NEWS BRIEFS

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SACRAMENTO COUNTY RETIRED EMPLOYEES ASSOCIATION
Post Office Box 161414 Sacramento, CA 95816

December 2011 Number 4 Susan Cucchi, Editor

PRESIDENT'S CORNER

By Kiyoshi Adachi

The retiree turn-out at the annual medical/dental enrollment held at the Foothill Community Center location on October 14, 2011, was not as well attended as last year. Last year, as you recall, for most health plan enrollees, the dental premiums subsidy of $25.00 per month was eliminated by the County. Therefore, a number of the 8,000 plus retirees enrolled in the County sponsored dental plans dropped their coverage for 2011. To drop out of the plan an opt-out form was required.

For this enrollment season, SCREA directors had requested the County Employee Benefits Office (EBO) enlist plan providers to offer lesser cost plans as options to the existing plans. The request was made because premium subsidies have been eliminated for most enrollees for 2012. Kaiser responded by offering an optional Senior Advantage Plan, Kaiser Silver, at a lower premium, about $80.00 per month. However, this plan has reduced coverage in some areas compared to their existing Senior Advantage Plan, Kaiser Gold. No information is available as to how many enrollees switched to the lower cost Kaiser Silver. Ron Hines and I represented SCREA directors at this enrollment and chatted with retirees. My wife, Patsy helped by decorating the SCREA light refreshment table and handed out the goodies.

Some retirees wanted information on SCREA's action against the County. We provided what we knew: The Federal Court date to hear oral arguments on the County's motion to dismiss the SCREA action is scheduled for Wednesday, November 30, 2011 at 10:00 AM. The hearing will be held in Court Room 3 at the Federal Court House near 5th and I Street in downtown Sacramento. Several court dates that have been cancelled so far. Maybe on this next date, the Court will deny the County's motion to dismiss our suit.

INSIDE THIS ISSUE

2011 HOLIDAY LUNCHEON

by Sandy Carli

SCREA'S Holiday Luncheon continues to be a favorite event for all of those who attend. We get to see so many more friends and co-workers at this event and catch up with what's happening in everyone's lives. So think about coming and bring a friend or two to share in the good times.

We will continue to be in the large ballroom at the Hilton Hotel at 2200 Harvard Street, just off Arden Way West. The lunch starts at ***noon,*** however the doors will open at 11:00. Although there is plenty of parking, I do recommend coming early to secure a parking place as there may be other parties going on as well.

Lots of Door Prizes! Somebody from every table will win a door prize again this year. The door prizes come from SCREA, the Sacramento County Credit Union, and from the John Descamp's Annual Christmas Gift Fund. As I have reported in the past, John Descamp, the former CEO of the Sacramento County Employees Retirement System donated a total of $8,000.00 to SCREA. Each year $400.00 is to be spent just on the Holiday Luncheon Door Prizes. The money cannot be used for any other purpose. The current balance in this fund is $6,793.24. So be sure and hang onto the raffle ticket that you will find in your reservation envelope and give a holler when your number is called to claim your prize.

SCREA extends a great big thank you to the Sacramento County Credit Union and John Descamp for their generous donations.

What's for lunch? See my article entitled Holiday Menu on page 9 of this issue.

Everyone must send in their reservation form and a check for the event by December 7th, 2011.

See you on DECEMBER 12th at the Hilton Hotel.

NEW MEMBERS

Thomas and Jude Biggs
Clifford T. Blakely
Ann Campoy
Jose G. Chacon
Emily and Bruce Chapman
Trudy Chiquillo
Sibyl Cristiani
Jack Daniel
Karlene Doupe
David L. Franke
Steve Garneau
Sharron Harrison
Joyce Horizumi

Roberta Jang
Annette Kalamaras
Lawrence Lobre
Corinne M. McDuffie
Clevelynn H. Mentillo
Bryan Munn
Mike Sales
Thomas C. Simms
Rosalinda and John Stoffel
Glennah Trochet, MD and
John Trochet
Patti White
Dave and Julie Williams

2011 SCREA PICNIC AT WILLIAM LAND PARK

The annual SCREA picnic was held on a beautiful September day. The food and the company were terrific. As usual there were many raffle prizes to be won Watch for the picnic next year and plan to join us.

