



SDCERScoop

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM SPRING 2009

The latest on DROP

SDCERS' Board of Administration voted at its February 20, 2009 meeting to lower the interest crediting rate on Deferred Retirement Option Plan (DROP) accounts. The current interest rate on all DROP accounts is 7.75%.

Effective July 1, 2009, active DROP accounts will be credited with an interest rate of 3.54%; DROP annuity options will be calculated at 5%.

The Board is scheduled to review the DROP interest rate annually. Members who have already retired and selected a lump sum or annuity distribution are not affected by the rate change. As part of a detailed information

campaign, SDCERS mailed information and estimates to active DROP participants in March, to illustrate how the DROP interest crediting rate change would affect their DROP accounts. In addition, DROP information sessions are being held for affected members in April, with SDCERS staff presenting a comprehensive overview on the interest crediting rate changes and the options available to them.

Members who want to retire by June 30, 2009 should call SDCERS at (619) 525-3600 right away to schedule an appointment to complete their paperwork.

Additionally, SDCERS is offering pre-retirement seminars to assist members with planning. Call (619) 525-3600 to check available dates and sign up for a seminar.

To learn more, visit our web site at www.sdcers.org, and go to the "DROP" item under our Latest News section. This item is updated regularly and includes presentations given to the Board by SDCERS' actuary and fiduciary counsel.

Newsletter makeover

SDCERS' newsletter, formerly named "Free Spirit," has been given a new look and name. Our goal, however, remains the same: to provide our members with helpful, educational information regarding their retirement benefits and the services provided by SDCERS. The newsletter has been reduced to eight pages and printed using cost-friendly paper as part of a cost-cutting effort, with a commitment to utilize the space wisely and provide our members with useful content. As always, we welcome your feedback.

2008 PAFR enclosed

Also enclosed in your envelope is the 2008 Popular Annual Financial Report (PAFR). Inside the PAFR, you will find summary information of SDCERS' financial data for the fiscal year ending June 30, 2008, as well as additional information and statistics on SDCERS' services, important accomplishments and investment program. For more detailed financials, visit www.sdcers.org to view the Comprehensive Annual Financial Report (CAFR).

INSIDEScoop

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SDCERS had a busy end to 2008. We issued our Fiscal Year 2008 Comprehensive Annual Financial Report, which included a clean audit opinion from Macias Gini & O'Connell. This is the fifth CAFR published in two years, and SDCERS is now caught up and on time with our financial reporting for the first time since 2003.

Gene Kalwarski of Cheiron presented the June 30, 2008 valuations for the City, Port and Airport Authority at the December Board meeting. The City's valuation was of particular interest because both the Annual Required Contribution and the unfunded liability were significantly lower than had been predicted publicly in November by the former City Attorney's expert. Notwithstanding the FY 2008

actuarial results, recent investment markets have been a mess. However, unlike San Diego's prior pension problems, what we are experiencing today is not unique to San Diego. This is a global problem that every level of government, every business, every pension plan, and each of us individually is experiencing. For example, the country's largest public pension plan, CalPERS, lost more than 20% of its value between July 1 and October 10, and has undoubtedly lost more since. Like SDCERS, CalPERS is notifying its local government participants that if current investment market losses are sustained, their contribution payments for FY 2011 may rise.

Because SDCERS invests in the global markets, it is no surprise that our investment performance has

suffered. SDCERS' return for the FY 2009 first quarter ended September 30, 2008 was -10.1% (excluding private real estate, whose valuations lag one quarter).

However, it is important to keep in mind that the true impact of the current market turmoil won't be known for SDCERS and its plan sponsors until June 30, 2009, when our actuary takes a snapshot of our assets and liabilities. If the market does not recover some of its year-to-date losses, our plan sponsors' FY 2011 annual required contributions will increase significantly.

