

QUARTERLY REVIEW

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SBCERA Investment Officer

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STRATEGIES for SUCCESSFUL LONG TERM INVESTING

by James Perry, CAIA, SBCERA Investment Officer



Many individuals after surviving the market roller coaster of the last nine months are asking themselves what is going to occur in the financial markets now. We have all heard about "Green Shoots" and that things are getting worse less quickly, but how do we position our investments to weather the current market environment? Many stock market proponents say that you have to be invested in equities for the long run and that you don't want to miss the new bull market. Others say that the market has run up too fast or that this move in the stock market is just a bear market rally. These diverging viewpoints leave many questioning how they should position their retirement savings accounts to get through this difficult period.

The good news is there are effective strategies to reduce the volatility and improve the risk adjusted performance of an investment portfolio. There are several investment tools that investors should consider in all market environments that are particularly valuable in volatile markets. These investment tools include diversification, rebalancing and dollar cost averaging. In addition to the benefit of improved risk adjusted performance these tools may also help individuals experience a greater peace of mind with regard to their investments.

Diversification is the first tool in the investor's toolbox. By adding assets to a portfolio that respond differently to various market conditions, we can reduce the volatility of a portfolio and improve its risk adjusted return. This is the basic idea behind investing in a portfolio that holds both stocks and bonds. These assets generally respond differently to various economic environments. If the economy is growing well with moderate inflation, the stocks should perform well and provide a return that grows the portfolio value on an inflation adjusted basis. The bonds would generally provide a more modest return in that environment but would help stabilize the value of the portfolio when the economy enters a slow down. Other real assets such as real estate or commodities may help insulate a portfolio against inflation.

Rebalancing is another tool in the investor's tool box. Having a target allocation to various asset classes and rebalancing back to those target weights on a periodic basis, or when values drift too far from target, helps maintain the risk and reward profile of a portfolio and should improve risk adjusted performance. Maintaining a target allocation through rebalancing is an easy way to implement a buy low and sell high strategy. In rebalancing, if the equity markets are performing well, an investor would periodically sell equities as the stock markets are going up and reinvest that capital into bonds and other assets. If the stock market declines, the investor would sell bonds and other assets and reinvest that capital into equities to rebalance back to their equity target allocation. Lifecycle and lifestyle funds are an easy way to start building a diversified portfolio as well as automate the rebalancing process. These funds generally hold several types of assets and rebalance the portfolio on the basis of a time horizon based asset allocation or a target risk level.

A third tool that benefits individuals who save through workplace savings programs such as a 401K is **dollar cost averaging**. By investing on a periodic basis, investors are able to reduce the average price that they pay for various investments. When the market goes up the investor who invests a set amount each period buys fewer shares, when the market price goes down the same investment dollars buy more shares. An investor who uses dollar cost averaging and periodically invests an equal amount into a fund should experience better average performance for the investment period than that experienced by the fund itself due to the benefit of purchasing shares at a lower average price.

Despite their value, these tools are no guarantee of positive performance. Over the last year even investors with well diversified portfolios that diligently rebalanced their holdings generally suffered losses. What these tools will do, however, is reduce some of the unrewarded risk in an individual's portfolio and better enable investors to benefit from market volatility rather than be a victim of that volatility. ■



NEWS FLASH

Holiday Schedule

The SBCERA Board and Staff wish you and your family a safe and enjoyable summer! In the coming months, the SBCERA office will be closed in honor of the following holidays:

- Labor Day, Monday, September 7
- Columbus Day, Monday, October 12

Our normal offices hours are Monday through Friday 8 a.m. to 5 p.m.

GOT PLANS?

Attend a Pre-Retirement Seminar this Fall to Start Planning Now!

These days it seems everyone has retirement on their mind. Many are wondering if and when they can retire.

In October and November, SBCERA will be traveling throughout the County to educate our members about when they are eligible to

retire, how and when to start planning and other post-retirement health and related benefits.

Invitations will be mailed to all active SBCERA members employed by the County of San Bernardino who are at least 48 years old with a minimum of eight years of service credit. Each seminar will feature representatives from SBCERA, the County of San Bernardino's Employee Benefits & Services Division and ING Financial Advisers, LLC. Some seminars will also include a representative from the Social Security Administration.

