

Your SCERA Benefit

It seems every time we turn around, we hear things that make us anxious about our financial security. From the baby boomer retirement wave and bank failures to global conflicts, elections, and the economy there is no shortage of fear inducing news. As public employees or public agency retirees, that anxiety can spill over into the security of your retirement benefit. Many of us may wonder if our retirement benefit is going to be there when we retire, or for those who are already retired, if they are going to keep getting their monthly checks.

We are here to let you know your benefit is secure.

As you know, while you are actively working, SCERA collects contributions from your paycheck. We also collect contributions from your employer. We then invest those contributions and earn investment income so that we can pay lifetime benefits. Monthly benefits are made up of an annuity portion and a pension portion. The annuity portion is funded by the contributions active employees make and investment earnings on those contributions; the pension portion is funded by employer contributions and investment earnings on those contributions. Once the member and employer contributions are made to the retirement plan, they can only be used to pay for retirement and death benefits and the plan's administrative costs.

You may be wondering how we set the contribution rates to ensure members and employers are contributing enough throughout the year for our investment team to grow and for the plan to ultimately pay for the promised benefits. Every year we use an actuary to evaluate the assets in the plan and compare them to projected benefit payments. The actuary relies on assumptions to do this. Some of these assumptions include the investment rate of return (what we expect to earn on the contributions we invest), member demographics (like when a member will retire or will he or she be married), and projected salaries. If plan member and economic behavior of the plan don't match the assumptions,



this can create either a gain or an unfunded liability. If an unfunded liability is created, the employers participating in the plan are obligated to make up the difference. A portion of every employer contribution into the plan includes a payment towards that unfunded liability along with the payment to cover the cost of the current year's benefit. Members contribute towards the cost of the current year's benefit and currently some members also contribute to the unfunded liability per the terms of their collective bargaining agreements.

Hopefully you can breathe a little easier knowing that your contributions are being put to good use and your SCERA benefit will be there for you, whether you are enjoying your retirement or looking forward to it.



SCERA Board of Retirement

Brian Williams, Chair
Bob Williamson, Neil Baker,
Travis Balzarini, Chris Coursey
Amos Eaton, Greg Jahn,
Erick Roeser, Joe Tambe,
Mark Walsh

Board of Retirement Meetings

Meetings are generally held at 9:00 a.m. on the third Thursday of the month in the SCERA Board Room.

Executive Staff

Julie Wyne, Chief Executive Officer
Jim Failor, Chief Investment Officer
Cristina Hess, Assistant CEO/CLO

The SCERA Times is published for members of the Sonoma County Employees' Retirement Association.

Comments and suggestions should be directed to:

Retirement@sonoma-county.org

Or contact SCERA at:

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(707) 565-8100

This Newsletter is not intended or designed to be financial advice, tax advice or legal advice. SCERA does not render financial, tax or legal advice. Please consult with your financial, tax and legal advisors regarding your personal circumstances.

This Newsletter was prepared by SCERA staff to help members understand issues surrounding many aspects of their retirement benefits. Every effort has been made to ensure the accuracy of the information provided. However, you should not rely solely on the information contained in the newsletter. If there is any discrepancy between information in this newsletter and legal requirements under State or Federal law, the law will govern.

SCERA Retirement Seminars

Scheduled upcoming seminars that are currently open include the following:

TITLE	DATE	TIME
Planning to Retire	6/5/2024	2:00 PM
Planning to Retire	6/17/2024	2:00 PM
Planning to Retire	6/20/2024	1:30 PM
Planning to Retire	7/3/2024	2:00 PM
Planning to Retire	7/15/2024	8:30 AM
Planning to Retire	7/30/2024	2:00 PM
Planning to Retire	8/13/2024	2:00 PM
Planning to Retire	8/21/2024	1:30 PM
Planning to Retire	9/4/2024	2:00 PM
Planning to Retire	9/13/2024	9:00 AM
Path to Retirement	9/23/2024	8:30 AM
Planning to Retire	10/8/2024	2:00 PM
Planning to Retire	10/14/2024	2:00 PM
Planning to Retire	10/29/2024	8:30 AM
Path to Retirement	11/5/2024	12:00 PM
Planning to Retire	11/7/2024	2:00 PM
Planning to Retire	11/12/2024	9:00 AM
Planning to Retire	12/3/2024	2:00 PM

