



# NEWS BRIEFS

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

September 2011 Number 3

Susan Cucchi, Editor



## PRESIDENT'S CORNER

By Kiyoshi Adachi



Richard Stensrud, CEO of SCERS, our retirement system, was a guest speaker at the SCREA luncheon held on June 13, 2011. (See page 7 for details of his presentation.) He told us the retirement system was in solid shape. From losses of about 23% in 2008-2009, the system has rebounded with about a 13.5% gain in 2009-2010 and about 19.5% gain in 2010-2011. The system is currently funded at 87% and the current value has reach the \$6 billion level again.

He also talked about the Count of Appeals ruling that SCERS must disclose requested benefits information to the Sacramento Bee and other parties. All SCERS benefit recipients have received a letter from SCERS detailing the information being released. Address and phone numbers of benefit recipients are not included in the disclosures.

At the luncheon Mike DeBord recognized Supervisor Jimmie Yee and Don Nottoli and thanked them for their support for the Board of Supervisors approval of a retiree insurance subsidy program for approximately 1350 enrollees in County medical plans.

The SCREA Directors have learned that the Federal Court hearing on Sacramento County's motion to dismiss SCREA's lawsuit will take a little longer because the judge has recused himself. Prior to the recusal, oral arguments on the County's motion to dismiss had been scheduled for July 26, 2011. Another judge will be assigned.

### INSIDE THIS ISSUE

- 2 Picnic Information
- Elections
- 3 In Memoriam
- Luncheon Dates
- 4 Benefits Committee
- 5 Benefits Committee Continued
- Silent Auction
- 6 New Members
- 7-12 Richard Stensrud's Presentation  
At June 2011 Luncheon
- 13 Message From Mr. Stensrud



## **ANNUAL SCREA FOUNDER'S PICNIC**

**By Sandy Carli**

At long last our summer has arrived and once again IT'S BBQ TIME! We are in our usual spot behind Fairytale Town at William Land Park. Look for the SCREA banner hanging from a tree. If you haven't attended a SCREA luncheon or it's been awhile since we have seen you, COME ON DOWN. The food is great, the price is right, the weather always cooperates for us, and your co-workers and friends are waiting to see you. Speaking of price, note that members pay HALF-PRICE again this year!

Once again we will enjoy the great food offered by Mike Garcia from Thai-Mex Catering. He will be providing BBQ Pork and Chicken, green beans with mushrooms, Jasmine Rice, Thai Angel Hair Pasta, Caesar Salad, Rolls, Baked Tamales as the Vegetarian dish, and cookies for dessert. Water and sodas are provided by SCREA.

Due to Health Department regulations the caterer cannot release leftover food to us at the end of the event. Seconds will be allowed after everyone has been fed.

You must complete the reservation form found on the back page of the newsletter to register for the picnic. The due date for reservations is September 7<sup>th</sup>. You may phone or email me regarding your intention to attend the picnic, but I must have the reservation form and check before the deadline unless I make other arrangements with you. Once we are nearing the deadline and/or you have just put your check in the mail PLEASE call me (457-0304) or email [scarli@surewest.net](mailto:scarli@surewest.net) to let me know. I can tell you if space is available then give a true count to the caterer.

If you make last minute arrangements to attend and will "pay at the door" but do not show up for the picnic, you are still expected to pay for your lunch. The caterer was paid for your meal so we must collect from you. Any other refund requests are handled by a case by case basis. Don't hesitate to talk to me about your situation.

Directions to William Land Park and Fairytale Town: Freeport Blvd south, west on Sutterville Road, north on Land Park Dr., pass the Sacramento zoo and immediately turn right into the parking area by Fairytale town. We are across from the parking lot behind Fairytale Town.

## **ELECTION OF SCREA BOARD MEMBERS**

**By Fran Alberghini**

During the general membership luncheon held on June 13, 2011, Nominating Committee Chair, Fran Alberghini, conducted the election for five SCREA Board seats. The terms of the incumbents (Warren Harada, Martha Hoover, Sue Murray, Vic Scotti and Pam Thomas expired on June 30, 2011. The vacancies were advertised in the June issue of News Briefs. Applications were received from the five incumbents. Alberghini noted that no other applications were received for the positions. She called for a verbal vote to affirm the election of the five incumbents. The vote was taken and the assembly approved the reappointment of the five incumbents with no opposition.

Special Note: The term of Warren Harada (behind Dee McKenzie) will expire in 2013. The terms of the other four Directors will expire in three years (2014).