BOARD OF administration

President

Thomas C. Hebrank

Appointee

Vice President

Mark C. Sullivan

Police Safety Representative

Board Members

Allan J. Arrollado

Fire Safety Representative

Susan S. Gonick

Appointee

Franklin R. Lamberth

General Member Representative

Peter E. Prevolos

Appointee

Gregory J. Bych

Mayoral Representative

David A. Hall

Retired Member Representative

Steven W. Meyer

General Member Representative

William J. Sheffler

Appointee

Raymond G. Ellis

Appointee

V. Wayne Kennedy

Appointee

Mark E. Oemcke

Appointee

Board Meetings

Board meetings are open to the public and held on the third Friday of every month, at 8:30 a.m., 401 West A Street, 3rd Floor, San Diego, CA, 92101. Call 619.525.3600 for more information or visit www.sdcers.org to view meeting agendas and minutes.

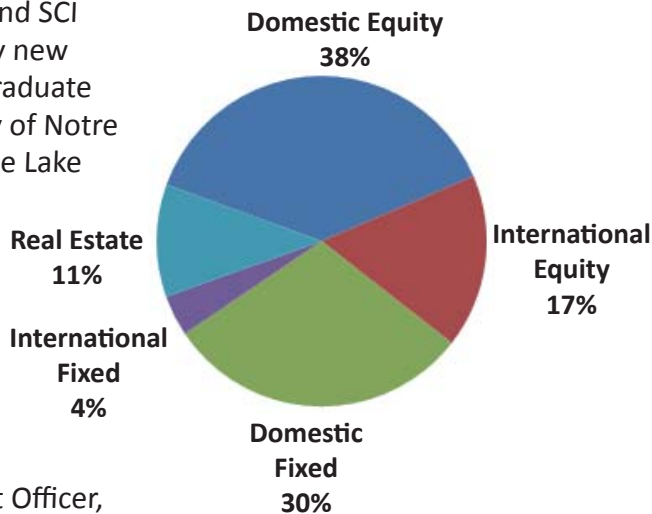
This facility is wheelchair accessible.

The year 2009 has brought change, not only to the nation with a new administration, but also at SDCERS, where Doug McCalla retired as SDCERS' Chief Investment Officer (CIO) in December after a long and distinguished career with SDCERS and the City of San Diego. David Wescoe, CEO of SDCERS, has appointed me to take over the position of CIO. I bring more than 20 years of investment management experience with institutions such as LaSalle Bank & Trust, The Chicago Trust Company, US Bank, and SCI Capital Management to my new role. I received my undergraduate degree from the University of Notre Dame and an MBA from the Lake Forest Graduate School of Management.

I am also pleased with the investment team, made up of three Investment Officers and an Investment Analyst. Jamie Hamrick, Investment Officer, has been with SDCERS for seven years and heads up the Real Estate portion of the portfolio. Jamie received her B.A. from Mount St. Mary's and is finishing the second part of her Chartered Alternative Investment Analyst designation. Corey Buuhoan, Investment Officer, joined SDCERS in February of 2008 to head up SDCERS' Private Equity allocation. He received his undergraduate degree from Duke and his MBA from The University of Virginia. He brings five years of direct experience in private equity from his time spent at AIG in Hong Kong. Christina Tamayo, Investment Analyst, joined the Investment department in March of 2008 with

a degree in business from San Diego State University. Finally, we recently added Amanda Montgomery, who will manage the public markets section of the portfolio. Amanda received her undergraduate degree from Duke and her MBA from Harvard Business School. Most recently she worked at Morgan Stanley.

Target Asset Allocation



SDCERS' investment portfolio returned -12.96% for the quarter ended December 31, 2008. Performance during the last quarter was extremely volatile as the economy showed no signs of recovery during the quarter and economic indicators and activity continued to weaken. The U.S. government and central bank responded with bailout plans for the financial and auto industries in addition to aggressively cutting short-term interest rates.

From an investment perspective, 2008 was the worst year in decades

in every equity asset class. Fixed income returns were mixed as Treasuries performed better due to a flight to quality while asset-backed securities experienced significant deterioration. Overseas markets suffered even more acutely failing to decouple from U.S. markets. The real estate market as measured by the NAREIT Equity Index experienced the worst results on record. Commodity prices continued to fall from mid-year highs, with oil falling below \$40 a barrel.

