

# SamCERA Times

Your San Mateo County Employees' Retirement Association Newsletter  
March 2004



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**IMPORTANT NOTICE – PLEASE POST**

**SAN MATEO COUNTY  
Employees' Retirement Association**

## **NOTICE OF ELECTION**

**TO ELECT TWO MEMBERS TO THE BOARD OF RETIREMENT**

At an election to be held on  
**MONDAY, JUNE 14, 2004**

Notice is hereby given that one **GENERAL MEMBER** is to be elected to fill the Third position and one **RETIRED MEMBER** is to be elected to fill the Eighth position on SamCERA's Board of Retirement.

Each candidate for the General position shall be nominated by a petition signed by not less than ten (10) active Members of the San Mateo County Employees' Retirement Association.

SamCERA's General Members are eligible to sign a petition for a candidate for the Third Trustee.

A candidate for the Retired Member position must file a Declaration of Candidacy.

The General Member and the Retired Member shall serve from July 2004 – June 2007.

Nomination Petitions & Declarations of Candidacy will be available beginning Monday, April 19, 2004 through Monday, May 3, 2004.

Qualified Candidates may obtain petitions in person at:

**COUNTY ELECTIONS OFFICE  
40 TOWER ROAD IN SAN MATEO**

**Petitions may be circulated between April 19<sup>th</sup> and May 3<sup>rd</sup> and must be filed in person with the County Elections Office no later than 5:00 p.m. on May 3, 2004.**

Please call the Elections Office at 312-5222, if you have any questions or wish to make an appointment to take out Candidacy Papers.

This election will be held in accordance with Article 3 of the *Regulations of the Board of Retirement*.

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DAVID TOM, Elections Officer

## *SamCERA's 2004 Cost of Living Increase*

### *Notice to SamCERA Retirees, Beneficiaries & Survivors*

Your Board of Retirement has approved the following monthly **Cost of Living increases, which will be added to your April 30, 2004 SamCERA benefit payment:**

Plan 1 General & Safety Retirees:	<p><i>If you were hired by the County on or before July 6, 1980 and did not choose Plan 3, you are a member of Plan 1.</i></p> <p><b>Plan 1 General &amp; Safety members who retired...</b></p> <ul style="list-style-type: none"><li>• On or before April 1, 1976 will receive a <b>5%</b> COLA increase, the maximum provided in the law that governs General &amp; Safety Plans 1.</li><li>• After April 1, 1976 &amp; on or before April 1, 1977 will receive a <b>3%</b> COLA increase.</li><li>• After April 1, 1977 &amp; on or before April 1, 1978 will receive a <b>2.5%</b> COLA increase.</li><li>• <b>After April 1, 1978 &amp; on or before April 1, 2004 will receive a 2% COLA increase.</b></li></ul>
All Plan 2 & Plan 4 Retirees:	<p><i>If you were hired by the County after July 6, 1980 and did not choose Plan 3, you are a member of Plan 2 or Plan 4.</i></p> <p><b>All Plan 2 members &amp; all Plan 4 members who retired before on or before April 1, 2004 will receive a 2% COLA increase.</b></p>
All Plan 3 Retirees:	<p><i>If you elected to become a member of the County's non-contributory Plan 3, you will not receive a cost-of-living increase, because none is provided for in the law that governs Plan 3.</i></p>
Probation/ Safety Plan 1 Retirees:	<p><i>If you retired as a Probation/Safety Member who was hired by the County on or before July 6, 1980, you are probably in Plan 1.</i></p> <p><b>Plan 1 Probation members who retired...</b></p> <ul style="list-style-type: none"><li>• On or before April 1, 2002 will receive a <b>3%</b> COLA increase, the maximum provided in the law that governs Probation Plan 1.</li><li>• After April 1, 2002 &amp; on or before April 1, 2004 will receive a <b>2%</b> COLA increase.</li></ul>

These increases are based on the 2003 average annual change in the Consumer Price Index for the San Francisco/Oakland/San Jose area (CPI-SF/O/SJ) and the provisions of the County Employees' Retirement Law of 1937 applicable to each of *SamCERA's* Plans.

Please do not call *SamCERA* with questions until after you receive your benefit increase at the end of April. It is impossible for our small staff to answer all of your individual questions about what your cost of living increase is going to be. Thank you for your cooperation.

Answers to the most common questions appear on the next page.

## Cost-of-Living Frequently Asked Questions and Answers

### When will I receive my cost of living increase?

The monthly increase will be added to the benefit payment you will receive at the **END OF APRIL**.

