

QUARTERLY REVIEW

Published by the San Bernardino County Employees' Retirement Association

WINTER 2008

In This Issue:

1 SBCERA Receives State Resolution Presented by Senator Gloria Negrete McLeod

2 News Flash:
- Winter Holiday Schedule
- 1099-R Form Distribution Schedule
- 2007 CAFR Online
- Upcoming Benefit Pay Dates

2 Incumbent and New Trustee Win the General Member Vote

3 Status of the General Subsidy

3 Executive Corner:
SBCERA Enjoys \$500 Million Investment Gain and Public Attention
by Timothy B. Barrett, CFA
SBCERA Executive Director/CIO

3 Retirement 101:
Divorce and Retirement Benefits
by Barbara Hannah, SBCERA Paralegal



Senator Gloria Negrete McLeod of the 32nd State District makes a personal visit and presentation of a Resolution to the SBCERA Board of Retirement: (from L to R) Allen Bulteman, Dawn Stafford, Robert McDonald, Board Chairman Marvin M. Reiter, Ellen Weisser, Senator Gloria Negrete McLeod, (back center) Harry Hatch, Paul Russ, County Treasurer-Tax Collector Dick Larsen and Bret Henry.

SBCERA RECEIVES STATE RESOLUTION PRESENTED BY SENATOR GLORIA NEGRETE MCLEOD

California State Senator Gloria Negrete McLeod visited the San Bernardino County Employees' Retirement Association (SBCERA) December 6th to make a presentation of a State resolution honoring the SBCERA Board of Retirement. Senator Negrete McLeod also briefed the Trustees of the Board of Retirement about Sacramento news related to public pension plans.

Local dignitaries including representatives from the San Bernardino County Board of Supervisors, County District Attorney Michael Ramos and several SBCERA Plan sponsors (employers) were in attendance. The Senator presented the Board of Retirement with a California Senate Resolution commending the public pension plan for its fiscal soundness, exemplary growth and customer service, as well as its recent record earnings of \$1 billion for the fiscal year ended June 30, 2007.

In turn, SBCERA presented a plaque to Senator Negrete McLeod for her stewardship and leadership for public employees of California. In the Senate, Senator Negrete McLeod serves on the

Governmental Organization, Health, Public Employment and Retirement Committee and the Veterans Affairs Committee. She also chairs the Committee on Local Government and the Select Committees on the Alameda Corridor and Perchlorate Contamination.

Senator Gloria Negrete McLeod was first elected on November 2006 to represent the 32nd Senate District. The 32nd Senate District encompasses the cities of Pomona; Montclair; Ontario; Fontana; Rialto; Colton; and San Bernardino; it also includes the communities of Bloomington and Muscoy. ■



The SBCERA Board of Retirement presented Senator Negrete McLeod with a plaque honoring her stewardship and leadership in issues impacting California public employees. Safety Alternate Board member Bret Henry (left) and Chairman Marvin Reiter (right) commemorate the Senator's visit.



NEWS FLASH

WINTER HOLIDAY SCHEDULE

The SBCERA office will be closed in honor of the following holidays: Martin Luther King, Jr. Day, January 21st; and Presidents' Day, February 18th. Our office is normally open Monday through Friday from 8 a.m. to 5 p.m.

Upcoming Benefit Pay Dates

January 31st
February 29th
March 31st

1099-R FORM DISTRIBUTION SCHEDULE

SBCERA prepares and mails a 1099-R form for every payee that received payment from SBCERA during the calendar year. The 1099-R form is similar to the more commonly known W-2 form because it reports the amount paid by SBCERA, the amount of taxes withheld and other required information. The form is sent to the payee, the State Franchise Tax Board and the IRS. If a payee receives two benefit types, then he/she will receive two 1099-R forms, one for each benefit type. The forms will be mailed out by January 31, 2008.

2007 CAFR ONLINE

Annually, the Board of Retirement produces a Comprehensive Annual Financial Report (CAFR) to outline the breadth and depth of the Plan and its activities for the year. The report for the fiscal year ending June 30, 2007 is available online at www.sbcera.org. Printing costs for the CAFR are extensive, so to be cost effective, SBCERA has a minimal amount printed to satisfy our obligations to government reporting entities and Plan sponsors. Members may request a hard copy of the report; however, we encourage our membership to assist SBCERA in its efforts to save costs by viewing the report online, or self-printing those pages which interest you most.

