



NETWORK

Newsletter of The Retired Employees of San Diego County Since 1961

Vol. 46, No. 8

Honoring Yesterday—Protecting Tomorrow

August 2014

CHULA VISTA GENERAL MEMBERSHIP MEETING



- WHEN:** Tuesday, August 26, 2014
PLACE: Chula Vista Police Department—Community Meeting Room
Southeast corner of 4th and F Street in Chula Vista. 315 4th Ave., Chula Vista
PROGRAM: Coping with Alzheimer's Disease and Other Dementia
SPEAKERS: Mary Ball, CEO of the Alzheimer's Association of San Diego and Imperial Counties

Light refreshments will be served at 9:30 am. Meeting begins at 10 a.m.

Directions: From the North: Take I-5 South, exit 8B for E Street, right turn at Bay Blvd., 2nd left onto F Street, turn right at 4th Avenue. From the South: Take I-5 North, exit 8A for H Street, turn right at H Street, turn left at 4th Avenue.

Parking: Parking is available in the parking structure (on third floor only.) Enter on Garrett Street. Extra parking is available in library parking lot across the street or in the structure behind the Police Department.

PRESIDENT'S MESSAGE

By Susan Mallett



I have much RESDC news and activity to report from June and July. We once again have an Executive Director. Congratulations and sincere thanks to our Ad hoc Recruitment/Selection Committee, Stan Coombs, Merrilyn Carpenter, George Lejeck, Roma Stronach and George Shoemaker, who assisted your president in hiring our new Executive Director. We received 25 applications and interviewed a smaller competitive

group of seven candidates. I am pleased to announce that Mark Nanzer is our Executive Director effective July 17th. He comes to us from Workforce Partnership Inc. where he had numerous responsibilities over 12 years of employment. He has established good working relationships with a number of County staff and can build on those connections as he begins representing RESDC interests. I look forward to introducing Mark to our members in the coming months at various RESDC events.

During our transition period of the past 90 days, as we searched for a new Executive Director, our association's operations ran smoothly thanks in large part to the efforts of our Interim Executive Director, Board Member John

McTighe. John and our part-time office staff smoothly moved into our new office space on Aero Drive, coordinated successful events, a membership meeting at the Serra Mesa Library as well as our annual Flag Day luncheon, and managed day to day operations including the processing of over 700 annual membership renewals. Special thanks for a job well done to John, Karen Hazel, and Benjamin Hemmings.

At the end of June, SDCERA's health benefits committee met to discuss medical and dental plan premiums for open enrollment as well as the proposed health administrative fee. The health administrative fee projected for next year is \$4.50, down from the \$6.00 fee assessed this year. As you may recall, this administrative cost cannot be paid with pension fund investment earnings but must be paid by participants and will be added to each monthly medical and dental premium. Regarding those participants, approximately one third of the total 16,523 retirees, participated in one of the three medical plans sponsored by SDCERA in 2014. The total enrollment this year, in the non-Medicare and Medicare plans, was 3541 in Kaiser plans, 1584 in United HealthCare (UHC) plans, and 628 in Health Net plans. All proposed medical premiums for 2015 will increase at the following average percentages, Kaiser at 5.9%, UHC at 6.3% and Health Net at 9.1%. It may be a small consolation but these increases generally are less than the premium increases for 2014. Dental premiums have proposed increases as well as follows, Delta Dental at 6.5% and Cigna P2X00 at 16%. All these health pro-

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August Calendar of Events

7—(Thurs.) Deadlines for Nominations to RESDC Board of Directors

7—(Thurs.) SDCERA Board of Retirement Meeting
2275 Rio Bonito Way, Suite 200, 8:30 a.m.

19—(Tues.) RESDC August Retreat
8825 Aero Drive, Suite 205, 9:00 a.m.-2:00 p.m.

21—(Thurs.) SDCERA Board of Retirement Meeting
2275 Rio Bonito Way, Suite 200, 8:30 a.m.

26—(Tues.) RESDC General Membership Meeting
315 4th Ave., Chula Vista, 9:30 a.m.

PRIVATE INVESTMENTS OUTSOURCED

By Stan Coombs, Benefits Committee Chair

“County Pension Handoff Complete,” trumpets the June 7th San Diego Union-Tribune. What are they talking about? It’s really the old question, how to handle large retirement fund investments without the authority to pay market-level compensation to fund managers, and the Union-Tribune has never liked the answer.

