

SDCERS Meeting - May 19, 2006 – Report by Joe Flynn

Retirees:

Good evening; I do have some news, but we will not have film at 11. Well, I don't have any film, but we did have quite a few TV camera camera crews there, so there may be film at 11 after all.

The big item on the agenda today was the Actuary's report by Gene Kalwarski of Cheiron (pronounced Ki-ron.) He had presented a preliminary report in March to provide the amount the City is required to contribute to SDCERS Pension Fund this year. The report was accelerated in order to provide that number to Mayor Sanders for use in his budget preparations. At the time, there were complaints that detail was lacking, and that the number was not high enough to begin paying down the unfunded liability, but it was in fact an accelerated report.

Today, the full report was presented, and the number remained the same: \$162 million if paid at the beginning of the fiscal year, or \$168 million if paid over the rest of the year. There were complaints by some that, that detail was lacking, and the number was not high enough. The Board is aware of that, and so is Mayor Sanders. He has, in fact, been trying to find ways to make additional contributions over and above the \$162 million required, and that's a good sign.

Those who expected the Actuary to provide a higher number, one that would begin to pay down the unfunded liability, are bound to be disappointed; but that is not the basic requirement of the actuarial report. The dollar amount required from the City for the pension fund is a function of the current city payroll, the number employees, and the ages of those employees, and the benefits to be paid to those employees, plus a host of other calculations.

The report does, however, provide a wealth of information and comparative statistics between June 30, 2004 and the June 30, 2005 actuarial evaluation. It defines the 2005 unfunded liability of the Fund as \$1.4 billion (of \$1,394,013,096 to be precise.) That is up from \$1,368,648,032. But while the unfunded liability did increase slightly, the funded ratio increased from 65.8% in 2004 to 68.2% in 2005.

So not that I have whetted your actuarial appetites I will tell you that **I am sending you're the entire 61 page Actuarial Report under separate email.** I think you will like it; it is very readable, and has a number of graphs and charts. It also has a glossary, and if you did not dwell in numbers during your career with the city, it may send you to the dictionary

once or twice. But then a report or book that doesn't do that isn't much of a challenge, is it?

The item to approve deferred retirement option for union presidents **Gary Collins, and James Farrar**, Police Officers Association past presidents was trailed to the June meeting due to some required funding. The service retirement for **Judi Italiano**, MEA past president, was approved.

On the Disability retirement agenda, I took the opportunity to compare a current case of a Policeman disabled by a heart attack, approved by a Board Adjudicator (a retired Superior Court Judge), with a case we heard in April of 2005. In that case, a Fireman who was disabled by a heart attack, was denied by a Board Adjudicator, who could not find any connection between on the job stress and heart attacks. I argued at the time that all of the stress management classes I had taken, and reports on stress, emphasized that connection, but I ended up on the short end of the vote.

In this instance, the Board did agree to have the Disability Review Committee, under chairman Bill Sheffler review these cases, in order to look as issues of equity in disability cases.

Also in Disability retirement cases, Ice Miller, Tax Counsel for the Board, has advised that the 10% Corbett payment made to non-service eligible disability retirees who retired after July 1, 2000 have been paid in error, and must cease. Tax Counsel and Staff Counsel have been unable to find in the Corbett settlement or retirement plan documents, or municipal code, any authorization for that 10% payment. After considerable public testimony, Board discussion, and extensive consultation with Staff Counsel and Fiduciary Counsel, the Board voted 7 - 4 to discontinue the Corbett payments to non-service eligible disability retirees. The Board then voted 8-3 to take no action to recover previously paid benefits in this matter. The Board then voted 10-0 to send the issue back to the plan sponsor (The City Council) to ask if this was intentional or if it was an oversight.

The 10% deductions (corrections) will begin with the July 2006 payroll

The sub committee on Office Space Broker representative, which I chaired, made it recommendation to the Board to hire Irving Hughes to conduct lease versus purchase analysis for SDCERS. The current lease expires in July 2007 so we have to get started looking at all possibilities for new space. We want to stay in the downtown area but would consider a peripheral location if the price was right. We will also look at the possibilities of purchasing a building.

Irving Hughes has represented the nine largest leases in downtown San Diego history and has for the past ten years represented over 50% of the downtown leasing transactions. The Board approved the selection 11-0.

All in all it was a busy day. We started at 8:30 AM and finished at 6:30 PM. Donna Hawthorne, Board Secretary and Den Mother, made sure we did get a sandwich during our working closed session lunch. And for those waiting to come back in after closed session - you have my apologies, but we spent that time digging for solutions and untying knots -- and still didn't untie all of them. But it was not for lack of effort. The Board and staff are still working to get the Pension fund into full compliance with all pertinent regulations and move ahead of investments and finance. It is not all easy, but we are making progress.

*Take care,
Joe Flynn, Retiree Rep. to the Board.*

Postscript

Retirees: I missed an item that you will want to know about. The Board authorized the 2% Cost of Living Adjustment (COLA) effective July 1, 2006 for 1981 pension plan retirees and all eligible SDCERS retirees. Special Class Fluctuator Retirees are exempt from this increase.

The other thing I was 50-50 on was terminology; I referred to a Police Officer (got that one right) but I referred to the man in the disability case as a Fireman instead of a Firefighter. Fortunately, none of my five sisters are on this mailing list, so I dodged a bullet on that one.

Joe Flynn, Retiree Rep to the Board