

QUARTERLY REVIEW

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SUMMER 2008

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GOT PLANS? We're talkin' retirement plans

If you are currently an active SBCERA member employed by the County of San Bernardino who is at least 48 years old with a minimum of eight years of service credit, you may attend a Pre-Retirement Seminar.

Whether you're coming again to refresh your memory about important retirement issues or it's your first time attending, we believe that you will find this seminar packed with essential information and tips for making the transition from active employment to retirement as comfortable as possible.

Over the past four years, an average of 813 people have attended these seminars each year and came away more informed and less fearful of the retirement process. Each seminar lasts three hours and will be held at various locations throughout the County in October and November. Eligible employees who receive an invitation may attend on County time with supervisor approval.

The seminars are conducted by representatives from...

- San Bernardino County Employees' Retirement Association (SBCERA)
- County of San Bernardino Employee Benefits and Services Division
- ING Financial Advisers, LLC
- The Social Security Administration will be present at some locations

Some of the topics that are discussed include:

- Understanding retirement eligibility and how/when to plan
- Accessing post-retirement health and related benefits
- Maximizing your salary savings for retirement
- How public agency retirement and Social Security benefits work together

Eligible members will receive an invitation with a listing of dates and instructions on how to register. Or, you can go to www.sbcera.org for a schedule and instructions. ■





NEWS FLASH

SUMMER HOLIDAY SCHEDULE:

The SBCERA office will be closed in honor of Labor Day on Monday, September 1st. Our office is normally open Monday through Friday from 8 a.m. to 5 p.m. ■

**Upcoming Benefit
Pay Dates**

August 29th

September 30th

YOUR SECURITY IS OUR PRIORITY

Electronic security and identity protection is on everyone's minds these days. SBCERA has taken great precautions to protect your use of the interactive online tools we offer you through Web Member Services at www.sbcera.org. If you have been hesitant to create an account to access your retirement information and planning tools, put your fears aside. We use VeriSign.

VeriSign is the leading electronic security authority which enables secure e-commerce, communications and interactions for Websites, intranets and extranets. So, rest assured that all visitors to the SBCERA website are protected every time they visit. ■

ARE YOU SAVING ENOUGH FOR RETIREMENT?

National Save for Retirement Week, October 22-28: This is a national time of awareness to remind employers and employees alike that good retirement planning begins when you measure what you are doing to reach your retirement goals. Most financial professionals agree that even public sector employees who are already boosting their retirement savings through supplemental savings plans can and should do more to build their retirement security. It is never too late, or too early, to begin saving for retirement. For more information, check out www.retirementweek.org; or visit your deferred compensation provider's website.

County of San Bernardino employees can go to ING's customized website at <http://www.ingretirementplans.com/custom/sanbernardino/> to learn more about new plan enhancements (July 2008) and reduced costs to participate. Or call (909) 748-6468. ■

**1ST QUARTER
2008**

primary story of the quarter, the credit crisis impacted industries as far afield as municipal bond insurers seizing up and preventing the normal flow of government borrowing.

By the end of the quarter, investors questioned the solvency of the next tier of investment and commercial banks that might need infusions of capital. The U.S. dollar remains relatively weak against both the Euro and the British Pound. Interest rates were reduced by the Federal Reserve; the year began with the Fed Funds rate at 4.25%. Over the following three months, rates were cut to 2.25% (the rate in April 2008 was again cut to 2.0%).

The total SBCERA portfolio underperformed its policy benchmark for the year. Total assets at quarter end were valued

at approximately \$6 billion, recording a positive, albeit modest, 1.50% return for the 12 months ending March 31, 2008.

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.

