

SCERS NEWSLETTER

RETIREMENT INFORMATION

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A Message from SCERS' CEO

At SCERS, we often talk about being fiduciaries over the pension plan. We take our responsibility seriously to safeguard the \$13 billion fund and ensure that our members can count on us to deliver the benefits promised to them.

One of our core values is “stewardship” to reflect the trust that our members put in us to manage the assets that fund our benefit program. In fact, “fiduciary” comes from the Latin word *fidere*, “to trust.” In Roman law, “fiducia” was a right transferred in trust. Over the centuries, the term “fiduciary” hasn’t changed much – it means someone who manages money or property for someone else. A fiduciary’s most important duty is to always act in the beneficiary’s best interest—that concept is not just a legal requirement but a moral obligation for SCERS.

We recognize that the SCERS pension is arguably our members’ largest financial asset. And though participating in SCERS is mandatory for government employees, we work hard to maintain your trust by communicating transparently, holding ourselves to high standards for excellence, and taking responsibility to serve your needs. It’s our duty and privilege.



—Eric Stern

Is There a Magic Number for a Secure Retirement?

A recent Wall Street Journal article addressed the anxiety many people are experiencing over the amount of money needed to retire comfortably, especially given the costs of healthcare and long-term care.

No one-size-fits-all magic number exists for retirement income, but according to a recent survey conducted by Northwestern Mutual, 4,588 respondents believed it would take \$1.46 million to retire comfortably, which is over \$1 million more than most people have saved.

Meanwhile, AARP recommends saving enough to provide 80% of your pre-retirement income, and Fidelity Investments recommends saving 10 times your annual salary by age 67.

The anxiety is real. It’s hard to know how far retirement savings will go, because no one knows how long they will live, how healthy they will be, and how healthy the economy will be in the future. Also, relying on one’s own investment decisions when it comes to 401(k)-type plan savings can be stressful for anyone who isn’t a financial expert.

For public sector workers, the benefit of having a pension plan like SCERS is that much of this anxiety can be eased in knowing that investment professionals are doing the hard work for you. As your pension system, we are making smart, sound investments and working tirelessly to ensure SCERS members receive the highest return on every dollar invested from your and your employer’s contributions.

Your pension is guaranteed and will be with you for life. When you decide to retire, that amount will be calculated based on your age, years of service, and highest salary. Along with Social Security and your personal savings, your pension is like the third leg of a stool that will keep you financially stable in retirement.



Although there is no magic number for how much money you’ll need to retire, SCERS members are well on their way to meeting the retirement goals that financial experts estimate.

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Did You Know? Sacramento County Funds a Retiree Health Account

In 2007, Sacramento County created a retiree health benefit program that has grown to \$175 million in assets available to reimburse retirees for medical expenses.

The program, administered by MissionSquare, is known as a Retiree Health Savings Plan (RHSP). For most bargaining units in Sacramento County, the County contributes \$25 per pay period into an individual savings account for eligible employees. The dollars add up—the average account balance for former employees is now approximately \$7,200. Upon separation or retirement from the County, former employees can use the account to pay for qualified health expenses.

Because the program is relatively new, many retirees who left County service around the time the program was established may not realize they still have money in their accounts or that it even exists. “Sacramento County wants to reach retirees to ensure they are using this important benefit that helps with their medical costs,” said Sacramento County Employee Benefits Manager Alice Krueger, who oversees the program. There are more than 9,100 retirees and former employees with account balances.

The employer-funded plan should not be confused with a Health Savings Account (HSA), an employee-funded account attached to high deductible health plans that the County has offered employees since 2008. Both plans are tax-advantaged, individual savings accounts that earn interest and can be used in retirement for medical expenses.

Krueger encourages members with MissionSquare balances to use those up when paying healthcare bills before tapping into other accounts like HSAs. “HSAs are more flexible than the MissionSquare plan and can be used for more purposes, so it is better to start using the RHSP for medical expenses first,” she said.

This is because IRS rules for MissionSquare’s RHSP are more limited than other investment accounts following a member’s death. The account will be transferred only to a surviving spouse, children under age 27, and qualifying dependent relatives living with you who cannot be claimed by anyone else. If there are no eligible beneficiaries, the funds do not get paid out to the member’s estate but revert back to the County. This is different than the tax rules for

AVERAGE BALANCE RETIREE HEALTH SAVINGS PLAN BY YEAR OF COUNTY SEPARATION

2008	\$1,408	2016	\$6,900
2009	\$3,128	2017	\$7,327
2010	\$4,350	2018	\$7,939
2011	\$4,944	2019	\$8,099
2012	\$5,653	2020	\$8,783
2013	\$5,932	2021	\$8,974
2014	\$6,873	2022	\$8,397
2015	\$6,692	2023	\$8,808
		2024	\$10,625



other personal investment vehicles that can be transferred to a named beneficiary or paid to an estate upon a member’s death.

The chart above shows the average MissionSquare balances by year of separation from the County, as of May 2024.

Upon initial enrollment, MissionSquare assets are automatically invested in a life cycle fund, based on the member’s projected retirement year. Participants can change the investment allocation for future contributions or transfer existing balances at any time by contacting MissionSquare Retirement or logging into their account online.