## IN MEMORIAM

Ruth Abellera  
 Donna J. Anderson  
 Marian R. Arena  
 Richard P. Bankie  
 Florence E. Barmby  
 Betty A. Black  
 Bess Ann Blake  
 Henry C. Blaud  
 Doris Bradshaw  
 Wilma M. Busath  
 Robert A. Camozzi  
 Gertrude M. Campbell  
 Robert J. Chastain  
 Ralph W. Clinton, Jr.  
 Rosina Coombs  
 Glen Currey  
 Stephen J. Dahlen  
 Doris Gillingham  
 Geraldine M. Gordon  
 Raymond Gomez  
 Frances A. Grabow  
 Marsha Guetling  
 Phyllis Harrington

Jacquelyn Jacobson  
 Josephine Johnson  
 Mona J. Kerrin  
 Marilyn H. Killian  
 Norma D. Lord  
 Laverne K. Mahony  
 Cinthia Martinez  
 Suzuko McDonough  
 Mariana McGee  
 Thomas M. McLoughlin  
 Gayle Merrill  
 Beatrice Moore  
 Thurmond W. Moore  
 Robert G. Morrin  
 Wardon H. Moul  
 Emma Neal  
 George W. Nutter  
 Sam Ong  
 Charlotte Orlandi  
 Virginia Paoloni  
 James W. Parks, Jr.  
 Louise Paul

Jeanette Reber  
 Everett A. Reimers, Jr.  
 Laverne Renz  
 Raymond Ricci  
 Josephine Robbins  
 Marian A. Scribner  
 Wanda E. Selmants  
 Catharina Silvera  
 Palmer H. Slack II  
 Margaret E. Smith  
 Marian Smith  
 A.B. Stephens  
 Mary A. Stump  
 Virginia Tennant  
 Edna Mae Tracy  
 Mary Toon  
 Laurene Tucker  
 Timothy Twomey  
 Tam Wachtel  
 Eleanore Wilkendorf  
 Jacqueline E. Willis  
 Minnie Wilson  
 Carol A. Zerbel

## UPDATED LUNCHEON DATES, 2011

By Sandy Carli

**Only 2 events left for 2011. Please mark your calendars. All events start at 11:00AM.  
 Lunch is served at Noon.**

**SEPTEMBER 12, (Monday) 2011**

Annual Founder's Day Picnic at William Land Park  
 Deadline *September 7*

**DECEMBER 12, (Monday) 2011**

Holiday Luncheon at the Hilton Hotel off Arden Way  
 Deadline *December 7*

Notice: The information presented in "News Briefs" is believed to be from reliable sources. However, no responsibility is assumed by SCREA, the Editor or the writers for inaccuracies in the articles published.



## BENEFITS COMMITTEE REPORT

By Kiyoshi Adachi



At the FY 2011-2012 preliminary Budget Hearing on June 9, 2011, the Board of Supervisors approved the calendar year 2012 retiree subsidy program for three retiree groups as follows:

- ◆ For those who are currently enrolled in the County-sponsored health programs **and** who retired before May 31, 2007 **and** who receive a gross monthly retirement from SCERS of \$2000 or less per month on September 2011 the 2012 program will provide a \$40 per month subsidy. As stated above, only those currently receiving a subsidy are eligible for the 2012 subsidy. The County estimates approximately 1350 enrollees are currently in this group.
- ◆ For those enrolled in the County-sponsored health plans who retired after May 31, 2007 and are referred to as the PERB group: The subsidies will be continued at their current levels of \$244.00 per month maximum for medical and \$25.00 per month for the dental for FY 2011-2012 or for dates negotiated in contracts. The County estimates approximately 360 enrollees are currently in this group.
- ◆ For all others enrolled in the County-sponsored health plans, the subsidy has been eliminated for 2012. This group includes those who retired before May 31, 2007 and those who retired after that date. Those who retired after May 31, 2007 and not included in the PERB group have not been eligible for any subsidy and have been enrolled in the County plans at 100% self-pay. The County estimates approximately 2,700 enrollees are currently in this group.

The list below shows the PERB units and the recently negotiated contract expiration dates. PERB units 1,5,8,10 and 25 have negotiated subsidy expiration dates which coincides with their new contract dates. The new contract expiration dates for PERB units 20 and 21 were not available prior to publication of this article.

