



NETWORK

Newsletter of The Retired Employees of San Diego County Since 1961

Vol. 46, No. 4

Honoring Yesterday—Protecting Tomorrow

April 2015

APRIL GENERAL MEMBERSHIP MEETING

When: Tuesday, April 28, 2015

Time: Coffee, tea, and light refreshments will be served at 11:30
Speakers will begin at noon

Place: Serra Mesa Public Library, 9005 Aero Dr., San Diego, 92123

Speakers: Larisa Wilmert from Lopez and Wilmert, LLP and Scott Soady from
The Law Office of Scott Soady

Topic: Benefits Of A Living Trust Estate Plan



Directions to Serra Mesa/Kearny Mesa Public Library: Take I-15 to Aero Dr. west. Drive 1.1 miles on Aero Dr. Library is on the left. There is a large parking lot with ample room.

PRESIDENT'S MESSAGE

By Susan Mallett



The month of March often brings the last of our winter storms but unfortunately, this year; it brought renewed negative media coverage of events at our Board of Retirement. There appears to be serious discord between two Board trustees that is an escalation of disparaging remarks exchanged during past Board meetings. In the midst of this new distraction, important decisions must be made at

SDCERA. Not the least of these decisions is the selection of key executive and legal staff to assist CEO Brian White and the Board in the effective management of our retirement system. We remain concerned about the divisions on the Board and continue to urge the trustees to get back to their fiduciary responsibilities. On March 5th, RESDC Executive Director Mark Nanzer addressed the Board to express our concerns. You may read his statement on page 3 of this newsletter. We will continue to monitor each Board of Retirement meeting and make statements on your behalf as warranted.

In December's newsletter, I described the beginnings of a local collaborative effort to open communication between several public employee retiree groups. The follow-

ing is our Executive Director's summary report of this group's first meeting and subsequent activities:

RESDC leadership had the pleasure of participating with representatives from San Diego and statewide public employee retiree groups to discuss similar goals including defending public retirees and retirement benefits, as well as promoting a positive public impression of our members. In the current political environment we exist in, this of course, can be challenging.

The effort kicked off in October with a Retired Employees Association Summit. Attendees included representatives from RESDC, the City of San Diego Retired Employees Association, Retired Fire & Police Association of San Diego, California Retired County Employees Association, and the California Retired Public Employees Association. This summit provided a venue for sharing information on the excellent work and efforts of our respective associations related to protecting the interests of our members. There was also a one-hour presentation by a public relations professional on methods of improving public image (and membership) of associations such as ours, as well as our members.

We then reconvened in February 2015 with an "official" name for our group, the **Retirement Security Roundtable**. Participants met to develop a short list of common messages to help better educate and influence our members, the media, and the public at large as to the value of defined benefit pensions. It was agreed that
(Continued on Page 4)

April Calendar of Events

- 2—(Thurs.) SDCERA Board of Retirement Meeting**
2275 Rio Bonito Way, Suite 200, 8:30 am
- 9—(Thurs.) RESDC Board of Directors Meeting**
8825 Aero Drive, Suite 205, 9:30 am
- 16—(Thurs.) SDCERA Board of Retirement Meeting**
2275 Rio Bonito Way, Suite 200, 8:30 am
- 20-22—CRCEA Conference, Ontario**
- 28 —(Tues.) RESDC General Membership Meeting,**
Serra Mesa Library, 9005 Aero Dr., 11:30 am

WHAT'S HAPPENING TO OUR RETIREMENT SYSTEM?

By Stan Coombs

Or, how's the big overhaul coming?

Yes, that's what's afoot. The situation has evolved from sensationalized articles in the press last August about allegedly risky investments, to a complete redo of months of careful work on our retirement portfolio asset allocation plan, the investment strategy and a needed Investment Policy Statement that has yet to be approved.

It's an expensive re-set, tossing away hours of highly paid technical consultant and staff time. And, it now appears that a clean sweep may be underway, with the exit of top investment consultants and management staff.

The Board now discusses canceling their contract with Salient, Inc., including Consultant Chief Investment Officer Lee Partridge, as soon as arrangements can be made for someone else to manage the portfolio. They've made it clear they intend to hire an internal General Legal Counsel, and Consultant Counsel, Steve Rice, has announced he's joining the Los Angeles County Board of Retirement. Chief Operating Officer, Mark Mimnaugh, has announced his retirement. More exits are rumored.

