With the court-mandated correction process in motion, Members with affected purchased service credit contracts (PSCs) know there is a lot of information to digest. SDCERS is working to provide clear information and direction.

In an effort to provide up-to-date information on the entire PSC correction process, developments, and how different groups of SDCERS Members are affected, Members can find a link on the home page of the SDCERS web site to one location housing this information.

By clicking the link to the “PSC Home Page,” you’ll be directed to a page housing related documents such as:

- Frequently Asked Questions
- Board Rule 4.10, outlining the options and correction process
- Downloadable PDFs of necessary correction forms (also enclosed in Members’ correction options packets)
- All news articles related to PSC litigation posted on SDCERS’ website, dating back to 2010
- A separate link to the “PSC Litigation” page, which takes you to an archive of court documents related to the case

During the correction process, this web page will serve as the primary location for updates and information, beyond what affected Members receive in their correction options packet. This is the swiftest way for SDCERS to deliver related information and documents to our Members, so please be sure to check the page regularly for updates.

Correction packets were mailed to the majority of affected Active City Members on April 11. Those who received the preliminary letter stating they are affected, but have not yet received a packet, are being processed and will receive their packet in the coming weeks. Packets are also being processed for retired, inactive, deferred vested, and active and retired DROP Members.

DROP Members who entered DROP prior to November 20, 2007, and received a letter stating that SDCERS was awaiting clarification from the courts: the judge ruled that these Members’ accounts must be corrected as well, and they will receive correction packets in the coming weeks. Affected Members should read the packet completely as all details are provided.
So far, 2011 has had no shortage of information and ideas regarding the future of the defined benefit for City employees, and how retirement benefits for new Members may be structured.

As most Members know, SDCERS does not set these benefits. Rather, we implement the specific benefit formulas established by the plan sponsor (employer). When changes do take place that affect the retirement benefits we administer, we work to communicate those changes to our Membership.

While we cannot predict changes that may take place down the road, we can offer our view of how some proposed changes could affect our Members.

Proposal to Close Pension Plan to New Employees:

What effect would this have on my contributions, and would there be money to pay my retirement benefit?

Most City employees have heard or read of a proposed ballot initiative that would close the Defined Benefit pension plan to new employees and offer them a 401(k)-style Defined Contribution plan instead. However, if new employees were not making contributions to the pension system, this would not affect the contributions and pensions of those who ARE in the system.

Contributions from City workers help to pay for their own eventual retirement, not for those who have already retired. Closing the pension system to new hires would not cause contribution rates to go up for those already in the pensions system. Furthermore, even though there would be fewer incoming contributions due to no new members, that would have no effect on SDCERS’ ability to pay current retirement benefits, provided the City continues to pay its annually required contribution (ARC) as they have done for the past six years. In fact, even with no further city contributions, SDCERS has sufficient assets to pay benefits for decades to come.

Would closing the pension plan to new employees and moving them to a 401(k)-style plan save the City money?

Closing the pension plan to new hires and putting them instead in a 401(k) style plan would not reduce the City’s $2.1 billion pension deficit. That money is owed and must still be paid by the City. In fact, the Governmental Accounting Standards Board (GASB) requires that the $2.1 billion deficit be paid more quickly if the plan is closed to new members.

Though switching to a 401(k)-style program does transfer the risk from the City to the employee, the 25+ year history of SDCERS’ investment returns demonstrates that they have NOT caused the deficit. On the contrary, by exceeding the actuarially assumed rate of return, investment returns have helped to reduce the City’s payments on the pension deficit created by past benefit increases and underfunding.

As talks on pension reform continue, we will provide appropriate information and insight as it relates to SDCERS and your retirement benefits. Be sure to check our website, at www.sdcers.org, for news on this and other important topics.
Retiree Health Open Enrollment: June 6—June 30, 2011

Remember:
If you aren’t making any changes, you don’t have to take any action

City of San Diego retirees eligible for City-sponsored health insurance will receive their Open Enrollment materials the first week of June, prior to the beginning of Open Enrollment on June 6.

