

Published by the San Bernardino County Employees' Retirement Association

QUARTERLY *review*

When the *Seasons Change*

Autumn has arrived and with it comes a time of paradox. The season often brings mixed emotions of both peace and melancholy, an appreciation of the things we have and a desire for all things new. As you enjoy the charm of autumn's visible changes, some of you may begin to plan changes in your own life such as finding a new job, moving away to be closer to family, or a new adventure like retirement. Of course, with big life changes come very practical questions about money, and it is worth considering how a major change might impact your retirement benefit.

What if I change jobs?

When you change jobs within or among SBCERA-covered employers, your membership in SBCERA is unaltered. You continue to earn service credit just as you did while working at your previous job. However, if you go to work for an employer that is not with SBCERA, your retirement picture becomes a bit more complex and you must choose from the following options:

- **Reciprocity:** If your new job comes with participation in a California-based public pension, such as CalPERS or another county retirement system, you may be able to establish reciprocity, whereby you keep your funds on deposit and link your participation in SBCERA with the new retirement system for continuous service credit and preservation of total retirement benefits.
- **Service Retirement:** You may already be eligible to retire from SBCERA! In some cases, members who change jobs and are able to establish reciprocity instead opt for a Service Retirement from SBCERA, whereby they begin collecting a lifetime monthly benefit and then accrue entirely separate benefits with their new retirement system.
- **Refund or Rollover:** Alternatively, after leaving a position with an SBCERA-covered employer, you can refund or rollover any refundable contributions. A refund revokes any possible benefits from SBCERA and is subject to taxes as personal income, whereas a rollover to a qualified plan such as an IRA, is not.
- **Deferred Retirement:** If you are a Vested Member of SBCERA, you can choose to leave your contributions on deposit until such time that you are eligible and ready to service retire and collect your lifetime monthly benefit.

- **Leaving Funds on Deposit:** Of course, regardless of whether or not you are vested, you can always leave your funds on deposit with SBCERA and make a decision at a later time. Your refundable contributions continue to earn interest.

What if I move to another state?

If you move to another state and change jobs, you will not be able to establish reciprocity between SBCERA and your next retirement system, even if it is a public pension system. However, with the exception of reciprocity, the bulleted options above may be available to you.

What if I am already retired?

For Retired Members of SBCERA, if you establish primary residence in another state, you will continue to receive your lifetime monthly benefit. However, be sure to provide updated address, contact, and banking information to SBCERA. Should you move out of state, SBCERA will be able to continue withholding federal income taxes from your benefit if you so choose, but because we are only able to withhold state income taxes for California, you will be responsible for paying state income tax (if applicable) to your new state of residence.

From all of us at SBCERA, we wish you a colorful autumn full of new memories with loved ones. Whether you find yourself continuing along your current path or preparing for a new season of life, SBCERA will steadfastly serve to provide the retirement benefits you have earned and are eligible to receive.

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The Five W's of a Good News Story

Through our Quarterly Review newsletter, SBCERA provides information about retirement benefits, policies and investment performance to you, our valued members. Frequently, we aim to convey this information in creative ways, using metaphors to make our content a bit more effective and accessible.

Yet, in preparing my column for this Fall 2017 edition, I thought a more direct update would be appropriate to relay an important and positive news story about SBCERA's investment performance. Here, the five Ws of journalism 101 - who, what, when, where and why - might serve as a more fitting approach.

Who: For an outstanding year of investment returns, tremendous credit must go to our Board of Retirement, who set the policies and guidelines of SBCERA's investments. Our Board Trustees truly do their homework on investments to fulfill their fiduciary duties in a prudent and sound manner.

As always, SBCERA's staff never ceases to amaze. While our Investment Department rightfully gets the spotlight for this great accomplishment, each and every individual in Fiscal Services, Legal Services, Member Services and Information Services can take pride for their role in a banner year at SBCERA. Every position and underlying task facilitates growing the Fund and providing your retirement benefits.

What: For Fiscal Year 2016-2017, SBCERA's investment return was 13.7 percent. This greatly exceeded our expected rate of return and brought the fund to an all-time high of nearly \$9.2 billion in assets. What does this

mean? It means that SBCERA's funding status will improve, allowing us to more securely pay benefits for ongoing generations of SBCERA retirees.

