

Early Retirement

by Rebecca Wilson

What do you mean she's retiring at 34? That can't be right! It's not possible! It's just not done! Nobody retires that early! OK, OK, so I'm not really retiring at 34, but I have joined the Retirement team as the new Communication Specialist and the Editor of *Free Spirit*.

Now, while I'm not actually retiring today, tomorrow or even 10 years from now, I've still managed to learn a little something about investing and saving for my future. They always say "it's never too early, or too late, to start planning for your retirement" and I'm pretty sure whoever "they" are, they're right. It's not just a cliché. When I was in college I worked for a private practice doctor. While I was struggling to pay my rent and tuition, as well as fund a healthy social life, my boss was secretly squirreling money away for me in a pension account. I hadn't noticed the small deductions from my paycheck, so imagine my surprise three years later when he handed over a big fat check in my name! Suddenly, it all made sense. A little bit here, a little bit there and bada-bing, you've started saving for your retirement.

So, now I'm working for the City of San Diego and trying to make the most of all the great benefits available. Every time I turn a corner I learn about yet another benefit I should consider. I often ask my friends in other departments "have you purchased your five years yet?" and for those close to retirement, "have you considered the DROP program?" They are all very amused by my enthusiasm.

The truth is, there are a lot of ways to ensure that your hard work is rewarded. On page 5 of this

newsletter, you will find a list of phone numbers for Retirement, Risk Management and American Express. Each can help you determine where you stand in your retirement planning and what you need to do to secure your future. Let's face it, life is too short to sweat the small stuff. When there are people who are paid to sweat for you, take advantage of their knowledge and spend more time with your family.

Attending one of the two SDCERS pre-retirement seminars is another great way to get information. One seminar will help you start planning for your future. The other will help prepare you for the day you throw away your ties and pick up your fishing pole. Signing up is easy to do and worth the time.

And let's not forget that one of the easiest ways to keep up to date on retirement issues is right in your hand! *Free Spirit* is our way of getting information to you that is meaningful and adds value to your life.

To that end, over the next year I will be asking you for suggestions and

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Message from the Administrator

A recent flurry of news articles has resulted in some speculation regarding the safety and security of your retirement system. Let me assure you that your retirement fund remains well-funded and properly positioned with a long term horizon to meet the needs of all current and future retirees.

SDCERS is over \$2.4 billion strong, paying current retirees their vested benefits and making decisions every day to insure the financial security and overall health of the System. With approximately 4,800 current retirees of the City of San Diego and Unified Port District combined, the Retirement Fund is more than capable of paying all of our retirees, and their beneficiaries, their hard earned vested benefits for as long as they live.

For the past couple of years, this country has been in the midst of one of the deepest “bear” markets since the Great Depression. Thankfully, due to our conservative and richly diverse approach to investing, SDCERS has consistently ranked in the top 15% of pension systems across the country. This is good news. While all pension systems were subjected to heavy market losses, our investment strategy minimized our losses tremendously.

So what’s all the fuss about? Well, much of the discussion taking place is in regard to “contingent” benefits for City of San Diego retirees, including the 13th Check and Corbett Settlement payments. Where vested benefits are guaranteed as part of the Defined Benefit Plan, “contingent” benefits are dependent on an accumulation of realized earnings in a given year. Because of the current “bear” market, our system has sustained overall losses and has not realized a high level of earnings. This has jeopardized the 13th check, and the accrued Corbett Settlement amounts have been carried over another year until realized earnings are available to pay them. When the markets rebound sufficiently, “contingent” benefits will once again be distributed.

Additionally, there have been questions about the ability of the City to continue funding retiree health insurance benefits. I can assure you that since 1981, the City has been committed to funding the Retiree Health Insurance Program and maintains that commitment today through a contractual agreement with the employee unions. Payment of retiree health insurance is made from a 401(h) trust reserve which currently holds approximately \$30 million. Using a

pay-as-you-go method, the reserve account will cover all retiree health insurance obligations for the next 2 to 3 years. Longer if the markets rebound. Regardless of market conditions though, the City is obligated to cover this expenditure.

