SDCERS assists record number of new retirees

SDCERS is committed to providing the highest-quality service to all of our members, whether they are working, retired or a designated beneficiary. As evidence of this, staff completed one of its most successful customer service and outreach projects ever, in response to the recent exodus of members who chose to retire prior to June 30, 2009.

This surge in retirement activity was prompted in part by the change in the DROP interest rate made by the SDCERS Board, as well as changes the City made to retiree health care benefits.

From January 1 to June 30, 2009, a total of 618 SDCERS members retired, more than triple the usual number. In comparison, 185 members retired during the same time period in 2008. In June alone, SDCERS staff met with and processed 466 of these members. Nearly 500 personal appointments were conducted and more than 2,000 phone calls were responded to during this very busy month.

“Member Services Director Cynthia Queen and her SDCERS colleagues worked around the clock to complete a record-setting number of counseling sessions,” said SDCERS’ Administrator/CEO David Wescoe. “It was a tremendous effort.”

To help members understand their options, detailed information packages were mailed to all DROP members; three outreach meetings were held to educate DROP members; and eight small group retirement sessions were held to accommodate the volume. All of the outreach materials were provided on the SDCERS web site to assist members in making their decisions.

In addition to those members who chose to retire, SDCERS assisted and processed 182 applications for members who made the decision to enter DROP prior to July 1. Staff met their commitment to process all requests made by June 30, and pension payments are being made on schedule despite concerns that the volume would cause processing delays.

2nd Annual SDCERS Membership Meeting

SDCERS will hold its second Annual Membership Meeting on Tuesday, September 22, 2009. All members are invited to this informational event, held from 11 a.m. to noon in the Ballroom of the Balboa Park Club. David Wescoe, SDCERS’ CEO/Administrator, will present an update on the retirement system, with introductory remarks from Mark Sullivan, President of SDCERS’ Board of Administration. For details and directions, visit our web site at www.sdcers.org.
SDCERS Board: new faces, familiar faces

The SDCERS Board recently welcomed four new Board members, as well as two current Board members returning for a second term, further strengthening the composition of the SDCERS Board of Administration.

Fire Safety members elected Alan Arrollado, a 21-year veteran of the City’s Fire Department, to fill the Fire Safety seat on the Board. General Members reelected two trustees to another term. Both Franklin Lamberth, a City of San Diego Sanitation Driver first elected to the Board in March 2006, and Steven Meyer, a Senior Chemist employed with the City for 23 years, were reelected. All three newly elected trustees will serve a four-year term through March 31, 2013.

In addition, three new trustees were appointed by Mayor Jerry Sanders and approved by the San Diego City Council: Edward W. Kitrosser, a CPA with experience in accounting, auditing tax and consulting services; and Herb W. Morgan, an investment manager with more than 22 years of experience will each serve a four-year term ending March 31, 2013. Richard T. Tartre, a retired Senior Vice President for Met Life, will serve the remainder of a term through 2011.

For more information on the SDCERS Board, as well as the responsibilities of the committees, visit www.sdcers.org/About SDCERS/Board of Administration.
The Investment Division, with the assistance of Callan Associates, SDCERS’ investment consultants, recently completed a comprehensive review of the investment portfolio. This process began in March 2009, with Callan presenting their capital markets expectations.

Callan’s report presented a long-term outlook (5 to 10 years) for each asset class’s expected returns, volatility (as measured by standard deviation) and the correlation of each asset class to the other asset classes being considered for the portfolio.

The next step in the review process was to undertake an asset allocation review that involved an analysis of the current target allocation to determine if any changes were warranted. The results of the analysis were to trim the allocation to the Market Neutral strategy from 9% to 5% and to reallocate 4% back into domestic fixed income.

The final step in the process involved a manager structure review, to review and understand the characteristics and potential risks in the structure of the portfolio, to evaluate the effectiveness of the current set of manager structures, and to identify potential improvements or reasonable alternatives to the current structure. A number of issues were identified during this process and will be followed up with recommendations to the Board in the coming months.