BENEFITS COMMITTEE REPORT

By Kiyoshi Adachi

The chart below is excerpted from the County's letter to enrollees in County sponsored health plans:

Years of Service	Eligible participants that retired before 6-1-07 and whose gross SCERS benefit check on August 1, 2011 is less than $2000/month	2012 for PERB-covered participants that retired on or after 6-1-07
<10	$40.00	$122.00
10-15	$40.00	$152.00
15-20	$40.00	$182.00
20-25	$40.00	$212.00
25 +	$40.00	$244.00
Dental	$0.00	$25.00

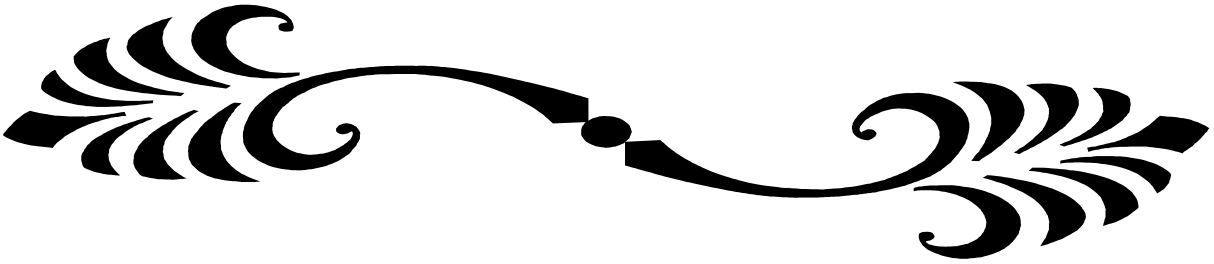
The County estimates 1350 enrollees are in this group.

The County estimates 360 enrollees are in this group.

The County also estimates there are about 2,700 additional enrollees in the County sponsored health plans for whom the subsidy for 2012 will be $0.00. These participants are those who retired before May 31, 2007 and also those who retired after May 31, 2007 and are not included in the PERB group. Those who retired after the May 2007 date have not been eligible for any subsidy and have been enrolled in the County plans at 100% self-pay.

During our meeting with the Interim County Executive and his staff last year, SCREA directors were told that the County wanted to treat all retirees equally in providing the insurance subsidies. We do not agree equal treatment has been received. Equal treatment under Federal and State law is one SCREA's causes of action in the pending suit against the County.

With the 2012 subsidy reduced to $0.00 for about 2,700 current enrollees out of the combined current enrollees of approximately 4,400, SCREA directors have been asking the County to have plan providers offer retirees less costly plans that are optional to existing plans. For 2012, through the EBO's efforts, Kaiser has offered a lower cost, optional Senior Advantage Plan, the Kaiser Silver plan. The Kaiser Gold plan is the current plan. SCREA directors have asked the EBO to continue the search for less costly plans for 2013.



IN MEMORIUM

Bradford H. Allen
Larry J. Arrowsmith
Raymond B. Benedetti
Calvin D. Brown
Paul J. Calhoun
Joseph D. Carlos
William Corey
Michele R. Darneille
Merlene Davis
Donald Deffke
James M. Druckemiller
John E. Escher
Yvonne H. Ferwerda
David Gordon
Richard Greendyk
Roman Hayes
Florence H. Heath
Ronald A. Henke
James E. Holland
William A. Kessell
Lillian B. Lewis
Ray Martinez
Charles Massey
Cheryl McKinney
Walter Mae Mikes
Ida M. Mitchell
Dennis Montgomery
Vivian Nance
Alice Nickens
Lois Nickless
Martha B. Palmer
David Risso
Sally C. Rosen
James Rounds
Robert Sarkin
Agatha F. Sauceda
Marian A. Scribner
Stanley Serpa
Terence B. Smith
Robert D. Sprague
Donald G. Stell
Joanne M. Stone
Adrienne Stuhler
Stanley Szczepanik
Roy N. Tougaw
Donna M. Vercoe
Eunita Williams
Tillie Znider

HAVE YOU MOVED OR PLAN TO MOVE?

