



Quote to remember:

*I am only one, but I am one. I cannot do everything, but I can do something. And I will not let what I cannot do interfere with what I can do.*

(Edward Everett Hale)

December 2002

Volume 5, Issue 1

# The Finish Line

A Publication for Active Members of the Sacramento County Employees' Retirement System

## Inside This Issue

Enhancements Update	1
SCERS' Board Appoints Alternate Retiree	2
Redeposits and Service Credit Purchases with	2
County Sponsored Health Plans-Premium	3-6
-History on Retiree Medical Premium Sub-	5
-Service Credit Crite-	5
Planning on Getting Paid?	6

## Important Telephone Numbers

### SCERS:

916-874-9119

### SCERS FAX:

916-874-6060

### SCERS TOLL FREE No:

1-800-336-1711

### E-mail address:

sacretire@saccounty.net

### Web-site address: www.

saccounty.net/retirement



## "ENHANCEMENTS" UPDATE

Previous updates regarding the status of the so-called "retirement benefit enhancements" were included in the December 2001 and June 2002, editions of *The Finish Line*. These are available for review at SCERS website at: [www.saccounty.net/retirement](http://www.saccounty.net/retirement). Since then, a lot has occurred, but not an awful lot has changed. Negotiations continue. Progress is being made. Implementation is still set for June 2004, unless, through signed collective bargaining agreements or some form of litigation settlement, an earlier implementation is established. These are real possibilities.

With regard to a possible "litigation settlement" as a path to implementing enhanced service retirement formulas, one possibility involves a "Ventura" litigation settlement with the active employee class of plaintiffs. Such a settlement, if approved by the court, could include a provision whereby nonretired "active" or "deferred" employees would retire after a specified date, but before the new formulas are implemented, and receive benefits based upon existing formulas. Then, once the enhanced benefit is implemented, e.g. June 2004, these retirees would prospectively receive a recalculated benefit based upon the enhanced formula. Such a proposal has been made by SCERS' Board and the County of Sacramento.

Rumors abound. They are just that, rumors!

Until and unless an official communication is sent from SCERS' membership employers and, of course, from SCERS itself, announcing an official implementation date, or settlement agreement, members should not engage in rumormongering.

Be patient and allow processes to come to fruition. If they do, we'll let you know!!





**SCERS' BOARD APPOINTS ALTERNATE RETIREE MEMBER OF THE BOARD**

With Statutes of 2001, Chapter 168, Assembly Bill No. 1665 amended Government Code Section 31520.5 to give discretion to 1937 Act retirement boards to create a new board member position, i.e., "alternate" retiree member. By actions taken in February and November 2002, the SCERS' Board, from a list of nominees submitted by the Sacramento County Retired Employees' Association board, opted to appoint former (now retired) Sacramento County Auditor-Controller Nancy Wolford-Landers to the board.

This appointment now results in these primary changes:

- Instead of a nine member and one alternate member board, there are now two alternate members.
- Whereas, prior to this appointment, the "alternate safety" member voted on matters in event of the absence from a meeting of any "elected member", i.e., absence of the one "safety" member or one of the two "miscellaneous" members or the one "retiree" member, now the "alternate safety" member does not vote in the absence of the retiree member of the board. The "alternate retiree" member now will have that vote.

The appointment of an alternate retiree member and appointment of Ms. Wolford-Landers notwithstanding, the SCERS' Board recognizes ambiguities which appear to exist in the statute. The Board awaits a requested Attorney General's Opinion, which it is hoped, will clarify some uncertainties.