Another issue at hand is the rate at which the City of San Diego contributes to the Retirement fund as outlined in the Manager’s Proposal of 1996, revised in 2002. Each year, the City of San Diego contributes to the Retirement Fund in the form of Employer contributions. The Proposal allows the City to make its required annual contributions to the Fund at a rate less than the full actuarial rate. Through a series of contribution increases, the Proposal requires the City to be paying the actuarial rate of contribution as of fiscal year 2009. Because of this requirement, we do not expect there to be any long term negative effects on the fund.

So what does all this mean to you? If you are already retired, you will continue to receive your retirement benefits for as long as you live. If you also qualify for Retiree Health Insurance your coverage will continue. “Contingent” benefits are still in question and won’t be determined until the fall. Doing what you can now to plan around them is a good idea that may keep you from coming up short later in the year.

If you are not yet eligible to receive your retirement benefits, remember that investing retirement funds is a lot like your own retirement planning efforts. It’s a marathon, not a sprint. Snapshots don’t give you the whole picture. Your vested retirement benefits will be waiting for you when you become eligible to receive them.

I would like to close by quoting the SDCERS mission statement: “We pledge to continually deliver accurate and timely benefits through prudent administration and safeguarding of the San Diego City Employees’ Retirement System, while ensuring the Funds maximum safety, integrity and growth.” The SDCERS Retirement Board and staff recognize that the retirement fund and its benefits are a complex system, and it’s our job to insure that they are managed responsibly. We dedicate ourselves to this goal each and every day, and will safeguard your investment for decades to come.

Lawrence B. Grissom

Looking Back and Going Forward

By Dave Crow, Retiree Representative

Well, here we are in 2003, another year older and still going strong.

Despite investment losses over the last two years, the system as a whole is still strong and will continue to provide your benefits in the future.

We enjoyed a great 20 year boom in the investment markets where portfolios improved, and surplus earnings were there every year. During those years, benefits were improved for both active and retired members. We were able to add benefits such as:

- An enhanced 13th check
- A supplemental cola for some members
- An increased death benefit
- An increase in pre-1980 health care reimbursement

For the last two years, we have seen a nationwide market downturn which has taken away any opportunity for surplus earnings. Even so, our fund has remained well ahead of most of our peers. If the markets rebound, as is expected, we will once again be able to consider benefit improvement.



Even with a market rebound, a major concern will be the rising cost of health care. This is a nationwide problem so we are not alone in our concerns. At SDCERS, we are well aware of the impact on our members and are looking at ways to maintain current levels of health care benefits without increasing member costs. This may be a difficult task but we will do all we can for our members.

Early Retirement, cont. from p.1

adding new items to the lineup. Together we will make this publication one that you continue to look forward to reading season after season. Don't be shy. Tell me what you like about *Free Spirit*. While you're at it, tell me what you would like to see me add or change to make it even more valuable to you. Remember, this is a publication for you. If you need information, let me know and I'll do my best to provide it.

So now you know who I am and what I'll be doing. I look forward to learning more about you

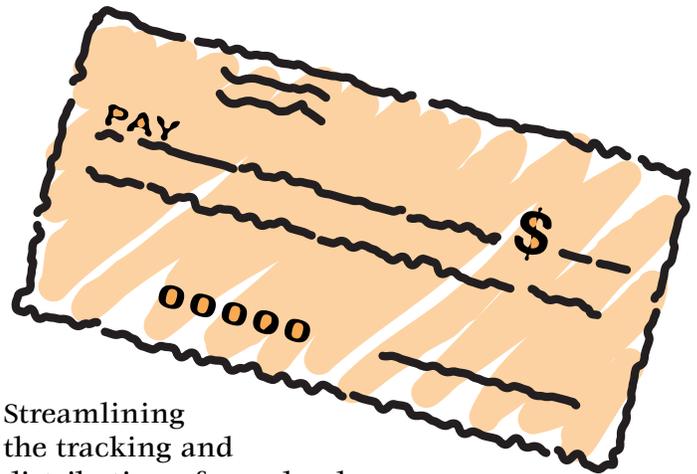
as a group and as individuals. Drop me an email at wilsonrl@sandiego.gov and let me know what you're doing to prepare for your retirement. If you've already retired, let me know how you are spending your golden years.