PERB Unit	Name	Labor Contract Expiration
1	General Supervisor Unit, Teamster Local 150	6-30-2013
3	Law Enforcement, Non-Supervisory, Sacramento County Deputy Sherriff's Association	6-30-2014
5	Office Technical, United Public Employees Local 1	6-30-2013
7	Health Services American Federation of State, County and Municipal Employees	6-30-2012
8	Welfare Non-Supervisory, United Public Employees Local 1	6-30-2013
10	Accountants Non-Supervisory, Sacramento County Professional Accountants Association	6-30-2013
20	Attorneys Non-Supervisory, Sacramento County Attorney's Association	6-30-2011
21	Attorneys Supervisory, Sacramento County Attorney's Association	6-30-2011
25	Welfare Supervisory, Service Employees International Union 1021	6-30-2013

There are over two dozen REO's (Recognized Employee Organizations) in Sacramento County. The PERB group consists of 9 REOs. SCREA membership includes retirees from the PERB groups as well as those who didn't participate in the PERB action and who retired after May 31, 2007. The non-PERB group retirees were represented by REOs or were unrepresented, confidential and management employees.



## **BENEFITS COMMITTEE REPORT**

**By Kiyoshi Adachi**



As in previous years, the Board of Supervisors vote to approve the retiree subsidy programs was by a 3 to 2 vote. The entire five members of the Board favored continuing to provide access to the County-sponsored health plans to all retirees and dependents.

The Interim County Executive recommended continuing the subsidy only to the PERB group and further recommended elimination of the subsidy for all retirees for 2012. SCREA Directors, retirees and dependents enrolled in County sponsored plans very much appreciated the efforts and support of Supervisors Jimme Yee, Don Nottoli and Phil Serna to provide a subsidy for 2012 for approximately 1350 current enrollees who have a SCERS income of \$2000.00 per month or less in September 2011. Supervisors Yee and Nattoli spoke out very strongly to approve this subsidy at the June 9, 2011 Preliminary Budget Hearing. Supervisor Phil Serna concurred in the 3 to 2 vote. Retirees and dependents thank Supervisors Yee, Notolli and Serna.

Retirees and active employees have been told to expect increases in medical premium rates beginning January 1, 2012. For retirees, the 2012 rates will be included in the 2012 annual enrollment materials mailed in September. A bit of good news for retirees enrolled in the dental plan: There will be a premium decrease.

## **SILENT AUCTION AT THE PICNIC**

**By Sandy Carli**

As you know, we have filed a lawsuit against the county for loss of medical benefits. Several years ago, SCREA created a fund to handle the cost of any research and legal expenses. We also increased our dues by \$1.00 to help cover research and legal expenses. Money from the silent auction goes directly into the Research and Legal Fund.

Each year, Mike Garcia, our caterer from Thai-Mex Catering Company has donated a catered BBQ for up to 30 people. This year is no exception. Once again you will have the opportunity to bid on this event valued at \$600.00. All proceeds will go to SCREA's Research and Legal fund.

What a great way to entertain your guests and leave all the work to Good Old Mike and his crew! All you have to do is decide when and where you want to have the event catered. The silent auction will start at the beginning of the picnic and I will periodically announce when the bidding will close. The bidding will start at \$25.00 with each succeeding bid at \$25.00 increments. The bidding chart will be at the registration table and shortly before the start of the raffle drawings I will call for the last bids. Make this something you and your special guests will always remember.



## NEW SCREA MEMBERS

<p>Creston G. Aldridge Miriam C. Artates Lori Babbage Bert and Harry Bettis Nancy Bible Joan Billings Beverly and Robert Borgman Carol Britto Stephen and Laurie Bunce Roger Bshara Ralph Bunn Terry and Danielle Burkes Frank and Barbara Carl Marie Colston Steve Cox Donald and Patricia Crane Jocelyn Dacue Delores Dallosta Sonja Downing Robert Earle</p>	<p>Carole Edwards Burt Fischer Ronald and Joleen Freeman David Gerriets Robin Gilmore Carol Green Leslie Green George Hernandez Jennifer Jeffery Robert Keldgord Kraig Kelley Janet Kemple Mark Koller Linda Lewis Chung-Tao Lu Michael Malaki Angie Martere Carolyn Martinez Grace Martinez Leon and Beverly Misamore</p>	<p>John O'Brien Donna O'Ray King Donald Ramsey Siena Riffia Jill Ritzman Emanuel and Martha Rivera Carol Robertson Frank Rodrigs Marjorie Schirling Helen Simms Laura Thompson Rose Mary Vaske Magdalena Vela Michael and Vicky Violet Clifton Watson Howard Weaver Jacque Weaver Jarian Westfall Therese Weyeker Cynthia Wong</p>
---	--	--