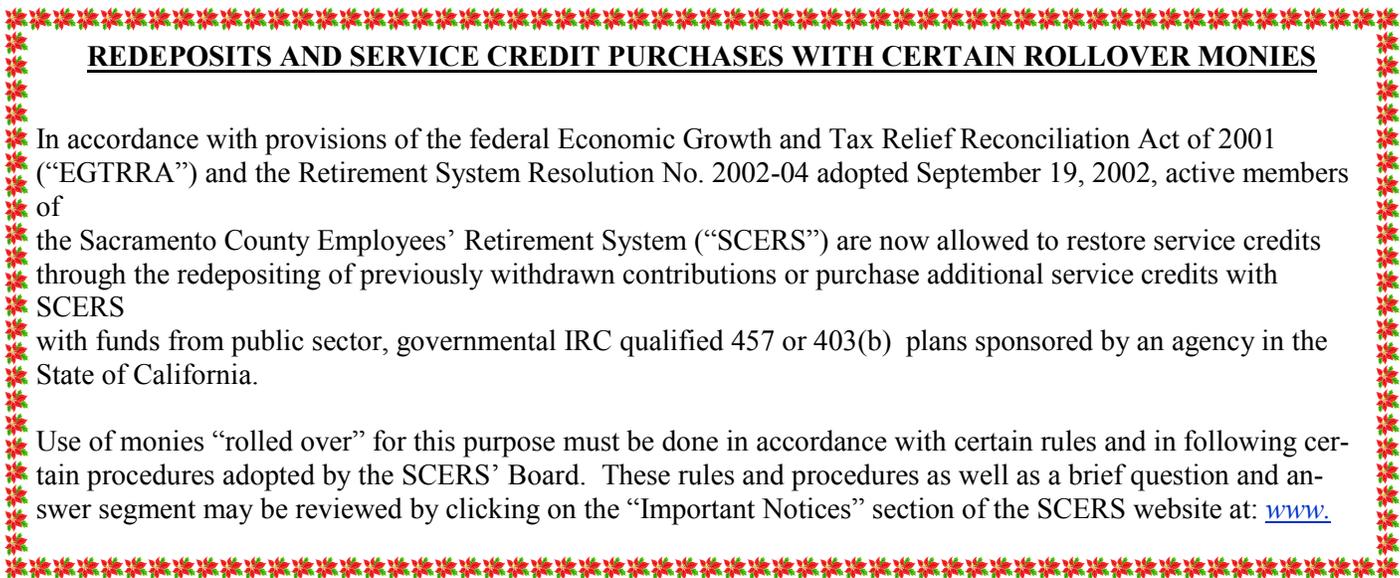
For a more complete description of the pre-amendment SCERS' Board, refer to your Retirement Handbook or to SCERS' website: [www.saccounty.net/retirement](http://www.saccounty.net/retirement).



**REDEPOSITS AND SERVICE CREDIT PURCHASES WITH CERTAIN ROLLOVER MONIES**

In accordance with provisions of the federal Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") and the Retirement System Resolution No. 2002-04 adopted September 19, 2002, active members of the Sacramento County Employees' Retirement System ("SCERS") are now allowed to restore service credits through the redepositing of previously withdrawn contributions or purchase additional service credits with SCERS with funds from public sector, governmental IRC qualified 457 or 403(b) plans sponsored by an agency in the State of California.

Use of monies "rolled over" for this purpose must be done in accordance with certain rules and in following certain procedures adopted by the SCERS' Board. These rules and procedures as well as a brief question and answer segment may be reviewed by clicking on the "Important Notices" section of the SCERS website at: [www](http://www).





**F.Y.I. For Active Employees In Re:**

**County-Sponsored Health Plans-Premium Increases, Offsets, Etc.**

**Substantial Increases In Retiree Premiums**

County-sponsored health plans are provided to both active and retired employees pursuant to contracts between the health plans and the County of Sacramento and subject to labor negotiations with represented employee organizations. Currently, coverage is provided to County and Special District employees and retired annuitants of Sacramento County Employees' Retirement System, and their eligible dependents. Premium rates are provided and negotiated annually between the County and health plans. Recognized employee organizations' labor agreements with the County are pertinent to the plans selected and the provisions included in the health plan contracts.

