

Life's Ups and Downs

by Lance Haim

Many of us have become deeply concerned about the "Bear Market" and the current economic recession that seems to be endless. Everything comes to an end sooner or later. Yes, that includes "Bull Markets" and "Bear Markets." The current "Bear Market" is certainly continuing longer than anticipated. Hopefully, the "Bears" will go back into hibernation sooner rather than later.

A great number of us, (including yours truly), have lost considerable amounts of money in our SPSP, 401K, Deferred Compensation accounts and our own personal investments. These types of investments are referred to as Defined Contribution Plans. Whatever money you make or lose depends solely upon the performance of the investments that are in your portfolio. You can earn 20 - 40% on your money, and as many of us are finding out, you can also lose 20 - 40% on your money.

This is not so with your retirement allowance. Your San Diego City Employees' Retirement System is known as a Defined Benefit Plan. Basically, there are only three factors that determine your retirement check: 1) How old you are when you retire, 2) How many years of service you have in the retirement system and 3) Your high one-year salary. Increase any of these factors and you increase your retirement check. It doesn't matter what is happening in the stock market, which way interest rates are going, or what is happening in the economy. Those variables do not determine your retirement check. So, your retirement is safe from the ups and downs of the stock market. Your retirement is about as close as you can get to a guarantee in life. The law protects it under section 24 of the San Diego Municipal Code. The fundamental purpose of the retirement trust fund is to pay retirement benefits.

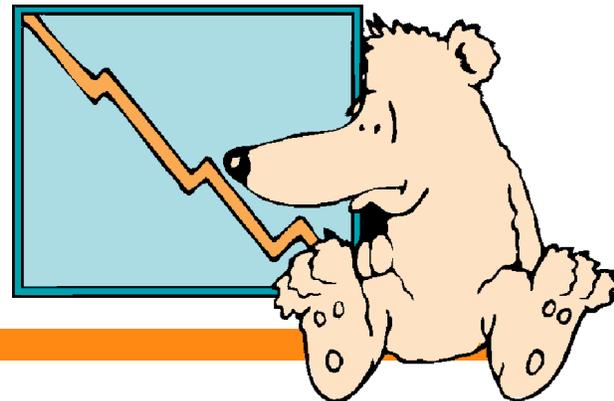
Some of you may be wondering how this fund has been doing in light of the economic recession. During the last three years the performance of the SDCERS trust fund was in the top 3% of public pension funds in the nation. This is mainly due to the conservative but well diversified asset allocation of the SDCERS fund. We

have an extremely competent Investments Division protecting our future.

Two main variables that affect our type of economy are inflation (rising prices) and recession (little or no growth). Normally, these two variables are diametrically opposed to one another. Presently, we have a recession with virtually no inflation. In fact, economists are concerned about deflation. There is no doubt that a strong correlation exists between the stock market and interest rates. Usually, when interest rates are going up, the stock market goes down and when interest rates are going down, the stock market goes up. Guess what? Interest rates are going down and so is the stock market. Hmmm!!! The Federal Reserve System monitors economic conditions and uses short-term interest rates (the federal funds rate, which is the rate that banks charge each other for overnight loans and the discount rate, which is the rate the Federal Reserve charges member banks) as its main tool to try and control inflation or a slowing economy. If inflation is a concern, the Federal Reserve will raise interest rates to take money out of circulation. If recession is a concern, the Federal Reserve will lower interest rates to put more money in circulation and stimulate growth.

I am very happy that we have a retirement system that is doing well and is going to be around paying retirement benefits for as long as we live. To me this is by far the best part of being a San Diego City employee.

May the New Year bring all of us peace and happiness.



