To DROP or Not to DROP?

by Rebecca Wilson

The Deferred Retirement Option Plan (DROP) was developed in 1997 as an alternative way for eligible SDCERS members to earn retirement benefits in addition to their regular monthly pension check. After six years, the program is more popular than ever.

While any member who meets the age and service eligibility requirements to retire may participate in DROP, individuals who will reach their maximum retirement allowance due to the enhanced benefit cap may want to pay particular attention to this program.

If you are nearing retirement and are considering voluntarily joining the DROP program, here are some basic facts to help get you started.

• You must meet the age and service eligibility requirements for retirement in order to enter DROP.

• You may stay in DROP for a maximum of five years at which time you MUST retire.*

• Joining DROP is an irrevocable decision to retire no later than the final date stipulated in your DROP agreement. If you join DROP for three years instead of the full five, you cannot decide after three years to stay longer.

Continued on page 2

Message from the Administrator

We all know that the past couple of years have been hard on our investment wallets. Maybe you’ve seen your 401(k) balance decline or watched a stock you’ve bought drop significantly in value. SDCERS has been in the same boat. We’ve seen declines in asset value from a high of $2.7 billion in early 2000 to a low of $2.3 billion last year. Today, we are back up to $2.6 billion.

The investment markets have been called a roller coaster on more than one occasion for good reason. Sometimes you’re climbing higher and higher wondering when you’ll come back down again. Then, as you race down the backside of the coaster, you wonder if it’s all going to end right then and there.

The recent concerns and newspaper articles questioning the well-being of your retirement fund come at a time when the markets are low, nerves are frayed and anxieties are high. Everyone is looking for assurances.

Continued on page 3
However, if you join for the maximum five years you may leave at any time before your end date without penalty.

- When you enter DROP, SDCERS determines your retirement factors (age, years of service, salary) used to calculate your retirement allowance. Any changes in these factors after you’ve entered DROP will not count toward calculating your retirement allowance.

- When you enter DROP you will need to choose your retirement option and designate a beneficiary. You will sign many forms and make several significant decisions about your retirement account at this time.

- Changes to your payroll deductions and deposits will include the following:
  - The bi-weekly deduction from your paycheck to your retirement account will end.
  - A new pre-tax 3.05% payroll deduction will appear on your pay stub as your contribution to your DROP account. This amount will be matched by your employer.
  - Every year around July 1st a Cost of Living Adjustment (COLA), not to exceed 2% of your retirement allowance, will be calculated. This increase will be added to your monthly retirement allowance and deposited into your DROP account.
  - Each quarter your DROP account will post an accumulated interest payment.
  - When a 13th check is granted, if you are eligible to receive one, it will be deposited into your DROP account in November.

- Joining DROP will set the monthly payment of your retirement allowance into action. So, while you haven’t actually retired at this point, SDCERS will begin paying your retirement benefits on a monthly basis. As a member of DROP, SDCERS will pay these benefits directly into your DROP account rather than to you. By adding these funds to your DROP account you raise the total balance, earning significant interest in the process.

- You will receive quarterly statements of your DROP account activity including all contributions from payroll deductions, employer matching, retirement allowance, COLA, and accrued interest. Additionally, your statement will show your beginning and ending account balances.

- Any Purchase of Service Credits must be completed before entering DROP. If you have entered into a pre-tax purchase of service credit contract, you must complete your contract before you may enter DROP.

- Distribution of DROP account funds after retirement can be made as 1) a lump sum refund or rollover, 2) periodic fixed monthly payments that can be adjusted annually, or 3) as equal monthly payments for 20 years. This last option is irrevocable, so be sure to investigate all the choices before making a decision. If you so choose, you may defer payment of your DROP account funds until you reach age 70½, at which time you must take a minimum distribution as governed by the IRS.

If you would like to find out if joining DROP is right for you, please call SDCERS to schedule a DROP counseling appointment at 619-525-3600.

*City of San Diego Firefighters may apply unused annual leave accrued after July 1, 2002 toward extending the five-year maximum DROP program requirement.*
**Retiree Health Insurance**

Open Enrollment Time is Here!

If you are a City of San Diego retiree, widow/widower, or ex-spouse and would like to change your health insurance carrier or add dependents to your health coverage, you must do so by **Friday, July 11, 2003**.

To request a health insurance enrollment packet, or ask benefit, eligibility or premium questions regarding Kaiser or PacifiCare; please call SDCERS at 619-525-3663 or 800-774-4977 (toll free) weekdays from 8 a.m. to 5 p.m. PST.

If you have questions regarding union health insurance plans, please call the union directly at the phone numbers in the box at right.

