Returning to Work After Retirement
How Your SDCERS Benefits Are Affected By Returning to Work After You Retire

After retirement, you may decide to go back to work. People decide to work after retirement for different reasons - prearranged agreements with supervisors, financial concerns, unfinished projects, or simply to maintain interaction with others.

Whatever the reason, it’s important to understand how your retirement benefits may be affected. If you’ve retired within the past year and plan on returning to work for the same plan sponsor, it’s a good idea to contact SDCERS before doing so. Here are some basics you should know:

PROVISIONAL EMPLOYMENT
Starting January 1, 2013, SDCERS implemented an IRS policy that impacts a retiree’s ability to return to employment for the same plan sponsor after retirement.

This policy impacts active members and retirees who perform work after January 1, 2013 for any of the three plan sponsors - the City, Port and Airport.

Generally speaking, the policy says that if a retired employee - younger than 59 1/2 - returns to work for the same plan sponsor without a “bona fide termination,” that retiree is subject to a 10% early distribution penalty against their retirement benefits.

PROVISIONAL EMPLOYMENT (continued on page 4)

BONA FIDE TERMINATION
A bona fide termination occurs when there is a sufficient break in service, indicating that the employee intended to permanently quit work for the plan sponsor. A bona fide termination does not occur, for example, when there is a pre-arranged agreement that the employee will return to work after retirement. SDCERS has reviewed IRS regulations and believes that a six-month break in service between retirement and return to work qualifies as a bona fide termination.

After Retirement, Where You Work Matters...
If you are retired and return to work for an employer other than your plan sponsor, there are no employment restrictions - you can work as soon as or often as you want with no impact to your benefits.

If you return to work for the same plan sponsor after retirement, there are rules you must follow and important information you must know.

Read the Provisional Employee FAQ at www.sdcers.org today.
If I were to keep a tally of questions from our members, how SDCERS’ investments have performed would be chief among them. I am pleased to report that in calendar year 2012 our investments earned 13.9%, with private equity being the best performing asset class.

Several other important developments that I want to share include:

**Integrated Retirement Information System (IRIS)**
A major software system conversion is underway at SDCERS. We’re calling it Project IRIS, which stands for Integrated Retirement Information System. This solution is bringing SDCERS’ systems current with the latest technology to track, record and process employee contributions and retiree payments. Important for our membership, this system brings added online features, tools and information about your individual retirement benefits through our online Member Portal, and our staff will have more information at their fingertips when you call. By automating several internal processes, SDCERS staff will be in a better position to serve you. IRIS is scheduled to go live in January 2014.

**PERB on Proposition B**
A second item of news that’s important to our City members concerns the California Public Employee Relations Board’s (PERB) proposed decision on Proposition B. Proposition B closed the pension system to all City employees hired on or after July 20, 2012, with the exception of sworn police officers.

In a proposed decision issued on February 11, 2013, PERB found that the City violated the Meyers-Milias-Brown Act requirement to meet and confer with employee labor organizations before putting the pension reform initiative on the ballot. The proposed decision requires that the City rescind Proposition B and maintain for all newly hired employees the status quo of the defined benefit pension system in place before the passage of Proposition B. It is too early to tell what impact PERB’s proposed decision will have on the City’s implementation of Proposition B. The initiative remains in effect until a final decision is made.

SDCERS is neither affiliated with nor involved in Proposition B, but it is important for our members to understand the initiative. If you have any questions about Proposition B, read the Frequently Asked Questions under the Latest News page of our website – www.sdcers.org.

We will continue to provide ongoing updates regarding the status of Proposition B on the SDCERS’ website.

**Long-Term Investment Performance**
As noted previously, our investments returned 13.9% for the 12 months ending December 31, 2012. But what about SDCERS’ long-term investment performance and future expectations?

Did you know that since we began investing in the public equity market in 1983, SDCERS has generated more than $1 billion in returns that exceeded our historical actuarially assumed rate of return?

We invest for the long-term, with a focus on 30-year investment horizons. While we may not achieve the assumed rate of return every year, or over the next five years, our long-term performance outlook of 7.5% is a realistic goal. This view is supported by our outside investment consultants. The SDCERS Board has lowered our actuarially assumed rate of return twice in the past few years, and will continue to adjust the rate based upon the evolving outlook for our future.

As we reach important milestones, I look forward to sharing updates with you.
SDCERS’ investment portfolio had a solid quarter for the period ending December 31, 2012. The portfolio returned +2.3% net of fees versus the benchmark which was up +2.0%. Year-to-date, the portfolio was up +7.5% and for the calendar year, up +13.9%.