## 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.

## RICHARD STENSRUD'S PRESENTATION

### SCREA Luncheon June 13, 2011

From Notes Taken by Recording Secretary Lyn Scotti

Edited by Richard Stensrud

Richard Stensrud, Chief Executive Officer (CEO) of the Sacramento County Employees' Retirement System (SCERS), was the guest speaker at the SCREA General Membership Luncheon June 13, 2011. Following is a summary of his presentation regarding the status of the retirement system and related issues.

CEO Stensrud stated that a few years ago he had been optimistic that things had stabilized after a period of turbulence for public employee pensions. Unfortunately, the financial impact of the dramatic eighteen month downturn in the investment markets put public pensions back in the spotlight. Since that time there has been a relentless campaign of public employee/retiree bashing in both the local and national media.

For more than a year, SCERS has been involved in litigation with *The Sacramento Bee*, regarding disclosure of information about SCERS' retirees and beneficiaries. Originally, the request for information by *The Bee* was focused on the highest paid SCERS retirees – those receiving \$100,000 or more annually. Subsequently, the request for information was expanded to obtain information on all retirees and beneficiaries.

SCERS did not resist disclosing the requested information because SCERS was trying to hide anything. SCERS resisted disclosing the information because SCERS felt the law governing the retirement system was very clear. The language in the statute declares that individual member records are to be kept confidential and shall not be disclosed. Accordingly, over the course of its history, SCERS has consistently treated individual member information as confidential. It was SCERS's position that in order for the retirement system to act in a different manner, it would be necessary for a court to so rule, and to explain how it should apply the law going forward.

The trial court and the appellate courts have now

ruled that SCERS must disclose this information under the California Public Records Act. Interestingly, it took the Court of Appeals almost fifty pages to explain how and why the plain language of the statute means something different than what it says. However, while SCERS does not agree with the court rulings, it is clear that there is very little chance that further litigation will yield a different outcome. Accordingly, today, SCERS is providing the requested information to *The Sacramento Bee*.

SCERS has sent out a letter to all retirees and beneficiaries regarding the information that is being disclosed. The information includes the name, retirement date, years of service, last job held at time of retirement, starting pension allowance, cost of living adjustments received, and current pension allowance for all retirees and beneficiaries. The information released does not include the address, phone number, or Social Security numbers of retirees and beneficiaries. It is anticipated *The Bee* will publish an article fairly soon, likely focusing first on the \$100,000 benefit recipient category.

The most troubling aspect of the court ruling mandating disclosure is that, while we may not like the idea of a newspaper publishing this personal financial information, less scrupulous people may come into our office demanding retiree information for purposes that are less than honest. In other words, if information is subject to disclosure under the Public Records Act, it must be disclosed to anyone who requests it. The risk that such information could be used to victimize retirees was a key reason why SCERS sought to keep it confidential.

Throughout this experience, SCERS has acted in a professional and respectful manner toward all parties in this issue. For example, because SCERS recognized that some people think that information like this should have been disclosed some time ago, SCERS sought to fully explain why it has taken the position it has. And to help counter claims that re-

Continued on page 8

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

## STENSRUD'S PRESENTATION Continued

fusal to disclose the information was because there was something to hide, from a very early point SCERS provided virtually all the information that was requested, just not in a way in which individuals could be identified.

It is disappointing that other parties have not acted as professionally and respectfully. In particular, **The Sacramento Bee** has not behaved in a like manner.

Simply put, over and above their steady stream of misstatements and partial truths, the **Bee** has not respected SCERS' right to have a decision made by a court and to pursue our right to appeal the lower court decision. For example, last week the **Bee** published an editorial declaring that the Board of Supervisors should replace appointed members of the SCERS Board, because SCERS did not just hand over the information they requested. This is extremely irresponsible and an abuse of the power they possess. The reason Sacramento County has a financially secure and prudently managed retirement system is due to the independence of the retirement system and the fact that SCERS Board members understand that their fiduciary responsibilities are to you (the participants) in the fund. To suggest that Board members acting as good fiduciaries should be replaced simply because they won't do something the newspaper wants is short-sighted self-interest on the part of the Bee, and encourages an environment where the ability of the SCERS Board to act as prudent fiduciaries will be compromised. If you have a retirement board that acts out of fear of disapproval by the plan sponsor or the press, you have a retirement system that is on the road to ruin.

