SDCERS’ Humble Brag for the Year: Fiscal Year 2021 Investment Returns

SDCERS reported a final return of 24.9% (net of fees) for fiscal year 2021. As of June 30, 2021, the trust fund’s assets totaled just over $10 billion – the highest level SDCERS has seen in its history! The end of fiscal year total reflects a net increase of about $2.0 billion since June 30, 2020. SDCERS’ average rate of return over the past 20 years is 7.8%, and since its inception is 9.1%.

The key driver of SDCERS’ performance in fiscal year 2021 was very strong returns from stocks. Over the fiscal year, U.S. stocks returned 46.7% and non-U.S. stocks returned 41.4%.

Protect Your Confidential Information!

SDCERS values and protects your confidential information and encourages you to take precautions to protect your personal information at home. If you receive an email claiming to be from an SDCERS employee, you can double check that it’s legitimate by confirming that the sender’s email address ends in @sdcers.org. Please note that SDCERS will never ask you to provide bank information via email. Similarly, if you receive a phone call from SDCERS, but you’re not sure if it’s a scam, you can ask for the caller’s name, hang up, call our main line at (619) 525-3600, and request to speak to the same person. Also, make sure you update your computer regularly to keep all software on internet connected devices current.

Lastly, create a unique password for your Member Portal account and do not share this information with anyone else!

SDCERS Welcomes Newly Elected General Board Member

SDCERS held an election to fill the open General Board Member seat in the last quarter of 2021. Voting was open to all active General Members from November 30th until December 16th. Ultimately, Thomas Battaglia received the majority of votes and is therefore our newest General Board Member. His term picks up where his predecessor’s left off, which means he will serve until March 2025, at which time SDCERS will hold another round of elections. If you recognize Thomas’ name, that could be because he previously served on SDCERS’ Board from January 2017 – March 2021, so he has plenty of experience as an SDCERS Board Member! Please join us in welcoming Thomas back to SDCERS’ Board.

Retirees: Consider Joining A Retiree Association! Check out the City of San Diego Retired Employees’ Association here: https://www.csdrea.org/ And the Retired Fire & Police Association of San Diego here: https://www.retiredfp.com/

Visit SDCERS’ website and subscribe to receive future issues of our newsletters delivered directly to your inbox by clicking on “Email Signup” in the top right corner of the screen. You can also sign up to receive alerts and agendas for upcoming Board and Committee meetings!
Your Most Important Retirement Planning Tool: The Benefit Calculator

In the last half of 2021, SDCERS made significant progress in updating and improving the Benefit Calculator available to all non-retired members via the Member Portal. Active members should utilize this tool often, regardless of age, to help plan for the future. You can input just about any scenario to get a ballpark idea of what your pension benefit might look like when you retire – of course, the closer you actually are to retirement, the more accurate the estimate will be. But regardless of where you are in your career, it might be helpful to get an idea of how long you need to work in order to earn a pension benefit of at least $X per month, if you retire at age Y with an annual salary of $Z.

Please note that the calculator on the Member Portal uses the same "engine" as the benefit calculator SDCERS staff uses, meaning that if SDCERS staff creates an estimate for you using the same data you entered in the calculator on the Portal, the results will be the same. Of course, this is only an estimate based on the information you enter into the calculator; the more accurate the information entered, the more accurate the estimate will be.

2021 1099-R Forms

All retirees and beneficiaries who received a payment from SDCERS in 2021 were mailed their 2021 1099-R form on January 13th. These forms were also available to download in PDF format via the Member Portal on the same day. (Note: SDCERS always strives to provide tax forms to all payees as timely as possible, but taking the time to ensure the forms are accurate is even more important!)

If you still haven't received a hard copy of your 1099-R form in the mail and you know you received a payment from SDCERS last year, please contact SDCERS to find out what happened – it’s possible you need to update your address in our records. You can also download and print a copy of your 2021 1099-R form, as well as forms from previous years, via your Member Portal. Visit www.sdcers.org, access the Member Portal, log in, and click "Tax Reporting" in the menu on the left side of the screen. You can also update your tax withholding preferences at any time via your Member Portal by clicking on "Tax Withholding."

DROP Rates for Calendar Year 2022

Every November, SDCERS' Board sets DROP account and DROP annuity interest rates that will be effective the following January 1st. The DROP account rate is the annual interest rate, compounded quarterly, used by SDCERS while a Member is in DROP and the DROP annuity rate is the interest rate used by SDCERS to annuitize the DROP monies of a Member who has exited DROP and retired. These rates are calculated annually using publicly available indexes as of September 30th of each year.

For calendar year 2022, the DROP account rate decreased slightly to 0.8%, and the DROP annuity rate stayed the same at 2.1%. For more information about DROP and how these rates work, please review the DROP Fact Sheet on our website at www.sdcers.org under the "Resources" tab, on the "Learn About..." page.

The DROP rates are calculated primarily using U.S. Treasury and corporate bond rate averages, which approximate the investment period for DROP funds. SDCERS calculates DROP rates in this manner because these rates are intended to reflect a reasonable market rate of return for the anticipated investment periods and avoid shifting investment risk to non-DROP members and plan sponsors. While a member's biweekly pension contributions are likely to remain invested with SDCERS for multiple decades, the funds in a member's DROP account are typically in SDCERS' trust fund for a much shorter time period. Therefore, the DROP rates are calculated with shorter investment timeframes in mind. The shortest, simplest explanation as to why the DROP rates did not increase in 2022 is because, despite the rebound of the financial markets, the bond rate indexes that are used to calculate the DROP rates did not increase as much or as quickly.

Update Regarding the Invalidation of Proposition B

The City recently completed negotiations with some of the relevant labor unions regarding the invalidation of Proposition B. It should be noted that SDCERS was not a party to these negotiations, but we will assist the City in educating affected employees regarding their potential pension benefits. Any questions about the process of reversing Prop B should be directed to the City's Risk Management Department at PropB@sandiego.gov.

Prop B employees (non-sworn City employees initially hired between July 20, 2012 and July 10, 2021) who join SDCERS will go into the most recent plan tier according to their member classification – General, Safety Fire, or Safety Lifeguard (as of the date of this article, City Police Officers are not affected by the invalidation of Prop B). Affected employees are encouraged to review their pension plan summary according to the date they were initially hired into a position eligible for membership, by going to the "Retirement Plan Summaries" page on our website under the Resources tab, where they can see their plan tier's current contribution rates, retirement factors, eligibility requirements, and more.

IMPORTANT NOTE: Current SDCERS members and retirees are not affected by the invalidation of Prop B – nothing will change regarding your pension plan or pension benefits.

MEMBER PORTAL

If you have not already done so, please register on the SDCERS Member Portal, where you can utilize retirement planning tools, update beneficiaries, and access important retirement-related documents.