Negotiations between the County and the health plans occur annually and per agreement, new premium rates are implemented effective January 1 of each year. Premiums are set in accordance with the Internal Revenue Code (IRC) Section 125 Plan provisions, requiring a calendar year election for active employees.

In compliance with IRC 125 rules and the health plan contracts, and in anticipation of the need for employees and retired annuitants to reconsider their desired health plan enrollment based upon premium rate changes, an Annual Enrollment is provided. Employees and annuitants may opt to change health plans or add or drop dependent coverage during this time. The Annual Enrollment is sponsored by the County Employee Benefits Office. For this year, the County set the annual enrollment schedule for retirees in October, and as in prior years, an "Annual Enrollment Guide For Retirees" and a companion "Health Insurance Guide For Retirees" were mailed by that office to eligible SCERS annuitants ("eligible" means for those already enrolled in a County-sponsored health plan).

Unfortunately, this year and for the foreseeable future, premium rates for County-sponsored health plans are expected to increase by double-digit amounts, reflecting the high cost of health care nationwide. According to the County Employee Benefits consultant, these premium rate increases arise for both good and bad reasons. On the "good" side medical science through billions of research dollars spent each year, has developed new drugs, vaccines and new diagnostic and treatment methodologies which have substantially reduced mortality for certain diseases or enhanced the quality of life for those being treated for others. On the "bad" side, reduced-federal reimbursements from Medicare, higher fee demands from medical service providers and increased propensities for hospitalization, have resulted in increased costs to health plans, nationwide.

From all of the above, it is apparent that a nationwide solution to the rising cost of health care, involving the political courage of our federal government, administration and Congress, as well as the resolve of the American people, is necessary in order to fix this problem.

**Sacramento County's Out-Of-Area Plans Premiums  
Dilemma**

Of 5,600 SCERS monthly annuitants, 3,800 are enrolled in County-sponsored health plans, approximately 300 (roughly eight percent) have enrolled in plans which are characterized as "out-of-area".

These are plans for annuitants that live or move their residence address outside an HMO service area (usually beyond a thirty-mile radius from a plan facility). All of the Countys' health insurance carriers offer plans for retirees and their dependents who live or move outside of the HMO service areas, as explained in the Enrollment Guide and the Insurance Guide.

(continued on page



(continued from page 3)

The Annual Enrollment revealed that premium rates to be effective January 1, 2003 for County-sponsored out-of-area plans have substantially increased by amounts even greater than rate increases for other plans. Indeed, according to a letter sent September 6, 2002 by the County Employee Benefits Office, premiums in one such program "Flex Net" will increase by **110%**. We have also learned that this has occurred due to implementation of contracts which no longer require the "blending" of claims experience from HMO plans with the Out-of-Area plans. Simply stated, the premiums for the out-of-area plans are now based strictly on the claims experience from the out-of-area plan, a more costly experience. This resulted in a substantially increased premium for out-of-area coverage.

SCERS staff and Board have consistently recommended, indeed advocated, for County-sponsored health plan premiums to remain blended on the total group, i.e., employees and retired annuitants. SCERS staff and Board have serious concerns that the concept of "un-blending" of claims experience as has occurred for out-of-area plan participants does not carry over to the total group and that future negotiated changes between the County and carriers do not allow the premiums of employees and retired annuitants to be determined based on the experience of each individual group, rather than the larger group as a whole. The SCERS Board's concerns have been communicated to responsible County officials.

SCERS Has Been Able to Help With Premium Offsets  
-A Little History-

In 1980 the Sacramento County Retired Employees' Association ("SCREA") and the Sacramento County Board of Supervisors requested the SCERS Board's assistance in providing medical plan premium offsets to SCERS monthly annuitants enrolled in County-sponsored medical plans. Recognizing the potential high cost of funding such a benefit and the reluctance of recognized employee organizations (due to their perception of other more pressing needs for their members) and the County to negotiate for permanent funding of retiree premium offsets, SCREA and the Board of Supervisors asked the SCERS Board to consider the use of SCERS "excess" earnings to provide a "non-vested" premium offset to help mitigate against premium rate increases.