Board of Retirement employees’ salaries are authorized by the Board of Supervisors in the County Compensation Ordinance, where Investment Officer pay is maxed at a little over \$200,000. Sounds like a lot until you size up the market. That simply doesn’t compete for top talent needed to manage a \$10 billion, uniquely structured fund in today’s financial world. And, there’s little County interest in upgrading the position.

So, in 2009, the Board of Retirement contracted with Lee Partridge, owner of Integrity Capital Services, to be their consultant portfolio strategist and investment manager for public investments, and in January 2013, following sale of Integrity to Salient Partners, renewed the contract for another five years. Partridge reported to both the Board and the Board’s Chief Executive Officer, Brian White. Private investments were still handled within SDCERA.

You can read “public Investments” as those publically available to investors, including listed stocks, corporate and treasury bonds, etc., and “private investments,” as contractual investment agreements between SDCERA and private entities, including investment bank deals, equity real estate and natural resources, minerals, land, oil, etc.

The arrangement seemed to work reasonably well until consultant Tom Iannucci, of Cortex Applied Research, advised there were organizational problems. He reported a misalignment between the responsibilities, authority and accountability shared by Partridge, White and the Board, and given the large financial impact even a small difference in performance could bring about, said it would

be prudent to avoid continuing with the same organizational arrangement.

The Board took the advice, and after considerable debate on May 1st, approved a Cortex recommendation (eight to one) to outsource the private investment portfolio to Salient as well, subject to renegotiation of the Salient contract, all while they keep trying to gain control of SDCERA staff compensation.

After renegotiations with Salient, Cortex returned on June 5th with an elaborated comparison of four possible organizational models the Board could adopt: (1) continuation of the current arrangement - \$15.55 million/year; (2) investment oversight but no implementation within SDCERA - \$36.87 million; (3) full implementation of the investment program within SDCERA (difficult under current compensation restrictions) - \$20.78 million; and, (4) fully outsourcing the investment program - \$15.15 million. The lesser outsourcing costs were primarily explained by the elimination of SDCERA internal expenses, and the availability of specialty expertise within Salient, due to “bundling,” that would otherwise have to be purchased al la carte. Full outsourcing was recommended.

Sound like gobbledygook so far? Let’s cut to the chase.

Based on those figures, it appeared the proposal would improve the organizational structure while saving retirees about \$400,000 a year in current costs, or \$5.6 million from what it would cost to do everything internally.

Salient fees will be \$10 million, an increase from the current \$8 million contract, ten basis points, or 0.1% of assets under management, \$1 for every \$1,000 invested.

Located in Houston, Texas, Salient will establish a San Diego office, and three SDCERA investment officers currently assigned to “private investments” will move to Salient. The five-year contract will commence on October 1, 2014, with an option for SDCERA to renew for two, one-year extensions.

Is this good for retirees? Probably good that organizational problems are being addressed, brought on by unrealistic restrictions on the authority of the Board of Retirement to pursue their obligations.

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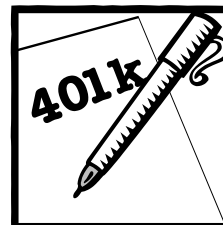
WELCOME NEW MEMBERS

John A. Dresser
Teresa Figueroa
Angelita Pangilinan
Betty Sickels



FROM THE DESK OF THE INTERIM EXECUTIVE DIRECTOR

By John McTighe



By the time you read this, your new Executive Director, Mark Nanzer, will have been in his position for a couple of weeks and I will have returned to my status as a retired County employee and member of the RESDC Board of Directors. I want to extend my best wishes to Mark for success in his new job on our behalf. I would also like to express my gratitude to our President, Susan Mallett, and the entire Board of Directors of RESDC for the confidence they showed by selecting me to serve as your Interim Executive Director for the past three months. Susan and the Board have been very supportive during my tenure here. This organization is served well by a dedicated Board of Directors who take their jobs very seriously by vigorously guarding the benefits earned by our members and providing member services that enhance the value of membership in RESDC.

Speaking of the Board, now is the time of year that nominations for Officers and Members of the Board are due. Elsewhere in this Network you will find a description of the offices that are up for election this year. I would encourage any of you who want to serve your fellow retirees to seriously consider sending in your letter of interest to the Election Committee. The strength of the organization is a direct reflection of the willingness of dedicated volunteers to put in a few hours a month to keep abreast of retirement issues and serve on the Board and its committees. But, don't delay, the deadline for letters of intent is right around the corner on August 7th.