SDCERS’ 2011-2012 plan year Open Enrollment booklet will be mailed in late May. Though some rates to City-sponsored plans will change, there are no major plan changes, and all plans offered last year will be offered this year. This includes the plans for non-Medicare eligible Members as well as Medicare-eligible Members.

Key points to remember:

- Retirees already enrolled in a City-sponsored health plan, who are not making any changes, do not need to re-enroll. Your health plan will continue with any coverage or premium changes being made automatically for you, effective August 1, 2011.

- Retirees who wish to make changes to their current plan, such as adding a dependent or changing from one plan to another (for example, from HealthNet to Kaiser or vice versa) will be required to submit new forms to SDCERS. You may obtain these forms DURING OPEN ENROLLMENT (not before) by calling SDCERS and requesting the packet of the specific provider and plan in which you wish to enroll.

- If you ARE making changes: Simply mail the forms back to SDCERS and you will be enrolled in your new plan, effective August 1. A visit to SDCERS is not necessary, as our Call Center can answer your questions. Also, SDCERS will be holding an Open Enrollment Help Day on June 15; more details will be included in your booklet.

Board Meetings
Board meetings are open to the public and held approximately every six weeks, on Fridays 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 schedules, videos, agendas and minutes. This facility is wheelchair accessible.
It’s always a treat to have the opportunity to lead with good news such as this: SDCERS’ total trust fund assets have recovered from the 2008 financial crisis and are at an all-time high.

During the most recent quarter ended March 31, 2011, the portfolio rose +3.5% compared to the benchmark of +3.7%. The fixed income asset class was the largest contributor to relative performance. For the first nine months of fiscal year 2011, the investment portfolio gained +22.3% versus the benchmark of +20.9%. Long-term results continue to be strong with a 22-year annualized rate of return of +9.3%.

In December, SDCERS’ General Investment Consultant (Hewitt EnnisKnupp or HEK), SDCERS staff, and the Board of Administration completed an Equity Manager Structure review of the equity portion of the portfolio. During this process, HEK provided staff with detailed profiles and an assessment on each of SDCERS’ active equity managers. Staff independently ranked managers and there were no material differences between HEK and staff.

The result of the Equity Manager Structure review was to shift approximately 42% of the equity portfolio into passive strategies using the S&P 500 Index Fund, the Russell 1000 Growth Index Fund, and the All Country World Index ex US Investable Market Index (ACWI ex US IMI). The reason for the move was to gain exposure to the broad opportunity set in equities without paying high fees.

In March 2011, a review of the fixed income portion of the portfolio was completed. The recommendation was to retain the existing investment management firms as well as to implement a passive allocation of 25% to the Barclays Aggregate Bond Index. Additionally, the investment guidelines for the existing firms were tightened to orient the portfolio more towards a high-quality, core focus.

In the Investment Group, I am pleased to announce that Corey Buu-Hoan has been promoted to the position of Senior Investment Officer. Corey has not only impressively developed and implemented a successful private equity program for SDCERS, he has also taken on more responsibility in other areas of the Investment Group. In his new role, he will lead the investment team in implementing a new allocation to infrastructure, and researching and presenting a variety of alternative strategies.

<table>
<thead>
<tr>
<th>Target Asset Allocation</th>
<th>Return-Seeking Investments</th>
<th>Risk-Reducing Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S. Equities</td>
<td>U.S. Fixed Income</td>
</tr>
<tr>
<td></td>
<td>28%</td>
<td>22%</td>
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<tr>
<td></td>
<td>Non-U.S. Equities</td>
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<td>Infrastructure</td>
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<td>3%</td>
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<td></td>
<td>Emerging Market Debt</td>
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<tr>
<td></td>
<td>Real Estate</td>
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<td></td>
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<tr>
<td></td>
<td>Opportunistic Fund</td>
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<tr>
<td></td>
<td>8%</td>
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<tr>
<td><strong>SUBTOTAL</strong></td>
<td><strong>78%</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
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UAL (Substantially Equal) Litigation

On February 10, 2011, Judge Joan Lewis granted SDCERS’ Motion for a Change of Venue and ordered that this case be transferred to Los Angeles County.