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**UNION CONTACT NUMBERS**

<table>
<thead>
<tr>
<th>Association</th>
<th>Phone Numbers</th>
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<tbody>
<tr>
<td>Fireman’s Relief Association</td>
<td>800-222-1154 or 619-281-0354 Local 127</td>
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<td></td>
<td>Yolanda Marshall 619-640-4939 or Becky Marrone</td>
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<td>877-248-7765 ext. 240</td>
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<tr>
<td>M.E.A.</td>
<td>888-950-6632 or 619-264-6632</td>
</tr>
<tr>
<td>Police Officers’ Association</td>
<td>858-573-1199 ext.215</td>
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</tbody>
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**Administrator’s Letter**, continued from page 1

and no one really knows how long this bear market will last. The truth is, the markets have recovered over time and that is the key. Time. Retirement investing isn’t a short term proposition. Long term investment strategies take into account market volatility, realizing that down the road, in 10, 20 or 30 years, we’ll be better off than when we started.

The City’s under-funding of its portion of retirement contributions has certainly confused a lot of people. While it’s true that the City has put off paying some of its contributions to the retirement fund, nearly 85% of today’s unfunded liability is caused by investment losses.

Once again, I can assure you that the amount of money we currently have in the system is enough to pay our retirees’ vested benefits for the next 20 years, even if we never added another penny to the pot. We are financially healthy, are properly positioned to meet the needs of all current and future retirees, and we will continue to make decisions based on a long term investment strategy.

*Lawrence B. Grissom*
Retirement Administrator
As a City of San Diego employee for almost 35 years, Paula Fox has seen a lot of changes. She has also been a catalyst for change on more than one occasion. Paula came to the City as a typist in what was then known as the Budget Office. After working in Building Inspection and Central Stores, Paula decided to try her hand in the world of utilities. In a historically male-dominated field, Paula became the first City of San Diego female Utility Worker I in the fall of 1976.

Known for her straightforward approach to problem solving and her tough as nails attitude, Paula worked hard at learning how to fit into her new environment. She was eventually promoted to become the City’s first female Utility Worker II and First Line Supervisor.

“As a single mother of two, I had to provide for my kids. It wasn’t always easy but you do what you have to do when you’ve got kids to take care of.”

Providing for her kids was always Paula’s first priority. Feeling like she couldn’t afford to spend the money, Paula didn’t start actively saving for her retirement until the early 1990s. A member of SDCERS since 1969, her contributions to her SDCERS retirement account and SPSP were the only investments she had for her future. Slowly, though, with each progression in salary she began to take advantage of the City’s savings programs including 401(k) and deferred compensation to ensure that all her hard work would be rewarded. “I didn’t start saving for retirement right away but once I did, I took advantage of everything I could.”

Purchasing an additional five years of service credit also helped to increase Paula’s monthly retirement check. “I knew I couldn’t go wrong purchasing more time. I did that as soon as I could.”

Now a grandmother and retired, Paula is enjoying her free time knowing that her retirement savings will sustain her day-to-day living and allow her to do the traveling she loves. Paula and her 83-year-old mother just returned from a two week vacation in Ireland and London and are planning a cruise through the Spanish Riviera in the fall. “After that,” she says “I don’t have any plans. Maybe go back to school, maybe not. I guess I can do whatever I want. I set it up right. I saved the money and put in my time. I guess I can just do whatever I want.”
COMMUNITY SERVICE CENTERS…

Taking Care of City Business & More!

Do you need to pay a City water bill right away but hate trying to find a parking space downtown? Do you need a document notarized? Is it time to get a passport or renew your old one?

The City of San Diego has 15 Community Service Centers conveniently located in local neighborhoods. The Centers provide a bevy of City services and community resources under one roof including:

- Parking Citation Payments and Appeals
- Parking Meter Cards
- Passport Application Services
- Notary Public Services
- Business Tax Certificates
- Dog License Applications
- Noise Permits
- Park & Recreation Class Schedules
- Report Graffiti, Damaged Sidewalks or Potholes
- Review Official City Documents, Community Plans and Maps

Visit or call your local Community Service Center today to find out more about the services offered in your neighborhood.
The Retiree Report

The Corbett Payment

By Dave Crow, Retiree Representative

Settlement of the “Corbett” lawsuit in 2000 provides for a 7% increase in a City retiree’s annual retirement benefit to be accrued each year. Payment of this contingent benefit is based upon SDCERS having sufficient surplus undistributed earnings in the previous fiscal year. Payment of any surplus undistributed earnings is regulated by San Diego Municipal Code section 24.1502.