I recently ran across a volunteer opportunity that I want to pass along in case any of you are interested. AARP is having a new annual event right here in San Diego, September 4-6. It is called **Ideas@50, the AARP National Event and Expo**. According to AARP's publicity, if you attend the event you will experience "three days of provocative discussions on trends, share ideas and walk away with practical options for your own life." AARP California is recruiting volunteers to serve as goodwill ambassadors. Volunteers will work mostly on their feet for up to four hours, answering questions, taking tickets and helping guests navigate the event. In exchange, volunteers will receive free admission for three days, free parking on the day they volunteer, a meal voucher and a gift. Volunteer training is in early August, so if you are interested sign up right away by going to:

aarp.org/SanDiegovolunteer. If you have questions, call 866-448-3615 toll-free or email:

SanDiegoVolunteer@aarp.org. To register for the event (not as a volunteer), go to: aarp.org/events.

I wish you all the best, and look forward to seeing many of you at one of our upcoming events.

PUBLIC PENSION REFORM EFFORTS "POVERTY PUSHERS" WON'T GET MY VOTE!

This is the 3rd of an ongoing series of articles by the California Retired County Employees Association (CRCEA) *Retirement Security Committee*.

Those advocating the wholesale destruction of public sector pension systems (that have been in place for over 75 years) through the initiative process **never make the critical argument for the proposed 401(k) replacement plan**. While these "public pension reformers" tell you how the concept of pensions in the private sector is now history and how pensions were replaced with 401(k) savings accounts, they never make the case of how successful this 401(k) experiment is working out. They don't tell you **that nearly half of American families now have less than \$10,000 in savings** including the much touted 401(k) savings accounts. They don't tell you that Fidelity reports that **one third of workers cash out their 401(k) accounts when they change jobs or lose their job** or how **one fifth of 401(k) workers put loans on their accounts** during the recession.

They don't talk about how poorly workers are accumulating the goal of ten times their projected final year compensation in their 401(k) accounts so they can retire at a livable standard of living. And they don't talk about the traditional 4-legged stool of retirement security (i.e. Social Security, pensions, savings and home equity) that has kept the elderly out of poverty and how their proposals would break a critical leg of that wobbly stool **leaving many retirees trying to live on Social Security alone**.

25% of Californians are already living in poverty. The "Poverty Pushers" that are looking to complete the destruction of "pensions" in California must believe that this figure is way too low because their "solution" will clearly push far more of our elderly into the "401(k) poverty trap". **The "Poverty Pushers" won't get my vote!**

Speaking of voting, let's look at the recent California June 2014 election. Only 18% of eligible voters turned out (or 25% of registered voters). The younger voters are turned off. Older voters are more likely to vote and their votes can truly make a difference. I hope seniors continue to stay informed on this critical issue and if given the opportunity to vote, they will **vote to protect public service pensions** for current workers and for the next generation, our "kids' generation".

Further information on retirement security topics will be available in future newsletters.

STAY TUNED AND INVOLVED!

TEN SIGNS OF ALZHEIMER'S

The RESDC August 26th General Meeting in Chula Vista will center on Alzheimer's Disease and will feature a presentation by Mary Ball, CEO of the Alzheimer's Association of San Diego and Imperial Counties. Our Interim Executive Director sat in on a presentation Mary made at the Aging Summit in June and wanted to share with members the ten Signs of Alzheimer's that she presented to the participants. When she meets with us on August 26th, she will discuss ways in which we can cope with Alzheimer's Disease and other dementia and support that is available to the caregivers of people suffering from these diseases. In the meantime, here is a list of the ten signs of Alzheimer's presented at the Aging Summit:

Memory changes that disrupt daily life

- Forgetting important dates
- Forgetting recently learned information

Challenges in planning or solving problems

- Difficulty following a recipe
- Keeping track of monthly bills

Difficulty completing familiar tasks

- Brushing teeth
- Tying a tie

Confusion with time and place

- Trouble understanding something unless it is happening immediately

Trouble understanding visual images and spatial relationships

- Difficulty judging distances
- Difficulty determining contrast (picking flowers off wall-paper)

New problems with words in speaking and writing

- Having trouble following or joining a conversation
- Struggle with vocabulary or call things by the wrong names (i.e. calling a "watch" a "hand clock")

