New Roads

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Sweet, but no calories!

Retirement Board Adopts COLA Increases for 2006

CCCERA retirees will receive a cost-of-living (COLA) increase in their monthly benefit beginning April 1, 2006. Your May 1, 2006 benefit payment will reflect the new amount. The CCCERA Retirement Board adopted the increases at the February meeting.

Your COLA benefit increase is based on several factors:

1. The San Francisco Bay Area CPI (Consumer Price Index),
2. Your COLA Bank,
3. Your retirement tier,
4. Your date of retirement.

By law, there is a cap on the amount CCCERA may increase the COLA portion of your benefit. If the inflation rate (measured by the CPI) is higher than this cap, the remainder is "banked" for future years, then applied if the CPI is low. This helps stabilize the COLA from year to year.

The percentage CCCERA can increase your COLA is determined by the law that applies to each retirement tier.

The cost of living adjustment is separate from other benefit enhancements. While some enhancements, such as "New Dollar Power" for members retired prior to 4/1/82, affect specific groups, **all retirees are eligible for the COLA.**

If you are Tier 1, 3 or Safety (service retirement) your COLA increase for 2006 will be:

3%, if you retired before 4/1/90

2.5%, if you retired between 4/1/90-3/31/98

2%, if you retired 4/1/98-3/31/06

All Tier 2 retirees *and* Tier 3 *disability* retirees will receive a 2% COLA increase.

Calculate your cost-of-living benefit for 2006

An example:

Start with your figures from 2005.

Monthly Basic Allowance	=	$1,000
New Dollar Power	=	$ +80
		$1,080
2005 COLA was 3%		
($1080 x .03)	=	$ +32.40
Add COLA amount to benefit.		
2005 Total Monthly Income	=	$1,112.40

2006 Monthly Basic Allowance	=	$1,000
New Dollar Power	=	$ +80
COLA carried from 2005	=	$ +32.40
TOTAL		$1,112.40

2006 COLA is figured on 2005 monthly total.

2006 COLA is 3%.		
$1112.40 x .03	=	$ 33.37
$33.37 + $1,112.40	=	$1,145.77

$1,145.77 is the 2006 monthly pension payment.

2005 Investment Returns Bring Spring to CCCERA's Portfolio

CCCERA experienced strong investment performance for the year ending December 31, 2005. The Total Fund returned 10.8%, out-performing the 7.9% actuarial interest rate. Relative to peer universe comparisons, CCCERA's performance significantly exceeded the median total fund return of 6.1% and the median public fund return of 6.0%. CCCERA ranked in the 5th percentile of the total fund universe and in the 2nd percentile of the universe of public funds. This ranking means CCCERA's total investment returns were higher than 95% of total funds, and 98% higher than other public funds.

Some brief definitions:

Actuarial Interest Rate: an assumed annual interest rate

Alternative Investments: Investment vehicle with slightly higher risk, and therefore higher yields.

Basis Point: 1/100 of 1%.

Peer Universe: a group of agencies similar to CCCERA

Domestic Equity: American ownership interest stocks

International Equity: Foreign ownership interest stocks

Median Fund Return: The midpoint return amount in a dataset of ranked items

Investment diversification is an important strategy practiced by CCCERA, to assure stability and lessen risk for the fund. All investment categories do not perform equally well during the same time periods. For example, CCCERA's real estate performance for 2005 returned 20.8%, but international fixed income returned 5.4%.

Domestic fixed income returned 3.7%, which is in the 14th percentile of the universe of fixed income managers. Domestic equities returned 8.8%, ranking in the 35% percentile in the universe of domestic equity managers. International equities returned 20.0%, above the 15.9% return of the median equity portfolios. Alternative investments returned 33.5%, due to strong returns from energy funds and some private equity investments. (Reported investment returns are gross of fees.)

As of December 31, 2005, CCCERA's market value of assets was $4.26 billion, an increase of approximately $540 million from the year before.

Positive investment returns are good news for CCCERA members, but we must consider the current economic rebound with the reality of losses that took place between 1999 and 2002. CCCERA uses a *five year smoothing method*, which means losses *or* gains are spread over five years to lessen volatility and maintain fiscal stability every year. Investment decisions are made in the sole interest and for the exclusive purpose of providing benefits, minimizing employer and employee contributions, and defraying reasonable expenses for administering the system. Investment diversification is designed to minimize the risk of loss and to maximize the rate of return.The Board of Retirement has exclusive control over all retirement system investments, and is responsible for establishing investment objectives, strategies and policies.

For a more in-depth look at CCCERA's financial picture, members can view the Comprehensive Annual Financial Reports (CAFR) for the years 2002-2004 on our website, *www.cccera.org.* The 2005 CAFR will be available on line by the end of June 2006.