Held annually, each seminar will last approximately three hours. If you receive an invitation from SBCERA, you may be eligible to attend the seminar on County time with prior supervisor approval.

Watch for the upcoming dates on our Web site www.SBCERA.org. Don't miss your chance to preview some

of the special provisions and deadlines that impact a successful retirement. ■



UPCOMING BENEFIT PAY DATES

July 31st
August 31st
September 30th

Board of Retirement Elections to be Held in December

On December 31, 2009 the terms for one General Member, the Safety Member and the Alternate Safety Member of the SBCERA Board of Retirement will expire. An election will be conducted by the County of San Bernardino Registrar of Voters on December 8, 2009 to fill the three positions on the Board. The newly elected General Member, Safety Member, and Alternate Safety Member will take office on January 1, 2010.

The Board of Retirement provides oversight of SBCERA and its investments. It consists of nine trustees— a combination of SBCERA members and non-members. Two active General Members are elected by the General members; one Safety Member is elected by the Safety members; and one Retired Member is elected by the Retired membership. Four additional trustees are appointed by the Board of Supervisors, and the San Bernardino County Treasurer-Tax Collector is mandated

by law to sit on the Board. Board members are elected or appointed for three-year terms.

In addition to these nine trustees, an Alternate Safety Member is also elected and may vote as a member of the Board of Retirement in the absence or vacancy of the active Safety or General Member representative. ■

2009 Board of Retirement Election Schedule

Aug. 10 – Sept. 9: Notice of Election

Notices of the election will be posted at selected San Bernardino County facilities and provided to other SBCERA-covered employers.

Aug. 17 – Sept. 11 (by 5 p.m.): Filing Period

Declarations of Candidacy and procedural information may be obtained from and returned to the office of the Registrar of Voters (see address below) by 5 p.m. on Sept. 11.

Nov. 9 – Nov. 30: Official Ballots Mailed

The election will be conducted under Mail Ballot procedures. The Registrar of Voters will mail the official ballots to all SBCERA members that are eligible to vote.

Dec. 8 at 5 p.m.: Election Day Deadline to Return Ballots

Voted ballots must be returned to the Registrar of Voters Office no later than 5 p.m. The ballots will be counted on the same day.

Dec. 15: Certified Results Announced

The certified results of the election will be declared by the San Bernardino County Board of Supervisors at its board meeting.

Jan. 1, 2010: New Terms Begin

The newly elected General Member, Safety Member, and Alternate Safety Member will take office for a three-year term.

Registrar of Voters, 777 E. Rialto Avenue
San Bernardino, CA 92415-0770



Long-Time Board Member, Colleague Retires



This month, we bid farewell to one of our longest standing Board of Retirement members, Dick Larsen.

Dick Larsen and Ellen Weisser

Mr. Larsen retired on July 4, 2009 from his County of San Bernardino post as Treasurer-Tax Collector. He served as a valued member on the Board of Retirement for nearly 11 years and as a County employee and civil servant for more than 36. We would like to wish Mr. Larsen a peaceful and enjoyable retirement, and thank him for all he has done for SBCERA and its members.

As a Board trustee, the elected Treasurer-Tax Collector of the County, and a friend, it has been a pleasure to work alongside Mr. Larsen to protect and manage the SBCERA investments. Through the years he has been dedicated to ensuring our members and beneficiaries receive the benefits they have earned in an accurate, timely and cost-effective manner.

His sense of ambition, leadership and respected investment expertise will be greatly

missed by his fellow SBCERA board members and staff. Over the last six months, it has been a privilege to have Mr. Larsen as Chairman of the Board. He has played an important role in helping us navigate the turbulent economic conditions we have faced. He was also instrumental in establishing a more formal and extensive due diligence process to ensure the safety of our investments.



by Timothy B. Barrett, CFA
Executive Director/CIO

“SBCERA is a top notch organization filled with highly qualified individuals that work very hard every day for those they serve,” said Larsen. “It has been such a wonderful and rewarding experience to be a part of this group, and I am confident that they will continue to work diligently to protect the futures of SBCERA members and beneficiaries.”