SDCERS’ motion was based on a state law that allows a local agency like SDCERS to bring a motion to change venue where it is sued by another local agency or public entity within the same judicial district. The rationale behind the law is that a judge who is elected by the voters in his or her judicial district should not be placed in the position of presiding over a case where he or she must decide between the competing interests of the two local agencies.

Under these circumstances, bias on the judge’s part is presumed and the court must grant the motion unless it finds that the motion was not timely or was brought for purposes of delay with resulting prejudice to the other side. Judge Lewis rejected the City’s arguments that SDCERS’ motion was untimely and ordered the matter transferred.

On February 28, 2011, the City challenged this ruling by filing a Writ of Mandate in the Court of Appeal.

Also related to this case, see SDCERS’ Disclosure letter on the bottom half of this page.

PSC Litigation

On April 27, 2011, SDCERS received clarification regarding Members with affected PSC contracts who had entered DROP prior to November 20, 2007—sometimes referred to as the “trapped in DROP” group. The judge ruled that SDCERS must correct the contracts for that group of 237 Members, which consists of both Retired DROP and Active DROP Members.

DISCLOSURE – SUBSTANTIALLY EQUAL LITIGATION

City of San Diego vs. San Diego City Employees Retirement System
Case No.: 37-2010-00091207-CU-WM-CTL

Dear Member:

On May 3, 2010, the City filed a Petition for Writ of Mandate in the San Diego Superior Court asking the court to interpret the substantially equal requirement in City Charter §143. City Charter §143 provides that the City “shall contribute annually an amount substantially equal to that required of the employees for normal retirement allowances” but “shall not be required to contribute in excess of that amount” except in the case of liabilities accruing under a new or revised retirement plan because of past service of employees.

Despite SDCERS’ long-standing interpretation and practice to the contrary, the City is alleging that the substantially equal requirement mandates that employees share actuarial and investment gains and losses with the City.

This case does not impact the benefits you will receive upon retirement as an SDCERS member. If the City should prevail in this litigation, however, there could be an impact to you on the cost of those benefits.

As the case is currently framed, the case could impact your contribution rates, and possibly require that SDCERS collect contribution arrearages, should the City prevail in its litigation.

This litigation is ongoing and SDCERS cannot predict at this time all possible consequences arising out of the litigation. You should continue to monitor this litigation and check the SDCERS web site for updates on the litigation. You should consult with an SDCERS retirement counselor to determine if any additional consequences have been identified as a result of this litigation prior to making any decision related to your retirement benefits, including but not limited to a decision to terminate employment, enter DROP or retire.
Retiree News
by David Hall and Richard Wilken

These past three years I have had the privilege of serving my fellow city employees, both active and retired, as a fiduciary. It was a challenging responsibility while also being an honor. Now that responsibility is being handed to my very capable successor, Dick Wilken.

My hope is that there is no great need for “transition.” Dick has been actively involved with SDCERS for several months, is on the board of the Retired Employee’s Association and has been preparing himself to assume his fiduciary responsibilities. I will now turn my attention to serving as an advocate for retirees. This I will do by serving on the Retired Fire and Police Board and will continue to work collaboratively with the Retired Employee Association and others. I will continue paying attention to the same issues and challenges as all of you but from a different

Retiree Associations
EVENTS Calendar & Contact Information

City of San Diego Retired Employees’ Association
www.csdrea.com  •  858.272.0494  •  president@csdrea.com

Monthly General Meetings are held at various locations within Balboa Park; location is always announced one month in advance. Check the REA web site for more information.