Gross Domestic Product (GDP) slowed to -0.1% during the quarter after rising 3.1% in the previous quarter. The results were attributed to a decline in manufacturing inventory, lower net exports and a significant decline in government defense spending.

The quarter was overshadowed by the “fiscal cliff” which led to uncertainty in the markets.

Eurozone debt crisis worries lessened and Europe was the best performing equity market. U.S. bonds were the strongest contributor to total fund performance as SDCERS’ active fund managers outperformed their benchmark.

Long-term performance continues to be strong with annualized returns of 8.6% over 10 years and 9.0% over 20 years.

During the coming fiscal year, SDCERS will be looking to invest in additional real estate assets.

SDCERS invests its 11% real estate allocation in a number of ways. The first way is by investing in commingled funds as a limited partner (with limited liability) along with other institutional limited partners. Those funds are managed by a General Partner who is also the Managing Partner and is responsible for the day-to-day operations. This can include activities such as acquiring properties, negotiating leases and making building upgrades and improvements. SDCERS currently is invested in 13 different commingled funds.

The second way SDCERS invests in real estate is through a publicly traded global Real Estate Investment Trust (REIT) portfolio. A REIT typically owns and may operate income-producing real estate assets. REITs own many types of commercial real estate including offices, apartments, hotels, hospitals, shopping centers and warehouses. The structure of a REIT is similar to a mutual fund and is valued on a daily basis.

The third way SDCERS invests in real estate is through separate accounts that are professionally managed by real estate firms. These properties are held in the name of a special purpose vehicle which is structured as a separate corporation for each property with SDCERS listed as the sole shareholder.

The separate accounts focus only on four property types: office, industrial, retail and apartments. Strategic elements of the separate accounts include: geographic diversification, stabilized assets that are at least 80% leased, markets that exhibit above-average demographics and economic growth, lower levels of leverage and a focus on long-term results.

During the next year, SDCERS expects to invest in additional properties in one of its separate accounts as well additional commingled funds.
SDCERS Went Social
SDCERS went social, launching new sites on Facebook, Twitter and Linkedin.

These sites provide our members and the public with news and educational information related to retirement benefits, health care and other services offered by SDCERS.

We hope you’ll “like” us on Facebook, “follow” us on Twitter and “connect” with us on LinkedIn.

SDCERS Website Redesign
Over the next year, SDCERS’ website, www.sdcers.org, will be getting a makeover.

The purpose of the redesign initiative is to increase the site’s overall usability by streamlining content so that members can find the retirement information they need more easily.

Do you have tips or suggestions to improve the website? Submit tips to us via the Contact Us page at www.sdcers.org. All recommendations will be considered, but not all will be implemented.

We look forward to hearing from you!

DROP Interest Rates
DROP Interest Crediting Rates for Active Participation Accounts and DROP Annuities are set annually by the SDCERS Board based on a weighted composite of rates selected by the Board. Effective January 1, 2013, the DROP Participation Account rate was adjusted to 1.2% and the DROP Annuity Rate was adjusted to 3.3%. To find out how these changes might impact you, visit the Member Benefits page online.

Update Your Beneficiaries
It’s important to keep your beneficiary information current. It will ensure your benefits are distributed according to your wishes at death. Update your beneficiaries today by using the Member Portal on the SDCERS website.

RETURNING TO WORK AFTER RETIREMENT (continued from page 1)

The System will adjust its 1099-R reporting to note that those retirees who return to work for the same plan sponsor less than six months after retirement are subject to the penalty.

SDCERS must report on the retiree’s annual 1099-R that benefits received are subject to the 10% penalty if the retiree has returned to work without a bona fide termination.

Employees who return to work as independent contractors or as leased employees are subject to the 10% penalty because the employment relationship has not been terminated and a bona fide termination has not taken place.

10% PENALTY ON PENSION BENEFITS
The penalty will be required for any money received in any month while an employee continues to work for the plan sponsor before a bona fide termination occurs. This means that all pension payments you received prior to the completion of the bona fide termination period, even for months that you did not work, would be subject to the penalty. This includes DROP monies.

IMPACTS BY AGE
If you are older than 59 1/2, this policy does not impact you.

CONTACT SDCERS
Contact the SDCERS Call Center at (619) 525-3600 for more information or read the FAQ provided on the Latest News page at www.sdcers.org.
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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, 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. Note: Two new Board members and one re-elected member are scheduled to be sworn in at the Board meeting in April. The spring edition of the Scoop will announce these new members and acknowledge those members whose terms have expired.