And finally, to former *Free Spirit* editor Lance Haim, I thank you for all of your hard work over the years. You helped make this a respected and well-read publication and I wish you all the best in everything you do!

New Payment Method for Retiree Health Insurance Reimbursements

SDCERS ushered in the New Year by implementing a new payroll software system to streamline the tracking and distribution of member benefits. As a result, beginning in January 2003, City of San Diego retirees who were previously receiving reimbursements for health insurance, Medicare Part B premiums or medical expenses separate from their pension checks, are now receiving just one monthly check.

- If you are health eligible and covered by a City sponsored health plan and/or Medicare Part B, your reimbursement adjustments will be made automatically and reflected on your monthly check.
- For retirees who are health eligible and covered by a privately secured health plan, reimbursements will be made based on the submission of proof of premium payment to SDCERS. Reimbursements will be limited to the highest City paid PPO premium.
- Retirees who are non-health eligible who receive reimbursement for medical expenses, will continue to submit receipts for proof of payment to SDCERS up to \$1,200 per year.



Streamlining the tracking and distribution of member benefits has been a significant goal of SDCERS. With the implementation of our new system, we have met our goal and are working hard to improve efficiencies throughout the system.

If you have any questions regarding the new reimbursement process, please call us at 619-525-3600.

When is the Next Retiree Health Insurance Open Enrollment?

Just a quick reminder to City of San Diego retirees and surviving spouses that the next health insurance open enrollment period will be:

Monday, June 9, 2003

through

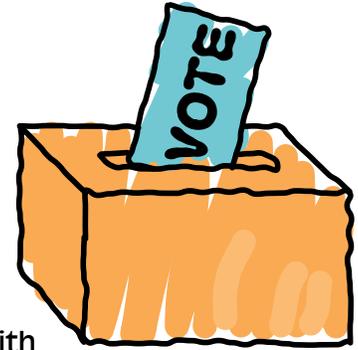
Friday, July 11, 2003

If you're looking to change your health insurance plan or add dependents to your coverage, this would be the time to do it. New premiums will take effect on your July pension check and changes will go into effect beginning August 1, 2003.

Information about available plans, new benefits and instructions will be mailed to eligible retirees and surviving spouses toward the end of May. Please notify the Retirement office if you do not receive them by Friday, June 6, 2003.

Election Results

SDCERS closed the polls on the Dec 4-16 benefit election for General Members and Safety Members. With 2,193 voting in favor and 35 opposed, the proposed changes were approved by the Members and the results ratified on December 20, 2002 by the SDCERS Board of Administration.



Items approved include:

- General members will now receive a 2.5% retirement factor with a 90% cap on retirement benefits.
- Firefighters can now choose to convert annual leave, accrued after 7/1/02, to increase their creditable service or extend their DROP participation past the 5 year maximum.
- The 5 year Purchase of Service Credit will now count toward the 10 year vesting period for all members.
- Health eligible retiree health insurance benefit levels have been increased.

We would like to thank everyone who voted and participated in this election.

COMING SOON!

Retirement will be holding Elections for 3 Retirement Board positions in the upcoming months: 2 Safety Member representatives (Police and Fire) and 1 General Member representative. Active members can look forward to receiving their election materials in the near future. We encourage all to vote!

IMPORTANT PHONE NUMBERS



Retirement Office 619-525-3600
Toll Free 800-774-4977

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

Deferred Compensation
Information 888-568-2542

Risk Management 619-236-7300

Flexible Benefits Plan 619-236-5924

Workers Comp 619-236-6395

Care Counsel 888-227-3334

CONGRATULATIONS!

