

SBCERS

Frequently Asked Questions Regarding COVID-19

 *I am retired and I depend on my SBCERS benefit. Will my benefit payments be postponed or reduced, or am I at risk of losing my benefit altogether as a result of the COVID 19 pandemic and financial market losses?*

We collect over \$175 million a year in contributions from plan sponsors and members. Comparatively, we distribute approximately \$190 million a year in benefit payments. As of March 31, 2020, SBCERS held over \$2.9 billion in diversified financial assets available to support benefit payments. This means that we draw less than 1% from the investment portfolio each year to support benefit payments and operations. Since 1987, SBCERS has averaged a 7.8% return on our financial assets. In SBCERS staff's view, the current situation is not an event that would warrant a reduction in an existing retiree's benefit payment for reasons related to SBCERS ability to pay those benefits. SBCERS is financed using a conservative funding policy that was developed with the expectation that SBCERS would experience negative returns during some years. At current funding levels, SBCERS can continue to sustain benefit payments far into the future and retirees should be confident in their retirement plan.

 *Will the investment losses affect my Cost of Living Adjustment (COLA)? Why do we get a COLA if there are investment losses?*

The 3% COLA for April 1, 2020 (or 2% for retirees in certain plans) was approved by the Board of Retirement in February and processed for payment on May 1st. There will be no effect on the 2020 COLA as a result of the February or March investment returns. The COLA is calculated by a formula based on inflation for the prior calendar year [as reported by the Federal Bureau of Labor Statistics](#). We do not award a larger COLA when investment returns exceed expectations and we do not reduce the COLA when investment returns do not meet expectations.

It is worth noting that the rate of inflation often falls during and after a recession. Changes in inflation that result from the broader economic issues caused by the pandemic may have an impact on future COLAs, including potentially resulting in a negative COLA for some years. This happened in 2010 after the Great Recession.

The COLA is codified in the California Government Code and is part of the benefit that our members earned throughout the course of their careers. The intent of the COLA is to preserve purchasing power and income security for our retired members, some of whom have been retired for over 40 years. Even with the COLA, the purchasing power of our oldest members has been impacted by rising healthcare and housing costs, which are not fully reflected in the inflation indices calculated by the federal government.



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What is SBCERS investment performance and what strategies is SBCERS investing in?

For the month ending March 31, 2020, SBCERS performance was -7.07% to date for the fiscal year ending June 30, 2020. Comparatively, the Russell 3000 index was -12.7% for the same period. SBCERS' current investment philosophy and asset allocation are difficult to explain in a short paragraph, however, we have included the chart below that displays our current asset allocation. Additionally, you can find a [detailed accounting of the investment portfolio by clicking this link](#). We are always looking for ways to better explain the investment approach, stay tuned for more.

SBCERS Asset Allocation	Value at March 31, 2020	Percentage
U.S. Equity	\$ 533,893,401	18.17%
Developed International Equity	287,012,350	9.77%
Emerging Market Equity	192,873,981	6.57%
Core Fixed Income	495,350,346	16.86%
Non-Core Fixed Income	276,754,627	9.42%
Real Return	456,135,848	15.53%
Private Equity	331,346,946	11.28%
Real Estate (inc. RHR)	308,422,032	10.50%
Operating Cash and Transition	55,999,209	1.91%
Total	\$ 2,937,788,740	100%

Asset Allocation as of March 31, 2020

