

Free Spirit

San Diego City Employees' Retirement System

Volume 9, Issue 1 Summer 2007

SDCERS is Moving to a New Location!



401 West A Street, Suite 400
San Diego, CA 92101

Effective July 30, 2007

Our phone numbers will remain the same:
(619) 525-3600 and (800) 774-4977.

After an extensive search for new space, SDCERS' Board of Administration voted to move our administrative offices to 401 West A Street, Suite 400. SDCERS' staff has been working diligently to design and build out the new space which will be open for business on Monday, July 30, 2007.

While we will miss the offices we have worked in for the past 10 years, our new location affords us much needed space while maintaining Member accessibility, reducing costs and improving collaboration and efficiency of our staff.

As part of our new space configuration, the SDCERS Board Room will be located on the 3rd floor of 401 West A Street. Both the Administrative offices and the Board room are accessible from the elevators that descend into the parking garage (entrance to the parking garage is on State Street).

If you have any questions about our new location, please don't hesitate to call us.



The Investment Corner

Recent and Long-term Performance

by Doug McCalla, Chief Investment Officer

The good news continues for the performance of the SDCERS trust fund. With a return of +2.62% for the quarter, SDCERS finished the one-year period ending March 31, 2007, with a very healthy total return of +10.92%. This level of performance placed SDCERS in the top 57% of public pension plans in the Callan Associates public fund data base. For the three year period ending March 31st, SDCERS had an annualized rate of total return of +11.93% which ranked in the top 22% of the public fund peer group.

Annualized returns of +11.22% for the last five years placed SDCERS' performance in the top 6% of public pension plans. For the last ten years, SDCERS' annualized rate of total return was +10.40%. This level of performance placed SDCERS in the top 4% of public pension plans for the last decade. All of these longer period rates of return have exceeded the long-term 8% actuarial assumed rate of return.

LOOKING FORWARD

Nothing is as unpredictable as the future. In order to continue to have an opportunity of achieving a real rate of return over and above inflation and also maintain that longer-term 8% rate of total return expect-

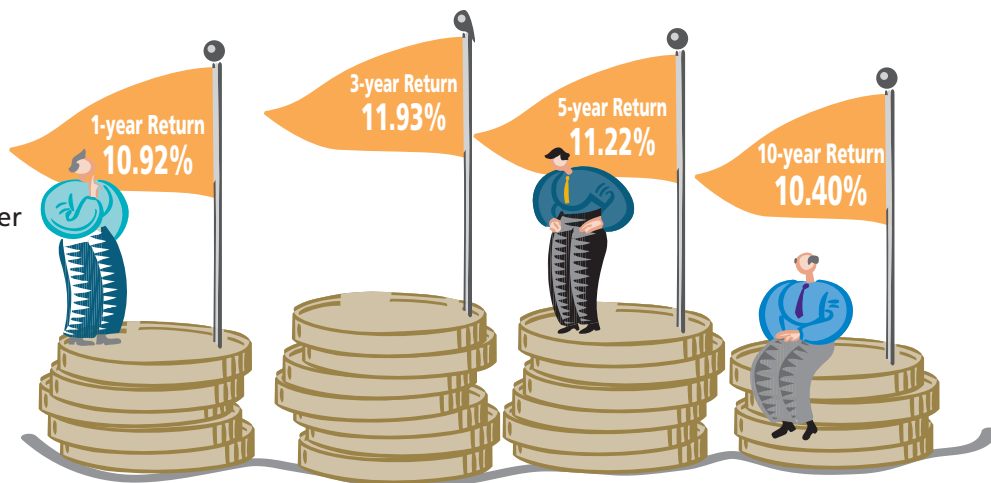
ed by the actuary, some amount of risk must be assumed. Recognizing this, SDCERS is scheduled this August to conduct an asset/liability study and a review of the trust fund's investment strategy. This annual investment strategy review process is done with an eye toward preserving past gains, yet positioning the trust fund to achieve a reasonable expected rate of return in the upcoming years. The goal of this policy setting process is to identify an investment strategy that subjects the trust fund to the least amount of expected risk given the desired level of expected return the trustees think prudent to strive for.