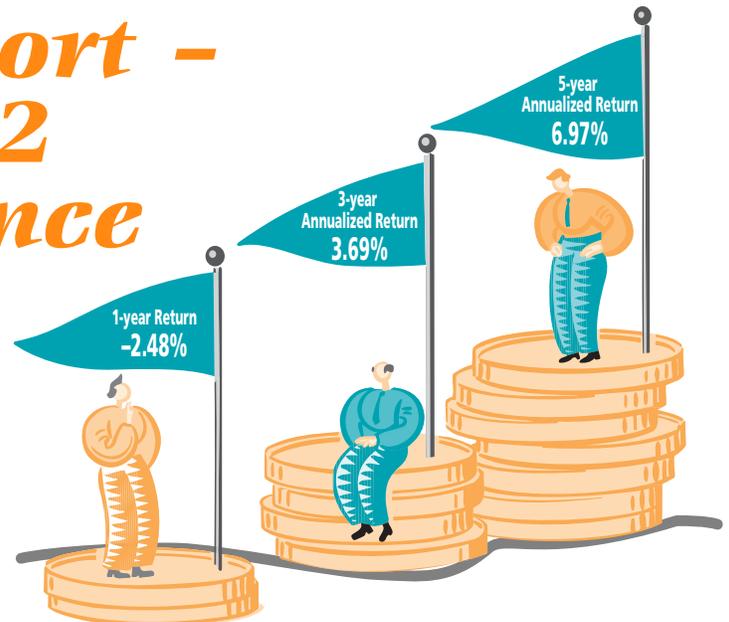
Investment Report - Fiscal Year 2002 Fund Performance

by Doug McCalla,
Chief Investment Officer

The last year has continued to be a difficult and challenging environment for investors. Your friendly Chief Investment Officer has suffered many sleepless nights and sprouted a multitude of new gray hairs. Globally, investors have shown a lack of confidence and have reacted to concerns about corporate accounting fraud, corporate profitability, terrorism and potential war. For the third year in a row, bonds out-performed stocks. Last year, the Lehman Aggregate U.S. bond index returned +8.63% and the Salomon Brothers Non-U.S. Government bond index returned +15.73%. However, the S&P 500 stock index returned -17.99% and the EAFE international stock index returned -9.49%. In addition to bonds, the only other profitable investment during the last three years was real estate, which provided a return of +9.6% annualized, as measured by the NCREIF property index.

For the last three years, the S&P 500 stock index averaged -9.2% annualized while the Lehman Aggregate bond index returned +8.1% annualized. During this time period, the absolute differential in annualized performance between bonds and stocks was 17.3% per year, in favor of bonds. From a historic perspective, this magnitude of out-performance by bonds compared to stocks is approaching extreme levels.

In the face of such an adverse market environment, the SDCERS fund was unable to produce enough realized income to meet the eligibility requirements for the payment of the 13th check or the Corbett Settlement. This year's inability to produce previous levels of realized income resulted from the decline in interest rates and the impairment of



SDCERS Returns for FY 2002

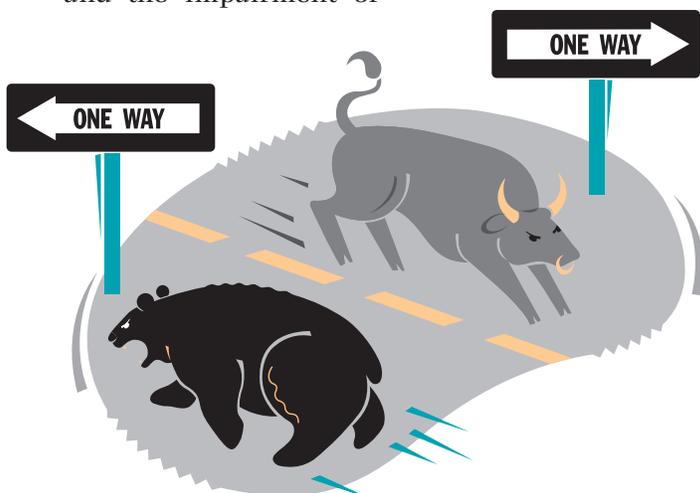
Net assets as of June 30, 2002, were
\$2,527,459,719.

capital gains when assets were sold due to the decline of asset values below their cost basis. Fortunately, for eligible retirees, the City Council approved the Retirement Board's request to authorize the expenditure of certain trust fund reserves to pay most of the 13th check benefit for FY 2002.