Private equity investment policies and annual investment plans were presented by staff along with our private equity consultants, Credit Suisse and Stepstone. The presentations generated many questions and discussion and were approved by the Board in June. We are in the process of wrapping up final contract negotiations with our two consultants and should be ready to move forward with the program shortly.

Mark Hovey awarded CFO of the Year

SDCERS’ Chief Financial Officer Mark Hovey was recently honored as Government Agency CFO of the Year by the San Diego Business Journal.

The CFO of the Year award program recognizes financial professionals in San Diego for outstanding performance in their roles as public and private financial stewards.

“Mark is an outstanding CFO and business leader. This recognition by the San Diego Business Journal is well-deserved given Mark’s achievements and contributions to the public,” said SDCERS’ CEO David Wescoe. “He has worked tirelessly to get SDCERS’ financial reporting up to date and to increase productivity and accountability throughout the division.”

Since joining SDCERS in 2007, Hovey has built a strong team that supports SDCERS’ finance and benefit administration operations. Hovey has completed four Comprehensive Annual Financial Reports (CAFRs) — each earning a clean audit opinion — in an 18-month period; streamlined internal accounting processes; developed and implemented a new accounting system; and increased oversight of expenditures and employee accountability.
Recent Rulings on DROP

Two recent court rulings on cases involving DROP have been the subject of conflicting statements in the press. This article is intended to clear up the confusion created by these conflicting statements.

In San Diego Police Officers’ Association v. San Diego City Employees Retirement System, City of San Diego, et. al., the U.S. 9th Circuit Court of Appeals found that police officers have no vested right to a certain salary while participating in DROP. The court noted a long history of California cases establishing that public employees have no vested rights to a particular level of compensation and that public employee salaries may be modified or reduced during employment. The court also rejected the POA’s argument that the City’s “pickup” of the member’s retirement contribution is a vested pension benefit for the same reason.

Finally, the court held that retiree health benefits are not a vested contractual benefit but, rather, a longevity-based employment benefit that is continued only if and when it is renegotiated as part of a new contract. In this case, the court did not rule on whether or not DROP itself is a vested pension benefit.

In City of San Diego vs. San Diego Police Officers Association Incorporated, a California Superior Court judge issued a Temporary Restraining Order (“TRO”) on June 8, 2009. In that TRO, the court prevented the City from requiring any sworn officer of the San Diego Police Department to make an election of any sort relating or referring to DROP pending a hearing on a preliminary injunction on June 25, 2009. The Judge extended the TRO for 30 days to July 27, 2009, stating that any San Diego Police officer who retires from DROP within the 30-day extension would be deemed to have retired prior to July 1, 2009, making them eligible for the interest rate in effect prior to July 1.

In conclusion, in neither of the above cases has there been a judicial determination that DROP is not a vested pension benefit.

Retiree COLA applied for fiscal year 2009

A Cost of Living Adjustment (COLA) increase was applied, beginning July 1, 2009 to the retirement benefits of eligible SDCERS retirees.

• A COLA increase of 2.0% was applied to the retirement benefits of eligible SDCERS retirees who retired prior to July 1, 2008.

• Eligible retirees who retired between July 1, 2008 and June 30, 2009 received a COLA of 0.1%.

• Eligible 1981 pension plan retirees received a 1.6% COLA.

Members wanting further background on the three approved COLA rates are encouraged to visit the “News and Events” section of our web site at www.sdcers.org. “News and Events,” and refer to the COLA item dated July 1, 2009.
When a member of SDCERS dies
Steps for your survivors to take

When an SDCERS member dies, the significant issues facing their survivors are: 1) locating the deceased person’s property and assets, and 2) ensuring that all survivor/beneficiary benefits are identified and received in a timely manner. Following is valuable information to help plan for this difficult time.

For Members
There are a number of steps you can take to have information in place for your loved ones in the event of your death. Review the information below with your spouse, domestic partner or other loved ones.

