

NEWFLASH!
Highlights from the Advocacy Committee
May 10, 2005

NEW SDCERS BOARD MEETS

The new SDCERS Board was sworn in April 15th, with six new appointed members: Thomas Page, Peter Prevolos, Robert Wallace, Susan Snow, Thomas King and William Sheffler (one position vacant). Also installed were three new elected members, Mark Sullivan (Police), John Thompson (Fire) and our own Joe Flynn (Retirees); and three previous members, John Torres and Steve Meyers (both elected) and Bill Lopez, the City Manager's appointee.

The open session meeting was uneventful, but two important actions took place in closed session: 1) the Board voted 8-4 not to waive attorney-client privilege as requested by both City Attorney Mike Aguirre and U.S. Attorney Carol Lam (Flynn, Sullivan, Sheffler and Snow voted to waive), 2) the Board approved the settlement agreement with SDCERS v. Hanson et al (see lawsuits).

At the May 20 meeting, City Attorney Mike Aguirre will again request to be on the agenda regarding the waiver of attorney-client privilege. Also in May will be a vote on a request by MEA to apply to the IRS for a Letter of Determination (friendly ruling) on the tax status of pension contributions and benefits for City union leaders.

LOTS OF LAWSUITS (CURRENT STATUS)

SD County Taxpayers v. City of San Diego - this lawsuit was withdrawn in early March, but the Taxpayer Association has reserved the right to refile in 90 days if 2002 pension benefits are not rescinded. The lawsuit claimed that under State law those benefits were void because of conflict of interest by SDCERS board members on the MPII proposal. (District Attorney Bonnie Dumanis has begun a criminal probe on the same issue.)

SDCERS v. Aguirre was put on hold until July, 2005. The suit seeks to stop the City Attorney from taking over legal control of SDCERS, and to recover documents seized by Aguirre. SDCERS claims ownership of the records and claims attorney-client privilege protects them from subpoenas by federal authorities.

David Wood et al. and SDCERS v. Hanson et al., is a malpractice suit against Robert Blum, SDCERS fiduciary counsel for giving the SDCERS board 'bad advice' on the MPII underfunding proposal. A settlement hearing began on March 24, but Judge William Pate continued the hearing to May 31 to resolve two issues: the amount of proposed attorney fees (too high said the judge), and approval by the new SDCERS board. As noted, the new SDCERS board approved the settlement of approximately \$15.5 million -- including an OK of \$2.75 million for the SDCERS attorney! (David Wood's attorney requested \$950,000) Additional details on the City website.

PENSION FUND DEFICIT INCREASING

Bad news from two sources. William Sheffler, professional actuary, new SDCERS board member and former Pension Reform Committee member, estimates that even with the City's planned increase in pension payment of \$163.5 million this coming fiscal year, \$127 million more is needed just to stay even.

In addition, Rick Roeder, SDCERS long-time actuary, acknowledged to Donna Frye at the April Open Government Committee meeting that the unfunded pension liability would be several hundred million dollars higher than the \$1.37 billion amount currently stated if some 'off the books' charges are included (e.g. Corbett Settlement).

RETIREE HEALTH BENEFITS IN CITY FY 2006 BUDGET

The City is once again paying for the cost of retiree health care, upon the recommendation of the Pension Reform Committee and SDCERS outside auditors. This is good news for the pension fund, and the proposed City FY 2006 general fund budget includes full funding for retiree health care, at \$16.5 million.

However, the proposed budget also includes serious cuts in City services and employee reductions, and affected departments will be lobbying to restore funds their programs. This might impact funding for retiree health care.

And just last Friday, City Attorney Aguirre threatened to block approval of the City budget unless more money is spent on reducing the pension deficit. A \$163.5 million payment is currently included in the budget (as required by the Gleason Settlement). Former City Attorney John Witt says Aguirre has the authority to block the budget. Aguirre is quoted as saying that if the City doesn't increase the payment, benefits must be rolled back.

The advocacy committee will follow events and speak up for retiree health and other retirees issues whenever necessary during this fluid budget process. However the best advocates are individual retirees who contact their council members, and who can attend Council meetings if necessary. Budget hearing information and email addresses of the Mayor and City Council are on the reverse side.

NO END IN SIGHT FOR FY 2003 AUDIT, INVESTIGATIONS, CONSULTANT FEES

After 15 months and almost \$8 million spent on auditors, attorneys and consultants, the FY 2003 KPMG audit is still not complete and the investigations by the SEC and FBI and U.S. Attorney continue. The remaining holdup seems to be the SDCERS board refusal to waive attorney client privilege.

And in a troubling change of plans, the second Vinson & Elkins report, which was required by KPMG and supposed to focus on criminal acts by City and SDCERS officials, will NOT be a written report as planned. Instead it will be presented orally to a 3-person audit committee (all former SEC officials) at some unspecified date. V&E was given an additional \$1.4 million to research and write the second report.

An even-more recent development is a proposed \$2 million dollar contract increase for Lynn Turner of Kroll, Inc. on today's Council agenda. Turner was hired last November to coordinate all of the other consultants and heads up the 3-person audit committee. What's going on here? (We'll try to find out!)

ADVOCACY COMMITTEE

The new Advocacy Committee is beginning to get organized and to draw up a series of action plans to inform you and persuade others. This newsletter is an experimental first step. If it is informative and helpful to you -- or if it isn't -- let us know. We need your input! Email comments to Virginia Silverman at VirginiaLA35@cox.net.

Nancy Acevedo welcomed the new SDCERS Board members at the April 15th meeting, and thanked SDCERS staff for providing SDREA with the complete Retirement Board briefing packet. This was one initial advocacy objective, and this information will help us to understand the issues and speak more effectively to the Board.

We have been covering Retirement Board and City Council meetings, orientations, court hearings, and other special meetings. This coming month we will do more speaking and writing to advance SDREA positions, and will post information on our website, www.csdrea.com. Visit the website -- your best source for up-to-date information.

UPCOMING MEETINGS - DETAILS

May 20, 2005 - Retirement Board Meeting

1:30 p.m. SDCERS Meeting Room, Wells Fargo Bldg, 4th Floor, 4th & B Streets
Parking underneath building, validation at SDCERS reception desk.

May 31, 2005 - Settlement Hearing on Wood and SDCERS v. Hanson et al Lawsuit

2:00 p.m., SD County Courthouse (new building), 330 Broadway, Dept. 60

May 9 - June 27, 2005 - City Council FY 2006 Budget Hearings (all hearings in City Council chambers)

See Retiree website (csdrea.com) or City website (sandiego.gov) for list of specific dates and topics.

* JUNE 13, 2005 - 2:00 p.m. - RETIREMENT BUDGET! (City payment to SDCERS and Retiree Health Benefits)

Note: Retirement Board meetings are videotaped and usually replayed the same Friday, beginning at 7 p.m., on Cox Cable Ch. 24 or Times Warner, Ch .24

City Council meetings are broadcast live and replayed the same evening, and on Saturday morning at 7 a.m. (Monday Council) and Sunday morning at 7 a.m. (Tuesday Council). Broadcasts are available only to San Diego City residents.

CITY HALL CONTACTS (Mailing Address for all City officials is: 202 'C' Street, San Diego, CA 92101.

Call City information at 619-236-5555 for phone numbers)

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