Misplacing things and losing the ability to retrace

- May put items in unusual places and have difficulty retracing steps to find them (i.e. putting car keys in the refrigerator)

Decreased or poor judgment

- Giving away money to telemarketers
- Pay less attention to grooming or cleanliness

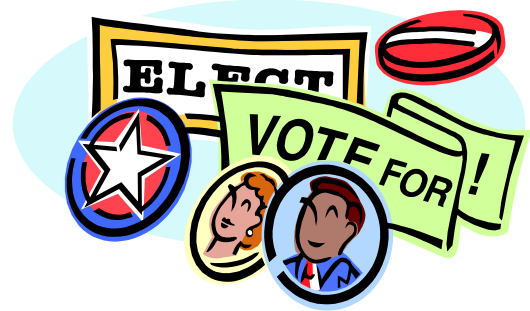
Withdrawal from work or social activities

- Remove themselves from hobbies, social activities, work projects, or sports

Changes in mood and personality

- May become confused, suspicious, depressed, or fearful

Someone will not exhibit all signs at once, but may have several signs at the same time. If you wish to get further information about Alzheimer's before our meeting on August 26, you can contact the Alzheimer's Association's 24-hour helpline at (800) 272-3900, or go online to: www.alz.org/sandiego.



NOMINATIONS ARE OPEN

By Chris Hinshaw

Acting Elections Committee Chairman

An election for Officers and Directors of RESDC is nearing. The positions of First Vice-President, Secretary, Treasurer and four directors must be elected by mid-October, 2014. **Only current and past board members will be eligible for the First Vice-President position.**

The term of office is two years. Candidates for these positions must submit their names in nomination by **August 7, 2014**.

Events impacting County retirees require active participation by retirees. If you are willing to be active, join and help. We need new individuals from our membership to contribute something for the benefit of the group so that our Association can become even stronger and more productive in the years to come. Now is the time to submit your name in nomination as a candidate.

We would like prospective nominees to be able to devote their time voluntarily to the Association's business and have the time to attend monthly Board meetings, plus General Membership meetings six times a year.

If you are interested in being considered, please submit a summary (limited to 200 words) of your background and work experience to our office, RESDC, 8825 Aero Drive, Suite 205, San Diego, CA 92123. Please state your candidacy for one of the following: First Vice-President, Secretary, Treasurer or Director.

The deadline for new candidates to submit their statements for the slate of nominees is on or before **August 7, 2014**.

If you have any questions, please contact our office by phone at (866) 688-9229 or by e-mail at resdc@resdc.net.

PENSION FACTS

By Chris Heiserman, RESDC Director

We are all frustrated enduring the attitude of friends, neighbors and sometimes even perfect strangers who assume that all County retirees are enjoying extravagant pensions. This unfounded myth is the result of a constant drumbeat of criticism from some media outlets and so-called pension “reformers” who want to see public pensions disappear.

These “crusaders” against Defined Benefit pensions trumpet benefit details for a few individuals that sound unreasonable and insinuate that most public pensions are too high and unaffordable for taxpayers. They also repeatedly contend that local governments may be forced to cut services because of pension obligations.

Whether these assaults on public retiree benefits are from individuals who are simply uninformed or deliberately biased, sensible rebuttal is called for. RESDC wants to provide ammunition for anyone interested in shooting down these specious allegations. To that end, future newsletters will begin prominently displaying positive factual nuggets about public pensions in general and San Diego County employees’ pensions in particular.

A bullet like this for example:

- **The average benefit is \$2,801 per month.**

This amounts to \$33,612 annually. According to SDCERA, more than 70% of the nearly 16,000 retired members and survivors receive less than \$40,000 in annual benefits.



Protect your valuables and keep them safe. Important papers, such as birth certificates, insurance papers and loan documents, as well as special family heirlooms can be hard to replace, or even irreplaceable. To have peace of mind, keep them secure in a Safe Deposit Box at San Diego County Credit Union. Safe Deposit Boxes are available to rent at most SDCCU® branch locations and come in various sizes.

To see a list of the branches that have Safe Deposit Boxes, visit sdccu.com and search safe deposit or call us at (877) 732-2848.

