The Cost of Living Adjustment (COLA) was approved by the SDCERS Board of Administration in July. The COLA impacted benefit recipients differently depending upon the effective date of their allowance. Have you ever wondered how a COLA was determined? SDCERS has compiled a list of Frequently Asked Questions to help you understand how a COLA is factored. You can also see a complete listing of FAQs on the “Resources” tab at www.sdcers.org.

What is a COLA?
The San Diego Municipal Code (for City members) and the Plan Agreements (for Port and Airport members) each provide for an annual cost of living adjustment effective every July 1. The COLA is granted based upon the annual inflation change reported in the federal government’s Consumer Price Index (CPI) for the preceding calendar year. Each July 1, retirees and Active DROP members can receive a COLA based on the CPI of up to a maximum of 2.0 percent.

What is a COLA bank?
If the annual CPI change is greater than 2.0 percent, the excess percentage is added to member COLA banks. The banks vary for retirees depending on your year of retirement. Banks can grow over the years, and can also be reduced or depleted.

What if the CPI falls below 2 percent?
When the CPI percentage is less than 2.0 percent, the difference is withdrawn from the COLA bank up to the percentage available in order to still provide a 2.0 percent COLA increase. COLA banks can never be withdrawn below zero. It’s important to remember that COLA banks are accumulated based on the fiscal year in which you retire or enter DROP and are different for each annual retiree group.

What has been the trend over the last several years?
In four of six calendar years from 2008 to 2013 (the years affecting the COLA’s from July 1, 2009 to July 1, 2014), the annual change in the CPI was less than 2.0 percent. For those who retired or entered DROP between July 1, 2008 and June 30, 2014, your COLA bank has not always been large enough to supplement the CPI, resulting in a COLA increase of less than 2.0 percent in one or more of those years. For those who retired or entered DROP between July 1, 2008 and June 30, 2014, your COLA bank has also been drawn down.

What was last year’s CPI change?
For the year ending December 31, 2014, the CPI increase was 0.8 percent, marking the fifth year out of the last seven that the CPI was less than 2.0 percent. Provided you had a COLA bank entering 2014 that was at least 1.2 percent, you received a full 2.0 percent COLA from July 1, 2015. However, if your prior COLA bank was less than 1.2 percent, the July 1, 2015 COLA granted was less than 2.0 percent and your ending COLA bank balance will be zero.
The mission of SDCERS is to deliver accurate and timely benefits to its participants and ensure the Trust Fund’s safety, integrity and growth. Day in and day out, that’s our #1 goal. If you have suggestions for how we can do this better, please let us know!

Each year, SDCERS’ Board of Administration and staff leadership agree on a set of top priorities that support our Vision and Mission Statements. In turn, the SDCERS management team develops a list of action plans to support those priorities.

These action plans are typically above and beyond the regular daily business conducted by staff, and may take more than one year to complete. The number of priorities and supporting action plan items in any given year is based on the needs of the organization, the Board of Administration, and the participants in SDCERS.

Fiscal Year 2015 is now behind us, and for the first time, we have posted a detailed report on the SDCERS website (on the “About SDCERS” page) that describes the efforts put forth and accomplishments recorded on the priorities and related action items.

One of our top priorities this past year was Continued Pursuit of Excellence in Member Communications and Confidence through Interactive Outreach and Education.

Specific actions plans were developed to support that priority and included:

- Redeveloping our member counseling process
- Implementation of a member website experience survey
- Establishing and tracking Member Services performance goals and metrics
- Revamping our retirement seminars
- Offering online retirement applications

Be sure to check out the full report on what we accomplished, as well as check out the Fiscal Year 2016 Action Plan and focus topics for this coming year.