Here is some information to put the \$100,000 benefit category in its proper context. There are currently 282 retirees (out of 8,621 retirees) in the \$100,000 per year range. They represent approximately 3.3 percent of total retirees. 80 percent of retirees receive \$48,000 or less annually. 51 percent of retirees receive \$24,000 or less annually. So retirees in the \$100,000 range are a very small part of SCERS' retirees and beneficiaries. However, they are also a category that deserves some respect, because the average length of service for people in this category is 32 years. And 63 percent of the people in this category are retired public

safety members. I would respectfully submit that if someone put their life on-the-line for taxpayers for 32 years, it is difficult to begrudge them a decent pension.

We have looked very hard at the people in this category and we have not seen anything to suggest the occurrence of rampant pension spiking. There are people who, by virtue of a long career, got a promotion late in their career that may have resulted in a salary adjustment. In some instances, retirees received an equity adjustment during their last year of employment. But there is nothing in the data to suggest widespread corruption. What you have are people who worked hard and who deserve to enter retirement without having to worry about the media degrading their hard work.

This broader information regarding SCERS' retirees and beneficiaries will be provided to **The Sacramento Bee**. We will also be posting this information as well as the letter being sent to retirees and beneficiaries on the SCERS web site.

With everything that has happened in the financial markets and with the depressed economy, the general level of public anger, fear and frustration is high. When these feelings are exacerbated by exaggerations and distortions in the media, it results in a very disconcerting environment for public employees and public employee benefits. In this country, we have always prided ourselves on being a people that admires the success of others and aspires to bettering ourselves in a similar way. Now it seems the prevailing mentality has changed to "if somebody has something I don't, then we have to take it away from them." Another troubling concern is the abandonment of the attitude that we should pay our bills and honor our promises. We now have people who profess to be proponents of American values suggesting that local governments should declare bankruptcy, and simply walk away from pension obligations and promises they have entered into with their workforce and retirees. These are not values that reflect well on America. And it is not behavior that we would support by any other country.

To help counter these attitudes, I would encourage all SCERS retirees to study and become familiar with the information provided on the SCERS web

## STENSRUD'S PRESENTATION Continued

site regarding the full and correct story about public employee pension plans. In short, I encourage all SCERS participants to become better informed. Then, when friends and neighbors ask questions about your pension benefits, or public employee benefits in general, you can help them get a good, balanced perspective on the situation by providing accurate information and data.

In the meantime, given the mood of the public, it is important to monitor pension reform proposals that could potentially turn into ballot initiative proposals. In that regard, a pension reform study that has received a great deal of press recently is the report issued by the Little Hoover Commission. The most controversial element of that report was the suggestion that employers should change – that is reduce – the benefit formula for current, active employees. It should be emphasized that the Little Hoover Commission and all pension reform proposals are focusing on current “active” employees. No one is suggesting that existing retirees should have their benefits reduced or suspended. There would be a tremendous legal obstacle to doing anything that affects current retirees. The same legal obstacle exists with regard to changing things for existing em-

ployees

Yet, this is an idea that some people are pushing. For example, it is my understanding that the Mayor of San Jose wants to take to the voters a referendum to change the retirement formula for existing employees. And there are at least two other potential ballot Initiatives that would involve something similar. A ballot Initiative being advocated by former Assemblyman Roger Neillo, proposes some dramatic changes for both current and future employees. The proposal would increase the retirement age at which an employee could draw a full pension, would cap the pension benefit at 60% of a person's final average salary, and would mandate equal contributions by the employer and employee. This would be a significant change from current County retirement criteria. Mr. Neillo has indicated he does not intend to pursue his proposal this year. He has, however, indicated an interest in bringing it back at a future date.

As previously noted, if a ballot initiative is passed that seeks to unilaterally change the terms of the pension benefits for existing employees or current retirees, there will be litigation.

**Credit Unions  
For People. Not Profit.**



**Better Rates  
+Lower Fees  
Big Savings**

Visit [sactocu.org](http://sactocu.org)  
or call (916) 444-6070 today.



### **In the Market for a New Car?**

We have a loan option that's right for you! Apply online, visit a branch or call us and we'll help you evaluate your choices.

### **Refinance Now and Save!**

Sacramento Credit Union's low rates will help reduce monthly payments so you have more money in your pocket each month.