Please fill out and mail this notice to:
SCREA, P.O. Box 161414
Sacramento, CA 95816

Name:_____

New Street Address:_____

City:_____State:_____

Zip:_____ Telephone_____

Email:_____

Date of Move_____

Old Address:_____

The surviving spouse of a member is eligible to SCREA membership. For enrollment assistance please contact our Membership Chair, Sue Murray, at 916-359-6394.

TRANSITIONING TO 401(K) PLANS – A TRAIN WRECK IN THE MAKING?

By Mike DeBord

How will our kids achieve retirement security? Look in the mirror--you may just be the only real retirement security they have, and only if you have enough inheritable assets. Many of our kids and other working age citizens **will not** be able to retire with adequate retirement pensions or assets needed to meet their retirement expenses.

Why? Because private sector corporations have been transitioning the American workforce into 401(k) plans (i.e. "defined contribution systems") and the public sector is under increasing pressure to also move in this direction either through a hybrid approach or totally. Over 60% of all U.S. workers now rely on a 401(k) as their primary retirement fund, and this percentage continues to increase each year. Unfortunately, these 401(k) plans are woefully underfunded.

In 1978, when Congress amended the Internal Revenue Code to include Section 401(k), it envisioned the provision mainly as a way for workers to supplement their companies' defined benefit pension plans and Social Security. The 401(k) plan was designed as a savings plan to help provide additional retirement security, in essence a third leg of a three legged stool (i.e. employee pension, social security and 401(k) savings plan). **Nobody at the time envisioned the 401(k) as something on which people would rely on for their retirement.**

For 401(k) plans to serve as a pension plan, the following would be required:

- Sufficient **contributions** during the entire work career regardless of the number of jobs;
- Sufficient **returns on investment** (net of expenses) during the entire 30+ year work career as well as during post retirement years;
- No "**cash outs**" or unreimbursed "**loans**" due to loss or change of job, financial hardships, etc..

Let's start with annual contributions. While employers can contribute to the worker's 401(k) plan, they are not required to do so. In fact, during the recent economic downturn, many employers have cut back or eliminated their contribution to 401(k) plans. And on the worker side, only 10% of all participants save the maximum dollar amount in the plans, and more than two-thirds of workers under 30 don't contribute anything to a 401(k). Clearly and painfully, the later the worker begins to fully contribute to the plan, the higher the annual contribution will need to be.

To determine the employee's annual contribution requires a crystal ball to predict the worker's earnings, inflation rates, rates of return on investment during both their work years and retirement years, guessing how much the employer contributions will be over the career, their planned retirement age, Social Security interface, and on and on. Most of us can't predict what the stock market will do tomorrow. So how can the average worker predict the net rate of return on their 401(k) plan for the next 30-50 years (assuming 30 years of contributions and 20 years of retirement)?

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For your information here are some important phone numbers:
SCERS 916-874-9119 Benefit Office 916-874-2020

TRANSITIONING TO 401(K) PLANS – A TRAIN WRECK IN THE MAKING?

By Mike DeBord

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The following provide two examples of using a "pension calculator" to determine the amount of 401(k) balance needed at time of retirement. For reference, let's start with a typical pension of a 65 year old government retiree (with a defined benefit plan) who just retired with 30 years of service with an ending salary of $48,000. This worker would receive a beginning pension of $35,000 a year (based on a 2% at 55 formula). To receive a comparable initial distribution from a 401(k) account would require a balance of over $700,000 at time of retirement. And using another example, take a look at the 35 year old worker just beginning to contribute to a 401(k). This worker would need a balance of over $850,000 at time of their future retirement at age 65 to achieve a 75% income replacement including Social Security interface. Their annual contribution would be a whopping 25% of annual income, less any employer contributions. Not many will be able to afford this level of contribution to achieve retirement security. Then what? Work longer or retire poor?

What is a realistic return on investment and where can you get it? From 1999 to 2009 there was no return on the stock market (the "lost decade"). And the timeframe from October 2007 until January 2009, the 401(k) accounts lost a collective $1 trillion in value (fully one third of the value of all 401(k) plan balances). So where can you invest to get a sufficient return? Government "defined benefit" pension funds have historically used somewhere around an 8% benchmark for their return on investment. While this level of return on investment provides a high compounding effect on contributions, how can the average American worker with a 401(k) account get those kinds of returns (net of expenses) over time?