Step 1
Compile all pertinent asset information in a single location. This includes retirement accounts, savings records, investment records, real estate records, safety deposit box information and inventory, vehicle records, credit card records, birth and marriage certificates, inventory of personal property and contact information for any professional advisors.

Step 2
Update your beneficiaries as needed. If a situation in your life changes (divorce or death of a loved one) that requires you to name a new beneficiary, be sure to update that information. You may change and submit your beneficiary through the web portal at www.sdcers.org, print the Beneficiary Change Form from the web site and mail it to us, or request a form be mailed to you.

For Survivors
Survivors are encouraged upon the Member’s death to avoid any unnecessary delays in contacting SDCERS and other institutions. We understand that this will be an emotional time for you and we are here to help.

Upon the death of the Member, please take the following steps:

Step 1
Notify SDCERS of the Member’s passing by calling 619.525.3600 or 800.774.4977. Please provide the Member’s Social Security number, date and place of death, and health insurance information if you have it.

Step 2
Follow through with all other directions given by the SDCERS representative. For example, you will be asked for additional documentation such as a death certificate, submission of certain forms and health insurance-related information.

If you are not the Member’s surviving spouse, registered domestic partner or beneficiary, SDCERS will take the information from you and contact the appropriate individuals regarding any benefits applicable to them. For more information or to speak to a representative about the passing of a SDCERS member or beneficiary, please call 619.525.3600 or 800.774.4977. Also, survivors of Retired Members may refer to more detailed information in the Retiree Death Benefits booklet, available at www.sdcers.org/Forms & Publications.

Hand in Hand widow/widower support group

Sponsored by the Retired Fire and Police Association (RFPA), Hand in Hand is a family support group for recent widows and widowers of Safety officers. Hand in Hand provides moral support, as well assistance with the settlement of estates, funeral arrangements, Social Security issues, Veterans Affairs and issues affecting City of San Diego retirees. For more information contact RFPA at 619.997.1056.

“Hand in Hand is a service whose mission is the provision of bereavement support, critical resources, guidance, relief of suffering, and the promotion of a better quality of life for firefighter and law enforcement widows and widowers.”

-- Hand in Hand mission statement
Retiree representation and the Board
by David Hall, SDCERS Trustee & Retiree Representative

While the Board unanimously approved this year’s COLA, we have not yet determined if the 13th check and Corbett payment will be issued. The Board will not take action until SDCERS’ staff brings forth a recommendation based on their annual in-depth review of financial statements, which is expected to take place at the November meeting.

Disability
Nancy Acevedo, Bill Farrar and their associates provided feedback and recommendations concerning staff’s update of annual affidavits for disability retirees. A member receiving disability benefits, who has not yet reached retirement age, must complete an annual affidavit attesting to their disability. This process is mandated by the Municipal Code to protect the Plan from fraud and abuse. Staff continues to listen to suggestions on how to improve the process.

Investments
Management of the portfolio is an ongoing activity that requires a great deal of expertise and awareness, and close attention on the part of all of us—including retirees. Rebalancing of assets (continued on next page)

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. Board Meetings open to all

September 8 9:30 am Board Meeting; 11:00 am, General Meeting. Speaker: TBD
October 13 9:30 am Board Meeting; 11:00 am, General Meeting
Speaker: Tom Blair, Editor, San Diego Magazine
November 10 9:30 am Board Meeting; 11:00 am, General Meeting
Speaker: Peter Preovolos & other previous members SDCERS Board members
December 10 11:00 am Holiday Luncheon, Tom Ham’s Light House, 2150 Harbor Island Drive, San Diego

Retired Fire and Police Association of San Diego
www.reiredfp.com • 619.997.1056 • rfpassecretary@yahoo.com

Monthly Board Meetings are held at the Firefighters Credit Union, 4926 La Cuenta Drive, San Diego