Fire Captain and
SDCERS Board Trustee:

Ron Saathoff

For being named

VETERAN OF THE YEAR

By the
San Diego Fire-Rescue Department

The Investment Corner

Reflections on Grandma's House and a Long-Term View of the Funding Status of the SDCERS Trust Fund

by Doug McCalla, Chief Investment Officer

Many years ago as a pre-schooler, I acquired memories of my grandmother's southeastern Kansas home in the Neosha county seat town of Erie (pop. 1,242). Erie was so small that everybody knew everybody. At the soda fountain in the drug store where they served up huge, wondrous ice cream sundaes with flavored syrup and hunks of real fruit, everyone knew me as Vera's Grandson, visiting from out-of-state.

Grandma lived in a huge two-story house with an enclosed porch where I stayed during my summertime visits. I remember looking through the screen, as I fell asleep, watching the lightning bugs deliver their evening performances or an occasional thunder and lightening storm as it rolled across the plains.

Grandma kept the toys for her visiting grandchildren in a large storage room under the stairwell. I remember opening the door to that room, walking in, turning on the ceiling light with the string hanging from the bulb socket, and sitting down amongst the toys and stacks of National Geographic magazines. There, I could spend hours of uninterrupted playtime exploring all the treasures in the big room under the stairs.

I also have fond recollections of climbing Grandma's cherry tree to pick and eat the fruit. Some years the harvest of fruit was bountiful and some years it was sparse. Grandma canned and stored the excess fruit from good harvest years, so she always had my favorite cherry preserves to spread on her yummy breakfast biscuits.



After my family moved to San Diego, I could no longer visit Grandma's house until, as a young adult, my mother and I returned for a three-week summertime visit. Much to my amazement, everything was the same and yet it seemed vastly different. The clerk at the drug store's soda fountain still knew that I was Vera's grandson, but I soon realized that Grandma's house had shrunk! Everything seemed so much smaller. Clearly, my perspective on Grandma's house had changed!

The door to my favorite room under the stairwell was only bellybutton high and I had to get on my hands and knees to get inside and reacquaint myself with all my childhood toys. Similarly, when I looked outside, I saw that the cherry tree I climbed as a child looked much smaller. Thankfully, despite my change of perspective and the fact that it was a sparse harvest year, Grandma

continued on next page

still served those fabulous cherry preserves everyday with her breakfast biscuits.

My recollections of revisiting Grandma's house remind me about the change in financial status of the SDCERS trust fund. During the current bear market, the worst since the great depression, the trust fund's assets have declined in size and the liabilities (benefits) have continued to grow. The City's portion of the SDCERS funded ratio has dropped from 97.3% as of 6/30/00 to 77.3% as of 6/30/02.

The funded ratio is calculated by averaging a measurement of the trust fund's value as of each June 30th of the last five years: this is called the actuarial value of assets. Next, the actuary projects the present value of all the future benefit payments (liabilities) earned to-date by all retirees and employees over their expected life spans. Dividing the actuarial value of assets by the present value of the liabilities produces an actuarial funding ratio. In the most recent calculation, SDCERS has 77.3 cents on hand for every dollar that is projected to be paid out for current benefits earned by City employees and retirees. This ratio is expected to decline somewhat in the next several years due to the five-year averaging of asset values. The high asset values of 1998 and 1999 will drop off the rolling five-year average value of assets and be replaced by yet unknown but expected less impressive values for 2003 and 2004.

Like Grandma's house, I wondered what the funding ratio looked like in years past. Researching and sampling the available actuarial records, I found the following: Ten years ago, in 1992, the funded ratio was 95.2%; in 1982, the ratio was 75.6%; and twenty-five years ago, in 1977, the funded ratio was 60.5%. Despite these fluctuations in funding levels, benefits to retirees have always been paid month after month, without failure. The \$2.4 billion trust fund functions like Grandma's preserves, to assure the payment of

benefits in the sparse years of investment performance.