According to a "60 Minutes" segment, Wall Street has pounced on unsophisticated investors by deducting up to a dozen undisclosed fees on mutual funds including legal fees, trustee fees, transactional fees, bookkeeping fees, stewardship fees and finder's fees just to name a few. They report that the financial lobby in Washington has prevented any bill from being introduced that would require disclosure of these fees. Congressional testimony shows that these fees can eat up ½ of the investment income of these 401(k) plans over a 30 year span. So how can the average worker really know what their 401(k) net return is, net of expenses?

How about those "cash outs" when a worker has a loss of job or job change, or "loans" on the 401(k) balances? Unfortunately, many people do cash out their 401(k) accounts when they no longer work for their prior employer even though they must pay a 10% penalty and have an automatic 20% withheld for federal income taxes. And in 2009, for example, 21% of all 401(k) participants had outstanding loans against their 401(k) accounts.

Unlike defined benefit plans, 401(k) plans do not automatically provide a stream of payments until the participant and their spouse die. 401(k) plan distributions more typically will be based on an estimate of the individual's life expectancy. A longevity calculator for the participant and their spouse might provide a point of reference for determining how to distribute the dollars in a 401(k) plan, but it is only accurate if the participant and their spouse die on the referenced longevity dates and the investments perform as expected. What's the likelihood of that? Outliving one's 401(k) savings will likely become a frequent occurrence for retirees.

One choice for 401(k) account holders is to buy an annuity at time of retirement, typically sold by insurance companies, to generate a stream of income. These plans have various payment considerations, including a "single lifetime annuity" that doesn't provide for any payments after your death. For example, let's say you put your entire 401(k) balance into this type of annuity and received one monthly payment and then died. No further payments would be paid to your beneficiaries. Obviously, there are several other types of annuities, but at a higher cost to achieve the desired monthly payment. Annuities by their nature

TRANSITIONING TO 401(K) PLANS – A TRAIN WRECK IN THE MAKING?

By Mike DeBord

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provide no, or limited, access to your assets once they are placed in an annuity. Annuities come in two types: a fixed or variable income annuity. A fixed-income annuity payment provides a steady stream of income, but it will not keep up with inflation. A variable income annuity payment will vary, but it is not guaranteed, and it will increase or decrease based on the selected fund's performance. Does this sound appealing and more importantly, does it provide retirement security?

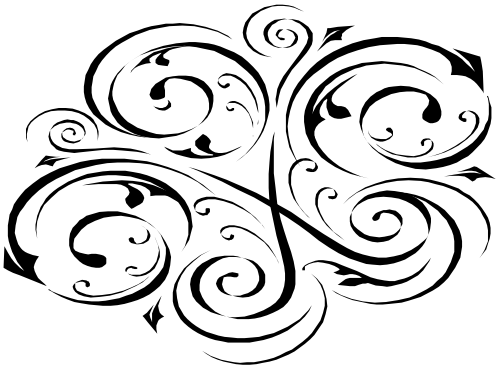
According to the 2011 Retirement Confidence Survey (RCS), more workers than ever (fully 70%) state that they are not where they need to be on planning for retirement. 8% state they are ahead of schedule and only 21% say they are on track. And 20% of workers in this survey say the age they expect to retire has increased in just the past year. Only 23% of workers now expect to retire before they turn 65 years old in 2011 (compared to 50% back in 1991).

So why do we need a retirement plan anyway? The majority of the American workforce has no retirement plan (and savings under $2,000) and will be dependent on Social Security when they retire. And 6 out of 10 working Americans believe they will get no Social Security benefits when they retire. The reason that we need a retirement plan is that none of us want to be a burden to family, friends or society in our old age. But the U.S. workforce is clearly headed for a bleak future if we continue on this projected 401(k) course. The current move to 401(k) systems is not a win/win situation. While it may appear to be very financially beneficial for the employer (and Wall Street), this is short term thinking. These underfunded 401(k) plans will have a very detrimental impact on business and the economy in post-retirement years. Unlike the positive impact (multiplier effect) that has traditionally been associated with defined benefit plans that return $2.36 for every $1.00 of pension expenditure, the consequence of these 401(k) plans may be a future drag on the economy. Consumer spending today accounts for a significant percentage of our nation's economic activity. With a huge population of elderly retirees struggling to barely get by financially, our consumer driven economy will be in a disastrous state.