Recognizing the ever-increasing growth in SCERS investment earnings up to 1999, the SCERS Board has allocated monies since 1980 to provide some modest relief to SCERS annuitants. These monthly medical premium offsets (in addition to a modest dental plan sponsored by SCERS) are described on page 5 of this newsletter. The actual amounts, from 1980 until 1994, were determined directly by the SCERS Board. From 1994 to present, the actual amounts are established by resolution of the Board of Supervisors based upon the recommendations of the SCERS Administrator and the County Executive.

As a "non-vested" benefit, i.e., as a benefit neither promised before nor after retirement, nor one provided in any bargaining agreement, and, more importantly, as a benefit whose continuation is contingent upon the availability or non-availability of SCERS excess earnings, the SCERS Administrator and the County Executive have in their recommendations to the Board of Supervisors purposefully limited the amount of the annuitant medical premium offsets and retiree dental program schedule of allowance to modest amounts. The medical premium offset is set at the highest retiree-only under age sixty-five premium for County sponsored HMOs with at least ten percent enrollment for all covered retirees. The setting of offsets at modest amounts is, in part, in recognition that, someday, should SCERS excess earnings be inadequate or non-existent, the cessation of such non-vested benefits will be less economically burdensome to the lifestyles of SCERS annuitants who have come to rely upon them.

(continued on page 5)



(continued from page 4)

But, For How Much Longer?

For each year of providing these benefits, the Board of Supervisors has established that continuation of such benefits has been wholly contingent upon the availability of SCERS earnings and the SCERS Board's willingness to use them for this purpose.

Now, unfortunately, due in large part to the impact upon SCERS investment portfolio of the well publicized acts of international terrorism, corporate fraud scandals, and lagging economies, SCERS for the most recent two and one-half years is experiencing a period of negative earnings. This brings into serious question SCERS abilities to be the funding mechanism for continuation of medical and dental plan premium offsets, at the current levels or even, at all. For these reasons, SCERS in its September 2002 issue of *The Latest Wrinkle* offered special advice to SCERS annuitants in approaching their Annual Enrollment.

(continued on page 6)

**HISTORY OF SCERS' RETIREE MEDICAL PREMIUM SUBSIDIES**



Resolution #	Date	Monthly Subsidy*	Effective
<b>SCERA</b> 80-2	9/10/80	\$30	11/1/80
81-1	9/23/81	\$35.50	11/1/81
82-2	9/15/82	\$47.24	11/1/82
83-1	9/28/83	\$51.50	11/1/83
84-1	10/25/84	\$60.88	11/1/84
85-3	10/10/85	\$60.88	11/1/85
86-5	9/25/86	\$75.00	11/1/86
<b>SCERS</b> 87-03	8/27/87	\$80.74	10/1/87
88-13	9/22/88	\$80.74	10/1/88
89-12	8/24/89	\$91.40	10/1/89
90-18	9/27/90	\$91.40	10/1/90
91-10	7/25/91	\$124.00	10/1/91
92-08	8/13/92	\$110.00	10/1/92
93-07	7/8/93	\$110.00	7/1/93
	<b>Max/Mo**</b>		
<b>BofS</b> 93-1527	11/30/93	\$186.00	6/30/94
95-0688	6/6/95	\$172.00	6/30/95
96-0480	5/7/96	\$170.00	6/30/96
97-0730	6/17/97	\$168.00	6/30/97
98-0774	6/23/98	\$156.00	6/30/98
99-0411	4/13/99	\$167.00	6/30/99
00-0219	2/29/00	\$186.00	6/30/00
01-0383	4/17/01	\$202.00	6/30/01
02-0458	4/30/02	\$244.00	6/30/02



Service credit criteria  
(Applied Since 1994)