On a total return basis, however, the SDCERS investment program continued to perform well relative to its peers. The total return for the SDCERS fund for the fiscal year ending June 30, 2002, was -2.48%; and, the annualized return over the last three years was +3.69%. The annualized return over the last five years was +6.97%. In comparison, the average public pension plan had one, three and five year annualized returns of -5.15%, +0.52% and +5.57%, respectively.

SDCERS has benefited during these times of adverse markets by maintaining a well diversified investment program targeting an asset mix of 38% U.S. stocks, 15% international stocks, 32% U.S. bonds, 5% international bonds, and 10% real estate. This asset allocation policy, which is periodically reviewed and approved by the SDCERS Board of Trustees, is more conservative than that of the average public pension plan. As a result of this more conservative investment structure, SDCERS has performed well versus its peers across the country. Compared to other public pension plans, SDCERS was in the top 14% during the last year, in the top 3% during the last three years and in the top 13% over the last five years.

*Best wishes for a prosperous year from your
Investment Staff.*



Do You Need the Services of the Care Counsel Healthcare Assistance Program?

By Jan Beaton

Effective April 1, 2002 the Care Counsel Healthcare Assistance Program became available to all City and Unified Port District **retirees and their survivors** (not currently available to active city and port employees). Care Counsel currently provides healthcare education, information, advocacy, and coaching. Their staff provides the following services to you:

1. Understanding your health benefits and Medicare options.
2. Acting as liaison with your health plan and healthcare provider when you need help.
3. Assisting with claims, payment problems, or service denials.
4. Helping to make smart decisions when choosing a primary care provider, specialist, hospital or long-term care provider.
5. Getting tools to make the most of your doctor visits.
6. Addressing provider network access issues, such as getting an appointment or referrals to specialists.
7. Locating community resources and support groups, as well as useful health-related web sites.
8. Resolving any questions and concerns regarding managed care services.

To date Care Counsel has provided health assistance to 191 SDCERS retirees and survivors.

- 6 individuals have been assisted with network access issues,
- 34 individuals have been assisted with their benefits coverage,
- 33 individuals have been assisted with claims,
- 44 individuals have received consumer education,
- 13 individuals have been assisted with eligibility issues,
- 38 individuals were assisted with new/open enrollment,
- 7 individuals were assisted with their quality concerns, and
- 16 individuals were assisted in locating community resources.

The retiree satisfaction survey comments have been very favorable.

With your permission, Care Counsel will provide confidential assistance with any health care issues you cannot resolve with your healthcare provider.

This program is available to you at no cost and requires no enrollment process. The SDCERS Health Insurance Benefit staff is available to respond to your health insurance eligibility, plan enrollment, plan changes, and billing questions.

The Retirement Board of Administration encourages you to use this resource.



IMPORTANT PHONE NUMBERS

Retirement Office 619-525-3600

Risk Management 619-236-7300

Risk Management/
Flexible Benefits Plan 619-236-5924

Risk Management/
Workers Comp 619-236-6395

American Express 401K/
SPSP Information 800-626-6504

Deferred Compensation
Information 888-568-2542

Call Center 619-525-3600

EARNINGS ON INVESTMENTS AND HOW IT AFFECTS CERTAIN BENEFITS

By Dave Crow

As a member of the SDCERS Board of Trustees in the 1990s, it was not as difficult to address money issues as it is today. Our job was simply to decide how to best allocate all of the generous earnings the system generated. Each year, earnings were sufficient to pay the costs of managing the system while leaving enough of a surplus to increase benefits for both active and retired members. During that period, we achieved some significant benefits.