How good is this redo? It's a mixed bag so far. Any consideration of investment risk has to include risk that comes with major policy and management changes, and we aren't seeing a smooth transition. The Board is making changes, but some underlying decisions seem to be obstructed.

This all started last July. The Board of Retirement was considering a new Investment Policy Statement, recommended by Salient, which would have placed policy limitations on investment leveraging. There were previously no limitations. The Board was advised that total leveraging could range to 200% of the portfolio.

The above-mentioned articles and contentious meetings followed; Salient and Lee Partridge took the brunt of media, and some Board criticism.

The Board eventually limited leveraging to 100%, on a mixed vote, and the portfolio reportedly lost \$171.4 million in forgone gains, through the end of January, due to the sudden portfolio realignment. Investors get paid for risk.

RESDC spoke up, recognizing the Board's right to select

consultants and executives they're comfortable with, but asked them to take a very careful, deliberate approach in making major changes, and particularly to develop an orderly transition plan. Our \$10 billion portfolio was at stake. Other groups spoke, focusing on the demise of Salient, without addressing associated complexities.

The Board seemingly agreed with RESDC, and the SDCERA "Re-Assessment and Implementation Plan" that resulted, projects hiring a new Chief Investment Officer by late March, the completion of a new investment model by mid-July, and Salient's departure in November.

So, how's this "Re-Assessment and Implementation Plan" coming along?

A headhunting firm has been engaged to recruit and assist in evaluating applicants for the new internal Chief Investment Officer position, the expected opening has been advertised and about 120 applications were received by late February.

The Board approved hiring consultant, David Wescoe, Efficient Market Advisors, to assist SDCERA Chief Executive Officer, Brian White, to carry out the changes anticipated. Wescoe previously held the position of Chief Executive Officer of the San Diego City Retirement System.

On the other hand, severe cross-examination afforded various consultants and staff several months back revealed a sudden loss of confidence in Salient and Chief Investment Officer Lee Partridge by some Board members. Other Board members strongly objected. Some of that tension remains, evidenced in recent news articles and opinion pieces.

The Board's General Financial Consultant, Scott Whalen, of Wurts Associates, was charged with leading the Board through the re-examination of their investment strategy. He started by resurveying board member's underlying views about goals and objectives, implementation techniques, risk tolerance and governance (how the system should be run). Whalen's starting from scratch. There's been little progress.

(Continued on page 6)

WELCOME NEW MEMBERS

Louise Lecklitner
Adoracion N. Sabio
Connie Sorgdrager
Romay Westrick

Health & Human Services
Superior Court
Health & Human Services
Probation



**RESDC
MARCH 5, 2015 PUBLIC
STATEMENT TO THE
SAN DIEGO COUNTY
BOARD OF RETIREMENT**

Mr. Chairman and members of the board, I am Mark Nanzer, Executive Director of The Retired Employees Of San Diego CountyRESDC.

Thank you for the opportunity to speak.

No one is more concerned about the safety and efficiency of the San Diego County retirement system and the retirement fund than the retirees. We know the system is financially sound. But, those retirees depend on modest monthly payments - averaging about \$34,000 a year - and some are unable to adjust in the case of any financial failure.

Only RESDC represented those retirees at every meeting of your board for over 50 years, and we have developed a good layman's understanding of investment strategies and the history of the system.

We repeat again that your board must have confidence in your consultants, staff, and investment strategy, and it is your determination when changes are necessary. We have stated that you should make changes carefully, deliberately, calmly and in the best interests of the members.

You have made some progress in the changes. But, we are increasingly concerned about sharp ideological divisions on the board, regarding investment fundamentals, and the resulting delay in completing your "Re-assessment and Implementation Plan."

Particularly, while much criticism has been forthcoming about the existing investment strategy and portfolio, there's been no meaningful progress toward revising it, despite several scheduled work sessions.

We recommend that at your next scheduled consideration of investment strategy issues, you remain in the room as long as necessary to achieve meaningful progress.

We're just as concerned with the loss of top executives and consultants that's occurring. This is not an unimportant detail. The associated loss of skill, experience, and organizational memory carries its own risks.

We hope your board's refocus leads to progress in the months ahead.

That concludes my remarks. Again, thank you for the opportunity to speak.