Dad started me investing in 1962 with mutual funds, so I have had the experience of holding stock funds through numerous up and down markets. Despite the doom and gloom mentality that prevailed as a result of past bear markets, at some point in time, the economy and markets would rebound, recover their previous losses and proceed on to new highs. Similarly, the SDCERS trust fund has had its ups and downs in its long-term performance over the years. The best rolling ten-year period of investment performance ended in the third quarter of 1991 and had an annualized rate of return of 14.76%. The worst rolling ten-year period of investment performance was that ending 12/31/02, with an annualized rate of return of 7.99%. In determining the funding ratio, the actuary assumes that over the long haul, the trust fund will earn 8% per year. Despite the current three-year bear market, the recent long-term performance of the trust fund has been as expected.

As a child it was fun to go to Kansas and have everyone know my name. As your Chief Investment Officer in the midst (and hopefully the end) of the worst bear market since the depression, once again everyone seems to know my name. I would like to thank those of you who have taken the time to express your appreciation and recognition of the efforts of your SDCERS investment staff during this adverse market. Rest assured that we will never forget you, employees and retirees alike, for whom we serve as stewards of your present and future benefits.



SDCERS Receives \$100,000 Valentine's Day Gift from an Anonymous Donor

Valentine's Day, for most, is a day to show appreciation and love to those around you. For one anonymous donor this year, it was an opportunity to thank some of the City of San Diego's retirees for their years of service by donating \$100,000 to reduce the impact of an absent "13th check."



Recent Retirements

Daniel L. Boyle
Unified Port District

Nathalio M. Caplan
Police

David R. Chapman
Unified Port District

Roy W. Cobb
Development Services

Maria C. Colin
Library

Juanita I. Diaz
Police

James M. Felland
General Services

Michael J. Gotch
City Council

Robert G. Graf
Park & Recreation

Constance N. Hart
Library

Michael J. Hart
City Attorney's Office

Robert W. Hein
Metropolitan
Waste Water

Bonnie E. Hernandez
Park & Recreation

Ronald L. Keel
Park & Recreation

Timothy J. Kowallek
Fire & Life Safety Svs.

James P. Krusen
Unified Port District,
Harbor Police

James R. Lee
Metropolitan
Wastewater

Ronnie Lewis
Water Department

Charles H. Markham
Deputy City Attorney

Richard M. Murphy
Park & Recreation

George A. Parker
Unified Port District

Ethel F. Perretta
Library

Robert H. Pieterse
Unified Port District

Sally A. Plata
Metropolitan
Wastewater

Veronica A. Ryan
Purchasing

Linda G. Schoeneberg
Engineering &
Capital Projects

Donald G. Sheffo
Unified Port District

Sunny C. Shy
Park & Recreation

Barbara J. Singley
Metropolitan
Wastewater

George L. Stevens
City Council

James B. Vander Bie
Unified Port District

Charles D. Vervisch
Airport Operations

Byron E. Wear
City Council



Retired Fire and Police Officers' Association

PRESIDENT'S MESSAGE

by Jim Kline, President

As I'm sure you know, the President and Vice President of the association serve for two-year terms, alternating between fire & police. At the January general meeting, the election was held and as a result, Stan Elmore passed the gavel and I accepted the Presidency. Jim Connole accepted the Vice Presidency.

Thank you Stan for two solid years of leadership during a very difficult time in the history of our country. You kept us focused on the issues at hand, and with you and Dave Crow leading the way, we are all enjoying the fruits of your labor - "the 13th check." We also wish you a speedy recovery from your bypass surgery and many more years of service to the Association.

Additionally, we elected four new board members: Keith Enerson (PD), JJ Hunter (FD), Jim Caster (PD) and Ron Moskowicz (FD). We re-elected Bill Flohr as Treasurer and John Hartman as Secretary. Larry Bauer (FD) and Richard Allen (PD) remain as directors. I would like to take this opportunity to thank Dave Crow, Marty Marugg and Don Farney for their many years of service, and to welcome our newest members to the board. Stan Elmore will continue to sit on the board as president ex-officio. As a member of the SDCERS Board, Dave Crow has promised to stay close at hand as an advisor on retirement and health issues.