Now, the situation has changed. Earnings on investments have not reached our expectations and the large surplus that once existed is no longer there. Consequently, there has not been enough money available for those benefits considered “contingent,” or to add any new benefits. Fortunately, with a lot of hard work and cooperation with the Retiree Association, the Retired Fire and Police Officers’ Association, the City Council and SDCERS, funds were made available to pay almost all of the 13th check.

Unfortunately, due to the lack of surplus earnings this may be the last 13th check we see, at least in its present form. Current projections make it unlikely that there will be sufficient surplus earnings available next year to pay the 13th check.

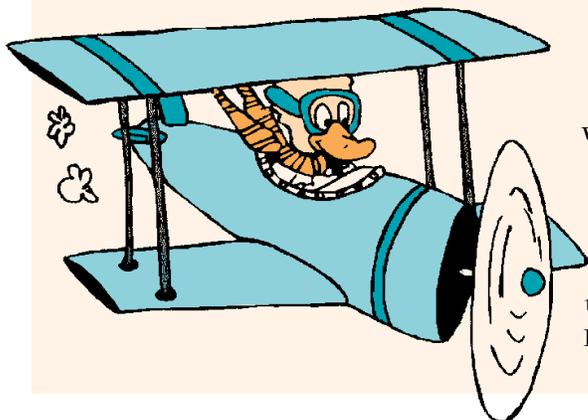
Additionally, the Board was not able to authorize payment of the “Corbett” settlement funds, however, these amounts will accrue in your account and be paid when sufficient funds are available. You should have received a statement regarding the current balance of these funds in your account shortly after your 13th check distribution.

However, all is not lost! A committee of the Board of Trustees has been exploring options with the aim of finding a way to include the 13th check and the “Corbett” settlement into regular earnings of the system and not “contingent” upon surplus earnings. Another option would be to fund a different benefit in place of the 13th check.

At this time we do not have all the answers, but I can assure you that this is a concern of the Trustees and that work is being done to find a solution that works for the system and all members.



A SAFE LANDING



A hearty welcome to our new friends at the San Diego County Airport Authority, formerly part of the San Diego Unified Port District. At the recent Airport Authority Benefits Fair, employees were introduced to a host of benefit carriers and learned first hand about the SDCERS benefits plan. Training and Marketing Manager, Vincent Hayes covered many important issues during his presentation and addressed some good questions from the attendees. We hope the presentation was helpful. If you were unable to attend or have questions about the San Diego City Employees’ Retirement System, please give us a call at (619) 525-3600.

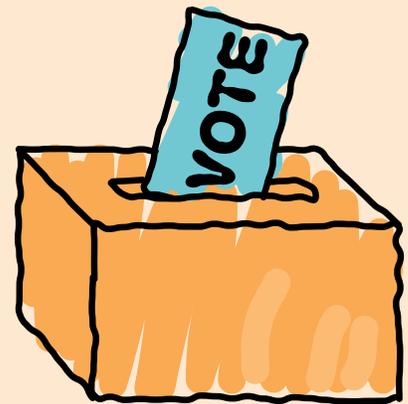
Retired Fire and Police Officers' Association PRESIDENT'S MESSAGE

by Stan Elmore, President

This is the last article I will write for Free Spirit as the President of the Retired Fire and Police Association. On January 13, 2002, the Association will elect a new President, Vice President and six board members to lead the Association for the next two years. The new President will be a retired fire fighter and the Vice President will be a retired police officer.

The election will be held at the police pistol range. Lunch will be served after the election and business meeting. I sincerely hope that all association members will attend. The cost for lunch and drinks is only \$5.00.

I urge all retired fire fighters and police officers who are not members of the Association to join. The more members we have, the stronger we become. Dues are only \$1.00 per month. Call the Association at (619) 441-2003 for an application and more information.