A complete description of the seminars is available at scretire.org. For those considering retirement please note attending a seminar is not a requirement. You can enroll in the seminars by logging into your [MySCERA](#) account and clicking on [Seminar Registration](#).

SCERA Staff Update

In January, **Katelyn Bowman** was hired as our new Accountant I in the Finance & Retiree Services division. Katelyn's primary responsibility will be processing Retiree Payroll. She comes to SCERA after spending 2½ years in the private sector as an Accountant and Payroll Coordinator.



Valuable Resources on SCERA's Website

SCERA members can access our website at www.scretire.org. Our platform offers a wide range of information for our members whether you have just been hired or you are getting ready to retire. We continue to update and organize our website to help you easily find what you are looking for. Our website aims to assist individuals in gaining a clear understanding of their retirement benefits and addressing any other inquiries they may have.

THE ACTIVE/DEFERRED SECTION

features four primary pages: **When You Are Hired, Know Your Benefits, Calculating Your Benefit, and Getting Ready to Retire**. These pages provide information for all of SCERA's non-retired members, assisting them through the various stages leading to retirement. Additionally, this is where members can access active and deferred member forms.

THE RETIRED SECTION

has four primary pages: **Health & Welfare Benefits, My Pension Check, Life Events, and Working After Retirement**. These pages offer valuable information tailored to SCERA's retired members. Moreover, this is where members can access retiree forms.

THE FINANCIAL & INVESTMENT SECTIONS

offer information about the Plan's financial reporting and investment performance.

THE ADMINISTRATION SECTION

provides information about the Board, staff and the Plan as a whole.

Take a minute to familiarize yourself with all the information we provide.

Retirement Board Update

For the 3rd Trustee position of the Retirement Board, **Amos Eaton** has been re-elected. This position is elected by the active general membership.

For the 8th Trustee position of the Retirement Board, **Mark Walsh** has been elected. This position is elected by the retired membership. Mr. Walsh served on

the Retirement Board as the general member trustee from January 2005 through September of 2009 when he retired from active membership.

The election for the 8th Alternate Retiree Trustee Position for the term ending December 31, 2023 was not held because at the close of the nomination period

there was a single candidate, **Neil Baker**. On December 7th the Sonoma County Registrar of Voters certified the casting of a single ballot for Trustee Baker.

Please welcome back Mr. Eaton, Mr. Walsh, and Mr. Baker. Each Trustee will serve a term from January 1, 2024 through December 31, 2026.



Divorce & Retirement Benefits

How does divorce impact my SCERA account?

If you were a member of SCERA while you were married or had a state registered domestic partnership, your retirement account may be considered community property by the Family Court pursuant to the laws of California. It is essential that you notify SCERA immediately when a dissolution is filed. You could face long delays in the payment of your retirement benefits or contribution refund payments upon termination of employment if SCERA is not notified.

What do I need to provide to SCERA after a divorce?

SCERA will need an entire copy of the Dissolution Judgment and Settlement Agreement. Depending on the property disposition ordered by the Court, your ex-spouse/ex-state registered domestic partner may be entitled to a share of the community property portion of your retirement account. SCERA cannot tell you what portion of your retirement will be divided, if any. This should be outlined in your settlement agreement.

My retirement account must be divided, what do I need to do?

If your retirement account is to be divided, a Joinder must be filed. A Joinder is a legal document that joins SCERA as a party to the dissolution proceedings. A Domestic Relations Order (DRO) will also be required.