INCUMBENT AND NEW TRUSTEE WIN THE GENERAL MEMBER VOTE

Retiree Representative is a "No Contest" Returning Incumbent

SBCERA is pleased to announce and welcome the returning trustees and new trustee voted in this past December. There were three positions that were placed before our membership for voting: two General Member positions and the Retired Member position.

General Member Incumbent Dawn Stafford of County Counsel won an additional three-year full term, taking the majority of votes at 1,458. "Having worked with so many wonderful, dedicated public employees throughout the

years, I am humbled that they have given me the privilege of serving them for another term," beamed Stafford.

Newcomer Donald Neely from Behavioral Health was awarded the confidence of General members and the remainder of a vacated term; he will serve a two-year term, effective January 1, 2008. Mr. Neely garnered 1,361 votes. "I am excited and proud to have this opportunity to be one of the Trustees at SBCERA," said Neely. "All current and future SBCERA retirees deserve a safe and secure retirement. I

will do everything possible to ensure they enjoy a comfortable future."

Retired Incumbent Robert McDonald will return. Mr. McDonald was the only candidate for the Retired Trustee position. Due to lack of opposition to his candidacy, Mr. McDonald was accepted and there was no ballot issued for his position. He will also complete an additional full three-year term, effective January 1, 2008.

"The current Board of Trustees is comprised of dedicated, intelligent and conscientious people who put a lot of time and energy towards maintaining the superior performance of SBCERA..." said McDonald. "It is a pleasure to serve with them and I look forward to the next three years."

The Registrar of Voters conducted the election in accordance with the Uniform District Election Law. There were only 2,615 valid ballots voted out of 18,750. That represents 14% of the General members that voted. Election results were announced and certified at the December 18, 2007 Board of Supervisors meeting. ■



Dawn Stafford - County Counsel



Donald Neely - Behavioral Health



Robert McDonald - Retired Trustee

SBCERA ENJOYS \$500 MILLION INVESTMENT GAIN AND PUBLIC ATTENTION

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

SBCERA is making headlines. According to the annual Actuarial Valuation and Review prepared by The Segal Group, Inc., SBCERA is one of the most stable and well-managed pension plans in the nation.

The 61-page annual report is a detailed review of SBCERA's financial performance and is now available at www.sbcera.org. The Segal Group, Inc. is a nationally-recognized leader in employee benefits and human relations consulting. Their actuarial studies form the baseline for all investment strategies employed by SBCERA.

"The Plan's members and employers have entrusted us with over \$6.2 billion

in assets to pay current retirees and future retirees their benefits. We diversify the investments to manage against market fluctuations and protect the principal," declared Board of Retirement Chairman Marvin M. Reiter.

Over the past five years SBCERA has safely increased the investment pool by \$2.85 billion. "Last year alone we earned \$1 billion for the fiscal year, a total net return of 19.7%," stated Dick Larsen, Treasurer-Tax Collector of San Bernardino County and Chairman of the SBCERA Investment Committee. That percentage return is gross of fees; it calculates out to about \$500 million in investment gain.

Additionally, the funding ratio increased from 92.02% last year to 93.10% at the fiscal year ending June 30, 2007. This ratio compares the assets of the Plan to the liabilities of the Plan. Higher ratios indicate a well-funded Plan with sufficient assets to pay most of the future benefits.

SBCERA was recently honored with the prestigious 2007 Award for Excellence in Governance and Fiduciary Responsibility for our institutional controls and investment practices. "Our practices include vetting each investment through a rigorous internal and external analysis, site visits to analyze the potential money manager and a thorough 'scrubbing' of the product," reported Larsen.

In early December, the California State Senate recognized SBCERA's leadership as a model public employee retirement plan with a resolution presented by State Senator Gloria Negrete McLeod (see front page article). "This has been a watershed year for San Bernardino County's retirement plan. Our goal is to continue our prudent investment strategy and provide excellent customer service," concluded Reiter. ■

STATUS OF THE GENERAL SUBSIDY

At a special meeting on November 19, 2007, the SBCERA Board of Retirement made the following decision on the status of the General Subsidy:

1. The General Subsidy has been approved for one year. The Board of Trustees approved a motion to continue the maximum General Subsidy payment of \$230 based on 20 years of County or district service reduced incrementally per year of service, equaling a minimum payment of \$115 for those members with 10 years of County or district service. This motion is in effect November 1, 2007 through October 31, 2008.
2. A portion of \$8.5 million in excess earnings will be allocated to the General Subsidy. The Board approved a motion that would split \$8.5 million of excess earnings realized as of June 30, 2007. A 50% allocation will be made to the General Subsidy; the other 50% will go to pay down investment losses from previous years. The General Subsidy has been actuarially evaluated to be sustainable over the next six years. Based on the facts of the Plan today, the additional funds would only continue the subsidy for about three additional months. ■

