

SamCERA Times

Your San Mateo County Employees' Retirement Association Newsletter
Volume 11, Number 3, August 2003



Alma Salas & Mike McMahon Re-elected to Board

The County Elections Officer distributed notices to all payroll clerks for posting that invited all SamCERA active members to submit nominations for two trustee elections to the Board of Retirement. Only two candidates filed nomination papers, so the County Elections Officer cancelled the election and recommended that Alma Salas and Mike McMahon be declared re-elected.

Alma serves as the "Seventh Member" on the Board representing Safety Members and Mike serves as the "Second Member" on the Board representing General Members. Their terms run through June 30, 2006.

New Officers for New Year

The Board of Retirement elected Donna Wills Colson, Chair; Alma Salas, Vice Chair and Bette Perroton Stuart, Secretary for the current fiscal year. The Board meets at 1 p.m. on the fourth Tuesday of each month. All SamCERA members are encouraged to attend.

Regulations being Revised

The *Regulations of the Board of Retirement* are being revised in a major way. The revisions encompass the new benefit formulas, federal tax laws that are called into play as a result of the new formulas, and clearer linking of the provisions of the laws that govern SamCERA to the day-to-day management of our benefit programs.

The Board encourages anyone with an interest to view the draft regulations on our website [www.samcera.org] and to offer their comments. Public hearings will be held on September 23rd and October 28th. Adoption is tentatively scheduled for November 25th.

Interest Crediting Changes

Member accounts will no longer be credited with the Actuarial Interest Rate regardless of portfolio earnings.

During periods when the investment portfolio is earning less than the Actuarial Interest Rate, no interest will be credited on December 31st and up to half of the actual net-earnings rate may be credited on June 30th.

In periods when the investment portfolio is earning at least the Actuarial Interest Rate, member accounts will be credited with the lesser of the rate on 6-month Treasury Bills or one-half of the annual Actuarial Interest Rate. Last fiscal year the Actuarial Interest Rate was 8.25%. This year it is 8%.

This policy change helps protect the funding for SamCERA's promised benefit payments to our members.

Members who no longer work for the County and withdraw their contributions will be affected by the new policy.

The calculation of benefits for all members who will collect a monthly benefit is not affected by the amount of interest in the member's account.

Member accounts were credited with 4.125% on December 31st and 0% on June 30th. The Retirement Fund earned 3.84% for the fiscal year ending June 30th.

No Interest for Non-vested Terminated Members

Interest will no longer be credited to the account of a member who left County employment **before** accumulating five -years of SamCERA Service Credit. The only exception will be for members who have established reciprocity with another California public pension system.

Governor signs AB 398 & 266

Assemblyman Mullen introduced two bills as a result of the last round of collective bargaining. The Assemblyman then guided both bills through both houses of the State Legislature and onto the Governor's desk. The Governor signed both bills, which will be effective January 1st.

AB 398 cleared the way for the implementation of the new 2% @ 55.5 retirement benefit formula on March 12, 2005. The County had refused to implement the new and improved benefit formula, unless the law was amended to require that members continue to contribute at least as much as they currently contribute. Before AB 398, the member contribution to the new, more costly, benefit formula would have been roughly 50% of what member's pay today. AB 398 removed that unusual statutory barrier to implementing the improved benefits. So, as soon as the Board of Supervisors implements AB 398, SamCERA will have the green light to prepare for the March 12, 2005 implementation.

AB 398 also preserves the service credit for current SamCERA members who previously left County service with less than 10 years of Plan 3 Service Credit and then returned to County service more than 2 years later. Previously, the law stripped them of their earlier Plan 3 service. Effective January 1st, AB 398 allows SamCERA to preserve that service credit for the member.

AB 266 clears the stage for the unions and County to negotiate over domestic partner retirement benefits during their next round of collective bargaining.

SamCERA's Financial Planning Seminar Series – Now More Important Than Ever

SamCERA has teamed with Net Equity Associates to bring you this highly acclaimed four-part seminar that will teach you everything you need to know to prepare for a successful retirement.

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 your spouse or partner to the seminar with you.

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.

Cost? SamCERA & Net Equity Associates pay the full cost of providing it to SamCERA's members. The course is on County time, but only when it is pre-approved by your Supervisor.

Sign Up Now! Simply download an Enrollment Form from our website and submit it to SamCERA today. When you enroll, you commit to attending all 4 sessions.