A DRO explains in detail many issues, including who is entitled to a benefit, and when they are entitled to receive it. This document is signed by both parties and their attorneys (if any), and a Superior Court Judge.

I am already retired and must divide my retirement, how is my benefit impacted?

The same process applies to retirees, the only difference is that the benefit option has already been selected and cannot be changed. For instance, if you selected the Unmodified option at retirement and you get divorced, your ex-spouse/ex-state registered domestic partner will no longer be eligible for the 60% continuance upon your death. However, they may be entitled to a portion of your monthly benefit that is being paid while you are receiving benefits.

SCERA has *Dissolution of Marriage Guidelines* available online at [scretire.org/Resource-Center/Forms-and-Publications/](https://www.scretire.org/Resource-Center/Forms-and-Publications/). If you are unable to access the document, please contact SCERA to request the guidelines.

The disposition of retirement benefits in domestic relations proceedings involves complex marital and tax issues. SCERA advises you to seek competent legal counsel. SCERA staff cannot give you legal advice concerning your divorce or community property issues. To find a family law specialist, you may wish to contact the State Bar of California www.calbar.ca.gov.



When should I update my beneficiary?

Beneficiary Updates

Any time a major life event such as marriage, partnership, divorce, birth of a child, change of employment status or a death in the family occurs you should check and revise your beneficiary(ies).

- Active and Deferred members can change their beneficiaries at any time.
- Retirees please call SCERA if you have questions about updating your primary beneficiary.
- Please be aware that notifying your employer of any changes does not change your beneficiary(ies) with SCERA.
- Forms are available through our website at scretire.org to update your beneficiary.

Defined Benefit Plan

A **Defined Benefit Plan** promises the member with a guaranteed lifetime benefit funded by three sources: the employee, employer, and investment earnings of the retirement fund. This differs from a defined contribution plan such as a 457 or 401(k) plan, in which you make the investment decisions and bear the associated risks. A defined benefit plan promises the member with a guaranteed lifetime benefit.

Death Notification

Please make sure to notify SCERA when a member or recipient passes. You do not have to wait for a death certificate to report a death. SCERA will reach out to the reporting party to gather more information. Please report deaths by calling or emailing us at 707-565-8100 / retirement@sonoma-county.org.



INVESTMENT Market Update

YOUR PLAN'S INVESTMENT PORTFOLIO returned 13.6% in 2023, a year of ongoing recovery and stabilization in the financial markets. The previous year's returns were strained by the US Federal Reserve Bank's aggressive policy of interest rate hikes to combat rampant inflation in the post-pandemic economy. Despite this headwind, global financial markets experienced a tumultuous yet ultimately resilient year, even considering additional challenges that sprung from regional bank stress, geopolitical tensions, ambiguous inflationary readings, and uncertainty surrounding central bank maneuvers. As the year progressed, investors continually weighed the implications of these factors on asset prices and market stability.

One of the defining features of 2023 was the persistent specter of inflation. Central banks grappled with the delicate balance of curbing inflationary pressures without stifling economic recovery. This led to a series of continuous interest rate hikes through the first half of the year, followed mid-year by a long-awaited policy adjustment that reverberated throughout the investment landscape. The Federal Reserve telegraphed a "pause" after a period of the most rapid rate hikes in decades. Then by year end, the Fed signaled rate cuts were now being considered, and so the eagerly anticipated yet elusive policy "pivot" had at last arrived, sparking a strong and broad rally in the last two months of the year.

In fact, stocks managed to finish the year nearly at all-time highs, rising 26% as measured by the Russell 3000 Index and 18% for the MSCI EAFE, a non-US developed markets index, on encouraging corporate earnings, economic growth, and expectations that the interest rate cycle was peaking. Technology companies associated with artificial intelligence also provided an unrelenting tailwind to the momentum, with the NASDAQ Composite Index delivering a 44.6% return. The worst global equity market performers were Chinese and Hong Kong stocks that lost over 10% of their value, although the rate of decline has slowed from the selloffs in the previous two years.