We are currently experiencing unprecedented times in the investment markets. But, as painful as the market environment is, long-term results continue to prove that having a long-term investment horizon, a diversified investment portfolio, a disciplined investment process and adherence to our investment policy contribute to superior returns.

The pie chart shown here represents SDCERS' Target Asset Allocation. To read SDCERS' complete Investment Policy Statement, go to the SDCERS web site, click on Investments and go to the Investments Policy Statement page. For annual investment performance information please refer to the 2008 Comprehensive Annual Financial Report (CAFR), also available at www.sdcers.org.

Board Election results

Two incumbent General Member representatives and a new Fire Safety Member representative were elected to the SDCERS Retirement Board and begin their terms in April.

Both Steven W. Meyer, who has served on the SDCERS Board since 2003, and Franklin R. Lamberth,

who has been a trustee for the past three years, were reelected to the Board as General Member representatives. With Fire Safety Representative John Thomson's term ending, Fire Safety Member Alan Arrollado was nominated and confirmed to fill Thomson's seat on the Board.

All three trustees will serve a term of four years, beginning April 1, 2009. SDCERS would like to thank John Thomson for his service to the Board and SDCERS' membership over the past four years.

Board Rule regarding DROP, divorce amended

At its December 19, 2008 meeting, the SDCERS Board approved a rule change to address the situation that arises when a member who is involved in divorce proceedings retires from DROP before the member's retirement benefits have been divided.

The newly amended Board Rule provides that if, at the time a member retires from DROP, SDCERS has been joined in the member's divorce proceedings, or has received a "Notice of Adverse Interest" from the member's spouse or domestic partner, SDCERS will allow the parties up to six months from the member's retirement date to finalize the division of the retirement benefits. If the parties do not provide SDCERS a final Domestic Relations Order (DRO) addressing the division of retirement benefits within six months of retirement, SDCERS will pay the member his or her estimated community property

share of the DROP account, in lump sum, and will place a hold on the spouse or domestic partner's share until SDCERS has received a DRO, or other final order addressing the retirement benefits.

Members who retired from DROP before December 19, 2008 have until June 19, 2009 (six months after the Board's decision) to serve a final DRO on SDCERS addressing the community property interests in their DROP account. If the member does not serve a final signed DRO on SDCERS before June 19, 2009, SDCERS will distribute the member's estimated community property share of their former spouse until SDCERS receives a final DRO. **Failing to comply with the newly amended rule means the member will forfeit their election to receive an annuity of their DROP funds.** If you have questions, contact SDCERS at 619.525.3600.

Changes to federal tax withholding

Retired members and beneficiaries may notice a small increase in their monthly retirement benefit, beginning this April, as a result of SDCERS using new withholding tables beginning April 1, 2009. These new tax tables may reduce the amount of federal income tax withheld from your benefit payments.

The tables, now required by the Department of the Treasury, reflect the Making Work Pay credit and other changes resulting from the American Recovery and Reinvestment Act of 2009.

You are not required to submit a W-4P (Employee's Withholding Allowance Certificate) with SDCERS to get the automatic withholding change, but will need to if you don't want to have your withholding reduced. You may claim fewer withholding allowances or request additional amounts to be withheld. Form W-4P is available at www.sdcers.org, under Forms and Publications. For additional help, consult IRS Publication 919, "How Do I Adjust my Tax Withholding," available at www.irs.gov.

Update your beneficiary on line

Member Portal makes it easier than ever

the Member Portal, if you have not already done so (registration box can be found on the home page). Once you have completed the registration process, view Account Information/Beneficiary Information and, if necessary, click Change Beneficiary to make changes. As a reminder, beneficiaries chosen for a continuance can not be changed.

Submitting your changes online is not only easy and user-friendly, but secure as well. SDCERS' web site and Member Portal recently received an "A" grade as the result of a vulnerability test performed by outside web security experts. Our top grade ensures SDCERS' members that their data is secure and well protected.