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Details</th>
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<tbody>
<tr>
<td>July 12</td>
<td>9:30 a.m., Board Meeting. 11:00 a.m. General Meeting, War Memorial Building.</td>
</tr>
<tr>
<td>August 9: Annual Picnic following meeting, guest speakers</td>
<td>9:30 a.m., Board Meeting; 11:00 a.m., General Meeting, Police Pistol Range. 11:30 a.m., Guest Speaker is senior issues specialist Paul Greenwood from the District Attorney’s office. Will cover topics such as elder abuse and avoiding scams. Followed by presentation by SDPD’s Canine Unit. 12:15 p.m., Annual Picnic, full menu.</td>
</tr>
</tbody>
</table>

Retired Fire and Police Association of San Diego
www.retiredfp.com  •  760.943.7351  •  sdfdrouse@yahoo.com

For Hand-in-Hand Family Support Services, contact Cherie Olaveson, 619.561.5985, hand-in-hand@cox.net

Monthly Board Meetings are held at the Firefighters Credit Union, 4926 La Cuenta Drive, San Diego (unless otherwise noted) on the first Thursday of each month at 9:00 am.

<table>
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<tr>
<th>Date</th>
<th>Event Details</th>
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<tbody>
<tr>
<td>June 2</td>
<td>9:00 a.m., Monthly Board Meeting</td>
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<tr>
<td>July 7</td>
<td>9:00 a.m., Monthly Board Meeting</td>
</tr>
<tr>
<td>July 11</td>
<td>11:00 a.m., Quarterly luncheon and General Meeting, at San Diego Pistol Range</td>
</tr>
<tr>
<td>September 1</td>
<td>9:00 a.m., Monthly Board Meeting</td>
</tr>
</tbody>
</table>
perspective than that of a fiduciary/trustee.

What did I learn?  Whew!  I learned how much I did not know. I learned to deeply appreciate those who went before me: Joe Flynn (known as Mr. Reticent), Dave Crow, Bob West and many others who dedicated a big part of their lives overseeing a very large portfolio of investments. I learned that to be a fiduciary requires a personal commitment, constant study, attendance at many meetings and ongoing professional development through attendance at seminars and conferences.

Above all else, I learned that a retiree’s perspective is important as a broad range of issues are discussed at either the committee or the Board level of SDCERS. Our voices and views need to be heard. I also learned there are no dumb questions even though it may be embarrassing to ask. I also learned to have great respect for the competence and principles of my fellow SDCERS Board members and their dedication to serve.

I also learned that SDCERS staff works hard to try and meet the needs of retirees as a myriad of administrative issues arise. Most of us have no idea the incredible amount of hard work that takes place behind the scenes. Most importantly, I have confidence in those who administer our Plan both at the Board level and the staff level. Their primary interest is in assuring the long-term financial health of our benefits.

I am so thankful. But the work of staff and retiree advocates will never end. There will always be some detail, some process or some individual need that will require attention. Retirees, let it be known there are many working on your behalf. However, it is still very important that you accept personal responsibility to seek every opportunity to keep yourself informed. There is a great amount of information available in a variety of forms – seek it out.

My thanks also to SDCERS’ staff and to prior Retired Member Trustee Joe Flynn for their extensive briefing sessions.

Since retiring in 2004, I’ve worked to protect retiree interests, first as Vice Chair of the San Diego Alliance of Unrepresented Employees (www.sdaue.org) and more recently as a Board Member of the City of San Diego Retired Employees’ Association (REA) (www.csdrea.com).

I can’t stress enough the importance of all SDCERS members (both active and retired) keeping informed about issues discussed by the City Council and/or SDCERS Board that could impact existing and future pension and health care benefits. The easiest way for general member retirees (including active DROP) to stay informed and have a voice is to join and participate in REA. Likewise, retired Safety (sworn) members are urged to join the Retired Fire and Police Association (RF&P) (www.retiredfp.com).

As a SDCERS fiduciary, I must represent the best interest of the SDCERS system as a whole and all system members, not just retirees. That stated, I plan to do my best to bring a ‘retiree’s perspective’ to the SDCERS Board discussions and decisions. I look forward to serving you in the coming years.