For more information, please visit www.sdcers.org, click on the “About SDCERS” tab and scroll to bottom of page.
SDCERS reported a preliminary return of 3% (net of fees) for the fiscal year ending June 30, 2015. Assets under management grew $100 million during the fiscal year. Fiscal year performance was more moderate after two very strong years: +16.8% in FY 2014 and +13.6% FY 2013. In FY 2015, negative returns for non-U.S. stocks were a result of the Greek debt crisis, creating significant uncertainty in the Eurozone. Concerns over the economic slowdown in China and weak emerging market currencies led to losses in emerging markets stocks and bonds. While U.S. fixed income returns were positive, the return of +1.4% reflected the low interest rate environment. On a positive note, U.S. stocks contributed the most to Total Fund returns at just under 1/3 of Total Fund assets and returned 6.9%. Private market returns were quite strong, with real estate investments up over 12% and private equity at 15%. The Opportunity Fund (created to add flexibility in the implementation of the asset allocation) returns were up 5.9%. The wide distribution of returns and market volatility continued to highlight the importance of a fully diversified portfolio.

In January 2015, staff worked with BlackRock to review SDCERS’ Rebalancing Model and the result was that the current model was efficient and served SDCERS’ purposes well. The purpose of a rebalancing model is to minimize drift away from the strategic asset allocation. Asset allocation determines approximately 90% of SDCERS’ returns and the function of the rebalancing model is to ensure that each asset class doesn’t drift too far away from the target. A range is determined for each asset class (e.g., 21% of the portfolio to be invested in U.S. Equities) and when an asset class falls outside of the range due to appreciation in market prices or a decline in prices, the CIO buys or sells that asset class to bring it back into line with the strategic target.

In April 2015, SDCERS won the Investor Intelligence award for excellence in private equity. The awards recognize the most outstanding and innovative Public Pension plans in North America. SDCERS’ award was voted on by approximately 800 peers and institutional investment firms and is a great honor for the system. The success of SDCERS’ private equity program has been due partially to the timing of the start of the program in 2009 but largely due to the outstanding efforts of Corey Buuhoan (SDCERS’ Head of Private Equity) and our advisors (StepStone and GCM Grosvenor) who continue to deliver excellent results. Again in June 2015, SDCERS was recognized by PitchBook (a private markets database aggregator), who reported that StepStone’s Atlantic Fund and Grosvenor’s Pacific Fund (SDCERS’ two private equity funds) were the two top funds with a vintage year of 2009, when SDCERS’ private equity program began.

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SDCERS Board Elections
At the July Board Meeting, Fire Safety Trustee Alan Arrollado was elected Board President. Arrollado was elected to the Board of Administration in 2009 and re-elected for another four-year term in 2013. At the September Board Meeting, Mayoral Appointee Val Hoy was elected Board Vice President. In March, Retiree Member Trustee Richard Wilken and Safety Trustee Thomas Sullivan were re-elected for another four-year term.

Contact Update for Option C Reimbursement
For City retirees enrolled in the Option C health account, please note there has been a change to the Trust that provides reimbursement. The Southern California Firefighters Benefit Trust is now administered by Delta. To request reimbursement from your Trust account, call 844-353-7839.

Update Your Beneficiaries
It’s important to keep your beneficiary information current. Having accurate information 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.

Annual Member Statements
Active and inactive members of the City, Port and Airport will soon be receiving in the mail printed member statements for Fiscal Year 2015. Member statements provide a snapshot of account activity and give an update on the current balance of your account as of June 30, 2015. Port and Airport members have received these statements in the past; City members will be receiving these for the first time. Members can access their account statements on the Member Portal. Check out a helpful video on reading and understanding your member statement on the SDCERS homepage at www.sdcers.org.

Awards and Recognitions
The Government Financial Officers Association (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to SDCERS for its FY 2014 Comprehensive Annual Financial Report (CAFR). This is the seventh consecutive year SDCERS has received this recognition. SDCERS for its FY 2014 Comprehensive Annual Financial Report (CAFR) was also acknowledged for its excellence.