ON A PERSONAL NOTE

Your Retirement System staff would like to thank those of you who have expressed appreciation about how the investment operations of the trust fund have been administered in

an environment of unprecedented distraction. It's nice to be acknowledged for the success of the trust fund's performance, but the reality is that there is a vast team of people involved in the process. The team starts with the Trustees setting the investment policy, then staff administering it, and finally the money managers that implement the program. A good portion of the recent superior performance can also be accorded to the markets that have been very favorable since 2003. Nonetheless, we thank you for your expressions of gratitude. They serve as a welcome reminder to all of the staff of SDCERS as to whose benefit we are working for.

Let's hope that the financial markets continue to remain favorable!



SDCERS Returns for Year Ending March 31, 2007

Total assets as of March 31, 2007, were \$4,763,554,717 (unaudited).

BOARD OF ADMINISTRATION

PRESIDENT

Thomas Hebrank
Appointee

VICE PRESIDENT

Mark Sullivan
Police Safety Representative

BOARD MEMBERS

Susan Gonick
Appointee

Wayne Kennedy
Appointee

Franklin Lamberth
General Member

Carmen Lutes
Retiree Member

Steve Meyer
General Member Representative

George A. Murray
Appointee

Peter Preovolos
Appointee

JoAnne SawyerKnoll
Mayoral Representative

William Sheffler
Appointee

John Thomson
Fire Safety Representative

Vacant
Appointee

BOARD MEETINGS (Open to the public)

Date: Third Friday
of every month

Time: 8:30 a.m.

Location: 401 West A Street, 3rd Floor
San Diego, CA 92101

Phone: 619-525-3600

♿ This facility is wheelchair accessible!

SDCERS is on the Move – In More Ways Than One!

By *David Wescoe, Administrator/CEO*

As you now know, SDCERS is on the move in more ways than one. We are very excited about the move to our new space at 401 West A Street, and we hope you will drop by to say hello sometime and see it for yourselves. The theme has been “we’re on the move” and it is an appropriate one.

First, I want to comment on our physical move. Our new space is the result of a terrific process that included developing detailed space requirements, completing a market search on all potential office space sites in San Diego, evaluating lease proposals; negotiating a lease that resulted in substantial cost savings to SDCERS, completing space designs, receiving building and construction permits, and finally, moving 60-plus people and their support equipment and furniture to the new space. I’ve been involved in many moves during my career, and none has gone as well as this one. Some of you may have heard me say that I focus on ceiling tiles: I want fewer of them and to pay less for them. This is because every time we spend a dollar here, we ask ourselves, “is it in the best interest of our members and plan sponsors and, if we have to spend it, is it the best deal we can get?” I am pleased to report that compared to our current space, we will be using less and paying less for it.

Now, I’d like to talk a bit about our other “moves.” I think it is safe to

say that the positive changes that have occurred at SDCERS in the last couple of years are unparalleled in public retirement plans anywhere. Since 2005, SDCERS has a new Board, a new and independent Audit Committee, new staff (Administrator, Chief Financial Officer, General Counsel, Chief Compliance Officer), a new organizational structure to better focus us on service to our Members and plan sponsors, and new processes and procedures that have improved our corporate governance. Only the most negative and politically motivated could not recognize that this is an organization “under new management” and applaud what has gone on here.

We’re also on the move financially. At its core, SDCERS is a money management firm, and our investment results have been nothing short of spectacular. For the fiscal year ended June 30, 2007, the Trust Fund was up approximately 16%. This is particularly noteworthy because we take less investment risk than many other plans (e.g., no hedge funds).

I am very excited about all of SDCERS’ “moves.” They have all been in the right direction and all have directly benefited you.

Thank you for your interest in SDCERS and your continued support.

ANNUAL REPORTS

The June 30, 2004 SDCERS Comprehensive Annual Financial Report (CAFR) is currently available on our website at www.sdcers.org. Click on the Publications section, then on Annual Report. This and previous CAFRs back to June 30, 2000 may be viewed and downloaded from our website.

SDCERS is hard at work on the June 30, 2005 CAFR. Upon its completion it will be available on the website and a summary version of it called the Popular Annual Financial Report (PAFR) will be mailed to all Active and Retired Members.



LOOKING FOR BACK ISSUES OF *FREESPIRIT*?



Log-on to our website at www.sdcers.org click on Publications, then on Newsletters to view or download back issues from 2003. For older issues,

please contact SDCERS at 619-525-3600.