### What does the word "COLA" on my pension check stub mean?

"COLA" means "Cost of Living Allowance"

### Why doesn't the "Base" amount on my pension check stub change?

The "Base" amount is only calculated once, at the time you retire. It will not change annually. However, the "COLA" amount increases each year.

### How is my Cost of Living Allowance Calculated?

Look at last month's *SamCERA* benefit advice. Your monthly "Base" and "COLA" amounts are listed on the left side of the stub. Add your "Base" and "COLA", and then multiply the sum by your % cost of living increase to calculate your 2004 increase.

Example	March 31	Increase	April 30
Base Benefit	\$1,000		\$1,000
COLA Benefit	+ 100	+22	+ 122
<b>Total Benefit</b>	<b>\$1,100</b>	+22	<b>\$1,122</b>
$x$ 2004 COLA %	$x$ .02		
= 2004 COLA	\$22		

### What is the COLA Bank for Plan 1 Members?

- **Employees who were hired before July 6, 1980 may accumulate a COLA Bank.** These members are in Plan 1 and are entitled to receive an annual cost of living increase equal to the increase in the Consumer Price Index (CPI-SF/O/SJ), but not to exceed 5%\*

When inflation is greater than 5%\*, the difference between CPI-SF/O/SJ and 5%\* is "deposited" in the member's COLA Bank.

Then, in years when inflation is less than 5%\*, the member receives a cost of living increase based on the approved increase plus a "withdrawal" from the member's COLA Bank to bring the total cost of living increase up to the 5% maximum.

The following table lists the **COLA Bank Balances** for **Plan 1 General & Safety Retirees**, after the "withdrawals" for the current cost of living increase:

Retired on or before 4/1	Balance Remaining	Retired on or before 4/1	Balance Remaining	Retired on or before 4/1	Balance Remaining
≤1969	18.5%	1972	12.5%	1975	8.0%
1970	17.0%	1973	11.5 %	1976	3.0%
1971	14.5%	1974	11.0%		

\* Probation Plan 1 maximum COLA is 3%.

**Probation Plan 1 COLA Bank Balances** are as follows:

≤1998	3.0%	2000	2.5%	2001	1.5%
1999	2.5%				

- **Employees hired on or after July 6, 1980 cannot accumulate a COLA Bank.**

Notice of Trustee Election on page 1

Cost of Living Notice on page 2

Termination of Medicare Part-B Reimbursements on page 4

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### *SamCERA's Medicare Part-B Premium Reimbursements will Stop on June 30<sup>th</sup>*

In 1998, the Board of Supervisors and the Board of Retirement agreed to create *SamCERA's* tax-free reimbursement of retirees' Medicare Part-B Premiums.

Social Security deducts the Part-B Premium from an individual's Social Security benefit. Since 1998, *SamCERA* has been reimbursing eligible retirees with a supplement to their monthly *SamCERA* benefits.

The 1998 agreement between the two boards stipulates that the reimbursement can continue as long as *SamCERA's* Actuarial Assets equal at least **80%** of *SamCERA's* Actuarial Liabilities. This percentage is known as the "funding ratio".

*SamCERA's* 2003 Actuarial Valuation reported that the funding ratio has fallen to **76%**. The actuary's projections indicate that it is unlikely that the funding ratio will reach 80% again during this decade.

The decline in the funding ratio is the result of three major forces that converged at the same time:

The 1<sup>st</sup> major force is the cumulative impact of three years of dismal investment markets.

The 2<sup>nd</sup> major force is the cost of improved retirement benefits for County employees.

The 3<sup>rd</sup> major force is the consequence of changes to *SamCERA's* actuarial assumptions. *SamCERA's* Actuarial Interest Assumption was lowered from 8.25% to 8%, because of diminished expectations for future portfolio earnings. *SamCERA's* life expectancy factors were extended, because our retirees are living longer than previously expected, which means we will be paying our retirees' lifetime benefits for longer than anticipated.

***After a thorough review of the problem, the Board of Retirement voted on February 24<sup>th</sup> to terminate the Medicare Part-B reimbursement with the June 30<sup>th</sup> payment in accordance with the 80% funding requirement in the 1998 agreement.***

Consequently, staff has closed the program to new enrollees.

*SamCERA's* trustees acted now, noting that retirees may want to seek an agreement with the Supervisors to continue the program by lowering the Funding Ratio requirement.

Individuals supporting continuation of *SamCERA's* Medicare Part-B Premium Reimbursement Program may contact the San Mateo County Retired Personnel Association (SCORPA) by dropping a note to SCORPA, P.O. Box 3603, Redwood City, CA 94063.