Effective Date (Premium Pd) years	Less than 10 years	10 years, but less than 15	15 years, but less than 20	20 years, but less than 25	25 or more
6/30/94	\$93	\$116	\$139	\$162	\$186 ***
6/30/95	\$86	\$108	\$129	\$151	\$172
6/30/96	\$86	\$108	\$129	\$151	\$172
6/30/97	\$84	\$105	\$126	\$147	\$168
6/30/98	\$78	\$ 98	\$117	\$137	\$156
6/30/99	\$84	\$105	\$126	\$147	\$167
6/30/00	\$93	\$116	\$139	\$162	\$186
6/30/01	\$101	\$126	\$151	\$176	\$202****
6/30/02	\$122	\$152	\$182	\$212	\$244

\*Resolutions 80-2 through 93-07 provided for one amount of monthly subsidies, regardless of credited service.

\*\*Resolutions 93-1527 and following provided for five gradations based upon credited service.

\*\*\*Resolutions 93-1527 through 00-0219 provided for subsidies set on basis of retiree only, under 65 for highest HMO premium.

\*\*\*\*Resolutions 01-0383 and 02-0458 provided for subsidies set on basis of retiree only, under 65, for highest premium for HMOs with at least 10% total enrollment.



(continued from page 5)

A Replay of SCERS Advice to Annuitants To Read The Material And Be Prudent In Your Enrollment

Without intending to be alarmist and recognizing the prudence of living within one's means, SCERS enrollees in County-sponsored health plans should carefully read the mailings from the County Employees Benefits Office to understand and appreciate the changes in plan premiums, attend the County's annual enrollment events to ask questions, then make their decisions regarding annual enrollment, taking into consideration that the premium offsets (aka "subsidies") in present form or at all, may no longer become available in coming years. Remember, however, that if a current enrollee chooses to disenroll from coverage under a County-sponsored plan for reasons other than immediately enrolling in another County-sponsored plan during an annual enrollment period, (s)he waives the right to enroll in any County-sponsored plan, forever.

Work Continues

During 2003, in the face of these extraordinarily uncertain times of fiscal tightening and underperforming financial markets, Sacramento County officials are committed to addressing these issues.

**Planning on Getting Paid?**  
-Pay Attention to Details-

When you retire SCERS will require copies of a birth certificate for you and your intended beneficiary. Copies of marriage certificates and copies of any court orders addressing community property will also be necessary.

If you have unresolved community property issues, at time of retirement, SCERS may be legally precluded from paying your retirement benefits.

If you have had a dissolution of marriage you may also need to change your beneficiary designation (with SCERS, with the County's deferred compensation program, with the County's insurance office, or other offices in Human Resources).

In order to avoid delays upon retirement, SCERS suggests that you provide copies of the above as soon as possible and not wait until your actual retirement date.

Pay attention to unintended business!!!!

**RETIREMENT BOARD**

Jan Hoganson, President  
Elected by Safety Members

James A. Diepenbrock, 1st  
Vice-President  
Appointed by the Board of  
Supervisors

Ron Suter, 2nd Vice-  
President  
Elected by Miscellaneous  
Members

Mark Norris, Director of  
Finance  
Ex-Officio

William Cox  
Elected by Retired  
Members

Keith DeVore  
Elected by Miscellaneous  
Members

Winston H. Hickox  
Appointed by the Board of  
Supervisors

John B. Kelly  
Appointed by the Board of  
Supervisors

Robert Woods  
Appointed by the Board of  
Supervisors

Nancy Wolford-Landers  
Alternate Retiree Member

Vacant  
Alternate Safety Member



**Executive Staff**

John R. Descamp  
Chief Executive Officer

Jeffrey States  
Chief Investment Officer

Linda Seher  
Chief Benefits Officer

Kathryn T. Regalia  
Chief Operations Officer

Newsletter Coordinator  
Virginia Hayes

Sacramento County  
Employees' Retirement  
System  
980 9th Street,  
Suite 1800  
Sacramento, CA 95814