From Dick Wilken, Incoming Retired Member Trustee

Please join me in thanking Dave Hall for his outstanding efforts as the SDCERS Retired Member Trustee for the past three years. We owe Dave our gratitude for a job well done.

In April, I replaced Dave on the SDCERS Board. The Retired Member Trustee is an elected position, but no election was held as I ran unopposed.

As I assume office, I recognize I have much to learn. My thanks to Dave for his efforts in getting me “up to speed.”
City’s tentative Retiree health benefit changes would affect Members retiring after March 31, 2012

Recent negotiations between the City and labor organizations have resulted in a tentative agreement on changes that will be made to retiree health benefits, but would not take place until April 1, 2012.

Many SDCERS members have called our offices in recent weeks to request retirement counseling appointments, in the event that they may decide to retire prior to June 30, 2011. This was due to the possibility that retiree health benefits could change beginning July 1 of this year, and Members were considering retiring prior to that date to lock in current benefits.

However, the tentative agreement reached between the City and all labor organizations except the Police Officers Association (POA) stipulates that the changes to retiree health benefits would not take place until April 1, 2012. Members eligible to retire prior to that date would receive the retiree health benefits currently in place for them.

Look for more information from the City and your labor organization for details of these negotiated benefits and the tentative agreement. Retiree health changes will be ratified in an ordinance, which will eventually be submitted to a vote of the Membership.

SDCERS will continue to post updates on its website regarding the progress of the benefit changes. As always, Members who plan to retire from the City and attend a session with a Retirement Counselor are advised of their retiree health options at that time. Depending on the date of retirement, the Member will receive detailed information on the retiree health benefits available to them, and will receive annual Health Open Enrollment information as a retiree.
Cristina F. Aligada
John E. Alley
Pra P. Alvarez
E. Anne Alves
Anthony M. Ambrose
Sally Y. Amezcu
Philip J. Anderson
Deborah H. Anthony
Kathryn L. Askin
Robert S. Avila
Stanley J. Baczynski
William H. Baldwin
Victor M. Banuelos
German Barajas
Erma J. Barnett
Jocelyn M. Beale
Robbie G. Benzinger
Matthew L. Bishop
Dennis R. Bovee
Suzanne M. Bowers
Marc C. Brakebill
Ramona K. Britton
Karen Buckingham
Elena Burton
Catherine M. Carter
Benjamin V. Centeno
Ronald R. Cervantes
Ronald E. Charlton
Adriel J. Chavez
Barbara J. Chipp
Lynn Y. Chou
Rory E. Clay
Donald L. Claypool
George E. Combite
David W. Cookson
Ellen Corey Born
Sherman L. Gotham
Frederick G. Curtis
John S. Davis
Debbie I. De Loach
Robert L. Denny
Mary J. Dixon
Nhon L. Dong
H Heather Duckett
Christopher J. Ellis
Donald Emmons
Douglas J. Eno
Richard L. Erickson
Eleanor Esquivel
Restituto T. Estacio
Ted A. Evans
Daniel S. Faddis
Robert D. Finch
Pablo Frausto
Donna L. Frye
Jeffrey J. Gabriel
Richard J. Gannon
Jane E. Gilbert
Leslie J. Girard
Bradley P. Gish
Margaret E. Glaser
Kimberly S. Glenn
Lydia G. Godinho
Frank R. Gomez
Ramona L. Grace
Charles M. Graham
Robert W. Graves
Bill Green
Cedric J. Green
Jessica A. Guemez
Joanne M. Gunderson
Arturo M. Gutierrez
Fred A. Gutierrez
Isaac Gutierrez
John C. Haack
John C. Halgat
Robert T. Hansen
Donna M. Hayward
William L. Heier
David A. Hickey
Jennifer Hillberg
Teresa M. Hines
Kenneth P. Hodges
Daniel A. Ituarte
Lino Iuli
Mark A. Ivey
Louis B. Johns
Donald M. Johnson
Richard R. Johnson
Jennifer L. Jones
Richard P. Jordan
John L. Kampe
Patrick M. Kelleher
Wilhelm H. Kellerman
Robert W. Kern
Dennis S. Kobata
John C. Leas
Betty A. Lessier
David P. Ley
Mary Ann Liner
Jeanette M. Livingston
Donald A. Lukich
Chun-Chi Ma
James J. Mariano
Coronica Martin
Thomas Martinez
Robert M. Mc Quien
Lawrence H. McCauley
Martin A. McDaniel
Raelyn A. Mcnair
Dennis O. Mcnaney
Patrick C. Mcphillips
Anna M. Meleisea
Evangelina L. Mendoza
Edward D. Merk
Adam R. Miles
Cristino P. Miranda
George Miranda
Ida N. Molina
Carlos Montero
Sandra S. Montez
Michael D. Mormino
Alice M. Moss
Dary L. Mullins
Frankie L. Murphy
Norman R. Nelson
Melody D. Newell
William R. Newsome
Eva L. Nunez
Kathleen A. Olsen
Emy M. Orofino
Richard Alan Ostrow
Edwardo Palma
Linda J. Parker
Julianne Paulsen
Gary W. Payne
John P. Pearson
William R. Perkhisen
Carolyn S. Pete
Kevin W. Pierce
Angel H. Prado
Pedro Quiroz Jr
Sylvia J. Repine
Christine E. Richards
Charles T. Rickman
Dale T. Robison
Richard D. Rudolph
Hirendira Sandoval
Shawn S. Sands
Asnor T. Santonil
Danny L. Schrotberger
Robert W. Schuck
Matthew B. Schwartz
Keith C. Scott
Vilma Sevilla
Suzanne B. Shaw
Carol W. Smith
Dennis J. Smith
Dwight A. Smith
Linda S. Spears
Michael D. Springer
William W. Stoks
Guy A. Swanger
Kathleen A. Tenwolde
Richel A. Thaler
Richard M. Thompson
Francis L. Tosatto
Laura J. Tosatto
Richard J. Ursulich
David R. Valino
Mona S. Vallon
Lus E. Villanueva
Mitchell R. Vitug
Richard P. Ward
Sedonia B. Weathersby
Jonathon B. Wells
Kathleen A. Wheatley
Jean Whitney
Donna J. Widholm
Kathy L. Wigdahl
Anthony R. Williams
Clyde N. Williams
Darrell L. Williams
Mary A. Williams
Walter L. Willows
William O. Winchell
Gerald H. Wold
Stephen W. Wright
Carol R. Young
Anthony Zeljeznjak
IN MEMORIAM

