



SDCERScoop

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM 2021 EDITION | Winter 2021

Election Results for Three Board Member Seats

SDCERS' two active General Board Members (Jeffrey Wallace and Thomas Battaglia) and Fire Safety Member (Michael McBride) will complete their four-year terms on SDCERS' Board of Administration as of March 31, 2021. SDCERS held elections to replace these Board Members in January, and voting concluded on February 11th. All active General Members (City, Port, and Airport) were eligible to vote in the General Board Member elections, while active City Fire and Lifeguard Members were eligible to vote for one of the Fire Safety Board Member candidates. Thank you to all who participated in these elections!

The candidates who received the majority of votes for the General Board Member seats are **Bret A. Bartolotta** and **Sarah Mayen**.

The candidate who received the majority of votes for the Fire Safety Board Member seat is **Paul Lotze**.

Congratulations to our newly elected Board Members and thank you in advance for your service on SDCERS' Board of Administration! On behalf of SDCERS' staff, we'd also like to thank the outgoing Board Members for their valued participation on SDCERS' Board for the past four years. The new Board Members will attend their first SDCERS Board meeting on May 14, 2021.

2020 1099-R Forms – Earliest Delivery Ever?

All retirees and beneficiaries who received a payment from SDCERS in 2020 were mailed their 2020 1099-R form on January 15th, and these forms were also available in PDF format via the Member Portal on the same day. Was this the fastest rollout of 1099-R forms in SDCERS history? We aren't sure, but we do know we got them out earlier than usual this year! (Note: SDCERS always strives to provide tax forms to all payees as timely as possible, but taking the time to ensure the forms are accurate is even more important.)

If you still haven't received a hard copy of your 1099-R form in the mail and you know you received a payment from SDCERS last year, please contact SDCERS to find out what happened – it's possible you need to update your address in our records. You can also download and print a copy of your 2020 1099-R form, as well as forms from previous years, via your Member Portal. Visit www.SDCERS.org, access the Member Portal, log in, and click "Tax Reporting" in the menu on the left side of the screen.

Personal Information is Like Money. Value It. Protect It.

SDCERS values and protects your confidential information and encourages you to take precautions to protect your personal information at home. Below are some helpful tips to keep in mind:

- If anyone contacts you and insists on payment by wire transfer or gift card, it's likely a scam and you should end the conversation immediately. Note that SDCERS will never require you to provide bank account or credit card information over the phone.
- Do not click on links or download anything that comes from a stranger or that looks suspicious.
- Keep a clean machine. Update your computer regularly to keep all software on internet-connected devices current.
- Share with care. Be cautious about how much personal information you share online and what you provide on social networking sites.

If you receive a letter, email, or phone call from someone claiming to be from SDCERS and you aren't sure if it's a scam, please call the main line at (619) 525-3600 to confirm that it really is us. For more information about how SDCERS safeguards your information, please review our Privacy Notice at www.SDCERS.org.

Member Account Details

- Benefit Summary
- DROP Summary
- Payment History
- Cost Of Living Adjustments (COLA)
- 13th Check Summary
- Tax Reporting**
- Health Insurance

New 2021 DROP Rates Resulted in Record Number of 2020 DROP Exits

As of January 1, 2021, the new Deferred Retirement Option Plan (“DROP”) account rate decreased from 2.5% to **1.0%**, and the DROP annuity rate went from 3.1% to **2.1%**. The DROP account rate is the quarterly compounded interest rate applied to a Member’s DROP account while a Member is participating in DROP, and the DROP annuity rate is the interest rate SDCERS uses to calculate a Member’s monthly DROP annuity payment when they exit DROP and retire. These rates are calculated annually using publicly available indexes as of September 30 of each year.