Fall Series: October 7, 14, 21 & 28

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•

2003 Series: **October 7, 14, 21 & 28**

Name: _____ Projected Date of Retirement: _____

Please Print Clearly

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

Supervisor: _____ PONY Address: _____ Message Phone: _____

Complete this Application Form and Fax it to 591-1488 or Mail (address on pg. 4) it to SamCERA today

Funding SamCERA while Riding the Investment Return Roller Coaster

As just about everyone knows, investment returns can be pretty startling. As the *SamCERA Times* noted in 2000:

Our actuary expects us to make less than 8.25% about 1/3rd of the time, so that tells you a little bit about how crazy the markets have been for the past five years. There is a reasonable chance that five years of double-digit [stock] returns might be followed by five years of negative or flat returns.

Well it has been rough sailing ever since. Take a look at our annual returns for the last four years:

| Fiscal Year ending June 30 | Annual Return |
|-------------------------------|------------------|
| 2000 | 10.0% |
| 2001 | -4.2% |
| 2002 | -5.9% |
| 2003 | 3.8% |

While it could have been worse, there is no getting away from the fact that the fund has not been earning its Actuarial Interest Rate.

The Board voted on July 22nd to reduce the Actuarial Interest Rate assumption from 8.25% down to 8% based on the significant decline in long-term inflation trends and revised long-term assumptions regarding future stock, bond and real estate returns. Your 2004-2005 member and employer contribution rates will increase as a result of the new Actuarial Interest Rate.

Retiree Medicare Part-B Premium Reimbursements

The Board of Supervisors and the Board of Retirement agreed to one more fiscal year of funding for SamCERA's Medicare Part-B Premium Reimbursement program. SamCERA currently provides \$58.70 to eligible retirees. Funding for the program will expire on June 30, 2004 unless a new agreement is reached between the two Boards that results in ongoing funding. The program was initiated when investment returns exceeded the Actuarial Interest Rate. Agreeing to fund the benefit is more of a challenge in the current investment environment.

Cost Sharing Member Contributions Kick-in

As Safety Members have already found out, the new retirement benefit formulas are expensive. Safety Members began paying their Year 1 Cost Sharing Member Contributions on July 6th.

General Members will begin paying 1% of pay Cost Sharing Member Contributions on August 31st and Probation Members will begin paying 1.5% of pay on October 12th. The Cost Sharing Member Contribution will be reflected on your County pay stub.

The Cost Sharing Member Contribution will increase in 2004 and 2005 and then continue at the Year 3 schedule into the future.

Actuarial Realities

The aggregate 18.7% County contribution rate this year is a big increase from last year's 11.7%. 64% of this increase is attributable to the granting of new retirement benefit formulas to all County employees in nine contributory pension plans, 19% is attributable to three-years of declining investment markets and 17% is attributable to actuarial assumption changes such as improved life expectancy.

The cumulative impact of these three factors caused the June 30, 2002 Funding Ratio of Actuarial Assets to Accrued Actuarial Liabilities to decline from 98.6% to 85.3% and caused the Unfunded Actuarial Accrued Liability to increase from \$19.5 million to \$243.7 million. The Board of Retirement subsequently adopted a new twenty-year schedule for the amortization of the UAAL, with full funding slated for June 30, 2022.

The actuary is now in the process of calculating the June 30, 2003 results. The new study will be based on the new Actuarial Interest Rate and will call for significant rate increases for both the employer and members.

Keep up with the Latest News

Visit **www.samcera.org** regularly for updates on the latest news affecting your San Mateo County Employees' Retirement Association and your retirement benefits.

Appellate Court Weighs in on *Ventura II* – Decision appealed to Supreme Court

On July 11th the Appellate Court ruled that the Trial Court had been right on all counts.

The Appellate Court ruling has been appealed to the State Supreme Court. The Appellate Court confirmed the following decisions of the Trial Court:

- The *Ventura* decision, in which the State Supreme Court broadened the definition of “compensation earnable” to include a few pay items SamCERA had not previously included, must be applied **retroactively**. Therefore, all current retiree benefits must be **recalculated** if any of those new pay items were excluded from the calculation of their benefits. **The County and Retirement Board are appealing this part of the decision.**

- “Terminal Pay” is excluded from “compensation earnable”.

- Retirement Boards have the authority to collect back member contributions from all current and retired members on all new “compensation earnable” added by *Ventura*. **The plaintiffs are appealing these two parts of the decision.**



SamCERA

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SamCERA's Office Hours:

***SamCERA is open Monday – Thursday
from 7:00 a.m. until 5:30 p.m.***

SamCERA is closed Friday – Sunday