**PENSION FACTS
NEWEST SDCERA BOARD MEMBER
TAKES A SWIPE AT RESDC
By Chris Heiserman, RESDC Director**

Samantha Begovich, the newest trustee on the retirement board (since July 2014) raised questions at the March 5, 2015 meeting about a simple report from CEO Brian White explaining improvements to SDCERA's mechanism for deducting RESDC dues from retiree benefit checks. Ms. Begovich expressed concern that RESDC was receiving "preferential treatment", and she wondered if there might be "competing" organizations who would like to set up automatic deductions.

Two other trustees explained that RESDC is a recognized organization representing retirees and pointed out that numerous organizations benefit from deductions for insurance, health care and other services chosen by members. Mr. White will return to the board with a report outlining the variety of deductions employed as a convenience to members of the pension system.

Ms. Begovich was elected to the retirement board by Active General Members; however, the board has on numerous occasions been reminded by its legal advisors that once seated on the pension board a trustee's fiduciary responsibility is to manage the retirement fund on behalf of all active, retired, and deferred members of the system, as well as survivors.

RESDC has existed as an organization concerned about retiree interests since 1961. Initially it shared office space with the County Employees Association and communicated via a column in the active employees' newsletter. It began publishing its own newsletter, the NETWORK, in 1970 and leaders of the organization supported meaningful changes to the County Employees Retirement Law (the 1937 Act) to make sure retirees could be represented on pension boards in the 20 California counties governed by the law.

Our SDCERA Board has been plagued by discord and controversy in recent months and has been trying to reach consensus on hiring new high level staff and developing a new investment strategy. Those critical issues are so much more important than concern over a \$5 monthly deduction specifically elected by individual retirees through "revocable written authorization."

SAVE THE DATE!

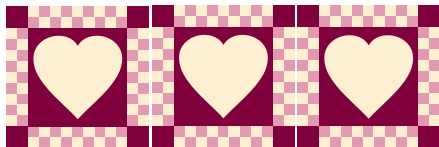
JULY 1, 2015, 12:40 p.m.

RESDC MEMBERS WILL

ATTEND A PADRES GAME!

RESDC will be attending an afternoon Padres game on Wednesday, July 1. The Padres will be playing the Seattle Mariners.

Watch for more details and ticket information in the May and June issues of the NETWORK.



BITS AND PIECES

Congratulations to **Frank and Crickett Donovan** who celebrated their 35th wedding anniversary in February. Frank turned 91 years old last December! He retired as an Animal Control Officer in 1981 after 12 years with the County. Crickett also retired as an Animal Control Officer with nine years of service. They live in Iowa now.

Gene Denson retired from Superior Court in 1986. He celebrated his 96th birthday last summer! He keeps busy writing historical novels and has completed five books. Gene lives in Deltona, Florida where he experiments with tropical trees and plants.

Edwin Kues celebrated his 86th birthday last month! He retired in 1992 from Probation where he worked for nearly 20 years. Ed and his wife, Yukiko, traveled to Japan last fall and spent 16 days in Tokyo. They still live in San Diego and have lived in the same home for 50 years.

Congratulations to **Frank Guidone** for turning 95 years old in December! Frank retired from Probation in 1965 as a Superintendent in Honor Camps after 17 years of service. Before that, he retired as a Captain from the Marine Corp. He was in the First Raider Battalion and fought in seven battles. Frank enjoys staying fit by walking and bowling.

Marilyn Chisholm reached her 91st birthday last month! She retired from Edgemoor Hospital as a Recreational Therapist. She still lives in her San Diego home of 60 years. She still enjoys gardening.

When **Rebecca Rule's** son asked her how she wanted to celebrate her 90th birthday last year, she asked for a trip to Europe! Her son planned a wonderful three week trip for four through England, France, Ireland, and Wales. The highlights were the tours of Buckingham Palace, Windsor Castle, and Agatha Christie's home. They also took a Beatles tour through Liverpool and attended the Agatha Christie play, "Mousetrap", at St. Martin's Theatre in London.

PENSION FACTS AT A GLANCE

SDCERA's goal is to realize consistent growth of assets over time. The Fund's annualized rate of return for FY2013 was 8.3%. The three-year annualized return rate was 11.93% and the five-year return rate was 9.4%.