Unfortunately, the 401(k) plans have not been in effect long enough for the American worker to see the real consequences of this transition. And according to a February 19, 2011 article in the Wall Street Journal, **"the median household headed by a person aged 60 to 62 with a 401(k) account has less than one-quarter of what is needed in that account to maintain its standard of living in retirement."** Assuming that these are the workers closest to retirement and have the highest funded balances, the shortfall in 401(k) accounts to achieve retirement security looms large. In 2010, the number of 401(k) participants exceeded 74 million and the 401(k) account balances totaled just over $3 trillion. Based on a conservative estimate that 401(k) accounts are three-quarters short of adequate funding, the overall national shortfall of 401(k) plans could potentially top $9 trillion.

The major shift from defined benefit plans to 401(k) plans in recent years could just be a **train wreck coming for the next (our kid's) generation of retirees**.

This article is based on a presentation by SCREA Board Member Mike DeBord at a recent California Retired County Employees Association conference in response to media attacks on local government defined benefit retirement plans (like Sacramento County's retirement plans) and its participants.



2011 HOLIDAY LUNCHEON MENU

By Sandy Carli

Please join us for our annual Holiday Luncheon on
Monday DECEMBER 12, 2011

Where: HILTON HOTEL BALLROOM
2200 Harvard St., Sacramento
Time: 11:00 a.m. No Host Bar
12:00 p.m. -Lunch
Door Prize Drawings after Lunch

Menu includes a choice between:

Chicken Marsala-Chicken Breasts in a wine demi glaze with fresh mushrooms,
Yukon Gold Mashed Potatoes, Chef's Fresh Vegetable Du Jour
Or
Vegetarian Delta Asparagus Penne Pasta with artichoke hearts, olives, sun-dried tomatoes,
and asparagus, Chef's Fresh Vegetable Du Jour.

Each dish comes with Caesar salad, wheat and sour dough rolls, coffee and teas,
and for dessert, Chocolate Mousse with a special topping.

COST: Members $18.00 and Non-Members $25.00
(This represents a $7.00 savings to Members)

Please send in your reservation by **December 7, 2011.**

Please call 916-457-0304 or email scarli@surewest.net if your check is sent on Dec. 7th or later. Payment at the door must be cleared with me prior to the event.
No reservations are taken at the door.

Sorry, no refunds after **December 9, 2011.**

Send Reservations to SCREA, PO Box 161414
Sacramento, CA 95816

Directions:

Hwy. 80, Exit at Arden Way West, right on Harvard Street. Parking in the front and on the right side of the hotel.

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SACRAMENTO COUNTY RETIRED EMPLOYEES ASSOICATION
Post Office Box 161414 Sacramento, CA 95816

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SCREA
PO Box 161414
Sacramento, CA 95816

Return Service Requested
Dated Materials

NON-PROFIT
U.S.Postage
Paid
Permit # 1298
Sacramento, CA

SCREA HOLIDAY LUNCHEON RESERVATION

MONDAY, DECEMBER 12, 2011
Lunch served at Noon

Member(s) Name: _____ Phone: _____

Member(s) Name: _____ Phone: _____

Non-members Name: _____ Phone: _____

Non-members Name: _____ Phone:_____

#_____ Members: Chicken Marsala $18.00= _____
_____Members: Vegetarian Delta Asparagus Pasta $18.00=_____
_____Non-Members: Chicken Marsala $25.00= _____
_____Non-Members: Vegetarian Delta Asparagus Pasta $25.00=_____

Total Check enclosed _____

RESERVATION DEADLINE NO LATER THAN DECEMBER 7, 2011.
DO NOT SEND CASH. SEND A CHECK MADE PAYABLE TO:
SCREA, P.O. BOX 161414, SACRAMENTO, CA 95816
Directions to the Hilton Hotel are in the Holiday Menu Article.