



SDCERScoop

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM 2023 EDITION

| Winter 2023

SDCERS Welcomes Newly Elected Retiree Board Member and Returning Active Safety Police Board Member



SDCERS' Retiree Board Member (Charlie Hogquist) and active Safety Police Board Member (Lou Maggi) will complete their four-year terms on SDCERS' Board of Administration as of March 31, 2023. Therefore, SDCERS held elections for these two seats over the last few months.

Lou Maggi was the sole nominee for the Safety Police Board seat, which means he is the election winner and he will continue his Board service for the next four years.

We had two eligible nominees for the Retiree Board Member seat: Chris Brewster and John Hemmerling. The election for this seat began on February 14th and voting concluded on February 28th. All retirees were eligible to vote in this election. Thank you to everyone who participated!

The candidate who received the majority of votes for the Retiree Board Member seat and will join the Board on April 1, 2023 is **Chris Brewster**.

Congratulations to both Lou Maggi and Chris Brewster, and thank you in advance for your service on SDCERS' Board of Administration!

SDCERS' Fiscal Year 2022 Investment Returns

SDCERS reported a final return of -1.7% (net of fees) for fiscal year 2022. As of June 30, 2022, the trust fund's assets totaled just over \$10.0 billion – a net year-over-year decrease of approximately \$328 million. SDCERS' annualized rate of return over the past 10 years is 8.5%, and its return since inception is 8.8%. (Note: The value of the trust fund as of June 30, 2022 does not include any funds contributed on behalf of the City or City employees who retroactively joined SDCERS in July of 2022 due to the invalidation of Proposition B.)

Although SDCERS' net return for fiscal year 2022 was negative, it significantly outperformed its benchmark, which posted a -5.7% return for the year. The benchmark is a measure of how the total fund would have performed if it had been completely invested in index funds. SDCERS surpassed its benchmark due to the performance of its

active managers. In particular, SDCERS' managed futures allocation had a strong performance over the fiscal year. The managed futures allocation, which seeks to benefit from either upwards or downwards trends in stocks, bonds, commodities, and currencies, was added to the fund in 2019 to add diversification to the plan and act as a buffer in periods of market stress.

Performance can also be measured in comparison to other public pension plans, although it is important to remember that different plans have a variety of sizes, circumstances, and funding statuses, all of which impact their asset allocations and, in turn, their return targets. This past fiscal year, SDCERS' total fund net return was in the top 4% compared to other similarly sized plans. Over longer time periods, SDCERS stacks up very well against its peers – posting top quartile returns over rolling 3-, 5-, 10- and 20-year periods ending June 30, 2022.

2022 1099-R Forms

All retirees and beneficiaries who received a payment from SDCERS in 2022 were mailed their 2022 1099-R form on January 11th. 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 2022 1099-R form, as well as forms from previous years, via your Member Portal. Visit www.members.sdcers.org, 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."

Member Account Details

- Benefit Summary
- DROP Summary
- Payment History
- Cost Of Living Adjustments (COLA)
- Annual Supplemental Benefit
- Tax Reporting**
- Health Insurance

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/>

Things to Consider Before Deciding When to Retire (or Enter DROP)

A common question we get from our members is, “when should I retire/enter DROP?” Unfortunately, this is a question we cannot answer for you. What we can do is point out certain factors you should take into account when making this decision for yourself, but ultimately, it is a decision you must make on your own. Here are a few important considerations that may affect your decision:

- **COLA** –The annual cost of living adjustment (“COLA”) applies to all retirees’ monthly pension benefit every July and may increase your benefit up to 2% per year. Some members intentionally choose to retire on or before June 30th so their benefit receives the COLA immediately after their retirement. (Note: The COLA for a given year is always announced at the May Board meeting.)
- **Annual Interest** – On the flip side, some members wait to retire until after June 30th so that their contribution account receives the annual interest (currently 6.5%), which only applies to members who are *not* retired on July 1st. The additional interest added to a member’s COL Annuity and Surviving Spouse Annuity (if applicable) contributions *may* increase their initial benefit calculation even more than the COLA would have. However, please note that this alone rarely results in an increase greater than what the COLA would have provided.
- **Salary Increases** – Did you recently receive a significant salary increase? If so, you may want to continue working and receiving that higher salary for a longer time period before retiring, so that the higher salary is factored into your benefit calculation. Remember, depending on your plan tier, the “Final Compensation” used to calculate your benefit is your highest pensionable salary averaged over either three years or 12 consecutive months. Therefore, if you retire shortly after receiving a raise, it won’t significantly increase your pension benefit.
- **Birthday** – Your retirement factor, another element of your pension benefit formula, is determined based on your plan tier and age at retirement, prorated in quarterly increments. When deciding on your retirement date, consider your exact age – for example, if your plan tier’s retirement factor increases between 60 and 61, and you retire when you are 60 ½ years old, the factor used in your benefit calculation will be slightly higher than what would be used if you retired at 60 years and 5 months old. (Note: Your quarter age is rounded *down* for the purposes of this calculation.)

Of course, all of these considerations must be balanced by your personal circumstances and desires – such as the minimum post-retirement income you can comfortably live with and how much longer you want to continue working.

SDCERS Has Moved!

SDCERS began the New Year in a new place, but don’t worry – we didn’t go far! Our downtown offices remain in the same building at 401 West A Street, but four floors up to Suite 800. The phone number, fax number, email addresses, and everything else will stay the same. You just have to remember to use our new address if you mail us any forms or other documents:

401 West A Street
Suite 800
San Diego, CA 92103

And also remember to take the elevators to the **8th floor** if you visit us in person! (Note: There are multiple sets of elevators and they don’t all go to the 8th floor, so make sure you pay attention to the signs when you enter the building. Also, if you park in the building’s garage, you will have to take the elevator to the Lobby Level first, then take the elevators on the opposite side to get to the 8th floor – and don’t forget to bring your parking ticket with you for validation!)

DROP Rates for Calendar Year 2023

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 chooses to receive their DROP funds in monthly increments over a set number of months when they exit DROP and fully retire. These rates are calculated annually using publicly available indexes as of September 30th of each year.


For calendar year 2023, the **DROP account rate** increased to **2.5%**, and the **DROP annuity rate** increased to **2.9%**. 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 increased in 2023 is because the rolling average of the relevant *bond rate indexes* between October 2021 and September 2022 were higher, compared to the previous year.

SDCERS Protects Your Confidential Information


SDCERS values and protects your confidential information and encourages you to take precautions to protect your personal information at home. To prevent bad actors from gaining access to your personal information, SDCERS has strict protocols in place to restrict access to your member account. You may have noticed that when you call SDCERS’ main line, you are asked a series of security questions before our staff will answer any questions about your account. This is to ensure that you, and only you, are able to get information and make changes to your account. We also want you to know that SDCERS staff will never call you and ask for your banking information. If an SDCERS staff member calls to discuss your account, they will identify themselves as such and ask you the same security questions they ask when you call SDCERS.

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.

 MEMBER PORTAL

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!



 Email Signup