As we move into a new year, we will continue on the course we have been following. A few of our priorities will be 1) getting health care benefits for our pre-80's members where

they belong, 2) removing the 50% cap from the supplemental C.O.L.A., 3) monitoring the 13th check & the Corbett Settlement fund payments, and 4) working on ways to control the cost of health care.

I believe we have an excellent board, and with the help of our past board members and our members at large, we will be able to hold our own and move forward. With the passing of the \$1.00 per month dues increase at the January membership meeting, we should be in good shape for the foreseeable future. The dues increase is automatic through payroll deduction and will begin in August.

By the time you read this, we will have held our Sixth Annual Retired Fire & Police Association Lawn at El Camino Memorial Park. Hope you were there.

Until next time, stay well.



It's Time to Update Your Records at SDCERS!

Have you recently changed your address, married or divorced, changed beneficiaries, or terminated employment with the City of San Diego, Unified Port District or Airport Authority? If so, we want to know about it. Please take a moment to contact the Retirement System to update your records at:

SDCERS
401 B Street, Suite 400
San Diego, CA 92101
(619) 525-3600

In Memoriam

Ray Blair, Jr.
Former City Manager

Patricia Cantu
Utilities

Mary E. Carrillo
Library/Business Office

Anna E. C. Carter
Library

Jesse David Charlebois
Police

Blas Cota
General Services

Eugene Crossley
Water Department

Inge Dickens
Park & Recreation

Edward Eaton
Info. Technology &
Communications

Ralph A. Ekiss
General Services

Myron Gravlin
Comm. & Elec.

Paul J. Gute
Fire & Life Safety Svcs.

Stanley E. Hobson
Water Department

Beulah K. Howard
Park & Recreation

Ann C. Jollett
City Clerk

Alton McCaw
Engineering Technician

Marshall McGaughy
Fire & Life Safety Svcs.

Lawrence D. Morgan
Utilities

John D. Murphy
Environmental Services

Stanley Nevedomsky
Police

Richard J. Page
Water Department

Jeanette Peoples
Park & Recreation

Leroy D. Pitcher
Police

William H. Poole
Fire & Life Safety Svcs.

Lorenzo Sdao
Park & Recreation

Betty Southard
Police

Nick Spinella
Water Department

Thomas Stewart
Unified Port District
Harbor Police

John Taylor
Park & Recreation

Robert D. Warren
Park & Recreation

Gerald W. Williams
Metropolitan
Wastewater

Lois C. Wilson
Utilities

Dewey J. Woody
Water Department

Retiree Association News

City of San Diego Retired Employees' Association

by Nancy Acevedo, President

Uncertainty seems to be the watchword these days. From the world situation, and whether there will be a war with Iraq, to continuing economic problems at home. The City is not immune to these uncertainties. This year's City budget, we are told, is \$20 million short of expected revenues, and the State is considering taking tens of millions more from next year's normal revenues. Those of us who were eligible to receive payment of the Corbett settlement from the Retirement System in 2002 received an IOU instead.

One certainty that you can count on is that the Retiree Association continues to meet the second Tuesday of the month at the War Memorial Building in Balboa Park. An elected Board of Directors meets at 10:00 a.m. (other members are welcome to attend this meeting as well); the general meeting starts at 11:00 a.m. with a program/speaker at 11:30 am and catered lunch at noon. At the general meeting our elected Retirement Board Representative, Dave Crow,



updates us on Board actions, economic and health issues, and responds to our questions.

Members also receive a monthly newsletter providing updates on issues that impact retirees. The newsletter provides a preview of the next meeting's guest speaker and a menu for the upcoming luncheon. Membership is 50 cents a month through payroll deduction. It is a great way to stay up on retirement issues and keep in contact with your work friends. And, as our newsletter editor Joe Flynn has stated, "The need for involvement, problem resolution and negotiation of retirement benefits does not end on your last day of work. There is no 'auto pilot' of benefits that will ensure a smooth flight and a happy landing."

We welcome the participation of all retirees.

Thanks. If you have any questions, please give me a call - 619-579-5930.

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





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

FreeSpirit is published quarterly by the 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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Stay Tuned for the Next Issue!