Who's Who in the Retirement System



Mary E. Vattimo

Retirement Board Trustee

Mary has been employed with the City of San Diego since 1987, and was appointed City Treasurer in May, 2001. As Treasurer, she is responsible

for Treasury operations, the investment of a \$1.4 billion portfolio, administration of the City's Business Tax and Rental Tax Program, and delinquent account collection. She is also a Trustee of both the City Employee Retirement Board, and the Supplemental Pension and 401(k) plans.

Prior to her appointment as City Treasurer, Mary served as the Deputy Director of Financing Services. This Division, now part of

the Office of the City Treasurer, provides for the issuance of long term debt, water and sewer utility rate analyses, and Mello Roos and assessment district formation and administration. Economists and Analysts within the Division also perform various fiscal impact analyses, monitor and interpret economic information and data, and are responsible for all City disclosure issues.

Mary earned a BA in Economics from the University of California, San Diego and an MBA from San Diego State University.

Mary is a native San Diegan and a graduate of Kearny High School. She currently resides with her husband Scott and their two sons in Pacific Beach.

by Nancy Acevedo, President

By the time this issue of the Retirement Office's FreeSpirit is published, you will have received your "13th" check. Thanks need to be expressed to the Mayor and City Council for voting unanimously to approve spending funds from the Retirement Board's Supplemental Benefit Reserve in order to pay this year's check. You may have noticed that the amount was slightly less than usual. This is because the funds available in the reserve were only about 99% of what was needed to pay the full amount.

The City's Municipal Code states that this benefit is to come from the surplus undistributed earnings of the retirement fund, when such funds are available. When the City Council approved using reserve funds to pay the benefit this year, they stressed that there would be no more reserve funds available and that retirees should not expect to receive this benefit next year. Unless the economy makes a dramatic turnaround, which is not anticipated, there will not be a "13th" check next year. The Corbett Settlement is different from the "13th" check in that if it is not paid one year, it carries over to the next, or the next, etc., until it is paid.



Retirees need to plan now to manage next year without a "13th" check. We know this will be a hardship for many, but we have all year to adjust our spending to bridge the gap this will leave.

On a lighter note, earlier this year our Association Board of Directors decided to create a rewards and recognition program to honor individuals who have made a significant contribution to the improvement of the City of San Diego Retirement System and its members. The board also unanimously approved selection of the first two honorees: SDCERS Administrator Larry Grissom and Chief Investment Officers Doug McCalla. Recognized for consistently and conscientiously looking after the best interests of the retirees and other members of the system, Mr. Grissom and Mr. McCalla were presented with their awards at the Association luncheon in December.

May your holidays be bright, and may next year prove to be a turnaround in our Country's and our City's economy.

Retiree Association Request for Membership or Change of Address, Phone and/or E-mail

Name: _____

Address: _____

City/State/Zip: _____

Phone: () _____

eMail: _____

Clip out and send to:

Sylvia Tatum, Treasurer
City of San Diego & San Diego Port District
Retirees Association
4185 Galt Street, San Diego, CA 92117-1126
Phone: 858-272-0494

Retiree Association Board Members

Nancy Acevedo, President
(619) 579-5930

Merrill Day, Vice President
(619) 222-1268

Bob Cain, Secretary
(619) 282-9692

Sylvia Tatum, Treasurer
(858) 272-0494

Dave Wood
Immediate Past President
(619) 229-0694

San Diego Retired Employees Association
4185 Galt Street, San Diego, CA 92117-1126



You're Never Too Young to Start Planning for the Future

Are you an early or mid-career City of San Diego employee? Are you facing major expenses before retirement – perhaps college tuition for the children or purchasing a new home? Are you concerned that you might not have the savings necessary to finance these expenses and to maintain your current standard of living when you do retire?

The San Diego City Employees' Retirement System has developed a seminar to address these concerns. This seminar will introduce you to the basic elements of the financial planning process, provide you with a financial planning framework for using various City benefits, and help you execute the steps needed to accomplish your goals. Learn about your retirement benefits, the time value of money, and the basics of investing.

