SamCERA 101 – basic information about your retirement benefits

It might have been a catchier headline to call this "*Retirement for Dummies*" but we don't mean to insult anyone. Retirement rules are complex and no one should be expected to understand them without a lot of help.

So what are the basic things to understand?

- After you become eligible and apply for retirement, *SamCERA* will make a monthly payment to you guaranteed to continue for the rest of your life after you stop working for the county (or *SamCERA's* other covered employer, the Mosquito Abatement District).
- To become eligible, an employee must have ten years of membership. For members of Tiers 1, 2, and 4, this can be a minimum of five years of work plus five years in deferred status. (Deferred status just means you have at least five years of service, have not taken a refund of your member account, but are no longer working for your *SamCERA* employer.) Tier 3 members must work at least ten years in a permanent position for one of *SamCERA's* covered employers.
- To become eligible, you must also reach age 50 (55 for Tier 3) or have 30 or more years of service credit (20 for safety members) .
- Your benefits will be based on the amount of time you worked for a covered employer, the amount of your highest salary covering either one or three years of work for your covered employer (depends on your Tier/Plan), and your age at the time you retire. So, the longer you work the higher your benefit will be. The higher your salary the higher your benefit will be. And the older you are when you apply, the higher your benefit will be.
- Members belong to four different "tiers" of benefits (sometimes called plans) dependent on when they were hired. Today, new hires can choose between Tier 3 or Tier 4.
- Your retirement payments will come from money your employer paid to *SamCERA* every pay period plus money paid by you to *SamCERA* every pay period (deducted from your bi-weekly pay), plus investment earnings on those funds.
- Investment earnings typically pay for between 60 and 80 percent of the cost of your retirement benefits. (Your payments and the employer's cover between 20 and 40 percent.)
- (We hate to tell you this one, but) There are exceptions to almost every rule, including those listed here. But this information is correct for most employees.

As you might guess, there is much more to learn. We will provide more information in future newsletters. You can also read all of *SamCERA's* member publications on our website at www.samcera.org.

SamCERA also provides individual counseling for members nearing retirement.

SamCERA
100 Marine Parkway
Suite 125
Redwood Shores, CA 94065

San Mateo County Employees' Retirement Association

SamCERA Times

www.samcera.org March 2007

SamCERA tops $2 billion in assets

The total value of the *SamCERA* fund grew to exceed $2 billion in assets by the end of 2006. Investment and Finance Manager Gary Clifton said the milestone was reached only six and one half years after reaching the $1 billion milestone in June 1999.

Clifton said returns over the last three fiscal years have exceeded *SamCERA's* assumed annual earnings rate (7.75%) and have been in the top third of U.S. pension systems. Earnings for calendar year 2006 were just over 15%.

Of course, $2 billion is just a number. There are certainly many more important numbers (which you can find in *SamCERA's Popular Annual Financial Report* at www.samcera.org). But reaching the $2 billion milestone certainly indicates the fund is headed in the right direction.

Most COLAs to be 3 percent

SamCERA increases retirees' monthly payments every April for those in Tiers 1, 2 and 4. These annual cost of living adjustments (COLAs) are calculated following instructions in state law which direct that they be based on the change in the consumer price index (CPI) for the Bay Area as provided by the federal Bureau of Labor Statistics.

Each tier also has specific rules that limit the payment of COLAs. Tier 1 allows COLAs up to 5% and has a "COLA bank." Any annual increase in CPI that exceeds 5% is recorded in the bank and used to increase COLAs in following years. Tiers 2 and 4 do not have COLA banks. Tier 2 COLAs are limited to 3% per year. Tier 3 does not have COLAs. Tier 4 COLAs are limited to 2% per year.

An additional clause in state law requires that in determining COLAs the CPI will be rounded to the nearest one-half percent. For 2006 the CPI for the Bay Area increased 3.21%. Thus, by law COLAs were rounded to 3%.

SamCERA's actuarial firm, Milliman, Inc., calculated the COLAs.

Each member in Tiers 1, 2 and 4 who retired on or before April 1, 2007, will receive a COLA beginning with their April payment as shown below.

Tier 1. Tier 1 COLAs cannot exceed 5%.

Date of Retirement	General	Safety	Probation
On or before 4/1/1974	5.0%	5.0%	3.0%
4/2/1974 to 4/1/1975	4.0%	4.0%	3.0%
On or after 4/2/1975	3.0%	3.0%	3.0%

Tier 2: 3.0%. Tier 2 COLAs cannot exceed 3%.
Tier 3: Tier 3 retirees are not eligible for COLAs.
Tier 4: 2.0%. Tier 4 COLAs cannot exceed 2%.