President's Message (Continued from page one)

by using consistent messaging we are more likely to be successful in our efforts. The group's agreed upon core, common messages are as follows:

Retiree pensions contribute to the economy.

Retirees are consumers. Their spending supports businesses large and small throughout California and have a significant multiplier effect in the economy.

All workers should have retirement security.

Retirement security is good for workers in the public and private sector. People without retirement security pose an economic burden to themselves, their families, and society. We support efforts to offer retirement security (defined benefit pensions) to public and private sector workers.

Public retiree pensions are reasonable.

The median benefit SDCERA members receive is approximately \$2,000 per month.

Public employees pay for their pension benefits.

Like Social Security beneficiaries, public employees also pay for their retirement benefits. Our contributions and investment earnings pay for the lion's share of benefits, not taxpayer funds.

Collaborative efforts like this provide a tremendous opportunity to strengthen our relationships and coordination with like-minded associations. This ongoing partnership will truly enhance our dedication to **YOU** to advocate for retiree interests in a consistent, collective and aligned manner. We will continue to update on the progress of the **Retirement Security Roundtable** in future newsletters and via Email updates.



Identity theft is one of the fastest growing crimes in the United States. There are steps you can take to minimize your risk of identity theft including: destroying unused checks and credit cards, taking extra security with online purchases, being aware of phone scams and simply guarding your purse or wallet. Be sure you do not give out your personal information over the phone unless you are sure you know to whom you're speaking. SDCCU® also encourages you to review your credit report at least once a year for free at www.annualcreditreport.com.

For information on what to do if you think you've become a victim of fraud or identity theft visit sdccu.com and search for identity protection.

ASSOCIATION OFFICERS

President.....Susan Mallett
 1st Vice Pres.....Stan Coombs
 2nd Vice Pres.....Merrilyn Carpenter
 Secretary.....Joan Wright
 Treasurer.....Frank Bittner

ASSOCIATION DIRECTORS

Chuck Brown, Carlos Gonzalez,
 Janice Graham Heather, Chris Heiserman
 Joe McGuire, John McTighe,
 Janel Pehau, George Shoemaker

EXECUTIVE DIRECTOR

Mark Nanzer

OFFICE STAFF....Karen Hazel

.....Benjamin Hemmings

NETWORK EDITOR...Karen Hazel**COST OF LIVING ADJUSTMENT**

On March 5th, the Board of Retirement approved a cost of living adjustment (COLA) of 2% for all retirees effective April 1, 2015. This percentage is based on the All Urban Consumers-San Diego 2014 inflation rate of 1.85% rounded to the nearest one-half of one percent.

Tiers I and II retirees who retired on or before March 31, 2000, will receive increases greater than 2% up to the maximum 3% COLA as they have an accumulated carry-over amount held in a COLA bank. That is, whenever the inflation rate, upon which our COLA is based, exceeds 3% the resulting excess percentage is carried forward and distributed in years when the inflation rate is below 3%. A detailed listing of the COLA increase amounts for all retirement dates can found on the SDCERA website home page at www.sdcera.org.

The surviving spouse of a member is eligible for RESDC membership. For enrollment assistance, call 619-688-9229.

MEMBER PRIVACY

Any retiree or surviving spouse who does not want his/her death notice published in the "In Memoriam" section of this newsletter may notify the RESDC office and your privacy will be maintained.