## STENSRUD'S PRESENTATION Continued

It is also important to note even prospective changes to the benefit structure can have ramifications for the retirement system, as well as ramifications for the plan sponsor that are not completely positive. For example, if the retirement contribution stream from active employees drops, the retirement system would need to draw money from investment returns to pay monthly benefits to retirees. If the retirement system has to draw income from investments, it would be necessary to have more liquid investment strategies. If we are forced to use strategies that are more liquid, it is likely the investments will produce a lower rate of return. If there is a lower rate of return, it will be necessary to lower the investment return assumption. And when we lower the investment return assumption, it means the price tag goes up for the employer.

In addition, proposals that raise the age when people can draw a reasonable benefit would put tremendous pressure on people to stay in the workforce longer, and result in an overall aging of the workforce. A reduction in benefit levels could also increase reliance on other social services. It is important to remember that under current formulas 51% of retirees receive less than \$24,000 per year. They are not rich. They are living close to poverty levels. The more individuals forced into that category of benefits, the more pressure there will be on other social networks to provide support for them.

Sadly, there are pension reform proposals that are even more far-reaching and worrisome. Thus far, no one has stepped forward to provide funding for these particular ballot Initiatives. Getting on the ballot requires gathering a significant number of signatures. Signature gathering requires money. Unless and until someone steps forward to fund such an effort, these proposed ballot measures are simply ideas being batted around. But they are ideas that concern us because of the current economic and political environment.

On a more positive note, SCERS is getting ready to wrap up a second consecutive year of very strong investment performance. Last fiscal year, the return was more than 13 percent. This current fiscal year, we are projecting a return of around 20%. This illustrates the resilience of our retirement system model and our ability to recover from the investment losses of 2008 and 2009. The fact that we have a broadly

diversified investment program and are always invested means that we have participated in the market recovery.

Today, the retirement system is 87 percent funded and in good shape. The retirement system will not run out of money to pay your SCERS benefits. The investment engine is running smoothly. We are continuing to get full employer and employee contributions. We continue to be net positive from a cash-flow perspective, which means we take in more in contributions and income spun off the retirement system than we have to pay out each year in benefits. This means we do not have to sell assets to pay benefits or change our investment program to have more liquidity.

Periodically, someone will ask "Didn't the County get a pension holiday?" The answer is "No." When the retirement system was more than 100 percent funded, the actuary utilized a widely practiced actuarial principle that slightly reduced the employer's contribution rate to reflect the 'over-funded' status. In the same way, if the system is under-funded for any reason, the actuary increases the employer contribution rate to cover the unfunded liability. Every year, the County has paid the full amount the actuary determined is appropriate. There has never been and will never be a pension holiday.

A final item of interest: You may recall that a few years ago SCERS, along with a number of other large institutional investors became very concerned when an investment management firm called Westridge was taken over by federal regulators because it appeared some of the principals in the firm were engaging in fraudulent behavior. At the time, SCERS knew there were substantial assets in this company. We expected that when the dust settled, we would recover a substantial amount of the money that was invested. I am pleased to report, that as we expected, SCERS has recovered nearly 85 percent of the value of our investment in Westridge. And we are fighting to recover more. SCERS' investment in Westridge was in one particular fund run by the firm. We invested in that particular fund, because it had more oversight and transparency than other investment funds the company offered. Not surprisingly, virtually everything that was supposed to be in our fund was still there when the regulators took over the firm. Investors in other funds run by

## STENSRUD'S PRESENTATION Continued

the firm were not so fortunate. If SCERS had been reimbursed out of our fund, we would have recouped 100 percent of our investment. However, the Court handling the case ruled that the monies retained in our fund should be shared with all of the investors who lost money – even those who invested in riskier Westridge funds. While we are sympathetic to the losses suffered by other investors, SCERS does not believe that the court's distribution of funds properly rewards investors like SCERS who invested more carefully. Accordingly, SCERS, along with several other investors in a like position, is appealing this ruling. We are glad that 85 percent of the investment has been returned and we are putting that money to work for plan participants while we await the decision of the Appeals Court.

CEO Stensrud took questions from luncheon attendees following his presentation. Following is a brief summary of the questions and responses inasmuch as they were audible on the Secretary's recording.