Active Employees – Update your Beneficiary with SDCERS

As an Active Member of SDCERS, you have the ability to name a family member or loved one as a beneficiary to receive a continuance of your retirement benefits after your death.

Over a long working career your relationships and priorities can change.

Choosing a beneficiary is an important part of planning for the financial security of your family and loved ones after you are gone.

If you don't remember who you have listed as your beneficiary for your benefits, it may be time to update your records with SDCERS.

For Beneficiary forms and information, please call our office at (619) 525-3600 or (800) 774-4977.

PLEASE NOTE: Retired members may not change their beneficiary once they have retired or entered DROP.

Retiree Association Board Members

Nancy Acevedo
President
619-579-5930

Ruth Ann Hageman
Vice President, Programs
858-270-8530

Leonard "Ty" Rogers
Vice President, Advocacy
619-233-1744

Patti Karnes
Secretary
858-488-6895

Sylvia Tatum
Treasurer
858-272-0494

Board Members:
Terry Flynn, Alan Hardtarfer, Ross McCollum, Virginia Silverman, Maggie Smith, John Tsiknas

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

www.csdrea.com

Update From Your Representative

By Carmen Lutes, Retiree Representative


I officially replaced our former illustrious representative, Joe Flynn, on April 1, 2007. Since I had been attending various board meetings since February, I was becoming familiar with the process. Being out in the audience is one thing, but actually sitting in one of the Board's chairs made me a little nervous when I took my seat. However, the Board agenda was full and we proceeded to review and vote on various proposals and/or recommendations. Nervous time had ended.

Before going into the major actions within the last three months, I believe that all of you should know what goes on at the SDCERS Board meeting. The agenda is comprised of the following sections: Consent Agenda (service retirements, Deferred Retirement Option [DROP], reports); Business Operations; Training (Board members); Disability Committee (Consent Agenda of Disability candidates, Affidavit and Re-examination Project report, Requests for Reconsideration); Business & Governance Committee (status reports by staff, monthly Financial Statements, Milestone Report, new business); Audit Committee (status of independent audits, new business, committee education); Investment Committee (new business, status reports); Questions and Comments from President, Trustees and Staff; Closed Session. It is a requirement that each board member be assigned to at least one of the committees. Each member receives a binder that houses all the items that will be on the current month's agenda. It is expected that each member read the information

contained in the binder prior to attending the meeting.

In April, the Consent Agenda of Service Retirements, Drop Candidates and the reports on these activities was presented and approved by the Board. The next order of business was the election of a new Board President, because Peter Preovolos' term was coming to an end. Mr. Preovolos presented Tom Hebrank as his replacement. Mr. Hebrank, in turn, presented his selection of Mark Sullivan for Vice President to the Board. The Board members approved both candidates and the gavel was presented to Tom Hebrank. (As mentioned before, I had attended previous meetings and had witnessed how competent Mr. Hebrank and Mr. Sullivan conducted themselves. They are excellent choices to have at the helm of the retirement fund.)

The Audit Committee recommended that we exercise the contract option to retain Macias Gini & O'Connell, LLP to perform the Fiscal Years 2006 and 2007 Independent Audits. Motion was approved by the Board, 12-0. The Investment Committee requested an action to approve a \$20 million investment in Fidelity Real Estate Growth Fund III, L.P. (The SDCERS real estate program targets an 11% funding level for real estate. The Fund is targeting gross returns of 18% (14-14.5% net) utilizing up to 70% leverage. The Board approved the motion, 12-0. The Business and Governance Committee presented an important item regarding the indemnification/purchase of fiduciary insurance. (This is very



important to each board member.) The Committee voted 12-0 to direct staff to explore the acquisition of Fiduciary/Liability Insurance and make a recommendation to the Board at a future date.

In May, the Business and Governance Committee presented several items for review and approval. One of the items, besides the FY2005 and FY2006 CAFR and Audit Engagement, was the Preservation of Benefit (POB) Plan payment procedures. SDCERS has set-up separate, required accounts for each plan sponsor (City of San Diego, Airport Authority, Unified Port District). According to Bob Wilson, Chief Financial Officer, "...the implementation of alternate payment procedures may be delayed due to recent communications between Ice Miller and the IRS...." The IRS has recommended that SDCERS use the current Municipal Code plan document rule of fiscal year in lieu of calendar year until such time that the Municipal Code is amended by technical corrections to the ordinance. Other items of interest were the approval to credit 8% annual interest as of June 30, 2007, to the reserves for employee and employer contributions, and approval to apply a COLA adjustment of 2.0% to eligible SDCERS Plan Retirees and a 1.5% COLA increase to eligible 1981 Plan Retirees, effective July 1, 2007.