The County phased out subsidized medical premiums for most retirees years ago and SCERS does not provide retiree health benefits. “The County provides a modest but valuable health care benefit that retirees might not be aware of,” said SCERS’ CEO Eric Stern. “We don’t want retirees to leave money on the table.”

If you worked for Sacramento County in 2007 or later and are unsure if you have a Retiree Health account, email Amaya Fine, the County’s designated MissionSquare Retirement Plans Specialist, at afine@missionsq.org.

To register for online account access, go to www.missionsq.org.

The Mission Square plan is only available to employees of Sacramento County and not other special district employers with SCERS retirement benefits.



SCERS Files Suit Against Tech Vendor

The Sacramento County Employees' Retirement System (SCERS) filed a breach of contract lawsuit on April 19 in Sacramento Superior Court against Telus for failing to deliver a technological project.

SCERS is seeking recovery of more than \$18 million.

In 2017, SCERS conducted a competitive procurement process that resulted in awarding a contract to Morneau Shepell (currently known as Telus) to implement a commercial, off-the-shelf pension administration system to replace the manual processes and aging technology that SCERS uses to process benefits.

After six years, Telus "left SCERS with a skeletal mismatch of functions that requires far more labor, administration and cost than the decades-old legacy manual system and processes it sought to replace," according to the lawsuit. "SCERS never received a competent and reliable System. Instead, [the vendor's] System was not 'commercially available,' failed to perform as represented, is replete with technical deficiencies, and exhibits functionality problems that pose a significant risk to SCERS's administrative responsibilities and objectives, such that the system is simply unusable."

SCERS suspended the project in 2023 after almost six years of implementation efforts. The contract was ultimately terminated on December 31, 2023.

SCERS Chief Executive Officer Eric Stern said SCERS maintained its legacy systems in parallel throughout the project's failed implementation in part to ensure that benefits were calculated accurately. However, the effort caused service delays for members and placed significant strain on SCERS employees, he said.

"As fiduciaries over the SCERS fund, we have a responsibility to ensure that we can timely deliver the benefits and related services our 30,000 members have earned," Stern said. "These delays were unacceptable, and our members and staff deserved better."

SCERS has since partnered with the County Department of Technology on a new member portal that will launch later this summer. The portal will provide active members with real-time account balance and service credit information, and give retirees online access to monthly pay advices and 1099R tax documents.



SCERS Moves from .org to .gov

To better align with our status as a government entity, the Sacramento Employees' Retirement System (SCERS) has transitioned our website from www.scers.org to www.scers.gov.

Here's what you need to know:

1. **Automatic Redirection:** If you visit www.scers.org, you will be automatically redirected to www.scers.gov. The website content and functionality remain unchanged.
2. **Security and Trust:** This change enhances our online security and ensures that our website is clearly recognized as a government site, reducing the risk of phishing and spoofing.
3. **Printed Materials:** You may still see www.scers.org on printed materials. Rest assured, the redirect will ensure you reach the correct site.
4. **Contact Us:** If you have any concerns or questions about this change, please contact us at (916) 874-9119 or sacretire@sacounty.gov.

We appreciate your understanding during this transition.

Magic Number continued from cover

For example, the average SCERS member who retired in 2022-23 with 20-25 years of service can count on earning 61% of their salary through their pension, with an average monthly benefit of \$5,193. Assuming they live for 20 years after retirement, it adds up to more than \$1.2 million in lifetime pension benefits, not counting cost-of-living adjustments. SCERS is proud to be in the business of making retirement security attainable; when adding in Social Security and other savings, that \$1.46 million estimate doesn't seem so out of reach.



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Retirement Board Election Coming Soon

The terms of service for three trustee seats on the SCERS Board of Retirement are due to expire at the end of this year. The seats up for election are:



- Miscellaneous Representative
- Safety Representative
- Alternate Safety Representative

Terms of office for the above seats are from 1/1/2025 to 12/31/2027.

SCERS will be sending election information to all active members in July. Important dates to know regarding the upcoming election:

- Nomination period: July 22, 2024 - August 2, 2024
- Voting period: September 16, 2024 - September 27, 2024
- Deadline for postmarked ballots to be received by Voter Registration and Elections: October 4, 2024
- Election results posted: October 8, 2024

For more information on the upcoming election, visit elections.saccounty.gov/ElectionInformation and click on Current Election.

Upcoming Events

Board Meetings - 10:00 a.m.

- Wednesday, August 21
- Wednesday, September 18
- Wednesday, October 16

Board meetings are presented as in-person events, with live-streamed meeting links accessible from our home page quick link menu.

Visit scers.gov/retirement-board-meetings for agendas, minutes, and other Board updates.

Pension Planning Webinars - 10:00 a.m.

- Thursday, September 12
- Thursday, December 12

SCERS will be joined by representatives from some or all of the following agencies: Social Security Administration, Fidelity Investments, Sacramento County Retired Employees Association, MissionSquare Retirement, and Sacramento County's Employee Benefits Office. Register at scers.gov/pension-planning-webinars.