If the Corbett benefit is not paid in any year due to insufficient surplus undistributed earnings, the amount due is carried forward as a contingent benefit to be paid in future years when there are sufficient surplus undistributed earnings. The unpaid amount accrues in the retiree’s account and all liabilities carried forward will be paid in the order accrued. As was done in 2002, retirees will be advised every year of any unpaid balance in their account.

If a retiree should die before receiving all accrued amounts, payment will then be made to the retiree’s designated beneficiary or estate.

CARE COUNSEL TIP

If you are a retiree of any of the seven uniformed services – Army, Air Force, Navy, Marine Corps, Coast Guard, Public Health Service or the National Oceanic & Atmospheric Administration – you may be eligible for a supplemental prescription drug coverage called TriCare. Picking up where your Medicare or private health insurance coverage leaves off, TriCare may pay for prescriptions that aren’t on your carrier’s formulary. For more information about this program contact Care Counsel at 888-227-3334.

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
During the past few months, the Retiree Association has been quite proactive. At the Board’s annual retreat in February, we decided to put together “issue papers” on key retirement benefits, so that our members could have a better understanding of these items without having to do research themselves.

From this base of information, a letter was drafted to be sent by retirees to the Mayor and Council expressing thoughts on retiree benefits and the need to provide for adequate funding. Many of our members elected to draft their own letters, using facts presented to them but expressing their own thoughts on the issues.

Another letter was prepared and sent by the Retiree Issues Task Force to the City Attorney. This letter provided background information on the retiree health benefit and asked, once and for all, whether this is a vested benefit and, if so, for which retirees (since members have retired under different benefit programs).

On April 23, the Rules Committee of the City Council was due to receive a report from the City Manager addressing alternatives to resolve the City’s underfunding of retirement benefits. We were informed that this report would be delayed, due to the lawsuit filed by Attorney Michael Conger against the City and the Retirement Board.

As a part of our attempt to keep our members as well informed as possible, recent meetings have featured speakers on these issues. As of the writing of this article, the three most recent speakers have been Paul Barnett, the Assistant Retirement Administrator; Attorney Michael Conger; and Diann Shipione, a mayoral appointee to the SDCERS Board who voted against the City Manager’s proposal last fall.

A major goal of our Association is to provide up-to-date information to all our members. If you would like to become a member we invite you to join us at our next meeting. Monthly meetings are held the second Tuesday of every month at 11:00 am at the War Memorial Building next to the San Diego Zoo. You are welcome to join us and assure yourself that you are knowledgeable of issues affecting your retirement benefits.

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
Who’s Who in the Retirement System

Steve Meyer
General Member Representative

Just elected to the SDCERS Board of Administration in April 2003, Steve has worked for the City of San Diego since 1985. Starting as a part time employee in the Park & Recreation Department, Steve later transferred to the Water Utilities Department as a chemist at the Point Loma Treatment Plant. In 1993 his position became part of the Metropolitan Wastewater Department, where he continues to work today. His term on the Board runs from June 2003 to June 2006.

Steve’s early years were spent in various places around the world as he grew up a “Navy brat.” Until he joined the Navy himself, he never spent more than three years in any one place. He came to San Diego in 1977 while serving in the Navy and has lived here since. He later transferred to the Naval Reserve and remained in San Diego retiring as a Master Chief in 1995. Steve holds a Bachelor of Science degree in Chemistry from San Diego State University.

Steve was elected to and served in various leadership positions in the Municipal Employees Association (MEA), including positions on several negotiating teams, and served terms on the Board of Directors and the Executive Committee between 1991 and 2001.

Steve and his wife Suzie live in San Diego. Steve’s son serves in the Army and is assigned to the 10th Mountain Division.

CONGRATULATIONS!...

...to SDCERS staff members Laurie Harper and Sally Zumalt who were recipients of the 2002 Diversity Distinction Awards. Nominated by their colleagues, the awards are given to employees throughout the City of San Diego who exhibit top performance, tremendous customer service and a willingness to work with all employees and customers in a positive and productive manner. SDCERS thanks Laurie and Sally for their dedication to making their workplace a positive environment.

FIRE PREVENTION TIP OF THE QUARTER

SUMMER BARBECUE SAFETY

• Read instructions included with your barbecue before using it. Every grill is different. Know the specific safety and handling instructions of your grill.
• Clean your grill thoroughly before and after using it. Grease buildup can cause flare-ups or fire.
• Never put lighter fluid directly on flames!
• Keep all grilling activities away from buildings, houses and garages. Never grill inside houses, garages or on wooden porches.
• Store all lighting fluids away from children.
• Have a fire extinguisher nearby at all times.
• Never leave cooking unattended.
• Always keep small children and pets away from the grilling area.
Since my last article, we have witnessed, (minute by minute) one of the great military accomplishments of all time. Hopefully, the rest of the mission will be as successful.

