

# QUARTERLY REVIEW

SUMMER 2007

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# 1ST QUARTER 2007 PERFORMANCE REVIEW

By Donald Pierce, CFA



The first quarter of 2007 began with investors witnessing a rally in the US stock market and a dollar recovery. That stock market rally was stalled by the February 27th sub-prime melt down which pushed down the S&P 500 by more than 3%. Sub-prime is a term used to describe mortgages with below standard credit terms – for example, a mortgage with no money down. Investors were concerned that the sub-prime problems would spread across the broader market.

By the end of the quarter, investors concluded that the sub-prime mortgage problem had been relatively contained. Accordingly, the stock market recovered enough to end the quarter in positive territory. The US dollar remains relatively weak against both the Euro and the British Pound. Interest

rates remain low relative to corporate earnings which we believe bodes well for equities, both domestically and internationally.

The total portfolio exceeded its policy benchmark for the year. Total assets at quarter end were valued at approximately \$5.9 billion, recording a 12.97% return for the previous 12 months.

By holding a combination of asset classes the portfolio diversifies risk and potentially lowers volatility. The Board continues to adhere to a disciplined investment process seeking to meet or exceed the policy benchmark and the actuarial assumed rate of return. ■



# NEWS FLASH

## HOLIDAY CLOSURE:

Labor Day, September 3, 2007. The Board and Staff at SBCERA wish our membership safe and enjoyable summer holidays.

## ANNUAL PRE-RETIREMENT SEMINARS COMING SOON!

If you are someone who is eligible (or within two years of minimum eligibility) to retire, then you will be receiving an invitation this summer to attend one of several Pre-Retirement Seminars set for the Fall. The seminars are helpful in previewing some of the special provisions and deadlines that impact a successful retirement. They are structured to expose you to information from the Board of Retirement, as well as County Employee Benefits & Services, ING Financial Advisors (deferred compensation) and, in some cases, the Social Security Administration. Actual dates and locations will be posted to the SBCERA website in August and will also be outlined in your invitation.

## BOARD OF RETIREMENT ELECTION:

An election will be conducted by the San Bernardino County Registrar of Voters to select three members for the San Bernardino County Employees' Retirement Association's Board of Retirement. The election will be held because the terms for one General Member, and the Retired Member of the Board of Retirement will expire on December 31, 2007. Additionally, the other General Member seat was vacated mid-term and must be filled. Notices of the election will be posted from August 6, 2007 through September 15, 2007. Declarations of Candidacy and procedural information may be obtained from the office of the Registrar of Voters at 777 E. Rialto Avenue, San Bernardino, CA 92415-0770. The filing period for candidates will be from August 13, 2007 through September 7, 2007 at 5 p.m.

## COMPASS UPDATES:

There is updated information, including the newest employee contribution rates, for your Summary Plan Document called The Compass. The Compass is a three-ring burgundy-colored binder that was distributed to all active and retired members in January 2006 and given to all new SBCERA members since then. The updates, issued as additional or replacement binder pages, will be sent directly to your mailing address at the end of August. When you receive this package, please take a few moments to familiarize yourself with the new information and file it away in your binder to keep your resource current. The Compass can also be downloaded from the SBCERA website at [www.sbcera.org](http://www.sbcera.org).

**Upcoming Benefit Pay Dates**

**July 31st**

**August 31st**

**September 28th**



# THANK YOU, ADVISOR AND FRIEND

by Timothy B. Barrett, CFA – SBCERA Executive Director/CIO

At its July monthly meeting, the Board of Trustees presented Dr. Arthur S. Weissbein with a resolution and memento commending his service as a medical advisor. Dr. Weissbein served the San Bernardino County Employees' Retirement Association (SBCERA) from 1994 to 2007 as a consultant.

He provided a broad range of invaluable professional Medical Advisor services to the Board of Retirement and staff at SBCERA, including recommendations pertaining to disability applications, appearing in legal proceedings on behalf of SBCERA and providing other essential medical consulting services.

“Dr. Weissbein created a legacy of fairness and professionalism; he paved the way for future SBCERA Medical Advisors to be as effective and productive as he had been in doing disability case review,” said SBCERA Chief of Member & Administrative Services Christie L. Porter. “The staff will miss working with him very much. He is a class act!”

SBCERA now has two medical advisors that have worked in tandem with Dr. Weissbein for the past year to affect a smooth transfer of responsibilities and caseload. ■



*Dr. Arthur Weissbein and his wife, Thora. During his tenure of service to SBCERA, Thora played an important role in the preparation of medical review reports for the Board and staff.*

## RETIREMENT 101: Calculating Retirement Benefits

Retirement is not a time for surprises. It should be a very planned and understood life event. Many members have no idea how their monthly lifetime benefit will be calculated when they retire. The good news is there is no mystery behind how benefits are calculated.

We are in a defined benefit plan and that means our retirement is based on a formula that is unchanging and predictable. It is very much like an algebraic formula in that the value of the formula's factors dictates the outcome. Any time you make one of these factors higher, the end result will be higher... in this case the dollar

amount of your monthly retirement allowance.

When you retire, your benefit calculation will be based on four factors:

1. Your age at retirement
2. Your retirement service credit
3. Final average earnable compensation
4. Your Plan's retirement percentage factor

**Factor 1:** Your age at retirement is a very personal issue. There are minimum eligibility qualifications for retirement; however, no one can tell you when to retire. This is entirely your decision based on meeting the minimum eligibility requirements. A

factor is assigned to your age at retirement based on quarter year increments.

**Factor 2:** Your retirement service credit is the amount of time you worked for an SBCERA-covered employer and paid contributions. One year of service credit is equal to 2,087 hours. Overtime hours are not a part of this equation.

**Factor 3:** The highest average earnable compensation is an average of your monthly salary over a 12 consecutive month period (no matter when those high months occurred during your service). For retirement purposes, your earnable compensation is

your base pay, plus any other additional pay items such as flexible medical dollars, uniform allowance, bilingual pay, shift differential pay, etc. Pay items not factored in include overtime pay and expense reimbursements.

**Factor 4:** Your Plan's retirement factor is based on your type of membership. General members' retirement percentage factor is 2% and Safety members' retirement percentage factor is 3%.

One of the best ways to get familiar with this calculation is to do it yourself, to see a real dollars-and-cents example of what your retirement income will look like in the future. There is a great tool online at [www.sbcera.org](http://www.sbcera.org) called the Benefit Estimator. It is a calculator function that can assist you in running different projections about your retirement benefit using the factors outlined above. Of course, you are always

welcome to contact an SBCERA Retirement Specialist and ask for a benefit estimate or assistance in using the online calculator by calling (909) 885-7980 or toll free (877) 722-3721.

Either way you choose, get an estimate today so that you can look toward your tomorrows with confidence and understanding.

## SBCERA PURPOSE STATEMENT

It is the purpose of the San Bernardino County Employees' Retirement Association to provide the members and their beneficiaries with those retirement and related benefits and services which they have earned and which are commensurate with their years of service and compensation.

It is the responsibility of those charged with administration of the Association to:

- (a) effectively collect contributions to fund liabilities incurred;
- (b) diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return;
- (c) administer the benefits impartially, fairly and in accordance with the applicable law;
- (d) deliver service to the membership in an accurate, courteous, prompt, professional and cost-effective manner;
- (e) strategically plan for the future.

### Board of Retirement

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Investment Officer – James Perry, CAIA

Investment Officer – Donald Pierce, CFA

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