

CITY OF SAN DIEGO RETIRED EMPLOYEES' ASSOCIATION  
GENERAL MEETING MINUTES

April 14, 2009, War Memorial Building, Balboa Park

Birthdays: Sylvia Tatum is 81.

Dave Hall announced the three 3 replacements the Mayor is naming to the SDCERS board: Edward Cox, Richard Tartre and ??? Morgan. We learned later that these three are investment bankers. They are replacing William Hefler, a CPA, Peter Prevolos and William Hebrank. Dave said that Prevolos did a very good job taking over the board at the most difficult time. Dave attends both our association and Retired Fire and Police. He is also on the disability committee of SDCERS.

Cynthia Queen from the SDCERS office said that a positive note is that the comparison with the County that was in the newspaper showed that SDCERS has been wiser in the investments of the funds than the County's counterpart. There is also going to be a new member of the investment staff. He is a Harvard Business School graduate. Cynthia meets quarterly with our board of directors.

Sylvia won the raffle.

Patti Karnes introduced the speaker: April Boling. She spoke about her work as chair of the Pension Reform Committee. She is a CPA.

April Boling spoke first about the status of the City's budget. The Pension plan contribution is going up. For the last three years, the City has been putting in at least enough to cover the interest, but no principle payments are being made. Monthly statements of the unfunded liability show that this amount is going up.

**The biggest concern for us is that as the required payment continues to grow, the City will request relief. Manager's Proposal III will be to urge the board of SDCERS to abandon their fiduciary responsibility to retirees, to participants and to the plan. The Manager will come to the SDCERS board and ask for them to turn their responsibility to the City instead. However the SDCERS Board has, as their responsibility, to present its bill to the City.**

The County invested in risky vehicles. Under a Defined Benefit Plan, the need is to make huge returns, and under this necessity, there is a risk of taking huge losses.

The City Council has not been meeting its obligation to pay the Annual Required Contribution. The IRS should come in on this.

The Government Accounting Standards Board (GASB) sets the standards on how much is to be paid. Under the current situation, there will be a negative amortization of the interest owed. The GASB can force disclosure.

The Pension Obligation Bonds are not necessarily a bad thing to do. Under these, the City is required to make payments.

There was a \$160 million net pension obligation on June 30, 2008. Now there is a \$2.4 billion shortfall.

The Pension Reform Committee recommended overhaul of the retirement system, to reduce the multiplier and increase ???

April Boling, cont'd.

Enhancements to Retirees' pension benefits made in 1996 put in place an obligation that is not sustainable.

A hybrid plan would be best: 50-50 between defined contribution and defined benefit. Under defined benefit, the plan sponsor is at 100% risk for market fluctuation. The City has to take responsibility for losses. It would take union negotiation to get the hybrid plan done, and it would only apply to new hires. The City Council would get a push back from the unions.

The plan is 65% funded now. This is putting retirees at risk. Retirees need to put pressure on the SDCERS board. The corridor is between 120% and 80% funding. It should go no lower than 80% of market value. It is at 83% now.

Respectfully submitted,

Ruth Ann Hageman, CSDREA Secretary