The Plan's investment managers in both Equities and Fixed Income performed above their benchmarks in aggregate. Real Assets, which includes Real Estate, Infrastructure and Farmland, delivered a tepid 0.6% return. Real Estate returns in particular have been negatively impacted by higher interest rates raising financing costs, as well as the ongoing work-from-home/hybrid policies affecting Office properties. Two investments in Farmland and Infrastructure, the Fiera Comox Global Agriculture Open-End Fund and the KKR Diversified Core Infrastructure Fund, became fully funded in 2023. This full implementation to the policy weight brings Real Assets to a total of 26% of Plan assets.

SCERA's portfolio avoided most of the poor performance from the multiyear selloff in Chinese and Hong Kong stock markets *Continued next page.*

Sonoma County Employees' Retirement Association SCERA Summary of Performance (Gross-of-Fees) as of December 31, 2023

	4th Quarter	1 Year	3 Years	5 Years	10 Years	20 Years	25 Years
Plan Return (Gross-of-Fees)	6.9%	13.6%	7.4%	9.5%	7.7%	7.5%	6.7%
Policy Benchmark	7.3%	12.9%	4.2%	8.7%	7.0%	6.9%	6.1%
Difference	-0.4%	0.7%	3.2%	0.8%	0.7%	0.6%	0.6%

*The impact of fees would be to reduce stated Plan returns by approximately 0.5% per annum.
The current Assumed Rate of Return is 6.75%*

Investment Market Update *Continued*

in 2023, as we implemented a Rule of Law (ROL) guideline in early 2021. The ROL guideline eliminates exposure to poor ROL markets, where practicable, as ranked by the World Justice Project. As a result, the Plan's exposure to Chinese and Hong Kong domiciled securities was minimal.

The Plan's solid annual performance, despite 2023's mixed signals and downward pressure from the Real Estate asset class, highlights the ability to weather volatility while capturing upside opportunities when clouds of uncertainty clear. The Board and Investment staff routinely consider the most

effective portfolio construction to deliver this goal through optimal diversification in SCERA's investment holdings. As a result, the long-term returns have remained at or near the expected rates of return over 10- and 20-year time horizons. Looking forward, we are confident in SCERA's investment policies, focusing on the funding requirements of the Plan, mitigating risk, and maintaining a long-term perspective in the decision-making process. It is noteworthy that as of the end of 2023, the Plan's funded status, based on the actuarial valuation of assets, was a healthy 93.8%.

Highest Average Compensation

Your SCERA retirement benefit is based on three factors: your **age at retirement**, **years of service credit**, and your **Highest Average Compensation**.

Highest Average Compensation is the average compensation you earned prior to retirement. The definition varies based on your plan.

- Plan A members, the monthly average of the member's highest one-year pensionable compensation.
- Plan B members, the monthly average of the member's highest three-year pensionable compensation.

Highest Average Compensation includes most premium pays, paid vacation time, paid holiday time, and paid sick leave. Overtime pay is NOT included. SCERA finds the highest average compensation at any time in your career, even if your highest compensation is not in your final year of employment.

To view your current Highest Average Compensation log into your MYSCERA account today.

IMPORTANT DATES

Retiree Pay Dates

May 31, 2024
June 28, 2024
July 31, 2024
August 30, 2024
September 30, 2024
October 31, 2024
November 27, 2024
December 31, 2024

Holiday Schedule 2023

May 27: **Memorial Day**
July 4: **Independence Day**
September 2: **Labor Day**
November 11: **Veterans Day**
November 28:
Thanksgiving Day
November 29: **Day After Thanksgiving**
December 25: **Christmas**

Our office will be closed on these holidays, but we're still available at [scretire.org](https://www.scretire.org) when you need information on our programs and services. Our personalized, secure portal [MySCERA.org](https://www.MySCERA.org) lets you view your account information and conduct much of your SCERA business online at any time.

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