Thanks to Cary Hally, Chief Investment Officer, and Rick Koehler, Retirement Accounting Manager, for information contained in this article.

SB 973 Clarifies '37 Act Options for Retired Domestic Partners

Choosing your benefit options was an important step in the retirement process. SB 973 amended several sections of law, including the Education Code, the 1937 Act, and the Probate Code, to ensure domestic partners are treated in the same manner as spouses, particularly in the area of survivorship benefits. If eligible, retirees may now elect the unmodified option to provide a lifetime survivor continuance for their partner. Section 31760.7 was added to the '37 Act:

"A retired member, in order to provide for his or her *domestic partner*, shall be entitled to elect or change any optional retirement allowance pursuant to this article *if all the following criteria are satisfied:"*

1. The member retired on or before January 1, 2006.
2. The member elected a reduced retirement allowance *(Option 1,2,3, or 4)*
3. The member named the domestic partner as beneficiary for a continuance or a death benefit.
4. At time of option election, the partnership is registered with the California Secretary of State. (Certificate must be presented to CCCERA.)
5. The member and domestic partner must sign an affidavit under penalty of perjury stating that at least one year prior to the member's service or disability retirement date, the partnership would have qualified to be registered under Section 297 of the Family Code.

If a retired member decides to change his or her retirement election, the member's retirement allowance will be adjusted **prospectively** only. The law does not allow members to recover any payments retroactively. The adjusted benefit will be effective on the first day of the month following receipt of the member's signed election form.

This section does not apply to members who are required by a court order to provide a continuity benefit to a former spouse.

Be Advised:

This opportunity to change your retirement option expires on January 1, 2007, and only applies to domestic partners* registered with the California Secretary of State.

*Persons of *opposite* sexes may not constitute a domestic partnership unless one or both of the persons are over the age of 62.

Dr. J. David Gaynor Joins Retirement Board

In July 2005, Governor Schwarzenegger signed A.B. 719 into law, which permitted the Contra Costa County Board of Supervisors to appoint an alternate member for Retirement Board seats 4,5,6, or 9. (The new law prohibits this alternate member from serving for a supervisor who has been appointed to any of those seats, unless approved by a county majority election.)

Dr. J. David Gaynor was appointed to this alternate seat, beginning his term on January 1, 2006.

Dr. Gaynor has substantial experience in community affairs. Throughout his career he volunteered for a variety of organizations, including two terms with the Contra Costa County Grand Jury. He has won several professional awards for meritorius service. His dedication and interest in the Retirement Board has been demonstrated by his regular attendance prior to his appointment.

This alternate will only vote in the absence of the 4th, 5th or 9th member. If a vacancy occurs in these seats, the alternate will fill that vacancy until the Board of Supervisors appoints a new regular member.

Dollar Power: A Brief Review

"Dollar Power" is a supplemental cost-of-living benefit for eligible retirees whose purchasing power has been reduced by inflation.

In 1997, the Retirement Board set aside $21 million in a special reserve fund to guarantee the benefit for the lifetime of retirees who qualify for this supplement. At that time, eligible retirees were members who had retired before April 1, 1981. The law limited the benefit to retirees who had lost 25% or more of their buying power.

The original Dollar Power calculation was predicated on the passage of time since retirement: the longer a member had been retired, the more purchasing power eroded due to inflation. Members retired the longest received a larger Dollar Power benefit for every year they worked. The law limited any supplement to retirees who had lost 25% or more of their buying power.

In 2001, "*New Dollar Power*" debuted. *New Dollar Power* is an improved benefit, since it is designed to restore 80% of purchasing power for eligible retirees.

New Dollar Power is proportional to each eligible retiree's current monthly allowance. For example:

A Tier 1 member retired in 1980 with a $12,000 yearly benefit. By 2004, the **actual** purchasing power of this pension decreased by 38%, leaving 62% of spendable income. The purchasing power target for the *New Dollar Power* Benefit is 80%.

80% - 62% = 18%

18% of $12,000 = $2,160.

$12,000 + $2,160 = $14,160 new yearly benefit.

New Dollar Power has also been permanently funded by the Retirement Board, by a transfer in 2001, of $42,493,000 to a reserve account.

New Dollar Power is available to eligible retirees (and those receiving a survivor continuance), who retired prior to April 1, 1982. The *New Dollar Power* portion of your benefit is identified on your pension check by the acronym NEW $$ POWER. As mentioned above, *New Dollar Power* is guaranteed, since the benefit was completely pre-funded by a transfer from surplus funds in 2001.

CCCERA office hours are 8a.m.-12 Noon,12:30 p.m.-5 p.m., Monday through Friday. Counselors are available by phone 9 a.m.- Noon,12:30 p.m. -4 p.m.

After business hours, voicemail is available to take your messages 24 hours a day at 925.646.5741.

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