IN MEMORIAM

| | |
|-----------------------|-------------------------|
| Mario Barrientos Jr.* | Sheriff |
| Barbara L. Blodgett | Surviving Spouse |
| Merry B. Carson | Health & Human Services |
| Jaime L. Castillo | Health & Human Services |
| James W. Cox | Surviving Spouse |
| Milagros M. Denton | Health & Human Services |
| Thelma L. Dwyer | Surviving Spouse |
| Esther M. Escajeda | Health & Human Services |
| Garold L. Faber | Health & Human Services |
| Marie Feder | Superior Court |
| Sara L. Golden | Social Services |
| Adelia A. Harrington | County Library |
| Faye A. Henry | Surviving Spouse |
| Edward L. Hughes | Sheriff |
| Edythe Irish | Superior Court |
| Joyce A. Jones | District Attorney |
| Warren H. Kanagy | Sheriff |
| William H. Kennedy | District Attorney |
| Jean D. Koutsky | Health & Human Services |
| Blance Landis | Health & Human Services |
| Milton J. Leaby | Sheriff |
| Elaine Leithoff | Social Services |
| Robert Liaga | |
| Constance L. Marbrey | Registrar of Voters |
| Anne H. Minke | Social Services |
| Mary S. Mirabile | Health & Human Services |
| Marlene J. Nance | Planning & Land Use |
| Nelson E. Olivas | Public Works |
| Alice W. Padilla | Surviving Spouse |
| Francis Patrick | Surviving Spouse |
| Nellie E. Pierson | Public Defender |
| Alfred Roe | Health & Human Services |
| John W. Shadrach | Surviving Spouse |
| Muriel A. Smith | Medical Institution |
| Walter B. Smith | Public Works |
| Flora Sulapat-Kho* | Sheriff |
| Richard J. Terlaje | Sheriff |
| Roy P. Timerman | Superior Court |
| Aida C. Tiqui | Revenue & Recovery |
| Quincy M. White | Sheriff |

*Active

**As long as we think of you,
You'll always be with us.**

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.



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NETWORK is the official monthly newsletter of the Retired Employees of San Diego County, Inc. (RESDC), a private non-profit organization.

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President's Message (Continued from page 1)

gram recommendations will be presented to the Board of Retirement for approval on August 7th.

Additionally, SDCERA staff presented a healthcare education plan for retired members to be rolled out in the fall. The goal is to assist retirees to better understand the changing healthcare environment and to provide a guide for making informed decisions about one's individual healthcare choices. RESDC representatives were given an opportunity to provide input to this healthcare education plan and will keep members informed as more details are available about the SDCERA plan and outreach meetings are scheduled.

Last month's newsletter contained an article entitled, "Threats to County Pensions Escalating!" The dangerous pension initiative, to close the Ventura County retirement system to new employees, intended for the voters in Ventura County this fall is being challenged by attorneys for Ventura County. Interested parties including SDCERA, RESDC and CRCEA, our statewide association, support this legal effort questioning the legality of the initiative. On August 4th, the Superior Court in Ventura County will hear the arguments on both sides of this matter that is important to all of us. Watch for updates on this subject in future newsletters.

Private Investments Outsourced (from Page 2)

But, questions can be raised. More discretion is granted to Salient. The Board of Retirement will only consider and approve investments when the strategist wants to exceed the board-granted authority. And, anytime a function is contracted out, some control is lost. Someone else is doing the job, and remaining control is via monitoring from a step away. Will monitoring and reporting be sensitive and timely enough to protect assets?

No longer will one top administrator be in charge of county retirement. Lee Partridge will report directly to the Board, Chief Executive Officer Brian White won't have responsibility for investments or results, only to monitor and report. The retirement system is divided into two parts. Will coordination or continuity suffer?

Unquestionably, SDCERA will lose highly experienced private investment staff when they move to Salient, although they're to remain assigned to SDCERA's portfolio. But, if this experiment goes badly, it could be expensive and time-consuming to replace them in-house.

These questions were discussed during the Board's discussion. Guess we wait to see how things turn out.

San Diego County retirement net assets increased \$210 million during May, increasing fiscal-year-to-date gains to \$1 billion and total net assets to \$10.1 billion.

**SAVE THE DATE
 HEALTH FAIR PICNIC
 REMINDER**

This year's Health Fair/Picnic is scheduled for Wednesday, October 8, at Admiral Baker Field from 10:00 am to 2 pm.

The registration form for the picnic will appear in the September and October issues of the NETWORK.

