

Retirees:

1. The Navigant Report Committee meeting today, chaired by Mark Sullivan, was well attended and very informative. It should receive good media coverage, so I will just give you some of the highlights.

The main topic was bankruptcy, the law, it's impacts, and precautions SDCERS should take. Forewarned is forearmed. And like other contingency planning, the more you know about a perceived threat, the better you can prepare, and consequently, the less anxiety is involved.

For openers in the public comment period, Jay Goldstone, the Mayor's Chief Financial Officer told the committee that the city is now well into the 2007 Budget preparations and "the Mayor has no intention of seeking bankruptcy." He reiterated, they "are not close to suggesting bankruptcy and that bankruptcy is on on the agenda."

Harvey Leiderman, SDCERS fiduciary counsel, and Dennis Wickham of Seltzer Caplan Attorney's outlined the steps and the law which regulate municipal bankruptcy. Mr. Leiderman pointed out some of the safeguards; SDCERS is a separate entity and SDCERS funds are not accessible to the City. SDCERS funds cannot be taken by the city. The deficit in the Pension fund exists not because funds were removed but because the required funds (payments) were not made by the City.

One of the key impediments to a municipal bankruptcy, according to Leiderman, is the cost to the agency filing the bankruptcy. In 1994-96 Orange County bankruptcy, for example, cost Orange County over \$100 million in professional fees. Those fees would be considerably higher today; not an easy way out.

A review of this presentation will be made at the March 17 Retirement Board meeting, along with a recommendation to do a detailed analysis of bankruptcy and possible impacts.

From my perspective, it was a reassuring presentation, both by the Mayor's Chief Financial Officer and SDCERS fiduciary counsel. The threat is not imminent, nor is it a path easily taken by any municipality. But SDCERS is on a path to do a detailed analysis of the impacts and position the Pension fund to deal with all possibilities. As I said, forewarned is forearmed.

Joe Flynn, Retiree Rep. to the Board