Mr. Larsen first joined the Board of Retirement on November 7, 1998, when he was elected Treasurer-Tax Collector for the County of San Bernardino. Prior to his role as Chairman, he served as the Investment Committee Chairman from 2003 to 2008. He also participated in the Audit and Administrative Committees.

As Treasurer-Tax Collector, Mr. Larsen held an ex-officio seat on the Board of Retirement. In his place, we welcome Annette Kerber, Assistant Treasurer-Tax Collector, to the Board of Retirement. She is now serving in Mr. Larsen's seat on the Board until the San Bernardino County Board of Supervisors appoints an interim Treasurer-Tax Collector. Mr. Larsen's final board meeting was July 2, 2009. ■

RETIREMENT 101: Keeping Your Beneficiary Current

Do you remember who you have designated as your SBCERA beneficiary? Does this choice still reflect your wishes?

Even though we all have busy lives, keeping beneficiary designations up-to-date is very important. A beneficiary designation helps SBCERA determine how to pay out the burial allowance and any death benefits when a member dies before retirement. **Please be advised that notifying your other benefit providers of your change of beneficiary does not automatically change your beneficiary(ies) with SBCERA; you must also notify SBCERA of the change.**

What is a Beneficiary?

A beneficiary is the person that you (the member) name in writing to receive such benefits provided by SBCERA upon your death. The **Primary Beneficiary** is the first-

named person or persons who would receive these benefits from SBCERA. The **Alternate Beneficiary** is the person or persons who would receive these benefits from SBCERA if you have no living primary beneficiaries on the date of your death. **You may name one person or any number of persons as your primary or alternate beneficiary(ies).**

It is important to choose a beneficiary to receive the burial allowance and/or any survivor benefits for an active duty death. Having a beneficiary on file with SBCERA will simplify the payment process for your survivor(s). If you do not designate a beneficiary, your survivors might have to wait a prolonged amount of time to receive payments due to costly legal proceedings after your death. If no beneficiary is named or if the beneficiary is no longer living, the benefit will be paid to your estate.

Please be aware that you cannot designate a trust as beneficiary of your SBCERA death and/or survivor benefits.

The rights and claims of your eligible surviving spouse or domestic partner to receive benefits upon your death before retirement, if eligible, may be superior to and supersede the rights and claims of any other beneficiary. If you do not have a surviving spouse, the benefits may be paid to your eligible surviving minor children, if any.

When Should I Update My Beneficiary?

It is important to be sure you update your beneficiary information in response to life-changing events such as births, deaths, marriage, divorce, or domestic partnership registration and/or termination.

Every year, Active and Deferred members receive a Member Statement in the month following their birthday that lists their current beneficiaries – please review this information carefully. **Active and Deferred members may change their beneficiary designation at any time.** In most cases, if you do not have an eligible spouse, domestic partner, or minor children, any beneficiaries you name will be entitled to a one-time lump-sum benefit only; they will not be entitled to a monthly benefit. At retirement, you will have the opportunity to designate a beneficiary for the burial allowance.

How Do I Change My Beneficiary?

Members who wish to change, add or delete beneficiary(ies) must complete a **Beneficiary Designation/Change form.** Anytime you change your beneficiary, your current spouse or domestic partner must be notified of the change you are making. Therefore, they must sign your Beneficiary Designation/Change form. If there is no spousal or domestic partner signature on the form, you must also complete a Justification for Non-Signature of Spouse or Domestic Partner form.

These forms are available on our website at www.SBCERA.org under the “Communications” tab. Or, you can call the SBCERA office at (909) 885-7980 or toll free at (877) 722-3721 to have these forms mailed or faxed to you. As always, if you have any questions you are welcome to call to speak with an SBCERA Retirement Representative for more information and guidance in this process. ■

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

Chair – Ellen Weisser
Vice Chair – Dawn Stafford
Bret Henry, Christopher Leggio,
Robert McDonald, Don Neely,
Marvin Reiter, Paul Russ, Dave Williams

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Investment Officer – Brian Long, CFA
Investment Officer – James Perry, CAIA
Investment Officer – Donald Pierce, CFA

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