IN MEMORIAM

Lorraine M. Allison	Transportation
Jane S. Amend	Auditor & Controller
Marian B. Balster	Sanitation
Rosalinda Belmont	Health & Human Services
Lynnea I. Brown	Surviving Spouse
Robert Contreras*	Housing & Community Devlp
Maria E. Cruz	Health & Human Services
Thomas E. Curtin	Health & Human Services
Roberta E. Dewoody	Welfare
Norma G. Gamble	Sheriff
Brenda L. Gates*	Sheriff
Barbara S. Gerlach	Probation
Marilyn C. Gerlach	Auditor & Controller
Ruth S. Gibbs	Surviving Spouse
Kenneth W. Golden	Surviving Spouse
Johnny V. Hansen	Surviving Spouse
Therese A. Holder	Auditor & Controller
George E. Kilgore	Health & Human Services
Robert G. Knight	Health & Human Services
Raymond L. Koehler	Corrections
Rosario Kurtz	Superior Court
Health J. Labelle*	Health & Human Services
Dennis I. Lake	Facilities Management
Milton M. Levant	Health & Human Services
John Lewis	Probation
Glacia W. Loper	Sheriff
Edward J. Mantyla	District Attorney
Gwendolyn A. Mayne	Surviving Spouse
James M. McCaskill	Air Pollution
Laurel A. McGee	Surviving Spouse
Barbara D. Merchant	Registrar of Voters
Frances A. Miles	Health & Human Services
John Miller	Coroner
Moses Monroy Jr.	Facilities Management
Jessie Nisbet	Surviving Spouse
Kenneth R. Olsen	Public Works
Kathleen L. Patrick	Probation
John R. Philp	Health & Human Services
Phuong Phuong	Auditor & Controller
Joann Pomiber	District Attorney
Ruth Richardson	Health & Human Services
Judy A. Romprey	Health & Human Services
Jane D. Schmidt	Surviving Spouse
Richard F. Shaw	Coroner
Lloyd C. Sime	Planning & Land Use
Norval P. Sinner	Public Works
Michael P. Sloop	Planning & Land Use
James L. Smith	Public Works
Geraldine Sofers	Surviving Spouse
Julius C. Stotts	Public Works
John Supranovich	
Kenneth C. Whaley	Public Works
Janice Wildermuth	Sheriff
Margaret K. Wilson	Health & Human Services
Caryll J. Wright	Public Administrator

*Active



Office Hours: 9 a.m. to 2 p.m. Monday through Friday.
TELEPHONE: (866) 688-9229 Toll Free
FAX: (619) 688-0766
E-MAIL: resdc@resdc.net
Web-Site: www.resdc.net
NETWORK is the official monthly newsletter of the Retired Employees of San Diego County, Inc. (RESDC), a private non-profit organization.

Business and Inquiries: Business matters and address changes may be recorded on the office voice mail at any time, call (866) 688-9229. Please spell your last name so the correct member record can be located.

The information printed in the NETWORK is believed to be from reliable sources. However, no responsibility is assumed by the NETWORK for inaccuracies contained herein.

Retired Employees of San Diego County, Inc.
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San Diego, CA 92123

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SDCERA BOARD OF RETIREMENT MEMBERS

E.F. "Skip" Murphy, Chairman, Elected by SDCERA
Retired members, smurphy@sdcera.org

David Myers, Vice Chairman, Elected by SDCERA
Safety members, dmyers@sdcera.org

Dick Vortmann, Secretary, Appointed by County
Board of Supervisors, dvortmann@sdcera.org

Samantha Begovich, Elected by SDCERA General
members, sbegovich@sdcera.org

Dianne Jacob, Appointed by County Board of
Supervisors, djacob@sdcera.org

Kristina Maxwell, Elected by SDCERA General
members, kmaxwell@sdcera.org

Dan McAllister, County Treasurer-Tax Collector,
Member mandated by law while holding this position,
dmcallister@sdcera.org

David Moore, Appointed by County Board of
Supervisors, dmoore@sdcera.org

Mark Oemcke, Appointed by County Board of
Supervisors, meoemcke@sdcera.org

SDCERA Alternate Board Members

James Feeley, Elected by SDCERA Retired members,
jfeeley@sdcera.org

Tim Hancock, Elected by SDCERA Safety members,
thancock@sdcera.org

What's Happening To Our Retirement System (Continued from page two)

There was general Board consensus about several policy topics, but widely varied views about others. One of those stands out.

Two very fundamental questions were posed. Broadly paraphrased, "Should an acceptable level of risk be determined and investments limited to within those risk parameters?" Or, "Should an earnings goal be established, and risks accepted as required to achieve those earnings?" Board members responded in a 5/6 split. The two alternate board members joined the nine regular board members in the survey. That's a fundamental philosophical divide!

At the Board of Retirement Investment meeting of February 19th, they reviewed ten optional investment models projecting estimated risks and returns, employer and employee contributions, management costs, implementation characteristics and organizational features. Whalen asked the Board to select those they wished to consider, and those clearly unacceptable. The Board failed to narrow the list and debated whether they should consider investment models before or after the new Chief Investment Officer comes on board. No conclusions were reached.

San Diego County net assets increased \$64.9 million during January, bringing fiscal-year-to-date net asset gains to \$158.6 million, and total net assets to \$10.3 billion.



Spring is here!