When: SBCERA's successful investment return took place over the last fiscal year, and since its conclusion on June 30, 2017, we have continued to see upward movement in financial markets and growth of the SBCERA Fund.

Where: Based in San Bernardino County, SBCERA has a wide-ranging economic impact by managing a global investment portfolio on behalf of members and beneficiaries who reside locally, across the country, and in some cases, overseas.

Why: A healthy combination of hard work and luck are often the cause of good fortune. Perhaps a more important question is, why do we perform our work?

Since 1945, SBCERA has administered retirement benefits because you, our members, have earned them through your public service. You are the social workers, deputies, firefighters, nurses, accountants and more who enable good government to function effectively and make our communities stronger. We are privileged to work on your behalf, and are delighted to share this good news with you.

While it may be repetitive, I conclude each of my CEO Columns with the same statement because it fully summarizes the story of SBCERA - members first, service second to none.

SPOTLIGHT

the RBT's RETIREMENT BENEFITS TECHNICIANS



Have you ever called SBCERA to ask a question? Chances are, you first spoke with one of our Retirement Benefits Technicians, better known as the RBTs.

Handling their craft with precision and accuracy, the RBTs are the front lines of SBCERA as they field a number of requests and technical questions from members. Among many important assignments, the RBTs specialize in processing and verifying forms and applications, refunds and rollovers, and attend orientations to answer members' questions.

When you contact SBCERA and work with an RBT, you can expect not only that your inquiry will be handled with technical knowledge, but also with care and understanding. It is common for the RBTs to receive calls during difficult and stressful situations in the lives of members such as a divorce, disability, or a job transition. Through their detailed work and compassion, the RBTs exemplify the very best of SBCERA.

Choosing and Updating Beneficiaries

The dictionary defines beneficiary or beneficiaries as “one that receives a benefit” or “the recipient of funds, property, or other benefits.”

Do you remember who you 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 vital. A beneficiary designation helps SBCERA determine how to pay out the burial allowance and any applicable death benefits when a member dies. Please be aware that notifying other benefit providers such as your employer, health insurance, or investment accounts of a change does not change your beneficiary(ies) with SBCERA.

Who is a Beneficiary?

A beneficiary is the person that you (the member) name in writing to receive SBCERA-provided benefits upon your death. If no beneficiary is named or if the beneficiary is no longer living, the beneficiary will be your surviving:

- Eligible legal spouse or registered domestic partner
- Eligible minor children, or if none,
- Your estate

For your spouse or domestic partner to be considered eligible, he/she must have been married to you or lawfully registered with you in a domestic partnership for at least one year prior to your retirement. An eligible child must be an unmarried, dependent child under age 18.

What if my Beneficiary is none of these?

The rights and claims of your eligible surviving spouse or domestic partner to receive benefits upon your death, if eligible, may be superior to and supersede the rights and claims of any other beneficiary.



However, alternate nominated beneficiaries such as siblings or adult children may be entitled to certain benefits dependent upon the option you choose at retirement or in the event your primary eligible beneficiary is no longer living.

When Should I Update My Beneficiary?

Anytime you experience a life-changing event such as a birth, death, marriage, divorce, domestic partnership registration and/or termination, you should update your beneficiary designation(s).

Every year, Active Members receive a Member Statement in the month following their birthday that lists their current beneficiaries; Deferred Members receive this statement annually around August. It is important to review this information carefully and ensure it reflects your wishes.

Active and Deferred Members may change their beneficiary designation at any time. However, upon retirement, dependent upon the option you choose, you will most likely no longer have the option to change your beneficiary.

How Do I Change My Beneficiary?

Active or Deferred 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 as evidenced by their signature on the 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.

What If I Die Before Retirement?

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 as SBCERA determines the eligible beneficiaries. 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.

Forms are available through your MemberDirect account, on our website at www.SBCERA.org or by calling (909) 885-7980 or toll free at (877) 722-3721 to request these forms be mailed or faxed to you. As always, if you have any questions please call and speak with your SBCERA retirement representative for more information.