Once submitted, your information is updated in our system by SDCERS staff; as a result, there may be a delay of several days before you can view your changes online.

If you prefer to submit the form via hard copy, you may download a PDF version of the *Beneficiary Designation/Change Form* from the web site, under Forms and Publications. Members without computer access may request a blank beneficiary form from SDCERS by contacting the Call Center at 619.525.3600.

Keeping your beneficiary up to date with SDCERS is an important piece of your retirement planning, and SDCERS has made it simple to keep this information fresh and accurate.

Though you designated a specific beneficiary when you joined SDCERS, your situation may have since changed as a result of divorce, death or other life-changing events. Consequently, it is important to check out who you currently have on file with SDCERS as your beneficiary and, if necessary, update the information.

The screen shown above is accessible for members who register for the Member Portal, a component of the SDCERS web site that allows both active,

deferred and retired members to view important information about their accounts and make changes to various pieces of information—including updating their beneficiary, or adding beneficiaries.

To see who is currently designated as your beneficiary, visit www.sdcers.org and register for

Though you designated a specific beneficiary upon becoming a member of SDCERS, your situation may have since changed as a result of death, divorce or other life-changing events.

www.sdcers.org

SCOOP

Retiree representation and the Board

by David Hall, Retiree Representative

Retiree interests and issues are well represented by the boards of the Retired Police and Fire and General members. Each group has monthly meetings during which salient issues are discussed. Quarterly meetings with retiree representatives and SDCERS staff provide a scheduled forum at which these issues and concerns can be addressed. As your Board representative, I attend those meetings. Information shared provides me the opportunity to have a broader perspective about SDCERS-related matters as they are addressed either with staff, at a subcommittee or during a full Board meeting.

You have a number of very conscientious people working on your behalf; this includes the various retiree board members and SDCERS staff. They seldom get the praise they deserve for the behind the scenes work they conduct. Much of that work is on an individual needs basis

that does not fall within the realm of structured meetings.

A key element of my role, along with representing retirees, is that of a fiduciary/trustee. My ultimate responsibility is to oversee the long-term health of the Plan. In today's times with a volatile market, we must be careful to avoid making short-term decisions for long-term problems. To say these are challenging financial times would be a bit of an understatement. However, I have the utmost confidence in those who represent the retirees (retiree groups), those who administer the Plan (SDCERS staff) and those who oversee this effort (the Board) of the long term health and well-being of our retirement system.

A challenging issue that recently faced the SDCERS Board involved the determination of an interest rate of for DROP accounts (the decrease did

not affect those who have already retired from DROP.) The decision made about the DROP interest, however, is an example of how we, as fiduciaries, must make decisions based on what is best for the trust fund or ultimately what is best for all of the Plan participants.

My hope is that all members and beneficiaries have confidence in those who work on their behalf. This is not intended to discourage attendance at Board meetings nor suggest you should be less vigilant of SDCERS activities. However, it seems logical that as a retiree you should be spending a majority of your time planning to enjoy your next vacation rather than the next Board meeting, and be comfortable in knowing that the decisions being made at these meetings are in the best interest of all members.

Retiree Associations

EVENTS Calendar & Contact Information

City of San Diego Retired Employees Association

Web site: www.csdrea.com • Phone: 858.272.0494 • E-mail: president@csdrea.com

Monthly General Meetings are held at the War Memorial Building in Balboa Park

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|---------|----------|---|
| May 12, | 9:30 am | General Meeting and speaker. Topic: "Changes to the SDCERS Board" |
| June 9 | 9:30 am | General Meeting |
| July 14 | 11:30 am | Social, luncheon on deck of the Mission Bay Yacht Club |

Retired Fire and Police Association of San Diego

www.retiredfp.com • 619.997.1056 • rfpasecretary@yahoo.com

Monthly Board Meetings are held at 10509 San Diego Mission Road, Suite F, San Diego, CA 92108

| | | |
|---------|----------|---|
| May 7 | 9:00 am | Board Meeting |
| June 4 | 9:00 am | Board Meeting |
| July 13 | 11:00 am | General Meeting - to be held at San Diego Police Pistol Range |