COBRA Reimbursements Streamlined for City Retirees
For City retirees enrolled in COBRA, SDCERS has modified the proof of payment process as a convenience to our members. In the past, proof of payment was required for every COBRA reimbursement request. Following initial reimbursement set-up with SDCERS, retirees need only pay the monthly premium directly to the City of San Diego Treasurer’s Office. The following 17 months of City COBRA coverage will be reimbursed automatically.

New Rollover Option for City 401(k) Participants
Updates to the City 401(k) plan offer an additional rollover option for participating members. Effective July 1, 2015, City members can roll over their DROP account distribution to their City 401(k) at retirement; and, members who terminate employment can choose to roll over their refund of member contributions to their City 401(k) if they decide not to leave the funds on account with SDCERS.

Get more information on the Latest News page at www.sdcers.org

SDCERS Annual Membership Meeting
SDCERS is holding its Annual Membership Meeting on October 23, 2015 at 11 a.m. at the Balboa Park Club Ballroom. Join CEO Mark Hovey and the SDCERS team for an update on your retirement system. This year’s event features an expanded overview of SDCERS’ solid investment program. Active, retired and deferred members are encouraged to attend. No RSVP required. Contact SDCERS at 619-525-3600 with questions. The Balboa Park Club Ballroom is located at 2144 Pan American Road West in Balboa Park. Free parking is available nearby.
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.

- October 1 at 9 a.m.: Monthly Board Meeting
- October 13 at 11 a.m.: Quarterly Luncheon for Members and Guests (Marina Village Conference Center at 1970 Quivira Way)
- November 5 at 9 a.m.: Monthly Board Meeting

American Federation of State, County and Municipal Employees
Website: www.afscme.org      •      Phone: 619-462-1316     •     Email: signallady@yahoo.com

- October 22 at 10:30 a.m.: General Meeting (Malcolm Library at 5148 Market Street)

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.

- October 13 at 11 a.m.: Quarterly Luncheon for Members and Guests
- November 5 at 9 a.m.: Monthly Board Meeting

City of San Diego Retired Employees’ Association
Website: www.csdrea.org      •      Phone: 858-272-0494      •     Email: 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.

- October 13 at 11 a.m.: General Meeting
- October 22 at 9:30 a.m.: Advocacy Meeting (Mission Valley Library at 2123 Fenton Parkway)
- November 10 at 11 a.m.: General Meeting

Vacant
Mayoral Appointee

BOARD MEETINGS: Board meetings are open to the public and generally held on the second Friday of odd numbered months 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.

AFSCME San Diego Retiree Group
Phone: 619-462-1316      •     Email: signallady@yahoo.com

Meetings are held on the fourth Thursday of even months at 10:30 a.m. at the Malcolm X Library, 5148 Market Street, San Diego. Retiree group is open to all City retirees, regardless of prior employment classification.

- October 22 at 10:30 a.m.: General Meeting
What Happens in the Case of Overpayments to Retirees?

The SDCERS Board of Administration has a fiduciary responsibility to preserve the financial integrity of the Retirement System, to comply with the Plan Document adopted by the sponsors (City/Port/Airport), and to remain in compliance with IRS rules and regulations. In short, overpayments of benefits must be reimbursed to the Fund whenever feasible. The policy followed by SDCERS can be found on page 11-72 in the Board Rules and Policies’ Overpayment Policy found on the “Resources” tab at www.sdcers.org. SDCERS also has posted a detailed FAQ (Frequently Asked Questions) document on its web site explaining in more detail the reasoning and legal parameters behind the SDCERS’ Collection of Overpayments policy. For more information, visit the FAQ page from the “Resources” tab at www.sdcers.org.

As Elected Retired Board member, I have been asked on several occasions about this matter. I’d like to share my thoughts on this issue.

SDCERS is a very complex pension system and mistakes in pension calculations sometimes occur. I believe SDCERS’ staff does a great job, but they are only human. When discovered via routine audit, overpayment/underpayment mistakes are routinely resolved and the Trust Fund (or the retiree) is reimbursed as an administrative process. However, over the past year or so, an unusual number of benefit calculation mistakes were uncovered and a portion of these have become a source of hardship for some retirees. Why the unusually high number?