William E. Andrews
Marvin E. Arnold
Inez J. Baker
Marilyn L. Baldwin
Edward K. Ballance
Ronald M. Bankhead
Michael J. Bourgault
Leondina Brown
Robert D. Brown
John Bryant
Elmer G. Burleigh
Sylvia R. Calderon
David R. Cockrum
Wayne L. Culver
Joseph M. Cunningham
Alan B. Davis
Alfred J. Dillard
Charles Dobson
George W. Eastlick
Hollis W. Ekeroth
Felipe Garcia
Alfred J. Gorney
Raymond E. Haley
Irene Hatfield
Ralph J. Hendrex
Ruth C. Herring
David F Highsmith
Edith R. Hobgood
Carl Hopkins
Daniel A. Ignosci

John W. Island
Rose L. Leary
Alex Leiro
Robert E. Mackey
Movell R. Martell
Gregorio A. Martinez
James E. Messersmith
Elbert Mingo
Karl A. Most
Henry V. Olais
Russell W. Palmer
Harriette C. Pernell
Richard A. Preciado
Ulpiano C. Reyes
Melody E. Rocco
H. Keith Rogers
Chester L. Roome
Susan M. Ross
Donald A. Smith
Robert T. Staley
Rick A. Thompson
Otto Lee Trittipo
Jan M. Tyler
Nancy Walker
Lloyd E. Waugh
Bernice F. Webber
Nathan H Wells
John W. Womer