RECENT retirements

Ralph C. Adamos • Katherine Adams • Armando R. Aguilar • Edward R. Aguirre • Melvin C. Allen
Ricardo L. Amador • Kathy G. Anderson • Michael J. Armstrong • James W. Arthur • Nancy C. Assaf • Toni G. Atkins
Larry S. Ault • John B. Bailey • Janice L. Beaton • Robert W. Bell • Linda J. Bellstrom • John J. Benedetto
Kathryn C. Benson • Robert L. Blaisdell • Kristina S. Blake • Edward L. Blum • Geraldine R. Bollenbach
Frances Bookheim • Deborah A. Borders • Paul L. Borowik • Marilyn K. Bradford • Gary Britton • Scott H. Brown
Silvia E. Brown • Joel H. Bryden • Mabel R. Buensuceso • John T. Byrne • Jeffrey H. Cable • Roland E. Camacho
Ali D. Campbell • Jon M. Campbell • Tomas G. Cancino • Mark T. Cannon • Cecilia Cantalupi • Lyn A. Cape
Steven J. Carlson • Frank J. Carriedo • Lester E. Carter • Miguel Castillo • Debra L. Chapman • Gerald Chiles
David J. Chivers • Thomas Clark • Anthony Clews • A. Patricia Clifford • Patricia A. Cones • Jeannine Cook
Randall E. Cook • Thomas E. Craig • Joseph M. Cristinziani • Tyrone H. Crosby • Henry C. Cunningham
James R. Currier • Gary A. Daigle • Ronald R. Defreitas • Willie M. Del • Carmencita M. Delacruz • Raul Deprada
Michael Ditomaso • Judith C. Dolnick • Itiel Doron • Edward T. Dowling • Charmaine N. Duke • Laura H. Eberle
Ronald Edrozo • Joyce Edwards • Sherri C. Edwards • William G. Edwards • Richard J. Enriquez • Steven L. Evans
Christine M. Farmer • John W. Faxon • Gary J. Finley • Connie D. Flagg • R. David Flesh • Mark E. Foreman
Milton E. Foster • Sue H. Fox • Terry L. Fox • Jeff L. Frazier • James R. Gallagher • James F. Galley
Albert C. Gaudio • Edward R. Gomez • Juan R. Gonzales • Lisa M. Gonzalez • Pamela S. Gonzalez
Andre B. Goodwin • Alan K. Gossett • James P. Grable • David I. Gutoff • Benjamin R. Harris
Glenwood E. Hatch • Emmitt Henderson • Kathleen E. Henderson • John C. Henze • Matthew P. Hicks
Cynthia E. Hight • Steven J. Hildebran • Randall B. Hill • Anne-Marie Hiskes • Bruce B. Hollingsworth
Claud Hood • Robert W. Hovey • Thomas J. Hughes • Orrie C. Irwin • Robert V. Irwin • Craig E. Isbell
Donna L. Jennes • Sussan Johnsen • Nancy A. Johnson • Patricia A. Johnson • Paul D. Johnson • Steven O. Johnson
David G. Jones • Carla B. Josephson-Cope • Roy M. Jungkurth • Nabil N. Kachi • Robert Keetch • Bruce L. Klein • David
A. Knight • James W. Kraklau • Elizabeth A. Kulka • Gary E. Kuretich • Sandra L. La Chapelle
Evelyn L. La Grone • Linda Lafond • Alan C. Langworthy • Richard A. Leap • Sandi F. Lehan • Susan J. Levine
Edicer S. Lim • Esther M. Lopez • Brenda J. Love • Roland C. Luque • Lynda L. Lynch • Allan A. Macdonald
James V. Madaffer • Brian K. Maienschein • Linell K. Maloney • Paul B. Marino • Jose R. Marruffo
Sharon A. Marshall • Ruben C. Martinez • Jeffrey Maruhn • William J. Mc Guigan • Douglas B. McCalla
Joseph Mcdowell • Glenn B. Mcgehee • John J. Mellein • Samuel Mendoza • Cheryl L. Merritt • Ana L. Meyer
Christine A. Meyer • Marilyn E. Mirrasoul • Joann H. Mitcham • Lucious Mobley • Charles M. Montierth
Arthur D. Morales • Michael S. Moran • Paul R. Nauta • Regina L. Norton • Paul D. O'Brien
Christopher D. O'Quinn • Jay R. Odom • Ernest N. Oeland • Gene F. Oliver • David L. Oney • Jacob V. Orbin
Charles F. Ott • Christopher P. Owen • Mabelle Owens • Franklyn S. Parker • Scott H. Peters • Michael A. Pickett
Jane R. Potter • Cynthia A. Potts • Dalana S. Pursel • Priscilla C. Quirk • Diane A. Ravalli • Stephan J. Rea
Paul E. Redden • Douglas A. Reinhart • Paul Retsch • Michael D. Rias • Rosalina D. Riego • Lisa M. Rini
Gabriel Rodriguez • John E. Russell • Ronald L. Saathoff • Anthony L. Salmon • Enrique T. Salvatierra
Raul F. Sandoval • Alicia E. Santos • Esther Scannell • Andrea L. Scott • Paul R. Seiley • Theodore C. Sexton
Michael Shanley • Marvin L. Shaw • Mark K. Shepard • Dale T. Shockley • Jesse D. Simeroth • Linda L. Smith
Manuel M. Smith • Rex W. Smith • Sally L. Smoot • Sandra P. Smullen • Donna-Rae Spall • Tilo G. Stanley
Gregory S. Stansbury • Lois E. Stowell • Gary V. Stromberg • Robert J. Sylvester • Joseph T. Taormina
Kenneth C. Teasley • Debra A. Terry • Mary Ann Tilotta • Joseph T. Tolentino • Leah A. Tombleson
Hans H. Torabi • John A. Torres • Satchel P. Tucker • Judy A. Valadez • George A. Varshock • Joseph A. Vasquez
Alice C. Vaughan • Vicente Villalvazo • Joseph J. Vissers • Peter H. Vredenburgh • Joan F. Wallace
Pamela Wallace • Wesley P. Warren • Larry S. Wasserman • Randy E. Welborn • Douglas R. Welker
Scott K. White • Dan E. Wilkens • Wesley Williams • Samuel J. Wilson • Debra E. Woodard • Charles E. Woolever
Michael L. Workman • Benjamin Yoro • Judith J. Zellers • Charles V. Zimmerman