Inside this issue:

650-599-1234 Toll-Free 1-800-339-0761

Opportunity for free mug prompts big survey response

In December, *SamCERA* sent out its second annual Customer Service Survey. It was an online survey that asked about the performance of the staff in relation to *SamCERA's* mission statement with an additional focus on member publications and online services.

The number of respondents increased significantly as compared to the last survey (900 vs. 250). The reason so many more members responded this time is clear. For everyone who took the survey and wanted to enter, we conducted a drawing for distribution of 50 *SamCERA* coffee mugs. With the increase to 900 respondents, we achieved a much better response rate than before, and therefore, greater assurance that the survey results accurately represent the viewpoints of the *SamCERA* membership.

Scores were very good. In fact, all scores were higher in this survey as compared to the last. Our average score was up 0.24 (from 3.01 to 3.25 out of a possible 4.0). In the survey scoring system, 1=Poor, 2=Fair, 3=Good, 4=Excellent.

If there is one question in the survey that best reflects how *SamCERA* is doing, it is the question; "How would you rate the last service you received from *SamCERA*?" Our score on this question increased 0.20, from 3.10 to 3.30.

While it is gratifying to see the vast majority of members rating *SamCERA's* services Good or Excellent, our goal will be to continue to decrease the small number who rated us Poor and Fair in some categories.

IT'S NEVER TOO EARLY TO START SAVING FOR RETIREMENT. *SamCERA* Retirement Analyst Celedonia Amacker hands a *SamCERA* piggy bank to a young saver at the annual County Benefits Fair.

There are a number of essay questions in the survey. One clear message from these responses is that members want more education. One of our strategic goals is to develop a series of workshops that would benefit members at various points in their careers. We should be able to begin implementing this series in 2007.

Our thanks to all who took the survey and our congratulations to all 50 members who received a *SamCERA* mug.

Limit on extra help hours different for retirees

SamCERA members are limited by law to a total of 960 hours of extra help work each fiscal year for the county **after they retire.**

This can be confusing since **non-retired** extra help employees are limited by county policy to 1040 hours per fiscal year and can work longer under some circumstances.

If you are working extra help and are retired from *SamCERA*, please pay close attention to your hours and don't exceed 960 in any fiscal year. If you do you risk termination of your retirement benefit, and no one wants that.

Purchase your extra help, redeposit withdrawn funds or upgrade Tier 3 time to improve your benefit

If you worked in a county extra help position and are now a regular member of *SamCERA*, you are eligible to purchase that time and improve your retirement benefit.

If you were a *SamCERA* member, left your job and took a refund of your account, but are now back working and a *SamCERA* member again, you can redeposit the amount you withdrew plus the interest those funds would have earned had they not been withdrawn. By doing so you will again be credited with the service time covered by that withdrawn amount, thus improving your eventual *SamCERA* retirement benefit.

If you were a Tier 3 (also called Plan 3) member, but are now in Tier 4, you can upgrade your Tier 3 service to Tier 4 service by paying the increase in contributions that would have been made by you and your employer, plus interest, thus, again improving your retirement benefit.

For some members, the purchase of military time is also available.

Important Dates — Service Purchases or Upgrades

If you plan to use PARS moneys for a purchase, you must submit your request no later then 5 p.m. on **April 13, 2007**.

For purchases made with other than PARS funds, *SamCERA* must receive your request by 5 p.m., **May 11, 2007**. [Any requests for purchase agreements received after that date will be put on the list for the next purchase cycle beginning in September 2007.]

To start the purchase process, complete either the Tier 3 upgrade, extra help or Redeposit form located on *SamCERA's* website: www.samcera.org or call 650-599-1234 to have a form sent to you.

Once you have completed the request, please return it to:

SamCERA
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065

Or Pony: RET141, Or Email: camacker@samcera.org

All members will have received their cost quotes from *SamCERA* by **May 31, 2007.**

Signed purchase agreements and payments must be received in *SamCERA's* office by 5 p.m. on **June 15, 2007.**

Avoid the rush! Send your forms in early!

Don't overlap your service

California law encourages public service careers by allowing improved benefits for employees who leave one public service job and enter another. This is called "reciprocity."

But there are two basic rules: You must start your next job within 180 days of the last public sector job. And you cannot start one job before the last job has ended. Even starting the new job while you are running out your vacation from the last can cause problems.

There is discussion about changing the law to help with this problem. But do you want to rely on that? The best idea is: don't overlap your service.

If you change jobs and are able to establish reciprocity, it will lower your payroll contributions to retirement and will increase your overall retirement benefit.

Of course, a few other rules apply. For more information, contact *SamCERA*.