RETIREMENT 101:

Divorce and Retirement Benefits

by Barbara Hannah, SBCERA Paralegal

A divorce may impact your retirement. Part of your retirement benefits may be divided by the Family Court pursuant to the laws of California. SBCERA staff cannot give you legal advice concerning your divorce or community property issues. To find a Family Law specialist, try the San Bernardino County Bar Association (www.sbcba.org) or The State Bar of California (www.calbar.ca.gov/state/calbar/calbar_home.jsp).

How does divorce impact my retirement benefits? Usually, California courts will divide your retirement between you and your spouse using a formula called the "time rule". For instance, the court may take the number

of years you were married and the time you work and apply this formula to it to determine how much of your retirement allowance will be awarded to your former spouse. There are exceptions to the time rule, so you should consult with a qualified family law attorney to review your options.

What do I need to provide SBCERA with after a divorce? First a copy of the **Judgment of Dissolution** or **Property Settlement Agreement** must be given to SBCERA. This can be done as soon as you have it and SBCERA will keep it on file. The judgment will call out if your retirement benefit is being awarded in part to your former spouse, or if you are entitled to 100% with the other spouse waiving his/her rights to your benefit. NOTE: The language in a judgment is very important. It must clearly state the award. If you don't understand it, chances are it is not clear enough.

Also, in cases where your Judgment of Dissolution or Property Settlement Agreement specifies that the court made an award of your retirement benefit to your former spouse, then you or your ex spouse must join SBCERA to the dissolution proceedings. This is done by filing a **Joinder** with the court in the same county as your divorce filing; it will ensure the proper distribution of your retirement benefit. Without a Joinder, there could be a delay in the distribution of benefits to you and your ex-spouse once you terminate employment or retire.

Once a Joinder has been filed, even though you may have already provided SBCERA

with a Judgment or Property Settlement Agreement, the next step would be to obtain a **Domestic Relations Order (DRO)**. A DRO is a court order that will provide SBCERA with exact instructions on how and when to pay your former spouse a portion of your retirement benefits. It also covers a variety of different aspects of payment such as active death, retirement, death after retirement, remarriage and the selection of options for post-retirement payment. For a copy of a sample DRO, please go to (www.sbcera.org/pdf_files/MarriageDissolutionGuide.pdf) to collect other important information about this process.

How are spousal payments made once I separate service or retire? Your former spouse may not “cash-out” part of your member contributions at any time. If you separate service and request a refund, a percent of these cashed-out contributions may be payable to your former spouse as long as the documents mentioned above have been filed with SBCERA. Or, when you choose to retire, your former spouse can only receive a direct payment from SBCERA when you actually retire and not before that time. If SBCERA has a Joinder and a DRO, then we can make a direct monthly payment to your former spouse. Also, you will both receive separate 1099 Forms for the distribution(s). ■

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

Chairman – Marvin Reiter

Vice Chair – Harry Hatch

Bret Henry, Dick Larsen, Robert McDonald,
Donald Neely, Paul Russ, Dawn Stafford, Ellen Weisser

Executive Staff

Executive Director/CIO – Timothy B. Barrett, CFA

Chief, Member & Admin. Services – Christie L. Porter, PMP

Chief, Fiscal Services – Michael O'Kelly

Chief, Information Services – Mark Jolicoeur

Chief Counsel – Lance Kjeldgaard

Investment Officer – Brian Long, CFA

Investment Officer – James Perry, CAIA

Investment Officer – Donald Pierce, CFA

San Bernardino County Employees' Retirement Association

348 W. Hospitality Lane, Third Floor

San Bernardino, CA 92415-0014

909-885-7980 • Toll Free 1-877-722-3721 or 1-877-SBCERA-1

<http://www.sbcera.org>

Quarterly Review is published for members and retirees of the San Bernardino County Employees' Retirement Association. It is written by SBCERA Communications Officer Danielle Jaramillo (unless noted otherwise) and designed by the Spencer Lewis Group.

San Bernardino,
CA 92415-0014
348 W. Hospitality Lane, Third Floor

San Bernardino
County Employees' Retirement Association

SBCERA