Because the change in DROP rates was significantly greater than usual this year (generally, the rates don’t change more than 0.5% in either direction), SDCERS’ executed a comprehensive communications outreach plan in November and December 2020 to ensure all active DROP participants knew about the upcoming changes. As a result, applications for DROP retirements skyrocketed in the last couple months of 2020. In December 2020, a total of 123 Members DROP retired, compared to 17 in December 2019. In light of the decreasing DROP rates, particularly the DROP annuity rate, SDCERS anticipated the higher than usual volume of DROP retirements and prepared accordingly. We are pleased to report that everyone who wanted to retire before the end of 2020 was able to meet with a retirement counselor and do so.

How an SDCERS Pension May Affect Your Social Security Benefits

CITY MEMBERS ONLY: City employees do not pay into social security, which means that your time as a City employee may have an impact on your eligibility for future social security benefits. When you work for an employer who *does* pay into social security (meaning social security taxes are deducted from your paycheck), you earn social security “credits.” In order to eventually become eligible to receive social security benefits, most people need 40 credits – roughly equivalent to 10 years of working for an employer who pays into social security. Therefore, if your entire career is with the City and you never work for any other employer, you may never become eligible for social security benefits. However, there are exceptions and you should contact the Social Security Administration at 1-800-772-1213 for any questions about your particular circumstances.

If you *are* (or will become) eligible to receive social security benefits, you should be aware that your SDCERS pension due to City employment may affect those benefits. The Windfall Elimination Provision, or “WEP,” may reduce, but not eliminate, your social security benefits due to receiving a pension from an employer (the City) that does not withhold social security taxes. There is at least one exception to this – if you contributed to social security for at least 30 years, your social security benefits will *not* be reduced. The formula determining your social security benefits under the Windfall Elimination Provision is complicated and multifaceted; if you believe you will be affected by this, you can estimate the WEP’s effect on your Social Security benefit at www.socialsecurity.gov/WEP-CHART.

You may also be affected by the Government Pension Offset, or “GPO.” This applies to those who receive an SDCERS pension benefit due to City employment and are also eligible for social security benefits from a current or former spouse. In this case, your social security benefits may be reduced by 2/3 of your SDCERS pension benefit. For example, if your monthly pension benefit is \$900 and you are receiving social security benefits due to a spouse, those social security benefits may be reduced by \$600. In this same example, if your spouse’s social security benefits are less than \$600, those benefits may be reduced to \$0. Again, there are exceptions to this and you should always contact the Social Security Administration for further information or details about your individual circumstances.

SDCERS’ Investment Returns for FY 2020

COVID-19 reared its ugly head towards the end of fiscal year 2020 and, since then, every single one of us has been in some way affected. One significant effect of the global pandemic has been its impact on financial markets. The stock market has varied wildly since March 2020 and, as an unfortunate result, SDCERS’ investment portfolio was negatively impacted. As of June 30, 2020, SDCERS’ fiscal year 2020 investment return (net of fees) was 0.5%, which reflects the severe investment market losses suffered during the onset of the COVID-19 pandemic.

SDCERS’ long-term earnings assumption is 6.5%; this means that *over the long haul*, we predict our investment portfolio will yield a 6.5% rate of return. This is similar to looking at how your 401(k) performs over one year versus 20 years – you might have one terrible year full of market volatility, but then recover over the next decade or so, such that you see a much higher overall rate of return averaged over 20 years. SDCERS’ assumed rate of return aligns our actuarial earnings assumption with future capital market projections from our investment consultants, and the investment income combined with contributions from our plan sponsors and active members ensure adequate funding of future benefits.

Although SDCERS’ fiscal year 2020 investment return is well below our 6.5% actuarially assumed return, the net investment return is 5.4% over the past three years, 6.1% over the past five years, and 8.6% over the past 10 years. Over the past 20 years, SDCERS’ net investment return is 6.6%, which is in the top 4% for public pension plans. SDCERS’ investment philosophy strategy remains focused on long-term results. Our long-standing, disciplined strategy of a well-balanced portfolio will continue to provide members with sustainable benefits for their retirement. As a pension system, long term investment performance is much more important than returns from any single year. Our goal is to ensure we continue to have sufficient assets to pay benefits not only for our current retirees, but for our active members as well when they retire.