Or, perhaps you're within ten years of retirement and have questions regarding Social Security, Medicare, or the tax consequences of receiving lump-sum distributions of your 401(k) or SPSP monies. Our traditional seminar addresses these and other retirement issues. Whatever your tenure with the City, your Retirement System has a seminar available to help you plan for the future.

A reservation request form is on the next page. If you are interested in making a reservation, please complete the registration form, and follow the instructions to return the form to SDCERS.

Sign up today!

(See next page for additional information and form.)



RESERVATION REQUEST

SDCERS is presenting two seminar formats to help you plan for your future. The Format 1 seminar is structured for the employee within approximately ten years of retirement. The issues addressed include taxes, pension benefits, financial planning and federal government program benefits.

The Format 2 seminar is structured for the early to mid-career employee. It addresses the basic elements of financial planning and investments, and gives the employee the tools necessary to implement a savings plan.

The seminars are conducted by a consultant and your retirement staff. They are held during the normal workweek. Your payroll clerk will provide the appropriate departmental job order to which your time should be billed. Seating is limited to allow participants the opportunity to ask questions. Spouses and beneficiaries are invited, and are strongly encouraged to attend.

Selection of participants is based upon the member's seniority in SDCERS. Reservation requests are kept on file and used to fill vacancies for seminars to be presented periodically during the calendar year. You will be notified of the time and location of the seminar when you are selected for participation.

If you wish to participate, please complete the reservation form below. Return the form to Jan Beaton by inter-office mail at SDCERS, Mail Station 840, or Fax (619-533-4629). Call Jan at (619) 533-4654 with any questions.



Name _____ Classification _____ Department/M.S. _____

Home Address _____

City _____ State _____ Zip _____

Work Phone: _____ Home Phone: _____

Fax #: _____ Social Security #: _____

Type of Membership: General Member Safety Member

I'm interested in attending one of the following seminars:

Format 1 Seminar (Members within 10 years of retirement) or Format 2 Seminar (Early to Mid-Career Members)

I have attended a seminar in the past: Yes No

My spouse/beneficiary will attend My spouse/beneficiary will not attend

Beneficiary Name: _____ Date of Birth: _____ Relationship: _____

Recent Retirements

Warren A. Aeria
Park & Recreation

Willie L. Anderson
Water

Jeffrey J. Biletnikoff
Police

Stephanie Bockstahler
Engineering &
Capital Projects

Joseph Brown Jr.
Park & Recreation

Michael H. Burgoon
Park & Recreation

Michael A. Burner, Sr.
Fire

Julio Caraballo
Park & Recreation

Mark A. Clausen
Unified Port District -
Harbor Police

Lyle M. Cotton
Metropolitan
Wastewater

John Crowder
Water

Glen R. Dautremont
Fire

Richard Davis
Police

Vincent De Leva
Information, Tech. &
Comm.