Our quarterly luncheon was held April 12, at the Police Officers’ Association (P.O.A.) building on Vickers Street. I apologize to those who went to the pistol range. We tried to get the word out about the change, but unfortunately we failed to notify everyone. During our general membership meeting Dave Crow, our Retirement Board representative, brought us up to date on many important issues. Keith Enerson, from our Board of Directors, will take the lead for us on the Retired Issues Task Force. He has already had several meetings with council members and staff. With his history, knowledge of the system and the respect he has earned, he will represent our positions very well.

Chuck Ellison and his crew again did a great job on the barbecue, and all the trimmings. No one left hungry and the Police Department won its share of the raffle prizes.

Our foundation, which was created to assist our members in need and help worthy organizations, is doing well under the committee of Jim Conole, Larry Bauer and Keith Enerson. If you know another member who may need some help, please contact one of the committee members. Assistance is done with great discretion and the member’s privacy is well protected. Thank you to all who have contributed so generously to this program. We are making a difference in the community and with our members.

For the past few years our Association has been involved with the Special Olympics. This year Director Richard Allen, who represents the Association on the Fund Raising Law Enforcement Torch Run Committee, was involved in the Relay events of May 27 and 28. We were able to make a donation to this worthy organization and had a crew at San Diego State on May 31 and June 1 assisting in this year’s Greater Games.

An update on the Fire & Police Memorial Lawn at El Camino Memorial Park: Our five-year agreement, which actually ran six years, has ended. We are in the process of putting together a new agreement. Unfortunately, the cost of the property has gone up and the discount on the amenities has been dropped. They still offer a discount on pre-need plots plus several other benefits. We will let you know the final agreement and who will be our contact person at El Camino in our newsletter.

For your information, the POA and Local 145 each have a web site that allows us to place information in our own private spots. We are also working on our own web site.

Police: www.sandiegopoa.org
Fire: www.sdfire.org

If you, as a retired firefighter or police officer, do not belong to the Retired Fire & Police Officers’ Association, please consider joining. There is strength in numbers and in our Retired Issues Task Force, we need all the strength we can get. For an application, contact Bill Flohr at 619-583-0163, or John Hartman at 760-789-5216.

Jim Kline, President
Recent Retirements

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<tr>
<th>Name</th>
<th>Department/Office</th>
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<tr>
<td>Larry J. Blackman</td>
<td>General Services</td>
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<td>John C. Bukey</td>
<td>General Services</td>
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<td>Max M. Camberos</td>
<td>Police Department</td>
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<td>Barbara J. Cavanah</td>
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<td>Carolyn J. Chrystal</td>
<td>Development Services</td>
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<td>Gregory D. Clark</td>
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<td>Ulysses S. Clemons</td>
<td>Metropolitan Wastewater Department</td>
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<td>Michael L. Davis</td>
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<td>Danny N. Dennis</td>
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<td>Janice M. Drews</td>
<td>Neighborhood Code Compliance</td>
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<td>David W. Elliott</td>
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<td>Gloria I. Fishkin</td>
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<td>UPD, Real Estate</td>
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<td>J. Bruce Henderson</td>
<td>City Council</td>
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<td>David Hirr</td>
<td>Engineering &amp; Capital Projects</td>
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<td>Ricky H. Mathers</td>
<td>Library</td>
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<td>Police Department</td>
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<td>Albert Vitela, Jr.</td>
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<td>Steven R Yates</td>
<td>Park &amp; Recreation</td>
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In Memoriam

George K. Anderson
Park & Recreation

Edmond Berry
Stadium

Lonnie C. Brown
Park & Recreation

Phyllis Brown
Financial Management

Jack Carlin
Fire/Rescue Department

Robert Coburn
Utilities Department

Margaret E. Dawson
City Treasurer’s Office

Raymond Galaz
Park & Recreation

Viola Hooker
Park & Recreation

David Kelly
Police Department

Marjorie Kesner
Police Department

Joseph E. Meisenbach
Unified Port District

Harold Patz
Fire/Rescue Department

Joe E. Perry
Metropolitan Wastewater

Jack B. Schwartz
Personnel Department

E. Marian Simmons
Retirement

John M. Sturak
Transportation Department

Jack D. Van Cleave
Planning Department

Roy L. Wolff
Building Inspection – Development Services

Jack Zimmerman
Police Department

IMPORTANT PHONE NUMBERS

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

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

Deferred Compensation Information
(AIG/VALIC)
888-568-2542

Risk Management
619-236-7300
Flexible Benefits Plan
619-236-5924
Workers Comp
619-236-6395
Care Counsel
888-227-3334
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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