

## **Retirement Board Update – March 17, 2006 - By Joe Flynn**

Retirees:

If you are wondering how I spent St. Patrick's Day, and my 11th anniversary of retirement, I spent it with your friends and mine, the SDCERS Retirement Board.

And we had a great turnout; media and camera crews. The main attraction was the long awaited Actuary Report by Cherion Inc., the current Board actuary. City Council President Scott Peters said it was like the Oscars, "Everyone was waiting for the envelop."

This particular envelop would have the amount that the City of San Diego would have to contribute to the Pension Fund for its 2007 payment. Estimates had circulated widely, and wildly on what the amount would be with numbers ranging as high as \$300 million. Everyone had an estimate and until today SDCERS lacked the actuarial study to correct them or state exactly what the payment should be. Today that changed.

The the report presented to the Board by the Actuary calculated the City's contribution rate as 27% of payroll which calls for a \$162 million payment to the Pension Fund. So I am sure there was a great sigh of relief in City Hall. I know I was relieved.

I have pasted in below, a news release put out Friday evening by Rebecca Wilson, SDCERS Communication Manager. You will note also, that the total Fund ratio has risen slightly from 65.5% in 2004 to 68.9% in 2005. Total fund includes the Port and the Airport Authority. City of San Diego portion of the Fund rose from 64.9% in 2004 to 68.2% in 2005.

**NEWS RELEASE** Contact: Rebecca Wilson  
For Immediate Release: March 17, 2006

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## **Actuary Presents SDCERS Board with Funding Requirements for City, Port and Airport for FY 07**

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**SAN DIEGO** – Today the San Diego City Employees' Retirement System (SDCERS) Board of Administration received an update from their actuary, Cheiron detailing the financial health of the system. Their presentation included the unfunded actuarial accrued liability (UAAL) amounts as of June 30, 2005 and the commensurate employer contribution rates for the City of San Diego (City), the Unified Port of San

Diego (Port) and the San Diego County Regional Airport Authority (Airport) for fiscal year 2007. Final actuarial results are expected to follow this presentation in 30-60 days.

The information contained in Cheiron's update will enable the City, Port and Airport to complete their budget processes for the upcoming fiscal year. The City's Employer Contribution Rate of 27% equates to approximately \$162 million. Their UAAL is approximately 1.39 billion and their funding ratio (assets to liabilities) has improved slightly over last year from 65.9% to 68.2%.

Cheiron was hired by the Board in October 2005 to conduct the June 30, 2005 actuarial valuation reports and to verify the findings of the June 30, 2004 valuation report conducted by the previous actuarial firm, Gabriel, Roeder & Smith.

**CHEIRON** is an employee-owned, full-service actuarial and financial consultancy, advising a national client base of public employers, Taft-Hartley plans, non-profits and corporations, from offices in metro Washington, D.C., and Charlotte. Its primary business is in the pension, health, and investment arenas, helping clients identify, measure, and monitor financial risks.

**SDCERS** is a \$4 billion trust fund administered by the Board of Administration for the City of San Diego, the San Diego Unified Port District and the San Diego County Regional Airport Authority. The Board holds monthly meetings at 401 B Street, Suite 400, San Diego, CA 92101 typically on the third Friday of the month. This facility is disability accessible. For more information and meeting agendas, please visit the SDCERS website at [www.sdcers.org](http://www.sdcers.org). For a copy of the Cheiron presentation, please call the SDCERS Board Secretary, Donna Hawthorne at (619) 525-3655.

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**In other Board action** the matter of indemnification, ie, paying for legal representation for Larry Grissom, former SDCERS administrator and Lori Chapin, former SDCERS General Counsel was back on the agenda. This case refers to the indictment (Criminal Case 06CR0043-BEN) filed by the U.S. Attorney against Grissom, Chapin, Ron Saatoff, Cathy Lexin, and Teresa

Webster. At an earlier Board hearing this request for indemnification failed on a 5-2 vote with one abstention.

Today with nine members present, indemnification was approved on a 7 - 2 for both Grissom and Chapin. Some restrictions were imposed on attorney billing rates and monitoring of bills by the Board.

In December of 2005 I had voted to provide legal defense for Grissom and Chapin while they were being called as witnesses by the U.S. Attorney and while they were named as a "target" by the U.S. Attorney. That defense was to cease if a criminal indictment was handed down.

Following the indictment, and a subsequent request for indemnification, outside counsel advised the Board that it was within our purview to provide such defense based on information provided and by making basic findings. After reviewing the materials presented, including the Indictment and hearing the testimony, I stated that I could not make the requisite findings and voted against the matter. In addition, then and now, I based that position also on the common practice of the City of San Diego and a past practice of SDCERS, of providing legal defense for employees in civil, but not criminal matters.

**In the afternoon session**, retiree John Casey used his public comment time to share with the Board some lessons gleaned from his years of city service, years with MEA and years on the Retirement Board to observe extreme caution (or words to that effect) when dealing with the City of San Diego.

The major part of the afternoon session was devoted to a review of financial statements and investment reports by staff and a 2006 Capital Market Overview and Asset Allocation Review by consultants Callan Associates. Now I don't want you to worry about me, but I did enjoy these presentations. SDCERS staff is very thorough and very patient, and the Callan representative was very good.

The search for a new Administrator for SDCERS continues. The executive search firm gave the Board an update on the process and the Board Executive Selection Committee will be interviewing candidates in the near future. I'll keep you posted.

Happy St. Patrick's Day!

Joseph Thomas Patrick Flynn, Retiree Rep. to the Board