer you work the greater your benefit.**

- The proposals that are on the table would have the following impact on a new retiree's monthly benefit, as a percentage of the current benefit:

Retirement Age	Current Formula	2% @ 55.5	3% @ 60
50	100%	124.8%	169.2%
55	100%	130.5%	167.5%
60	100%	127.3%	156.5%
62	100%	124.9%	143.4%
65	100%	107.4%	123.3%

- When members can afford to retire at a younger age, *SamCERA* has fewer years to collect contributions and more years of liability for paying benefits. Consequently, improved benefit formulas cost more than the percentage increase in the benefit.

- During this fiscal year, the County will pay retirement contributions equal to approximately 10.2% of the total General Member payroll for the current benefit formula. If one of the new formulas is approved, the cost for funding *SamCERA* benefits will increase significantly. The 2% @ 55.5 formula will increase the County's costs by more than **50%** in the first year, while the 3% @ 60 formula will increase the County's costs by approximately **100%** in the first year.

- In light of the past two years of disappointing investment performance, *SamCERA's* actuarial funding is lagging behind our actuarial target of growing 8.25% per year. Consequently, even with no change to the benefit structure, the County's *SamCERA* contribution will probably double over the next five years.

- Your current Member Contribution would increase under the new formula. For example, if you are paying 5.5% now, you would pay 6.71% for the 2% @ 55.5 formula (**up 22%**) or 8.05% for the 3% @ 60 formula (**up 46%**).

- Given the County's revenue shortfall in the current fiscal year and the prospect of increased *SamCERA* contributions in the years ahead, it is probable that the County will insist that *SamCERA's* members defray some of the cost of any new retirement benefit formula. Members should be prepared for contribution rates to increase more than the percentages in the examples given above.

- You must collect a monthly benefit to receive any of the County's contributions to *SamCERA*. County contributions do not vest to the member's account. The many of *SamCERA's* **new** General Members terminate County service before the end of five years & thereby never qualify for a *SamCERA* benefit.

- Safety Members & Probation Members are also discussing retirement benefits. The cost impact of their proposals is as significant as those discussed above.

New SamCERA Regulations are on their way

The Board of Retirement is scheduled to adopt several important changes to *SamCERA's Regulations of the Board of Retirement* at its meeting on August 27th. Following adoption, the regulations will be forwarded to the Board of Supervisors for ratification. They must be ratified by the Board of Supervisors before they can become effective.

Terminated Members: Terminated members will be most affected by the new regulations.

When members terminate County employment with less than five-years of service credit, the law requires that they establish reciprocity or take a refund or rollover of their *SamCERA* contributions and interest. In recent years a significant number of terminated members have failed to take their refund.

Currently all member accounts, including those of terminated members, are being credited with annual interest of ~8.25%. Under the new regulations, no additional interest will be credited to terminated member accounts that remain on deposit 180 days after termination.

Currently the terminated members' account balances are held in perpetuity. Under the new regulations, an involuntary refund will be initiated for those who fail to file the appropriate forms. If the refund check is not cashed, the account balance will be escheated to the Retirement Fund at the end of five years and the terminated member will lose all rights to the funds.

[These changes do not apply to Deferred Members who terminated County employment after earning five-years of service credit.]

Disability Applicant Notifications:

Disability applicants will be notified of pending Board of Retirement actions by Certified Mail to make certain that they have every opportunity to protect all of their rights.

Tax Deferred 457 Roll Overs for the

Purchase of Service Credit: Following implementation of the new regulation, members will be permitted to use their 457, 401(a), 401(k), IRA and other tax deferred funds to pay for the purchase of service credit such as extra help time and the upgrade of Plan 3 service credit, per the new Federal law.

MEET YOUR BOARD OF RETIREMENT

Tom E. Bryan, Chair

Donna Wills Colson, Vice Chair

Alma R. Salas, Secretary

Lee Buffington

William R. Cottle

Kenneth A. Lewis

Michael E. McMahon

Bette Perroton Stuart

Christine D. Tonsfeldt

Don't Miss Your Member Statement – Keep Your Address Current

Sometime soon, *SamCERA's* Member Statement will go in the mail to your home address.

You will be pleased to see that your contributions were credited with 4.125% on both December 31st and June 30th. Don't miss the thrill of seeing a positive investment return* because your address is incorrect.

If you are a County employee, make certain your Payroll Clerk has your correct address in the County payroll system (PIPS). Only your payroll clerk can update your address for you.

If you are no longer a County employee, send your correct address as soon as possible, to the address on page 4 of this newsletter.

***The County is underwriting your current 8.25% interest crediting rate.**

During the years when *SamCERA* was earning well in excess of 8.25%, the County reaped most of the benefits of the excess earnings, while the member accounts usually received the actuarial interest rate.

Now that *SamCERA's* earnings are negative, the County is distributing some of those earlier investment gains to our members' accounts.

San Mateo County Employees' Retirement Association
Attn: Sid McCausland, Chief Executive Officer, Pony: RET 141
702 Marshall, Suite 280, Redwood City, California 94063-1823

Who to Call when You need a Helping SamCERA Hand

- Are you an employee with a question?
- Are you a new employee trying to select the SamCERA plan that is right for you?
- Do you want to purchase Service for your Extra Help time?
- Are you terminating County employment and concerned about your SamCERA account?
- Do you want to change your beneficiary?
- Do you no longer work for the County and want to change your address?

Call or e-mail Cele Amacker 363-4581

- Do you want to redeposit withdrawn contributions?
- Are you ready to retire?
- Are you already retired & need help?

Call or e-mail Janelle LeBlanc 363-4803

- Are you a retiree with a question about your Health Benefits?

Call or e-mail Rita Mitchell 363-1429

- Do you want to schedule a member education seminar for your worksite?
- Do you want to establish incoming reciprocity?
- Are you going through a divorce?
- Are you eligible for a disability retirement?

Call or e-mail Susie Lamica 363-4821

- Are you in the mood to complain?
- Are you in the mood to make a suggestion?

Call or e-mail Sid McCausland 363-4930

Learn more about SamCERA...Contact us at

web site: www.samcera.org
e-mail: samcera@co.sanmateo.ca.us
telephone: (800) 339-0761
or (650) 363-4581

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 Morning Sessions from 8:15 a.m. to 11:45 a.m.

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

Series: **February May October** (Circle the month for which you wish to enroll)

Please Print Clearly

Name: _____ Projected Date of Retirement: _____

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