As a part of the new SDCERS’ pension system software implementation in 2014, extensive audit efforts were made to ensure accuracy of information (data transfer) input to the new system. This effort uncovered several hundred errors in some retiree benefit calculations. While this represents a small percentage of the System’s 9,500 retirees and beneficiaries, I believe this has created concern by the staff, the Trustees, and, most importantly, the retirees impacted.

While many of the overpayments were relatively small amounts, some have been sizeable, dating back over 10 years. Some of the most costly overpayments have been appealed to the SDCERS Board of Administration. All such appeals, to date, have been denied based on SDCERS Overpayments Collection Policy and advice from both in-house legal counsel and from the SDCERS’ outside fiduciary counsel.

The SDCERS staff and Board recognize the difficulty of correcting mistakes that were made many years ago in which the retiree had no involvement in or knowledge of the mistake. The corrections involve not only collecting the full amount of the mistake but also interest on the overpayment at the assumed rate of return (currently 7.25 percent).

Note that an attorney who has represented several individuals in the appeals process filed a lawsuit against SDCERS in February which alleges that the SDCERS’ collection policy, in some cases, results in violating statute of limitations and laws which exempt pensions from levy without a court order. To keep our members informed, the filings for this lawsuit will be posted on the SDCERS website. For more information, visit the Krolkowski vs. SDCERS Litigation page from the “Resources” tab at www.sdcers.org.

Pension “Reform” Update

As I previously reported in this column, San Diego’s pension crisis is effectively over and the SDCERS Trust Fund is well on the way to very strong financial health. The funding ratio has increased from 66 percent in 2009 to 74 percent in 2014.

However, pension “reform” continues. Ex-San Diego City Councilmember Carl DeMaio and Ex-San Jose Mayor Chuck Reed teamed up and submitted a proposed California pension-reform initiative for the November 2016 ballot which would have eliminated Constitutional protections for vested retirement benefits for current employees. Recently, DeMaio-Reed filed a revised ‘reform’ initiative.
In response to reform trends, public employee retiree organizations are starting to join with each other and with active employee groups to collaborate on issues of common concern that threaten our retirement security (see Reform Update on previous page).

Retirement Security Collaboration

In response to reform trends, public employee retiree organizations are starting to join with each other and with active employee groups to collaborate on issues of common concern that threaten our retirement security (see Reform Update on previous page).

The Retired Employees’ Association (REA) hosted a successful Retirement Security Summit (now known as the “Roundtable”) last fall with other public retiree organizations from around California. The event was co-hosted by the Retired Fire & Police Association (RFPA) and the Retired Employees of San Diego County (RESDC). This meeting opened lines of communication and early this year resulted in development of a list of common core messages. Contact REA (www.csdrea.org) or RFPA (www.retiredfp.com) for more information.

Register for SDCERS’ Member Portal

Are you an active (employed) or inactive 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!

Getting Ready to Retire

There are many things you can do to become Retirement Ready, and most of them take under five minutes!

• Register on the SDCERS Member Portal -- The Member Portal allows you to monitor your retirement account, access personal information and make changes in real time. It’s safe, secure and registration only takes a few minutes. Find the Member Portal at www.sdcers.org.

• Verify and Update Beneficiaries - Verify and update your beneficiary designations. It is important for your spouses and loved ones to understand the benefits they are eligible for upon your passing. Verify your beneficiaries and make changes on the Member Portal.

• Verify and Update Your Address - While still working, verify and update your mailing address as needed with your employer to ensure you’re receiving important information sent to you by SDCERS.

• And know, you can always call the SDCERS Call Center with questions at 619-525-3600!
SDCERS Scoop is published four 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 the Contact Us page at www.sdcers.org.

Remember to always open your mail from SDCERS