



San Joaquin County Employees' Retirement Association

May 2003

NOTICE OF CHANGES AFFECTING SJCERA MONTHLY BENEFITS

You may notice a change in the amount of your monthly benefit from SJCERA beginning with the benefit check issued to you on May 1, 2003. This letter provides an explanation of each of the factors that could change your monthly benefit amount, depending on your eligibility and, in some cases, the choices you have made concerning County-sponsored health coverage.

COST-OF-LIVING ADJUSTMENT (COLA) – Included in Benefit Check Issued May 1st

Monthly benefits paid by SJCERA are eligible for an annual Cost-of-Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose Area for the previous calendar year, up to a maximum COLA of 3%. When the CPI exceeds 3% in any year, the difference between the actual change in CPI and 3% is placed into an "accumulated balance account" for future years when the change in CPI is less than 3%.

The change in CPI for calendar year 2002 was 1.52%. Under the statutory requirements of the 1937 County Employees' Retirement Law, this factor must be rounded to the nearest half percent for the annual COLA to your SJCERA monthly benefit.

If you retired after April 1, 2002, and before April 2, 2003, you will receive a 1.5% COLA increase in your monthly benefit effective April 1, 2003. This increase will be reflected in the benefit check issued to you on May 1, 2003.

If you retired on or before April 1, 2002, you will receive the maximum 3% COLA increase in your monthly benefit effective April 1, 2003. This increase will be reflected in the benefit check issued to you on May 1, 2003. Your COLA increase is greater than the actual 1.5% change in CPI for calendar year 2002 because inflation in previous years has exceeded the maximum annual COLA of 3%. Therefore, your COLA for this year draws upon the "accumulated balance account" that was built up in past years of higher inflation.

AD HOC SUPPLEMENTAL COST-OF-LIVING BENEFIT Members who Retired Before April 2, 1992

Some years ago, the Board of Retirement established an ad hoc Supplemental Cost-of-Living benefit for eligible members who retired before April 2, 1992, with at least 10 years of county credited service or who retired for disability with no sick leave bank. Eligible members receive a specified dollar amount for each year of county credited service, up to a maximum of 30 years of service. This is not a permanent benefit, as it is paid from available excess earnings of the retirement fund. With the poor performance of the investment market, and the decision by the Board to focus on

establishing permanent benefits, the Board decided in March 2001 to phase-out this Supplemental Benefit over four years (2001-2004). April 1, 2003 marks the beginning of the third year of the four-year phase out.

Effective with the retirement check of May 1, 2003, this ad hoc Supplemental Cost-of-Living benefit will be reduced from \$2.00 to \$1.00 for each year of county credited service.

As a reminder, the Board of Retirement has acted in recent years to provide other, permanent benefit enhancements, including fully funding a \$5,000 burial expense benefit (formerly \$1,000) payable on behalf of members who die after retirement and maintaining the purchasing power of monthly benefit allowances at the 80% level as established in 2000.

HEALTH INSURANCE PREMIUMS

For those retirees enrolled in a County-sponsored health plan, there will be significant increases in monthly health insurance premiums--ranging from 15% to 24%--as well as changes in co-payments, deductibles, and co-insurance. Changes in your health insurance coverage and premiums will be effective May 1, 2003. The annual open enrollment period for retirees who wish to make changes in their health insurance enrollment is April 1 through April 15, 2003. By now you should have received notice from San Joaquin County of this open enrollment period and changes in health insurance premiums and coverage. Historically, the annual health insurance premium changes are effective at the same time the annual COLA is included in your monthly benefit, with the goal that the COLA increase will at least partially offset the health premium increases. Unfortunately, the costs of health care are escalating at a rate (15%-24%) that far exceeds the annual increase in CPI (1.5%).

DEFINITION OF TERMS ON YOUR MONTHLY BENEFIT REMITTANCE ADVICE

A number of retirees have asked SJCERA what the terms "annuity" and "current service" on the monthly benefit remittance advice mean.

"Annuity" is the portion of your monthly benefit that is derived from the member contributions you paid to SJCERA throughout your covered employment plus interest.

"Current Service" pension is the portion of your monthly benefit that is derived from the contributions your employer paid to SJCERA on your behalf throughout your covered employment.

FOR MORE INFORMATION:

We hope this information assists you in understanding changes applied to your monthly benefit payment beginning with the check issued on May 1, 2003.

Should you have any questions or require additional information please contact SJCERA at (209) 468-2163.