INmemoriam

Harvey F. Auld
Martin A. Bass
Rodger A. Blakey
Bruce R. Blauvelt
Curtis S. Brown
James N. Burgess
Albert L. Cardenas
Richard J. Carey
Willie Carter
John F. Casey
Paul W. Colbert
Ronald L. Cook
Martin J. Desmond
Francis A. Devlin
Mercedes Espinola
Verne S. Fleet
Joseph N. Fuller
Maxine F. Gorman
Nickolas C. Greco
Joe K. Hale
James W. Hare

James C. Henry
William E. Hicks
Richard W. Houle
Thomas F. Hutchinson
Dorothy L. Hutchison
Eugene Kazikowski
Perrie E. Kelley
James W. Lancaster
Luis A. Lapira
Jake L. Lawrence
Carolyn Lima
Thomas B. Lovejoy
Dorothy J. Meadors
Stanley N. Medina
Adela T. Mendoza
Kenneth Morrison
Donald F. Mumm
Robert P. Nevin
William Nevins
Eustis Nikas
Mario Nunes

Timothy S. Owens
Charles T. Paige
James H. Payne
David J. Pederson
Patricia P. Ramsay
Maurice H. Reiman
Edward E. Requa
Charles W. Riggs
Peter A. Rij
Edward H. Rouen
Mitzi R. Scott
John A. Sell
Russel W. Spoor
James R. Tallant
John B. Tomlinson
James G. Tucker
Alonzo M. Whyte
Travis A. Williams
Aubrey Lee Young
Peter Zadorozny

SDCERScoop

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