June's agenda item regarding the status of proposed ordinances submitted to the City was discussed. It appears that for over three years, SDCERS has prepared and/or assisted the City in preparing a number of Municipal

Code ordinances to amend the City's Retirement plan. All of the proposed ordinances were either technical in nature or required by federal or state law. None required "meet and confer" or a vote of the SDCERS membership. The proposed amended ordinances would bring the City's plan into compliance with Federal Law, State Law (regarding Domestic Partners), and the Gleason Settlement Agreement. The only ordinance that was approved and adopted by Council on January 17, 2007, was the California Domestic Partner law.

Staff also reported that the SDCERS office relocation project is running on schedule. It is anticipated that the move to 401 West A Street, Suite 400 will be completed with doors open for business on July 30, 2007.

In closing, I am reiterating what my predecessor, Joe Flynn, continuously emphasized to all members—retired and active: take an interest in what is happening with your retirement benefits. Attend a Board or committee meeting. Go to City Council meetings to voice your opinion when retirement matters are on the Council agenda. As former Board President, Peter Prevolos, stated at one of the monthly Retired Employees Association meetings, "always be vigilant." Never let our guard down. See you at the next association or Board meeting.

Hasta luego amigos.

RETIRED FIRE & POLICE ASSOCIATION

President's Message

There are only two seasons in San Diego, summer and waiting for summer. I hope you are enjoying the weather and summer activities, regardless of where you live or vacation.

By now you have selected a new health care provider, it was a difficult switch at best, piecemeal mailings followed by higher rates and doctors not on the new plan. It did smooth out after about 10 days. If you are still experiencing any difficulties, contact Care-Counsel at 888-227-3334. They are a free service provided by SDCERS.

We have for the past several months had a much-needed break from the city attorney, who has been off fighting other more important issues. We do however still have one issue on the radar screen; The Waterfall, Excess earnings and Contingent Benefits. In a nut shell it is mostly a language issue, the city attorney created an ordinance that strikes all of the Waterfall language in the Municipal Code (good part), but it also eliminated the language that was the mechanism that SDCERS uses to pay pre-2000 Corbett, 13th check and COLA (bad part). This has been on the City Counsel docket several times only to be postponed to a later date and is now up again in July. For

those of you with Internet access, the date and time for that meeting will be prominently posted on CSDREA's website www.csdrea.com.

Are you a member of the Retired Fire and Police Association (RF&PA)? If not, you may join by going to our web site www.retiredfp.com and filling out an application, or you can have one mailed by calling "JJ" Hunter (FD) 619-440-7879 or John Hartman (PD) 760-789-5216.

If you are an RF&PA member and in need of assistance for health related or other issues, or if you know of a member needing help, please contact for FD, Tony Hancock at 760-943-7351 or for PD, Chris Gregg at 760-942-9926.

Retired Police Officers, you may be eligible to become an associate member of the POA. When you retired, you had to have been a member in good standing of the POA and currently a member of RF&PA. For further information on eligibility and dues structure please contact John Hartman 760-789-5216 rfpasecretary@yahoo.com or "CJ" Cloniger 619-445-8927 cloniger@cox.net.

If you have email access and are not receiving email updates regarding SDCERS/City issues, retirement parties, death notices etc., please con-

tact me for FD at colmosk@cox.net and for PD Chris Gregg at cgregg12@roadrunner.com.

Please join us at the RF&PA annual member and spouse meeting/ luncheon. It will be held at Tom Ham's Lighthouse on Harbor Island, Wednesday 17 October. Details will be forthcoming and posted on our website...Hope to see you there.

Until then, have a great summer!!!