**Question from Audience:** What is the level of SCERS involvement in oil investments and "oil flipping?"

**Answer:** The oil/energy sector is an enormous segment of the market. It is impossible to be in the market, and be diversified, without some exposure to oil and energy. SCERS owns stock in oil companies. SCERS owns stock in just about everything, except McClatchy. SCERS is not actively engaged in "oil flipping" or "energy flipping." A section of SCERS portfolio is devoted to commodities investing. A component of that is in the oil and gas area, but it is not involved in the literal buying of oil stock and flipping it – or parking oil in tankers off the coast and waiting for the price to go up. It is commodities futures trading – so it is all a financial transaction.

**Comment from Audience:** I read *The Sacramento Bee* article about efforts to get retiree information. I would like to suggest if anyone else contacts SCERS requesting the information, that you have them contact *The Sacramento Bee* to get it. Even though the battle has been lost, we thank you for fighting to protect the privacy of our information.

**Response:** The truth is that we are only as strong as the backbone of our Board. The SCERS Board has been "bristling" over the fight at least as much as I. The Board has been 100 percent behind this effort from the start. They have shared the concerns I discussed earlier today.

Retiree Representative to the SCERS Board, Nancy Wolford-Landers, then noted that she would like to add to Mr. Stensrud's earlier discussion about members of the SCERS Board who are appointed by the Board of Supervisors. Both she and Alternate SCERS Board Member, Mike DeBord, are very concerned, as representatives of the retirees, about the outcome for those appointed members. They stood staunchly with our position to protect retirees from disclosure of their personal information. Even when they were concerned about the Board of Supervisors not reappointing them, they took their fiduciary responsibilities very seriously. They joined adamantly with Retiree Representatives to appeal the Court Order to release the information, even though the Board of Supervisors told us all that SCERS should not take this to the Appellate Court. She said appointed members of the SCERS Board should be commended for their stand. The retirees really appreciate that action.

**Question from Audience:** The question was inaudible on the recorded tape, but it dealt with the financial status of SCERS and what SCERS is doing to address market losses.

**Answer:** The retirement system is in very strong fiscal condition. It is 87 percent funded. There have been 2 strong years of investment returns that are helping balance out the losses from the 2 prior years. The way the system operates from an actuarial perspective is to smooth out the investment experience over a period time, both good and bad, so that over a 7 year period, what happens each year gets phased in. It allows for good years and bad years to have a certain amount of overlap providing for a certain amount of stability in the cost picture. The same stability happens in the funded status picture.

While SCERS has had 2 very good years of investment performance, it is important to remember that

## **STENSRUD'S PRESENTATION** Continued

there was 1 extraordinarily bad year during which the system lost nearly 23 percent. That was a huge hit. So the 23 percent hit gets divided up into 7 slices and each year part of that hit gets phased in. But as mentioned, since that time we have had 2 good years. So there are losses that need to be phased in to the retirement system but there are also offsetting gains that will be phased in. At this point, there are still more losses than gains. What we can expect to see is the funded status of the system decreasing slightly over the next 5 years unless we continue to see strong investment performance, in which case the decline will be smaller and shorter. At this point, we expect the funded status will hit a low point somewhere around 80 percent and will then start climbing back up. The employer contribution rate tends to move on a similar arc as the funded status. So as the funded status declines, the employer cost will go up. As

the funded status improves, the employer costs will trend down. In sum, the retirement system is in good shape. We have reduced our investment return assumption rate to 7.75 percent, which we think was a prudent, realistic and achievable. The importance of getting the assumption rate correct is that if you assume you are going to earn more than you actually earn, you have under collected the contributions that are used in conjunction with the investment returns to fund the system. By the same token, you don't want to set the return assumption so low that you are over-collecting contributions.

CEO Stensrud expressed his thanks for the opportunity to address retirees, and for the support SCREA shows the retirement system.

### **MESSAGE TO RETIREES FROM RICHARD STENSRUD REGARDING SACRAMENTO BEE ARTICLE**

As I am sure you have seen, the Bee's story on the \$100K category ran today. Interestingly, perhaps because there was not as many negative things to say about the \$100K category itself, they chose to put a large emphasis on 'double dipping.'

A lot of what they did say, however, was either incorrect or misstated.

For example:

The opening paragraph, which discusses the 'skyrocketing' number of \$100K retirees, fails to mention the huge impact of the 'baby boom' bubble. The simple fact is that more people than ever before have hit the same point in their careers at the same time. This was pointed out to the reporter, but completely ignored in the article.

The article ignores the fact that if you adjust for inflation, the percentage of retirees in this category has been stable at 2-3% since 2005. This was pointed out to the reporter.