Retiree Associations

EVENTS Calendar & CONTACT Information

City of San Diego Retired Employees’ Association
Website: www.csdrea.org • Phone: 858.272.0494 • E-mail: president@csdrea.com
Monthly General Meetings are held at the War Memorial Building in Balboa Park. All retirees are welcome, REA members and non-members alike. Check the REA website for more information.
March 12  11:00 A.M. General Members Meeting
April 9   11:00 A.M. General Members Meeting

Retired Fire and Police Association of San Diego
Website: www.retiredfp.com • Phone: 760.753.7462 • Email: sdfdrouse@yahoo.com
Monthly Board Meetings are held at the Firefighters Credit Union, 4926 La Cuenta Drive, San Diego on the first Thursday of each month at 9 am.
March 24  1:30 P.M. 16th Annual Remembrance Day, El Camino Memorial Park
April 4   9:00 A.M. RFPA Board Meeting
Supplemental COLA (Cost of Living Adjustment) Update

As I reported in the spring, the City Council adopted the Supplemental COLA Benefit in 1999. This benefit was adopted to assist those City employees who retired on or before June 30, 1982 to help them keep up with the increased cost of living. A special reserve fund was set up to pay for this supplemental benefit. SDCERS’ staff estimates that the funds in this special reserve fund will run out by October 2013.

The Retiree Issues Task Force (RITF) consisting of board members from the City of San Diego Retired Employees’ Association (REA) and the Retired Fire & Police Association (RFPA) have been working jointly to develop support for adding to the fund for this benefit. As of the publication of this issue of SCOOP, meetings to discuss this have been held with the Mayor and individual City Council members.

In order for the RITF to measure the potential impact of eliminating the benefit, they are asking for important feedback.

A MESSAGE FROM THE RITF TO PRE-1982 RETIREEES:

If you are receiving a “Supplemental COLA” benefit on your retirement check and you received letters from SDCERS in February and May 2012, you are urged to contact one of the people listed below who are working on your behalf to provide additional funding for this benefit beyond October 2013.

Safety retirees and continuances:
Retired Fire & Police Association
Ron Moskowitz (Fire & Lifeguards): colmosk@cox.net or 619-990-6596
Dave Hall (Police): hallscasa@yahoo.com or 858-395-4501

All other City retirees and continuances:
Retired Employees Association
Jim Baross: president@csdrea.org or 619-290-6908

If you have access to a computer, you can email these individuals with a brief (approx. one page) note explaining how the loss of this benefit would impact your standard of living. If computers aren’t your thing, just write or type your message and send it to the address below. Please include your name and make sure we have some way of contacting you either by phone, email or personal mailing address.

Retiree Issues Task Force
c/o Retired Fire & Police Assn.
4926 La Cuenta Dr.
San Diego, CA 92124-2602

I urge those retirees who could be impacted by the ending of the Supplemental COLA payments to respond to the RITF’s request.

2013 Medicare Part B Update

Detailed instructions for getting reimbursed were mailed to retirees in late December 2012. Those who receive Social Security benefits must submit updated evidence of the amount you are paying each year in order for SDCERS to reimburse you for these costs. Fax your Social Security benefit letter to SDCERS at 858-581-5314.

Keeping Informed & Involved

Joining an organization that represents City retirees or public entity retirees will help you stay on top of issues. Organizations like the Retired Fire and Police Association of San Diego and the City of San Diego Retired Employees’ Association advocate on behalf of the retiree population.

All retirees are eligible to join the REA. Visit www.csdrea.org for information.

If you are a retired firefighter or police officer, log onto the RFPA website, www.retiredfp.com, to join.
Retiree Health Open Enrollment: June 3—June 28, 2013

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 last week of May, prior to the beginning of Open Enrollment in June.

SDCERS’ 2013 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, 2013.
- 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 in June; more details will be included in your booklet.

Register for SDCERS’ Member Portal

Are you an active (employed) or deferred SDCERS member who would like to see your member contribution account balance, or track your total amount of service credit? Or a retired member, wanting to change your tax withholding directly online, without having to mail a paper form?

These options are available through the SDCERS Member Portal. If you haven’t registered, now is the time to act!

Registration is simple:
Go to www.sdcers.org and, from the home page, click on the “Member Portal Registration” button to get started. From there, you will be walked through a secure registration process that includes choosing a user name and password.

www.sdcers.org
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