NEWSflash

Rumor Has It

Do you have a question about your SBCERA retirement benefits? Call or Chat with the experts at SBCERA. Asking your co-workers about your retirement options and relying on water cooler talk can result in incorrect or incomplete information.

eCorrespondence

Do you prefer to receive communication electronically? To elect e-Correspondence, sign-in to your MemberDirect account, click Communication Preferences (under Settings), then elect eCorrespondence for Member Statements, retiree payroll advices, Form 1099-Rs and/or the Quarterly Review newsletter.

A Name You Can TRUST

If you are attempting to have your retirement benefit deposited directly to a trust account, you must also provide bank documentation that reflects you as the individual account holder. The documentation (such as a voided check) must also have your individual name and not simply the name of the trust. As with all SBCERA retirement matters, if you have questions on this, please give us a call.

Insights on INVESTMENTS

Cash is king, or so the saying goes.

- by Donald Pierce, CFA

In our individual lives, cash - be it in a checking account or in our wallet - can give us a kingly feeling of security and power. It provides a sense that should emergency strike, we at least have a reserve for basic needs. Cash can also serve as dry powder for future investments - beneficial if used for instances when an asset's price is too good to pass up.

Yet by the same token, we all know the folly of storing our wealth under a mattress, where inflation will pass us by and leave our cash valueless. Even under a short time horizon, with too much cash on hand, one can squander a chance to fully participate in a quick run-up in the market.

This tension between security and missed opportunity exists not only for individuals, but also for institutional investors like SBCERA. With our portfolio at an all-time high, we too find ourselves deliberating how much cash to keep on hand.

Our 2016-2017 fiscal year investment return was SBCERA's highest in four years, when markets had recently returned to their pre-recession levels. Since that time, the Fund has benefited from appreciation in equities, and particularly from strong performance in credit markets. Certainly, this is positive news.

However, we are mindful of the winner's curse, whereby successful investing leads to future overpayment for assets. Equities, real estate, and credit are highly priced right now, and while we see room for additional growth in these asset classes, we also recognize the importance of storing cash for the inevitable day when prices become more attractive.

For now, we remain near the upper limit of our cash allocation, hopeful for opportunities to deploy capital across our portfolio as needed. We can take pride in our successful performance without paying a king's ransom for new investments.



Upcoming Retiree Benefit

Pay Dates

Friday, **September 29**
Tuesday, **October 31**
Thursday, **November 30**
Friday, **December 29**

Staying Connected in Retirement

You spent years working for an employer, alongside numerous co-workers, and have now embarked on your retirement journey. Some retirees may stay connected to friends from their office; others might stay connected to fellow retirees through organizations like the Retired Employees of San Bernardino County (RESBC). What is one of the best ways to stay connected with your pension? Well, you are reading it.

SBCERA strives to keep both Retired and Active Members connected to a significant element of their life, a lifetime pension benefit, by creating and distributing this award-winning newsletter every quarter. We are always trying to inform you about the latest tools and resources available from SBCERA; whether it is directing you to find your specific account information in Member Direct or getting a question answered quickly by chatting with us via our website at www.SBCERA.org. Additionally, we provide Upcoming Pay Dates, Cost of Living Adjustment (COLA) notifications, and information regarding your 1099-R.

SBCERA has a plethora of tools and resources for both Retired and Active Members. Among them, SBCERA's Quarterly Review newsletter is the best at providing concise information relevant to the time-period you are reading it. As each issue is released throughout the year, you will read about what COLA amount was approved, the Board of Retirement meeting dates for that specific time period, SBCERA holiday closures, and any other news or information that may be impactful to you, our valued members.

We strive to provide content that helps make you feel more connected to your retirement, as we hope you may be enjoying a certain disconnect from the world of work.



IMPORTANT DATES AND EVENTS

Holiday Schedule

SBCERA will be closed for the following holidays:

Columbus Day **October 9**

Veterans Day **November 10**

Thanksgiving **November 23 -24**

Regular office hours are Monday through Friday from 8:00 a.m. to 5:00 p.m.

Board of Retirement Meetings

SBCERA Board meetings are held at 9:00 a.m. the first Thursday of every month in the Board Chambers. All meetings are open to the public. View agendas and minutes at www.SBCERA.org/Meetings.

October 5 November 2 December 7



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