August 26 8:30 am August Mountain Breakfast, Cully’s, 13250 Poway Rd., Poway
September 3 9:00 am Board Meeting
September 11 2:30 pm 9/11 Memorial Service, USS Midway in downtown San Diego
October 1 9:00 am Board Meeting
October 14 11:00 am Luncheon for members, spouses, widows and guests
November 5 9:00 am Board Meeting

(continued on next page)
takes place on a regular basis. For example, it was recommended that SDCERS allocate a small portion of its portfolio to Private Equities. After many months of research, advice from consultants, and a great deal of discussion with the Board, 5% of the portfolio was allocated to this new asset class to enhance the diversity of the portfolio.

Getting Involved
Representatives from the Retired Employees Association (REA) and Retired Fire and Police Association (RFPA) meet with SDCERS staff periodically to present and discuss retiree issues. Going to your monthly or quarterly association meetings provides the opportunity for your representative retiree group to hear your issues and concerns. I attend most of the monthly meetings hosted by REA and RFPA, the quarterly meetings that those groups have with SDCERS, and various other related meetings.

Although your interests are well represented by Nancy Acevedo and Bill Farrar, your involvement at association and Board meetings is encouraged. The more informed and knowledgeable you are the more capable you are to provide accurate information to your friends and neighbors concerning your pension benefits.

Information on the Web
There are various websites that provide a host of timely information. Be sure to browse SDCERS’ website for a great deal of current information, including videos of prior Board meetings. It is also recommended you become familiar with the Retired Employee Association website, at www.csdrea.com and the Retired Fire and Police website, at www.retiredfp.com. Both websites are great sources of information. One topic that you may want to keep abreast of is that of the Board’s use of corridors as a smoothing technique, used to deal with market fluctuations. At the July meeting, the Board heard from its fiduciary counsel and actuary on this issue. You may replay this and other Board meetings by viewing Channel 24 at 6:00 p.m. on the Friday that the monthly meeting is held (check local listings for additional broadcast times). You may also view the meetings via the SDCERS web site. We will likely hear more on this subject at the September meeting. If you have questions, it is recommended that you seek out knowledgeable resources such as SDCERS or your appropriate retirement representative.

Benefit payments issued through new bank
No action necessary for members

Effective June 15, 2009, Wells Fargo Bank began processing monthly retirement benefit payments for SDCERS retirees and beneficiaries.

As a result, you may notice your benefit payment being issued through Wells Fargo instead of through Bank of America, as it was in the past.

No action necessary
Please note that you are not required to take any action as a result of this change, and your direct deposit will continue to be credited to your account on the last business day of the month. Also, please contact SDCERS at 619.525.3600 or toll free at 800.774.4977 to assist you with any direct deposit changes.

You may update your Direct Deposit information on line through the Member Portal (above), or by downloading the Direct Deposit form, completing it and returning it to SDCERS.
Note: Due to the large number of retirements prior to June 30, 2009, as well as our newsletter’s new format, size and schedule, we are providing “In Memoriam” (retiree deaths) and “Recent Retirements” in this electronic version of SDCERS Scoop; the printed version of this newsletter mailed to your home did not contain this information.

Robert G. Abel
Sabin M. Abrams
Laurie D. Agnew
Jesus Aguilar
Coral M. Allwein
Alberto G. Almandrez
Ernesto Almazan
Leo Alvarez
Raul C. Alvarez
M. Christine Anderson
Mark S. Annis
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William T. Forsythe
Joanne L. Fouche
Reginald F. Frank

(Continued on next page)
Pre-Retirement Seminars Offered

SDCERS offers pre-retirement seminars to all active and deferred members. For information, check the home page of our web site, at www.sdcers.org or call 619.525.3600.

SDCERS Scoop is published three times a year by the San Diego City Employees’ Retirement System. We welcome your feedback and encourage you to submit comments to Editor, SDCERS, 401 West A Street, Suite 400, San Diego CA 92101, or via e-mail by visiting www.sdcers.org/About SDCERS/Contact Us.

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