The article ignores the fact that 38% of the people in the \$100K category did not retire with a \$100K benefit, but instead, have reached this level due to COLAs.

The article does not put the \$100K category into context relative to all benefit payments as was done in the recent articles about CalPERS and CalSTRS retirees in this category.

The article does not note that the average service career for retirees in this category was 31 years,

## MESSAGE TO RETIREES FROM RICHARD STENSRUD REGARDING SACRAMENTO BEE ARTICLE

Continued from page 12

The article states that the County's 'retirement costs' will be \$278 million this year, which they say is a third more than it was five years ago. The County's contribution to SCERS this year will be approximately \$169 million – the rest is debt service on the County's pension obligation bonds (POBs). The debt service has increased substantially over the last five years because the County elected to utilize a debt service schedule where debt service was delayed for a few years after the bonds were issued. This caused a big jump in the level of debt service when it finally kicked-in. Five years ago, the County's contribution to SCERS was approximately \$143.4 million, which equated to an employer contribution rate of 18.9%. As noted, in the current fiscal year the County's contribution is \$169 million, which equates to a 21.1% contribution rate. Comparing the five year numbers to the current numbers, the dollar cost has gone up 18%, which does not take into account inflation over the period. The contribution rate has gone up 12% over the period. All of which is to say that the bulk of the increase in 'retirement costs' is attributable to POB debt service.

Contrary to the article, the payments to the \$100K category constitute 12.1% of total payments, not 13%.

The fact that 3% of SCERS' retirees receive \$100K or more compared to 2% of CalPERS retirees is simply a reflection of the much larger size of the CalPERS retiree population.

I did not say that the Board of Supervisors 'lowered the retirement ages' at a time when people are living longer. He asked if people are living longer and I said that our actuary advises us that they are.

I did not say that the Board of Supervisors may want to consider raising the retirement age. What I said was the Board of Supervisors had recently adopted new benefit formulas that feature a higher age for receiving the full benefit formula.

I did not say that the Board of Supervisors should consider making working retirees 'give up some of their benefits.' What I said was that from a public policy perspective the legislature may want to re-visit the subject of post-retirement employment.

In the article on legal fees, I did not say that the SCERS Board felt it had a duty to protect information SCERS considered 'secret' under the law. The term I used was confidential.





# NEWS BRIEFS



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

### OFFICERS

President	Kiyoshi Adachi	916-966-0904
Vice President	Barbara Smith	916-684-5344
Immediate Past Pres.	Gil Magness	530-626-3983
Treasurer	Vic Scotti	916-638-5297
Sunshine Chair	Fran Alberghini	916-451-1690
Membership	Sue Murray	916-359-6394
Secretary	Lyn Scotti	916-638-5297

### DIRECTORS

Sandy Carli	916-457-0304
Susan Cucchi	916-983-1070
Mike DeBord	530-642-1234
Phil Fischback	916-933-2910
Warren Harada	916-391-0755
Ron Hines	916-728-2914
Martha Hoover	916-362-4009
Linda Kimura	916-485-8442
Pam Thomas	916-685-0329
Nancy Wolford-Landers	916-457-3002

SCREA  
PO Box 161414  
Sacramento, CA 95816

Return Service Requested  
Dated Materials

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

## SCREA'S GENERAL FOUNDERS DAY PICNIC RESERVATION FORM MONDAY, SEPTEMBER 12, 2011

Member's Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
Member's Name: \_\_\_\_\_ Phone: \_\_\_\_\_

Non-Members Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
Non-Members Name: \_\_\_\_\_ Phone: \_\_\_\_\_

# \_\_\_\_\_ Members BBQ (see article for details) \$ 7.00= \_\_\_\_\_  
# \_\_\_\_\_ Members Vegetarian-Baked Tamales \$ 7.00= \_\_\_\_\_

# \_\_\_\_\_ Non-Members BBQ \$14.00= \_\_\_\_\_  
# \_\_\_\_\_ Non-Members Vegetarian-Baked Tamales \$14.00= \_\_\_\_\_

Total Check Enclosed \_\_\_\_\_

Reservation deadline is **SEPTEMBER 7, 2011.**  
**ALL CANCELLATIONS MUST BE CALLED IN BEFORE THE DAY OF THE  
EVENT. DO NOT SEND CASH. SEND THIS FORM AND A CHECK PAYABLE TO  
SCREA, P.O. BOX 161414, SACRAMENTO, CA 95816**