Ron Moskowitz

RF&PA Board Members

Ron Moskowitz (FD)
President

Jim Clem (PD)
Vice President

John Hartman (PD)
Secretary

"JJ" Hunter (FD)
Treasurer

Directors

CJ Cloniger (PD)

Bill Farrar (PD)

Chris Gregg (PD)

Tony Hancock (FD)

Mike May (FD)

Tom Rouse (FD)



DISABILITY RETIREMENT

Re-Examination Process for Non-Service Age Eligible Disability Retired Members

(SDMC SECTION 24.0510)

WHAT IS IT?

SDCERS is required to medically re-examine selected, non-service age eligible disability retirement recipients for the purpose of confirming continued eligibility for disability benefits.

WHO IS SUBJECT TO THE RE-EXAMINATION PROCESS?

Those Members who retired prior to meeting the age requirement for a Service Retirement (Safety Members are those under age 50; General Members are those under 55). Once a Disability Retired Member reaches the eligibility age for a Service Retirement they will no longer be subject to the re-examination process.

WHAT HAPPENS IF I AM SELECTED FOR RE-EXAMINATION?

Those selected for re-examination receive written notice of the planned re-examination and are consulted regarding the date and time of the re-examination appointment. Appointments are scheduled with physicians located in or near the recipient's county of residence, and SDCERS pays the cost of the examination. The physician is provided information about the underlying disability case, including copies of the recipient's job description, any available medical evidence and any other relevant evidence in SDCERS' possession. The physician is asked to provide a neutral analysis of whether the recipient remains unable to perform his or her usual job duties and therefore, whether or not the recipient remains entitled to collect disability retirement benefits.

WHAT WILL HAPPEN IF THE PHYSICIAN DECIDES I'M NO LONGER ELIGIBLE FOR BENEFITS?

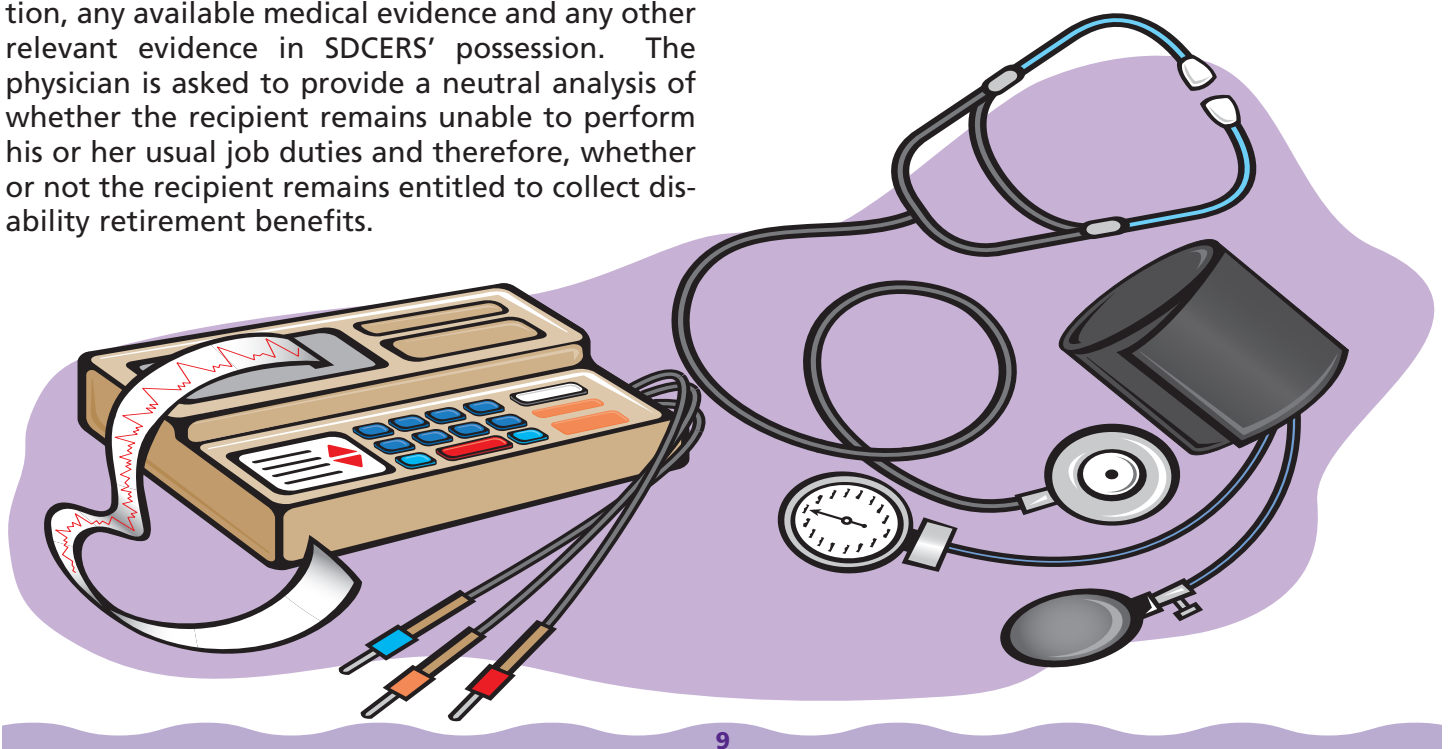
The recipient is notified of the physician's conclusion. If the physician concludes that the recipient is not entitled to continued receipt of disability retirement benefits, the Board will be asked to refer the matter for a formal, adjudicator hearing. No benefits will be terminated without notice to the recipient and a hearing.