Note: You always have access to SBCERA's annualized investment returns at www.sbcera.org; go to the "Financials" menu. ■

FIRST QUARTER 2008 PERFORMANCE REVIEW

by Donald Pierce, CFA
SBCERA Investment Officer

The first quarter of 2008 began with investors witnessing a dramatic sell-off in the U.S. stock market in January which continued through March. This culminated in the headline-grabbing Federal Reserve-directed sale of Bear Stearns to JP Morgan. While bank efforts to defend their balance sheets was the pri-

SBCERA SAFETY TRUSTEE RETIRES: ELECTION FOR NEW SAFETY TRUSTEE LAUNCHES

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

It is with a great amount of regard and appreciation that I announce the retirement of our dedicated Safety Trustee Harry Hatch. After 13 consecutive years of elected service on the SBCERA Board of Retirement, Mr. Hatch finally embraced the benefit that he worked so diligently to enhance and administer on behalf of all members of the plan. His perspective, wisdom and enthusiastic participation will be missed by SBCERA Board members and staff alike.

Over the years, Mr. Hatch has served in numerous leadership positions within the Board of Retirement and on external organizations dedicated to the improvement of the public retirement system, such as the State Association of County Retirement Systems (SACRS). To replace his current multiple assignments, Trustee Ellen Weisser has been appointed Vice Chair. Also, Retiree Trustee Bob McDonald has accepted the position of Administrative Committee Chair.

Because the Safety position is vacant during the active term, that constitutes



At the June 2008 meeting of the SBCERA Board of Retirement, Chairman Marvin Reiter (l) bids a fond farewell to Safety Trustee Harry Hatch (r) who retired from the Sheriff's Department. Mr. Hatch served as the elected Safety member representative since 1995.

the need for an official Board of Retirement election. This election will only be placed before our Safety membership for voting. Only Safety members from Law Enforcement (Sheriff and DA Investigators) are eligible for candidacy because that was the department status of Mr. Hatch. However, all active Safety members are eligible to vote.

The elected Safety Member will fill the remainder of a vacated term and will serve a one-year term only, effective January 1, 2009. Declarations of Candidacy and procedural information may be obtained from the Office of the Registrar of Voters, 777 East Rialto Avenue, San Bernardino, from August 11th through September 5th, 2008. ■

RETIREMENT 101: What's The Difference Between A Defined Benefit Plan And A Defined Contribution Plan?

People often get Defined Benefit (DB) or pension plans confused with Defined Contribution (DC) or salary savings plans. The two are very different retirement plans in their make-up, return and management. The key difference between the two plans is that in a DB plan the employer assumes the investment risk by agreeing to pay the stated benefit, unlike a DC plan where the employee

bears the investment risk. Investment gains and losses do not affect the benefit payable to the (DB) plan participant. Here are a few quick points to understanding other key differences:

Defined Benefit (DB) Plans

- A member's benefit is a predictable *lifetime* income based on years of service under the plan, retirement formula factor and age.
- The majority of public sector DB plans are funded by employee pre-tax contributions and employer contributions which can vary by plan design or actuarial valuation on an annual basis.

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• Plan benefits are paid to eligible members on a monthly basis and usually provide retirees some type of annual cost-of-living increase to offset loss of purchasing power due to inflation. The benefit is paid until the member dies with some plans offering possible continuances to qualified beneficiaries.

• Investments are managed by professional investment staff and Board. If investment returns fall below the assumed rate of return, employers are liable for the additional assets necessary to fund the defined benefit. Therefore, members never have to make investment decisions

or have their pension benefit bear the brunt of volatile market activity.

Defined Contribution (DC) Plans include 401(k), 403(b), or public sector 457 plans

• A participant's benefit from a DC plan is based on contributions, any employer contributions and investment gains or losses. The life of the benefit is limited to the accumulated balance.

• DC plans are funded by employee pre-tax contributions and possibly employer contributions if the plan design allows.

• Benefits can be paid from a DC plan in several ways. The most common are monthly payments until all account assets are depleted; a lump-sum payment of account assets; or, a private annuity that pays a monthly benefit for a fixed period.

• Investments may be managed by a money manager or investment staff. However, if investment returns are negative, there is no compensation to the participant. Employees drive the investment decisions and need to manage changes to their plan in response retirement goals and possible volatile market activity. ■

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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Robert McDonald, Don Neely, Paul Russ, Dawn Stafford

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Investment Officer – Donald Pierce, CFA

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San Bernardino
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