Richard J. DeParis
Police

Donald R. Faulkner
Park & Recreation

Gregory A. Fay
Police

Stanley M. Fein
Metropolitan
Wastewater

Alan Fragoso
Police

Karen T. Garrido
Human Resources

Michael Gravlin
Police

Peter Griffin
Police

Ernest Hamilton
Auditor

Lester H. Hubble
Police

Darryl G. Jensen
Auditor

Joan J. Johnson
Unified Port District

James Kimbrough
Human Resources

Robert Landin
Metropolitan
Wastewater

Terry A. Lange
Police

Roger Lemasters
Police

Clarence L. Lewis
Fire

Jenny S. Madrid
Police

Boyd D. Malm, Jr.
Fire

Ronald A. Manaigre
Police

James McFarlin
General Services

James D. Miller
Fire

Leonard M. Morales
Metropolitan
Wastewater

James D. Morrison
Police

Katherine J. Nelson
Park & Recreation

Ronald W. Pace
Police

Wilfredo P. Pugal
General Services

Anne Rast
Council

Heather E. Reed
Library

Raymond D. Roberts
Environmental
Services

Susan E. Roberts
Library

Willard Rogers
Fire

Emilio R. Romero
Fire

Duane Schaper
Water

James Seals
Police

Alfred L. Smith
Community Services

William R. Southern, Jr.
Developmental
Services

Carmela A. Sturgeon
Environmental
Services

John B. Swanson
Metropolitan
Wastewater

Jaqueita N. Tally
Treasurer

Dominick Tubolino
Police

Artila Watkins
Police

Larry Williamson
Fire

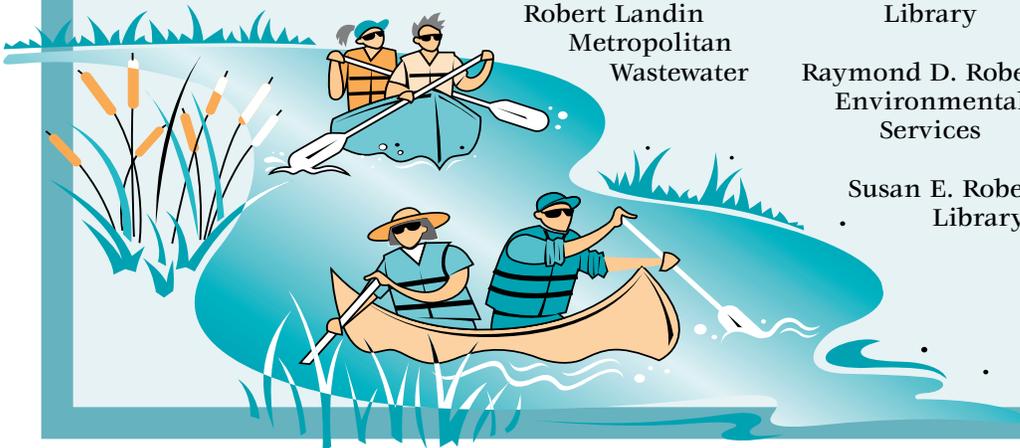
Frederick Wilson
Police

Ronald Wright
Equipment

Robert Wylie
Police

Joanne Yarnell
Park & Recreation

Evelyn L. Youmans
Developmental
Services





In Memoriam

Retirees

Leary Alford	Unified Port District – Marine Operations
Catherine Allen	Auditor
Lawrence Anderson	Buildings
Kenneth Baker	Fire
Johnnie Bates	Park & Recreation
Harold Bemis	Equipment
Edward Brennan	Fire
Donald M. Chapman	Police
Helen Culver	City of San Diego
Robert A. Dusch	Buildings & Electrical
Luther Espy	Streets
Douglas Furness	Buildings
Gabriel J. Gallina	Unified Port District – Ass't Port Director
Berlin Harkleroad	Park & Recreation
William A. Honea	Recreation Facilities
Alvis D. Isom	Fire
Joseph R. Kokesh	Police
Robert W. Larimer, Jr.	Fire
Olav Larsen	Fire
Paul Looney	Sewers
Irene C. Muth	Library
Benjamin Sanchez	Utilities
Paul D. Seyfarth, Jr.	Financial Management
Sherman Simpson	Streets
Blanche Solow	Building Inspection
James Sugg	Utilities
John G. Thomson	Fire
Leonard Torres, Sr.	Auditor
Willie C. Williams	Streets

Active

Kay Carter	Council
Elvia Vasquez	Developmental Services



*SDC&RS Staff &
Board of Trustees
wish all a
Joyous
Holiday Season
and
Happy
New Year*

FreeSpirit

San Diego City Employees' Retirement System Quarterly Newsletter

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San Diego, CA 92101-4298

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Providing the latest news and valuable information about retiring and retirement.

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San Diego City Employees' Retirement System.

Rebecca Wilson
Editor

We welcome your articles and suggestions. Please submit them to Editor, San Diego City Employees' Retirement System, 401 B Street, MS 840, San Diego, CA 92101-4298.

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