WILL MY BENEFITS BE DISCONTINUED IF THE ADJUDICATION JUDGE DECIDES I'M NO LONGER ELIGIBLE?

If, after the hearing, a judge determines that the recipient is not entitled to receive disability retirement benefits, the Board will be asked to terminate payment of the benefits. A Board decision to terminate benefits may be challenged by writ of mandate to the Superior Court under Code of Civil Procedure section 1094.5.

WHO CAN I CONTACT IF I HAVE QUESTIONS ABOUT THE RE-EXAM PROCESS?

Questions regarding SDCERS' re-examination process may be directed to Cheryl Wilson at 619-525-3624.



Recent Retirements

Matthew A. Anderson

Kambiz Asheghian

Leslie G. Baran

Charles R. Barrett

Susan L. Bateman

Sharon J. Bergan

Colleen A. Blakely

Gifford D. Blakesley

William F. Boye

Kevin C. Brown

Charley M. Buchanan

Virginia T. Camba

Roy E. Cannady

Ralph D. Carrasquillo

Raymond U. Chowning

James A. Clyne

Margaret E. Crary

Ronald J. D'Argento

Stephen V. Dickson

Richard K. Edgil

Mercedes Espinola

Layton E. Galloway

Loretta L. Glick

Vernon L. Green

Dieter F. Haschke

Gary K. Hiatt

Eileen B. Higgins-Lower

Le Roy Holloway

Damon J. Humphrey

Claude E. Janowicz

Deborah A. Johnson

Margaret M. Kazmer

Daniel E. Kelley

Eva C. Kemp

Michael R. Keuss

Clinton E. Kisner

Ronald P. Larmour

Ethel L. Layne

Jonathan L. Levy

John F. Lusardi

Dawn H. Mariani

Charles D. Mazur

Rosemary Metoyer

Robert W. Metz

Vione M. Miller

Julia A. Moya

James F. O'Neill

Edward C. Obayashi

Victoria Oxe

Walter L. Payne

Kenneth E. Pearson

Charles J. Peck

Charlene M. Phelps

Ernest J. Pierce

Bobby F. Remley

Ernesto C. Salgado

Sarah M. Sandvik

Esther Siman

Riny J. Snyder

Dale J. Sorenson

Mary E. Staetter

Edwin B. Steverson

John P. Thelin

Sheryl L. Thomas

Barbara A. Ventura

Ramon E. Villarreal

Gilbert A. Vong



In Memoriam

Joseph P. Brown

Ralph Bultemeier

Lyle Callahan

Arthur L. Candler

Gene Chouinard

Ernest E. Clay

James W. Connole

Robert H. Cord

Richard W. Darby

James L. Dodson

Chester Flanagan

John J. Frank

Jack Frazier

Mary R. Grier

Barbara N. Grove

Lemon L. Herbert

John R. Jorgensen

Harriet E. Linekin

Marvin S. Mccomas

Ronald G. Newman

Edward S. Pekarek

Kenneth A. Perrin

Shirley A. Perry

David A. Pruitt

Doris D. Simmons

Francis X. Sullivan

Walter L. Walton

Herman Werth

Rod T. Westerling





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San Diego, CA 92101-4298

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

FreeSpirit is published 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.

WEBSITE – WWW.SDCERS.ORG

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