



NETWORK

Newsletter of The Retired Employees of San Diego County Since 1961

Vol. 46, No. 2

Honoring Yesterday—Protecting Tomorrow

February 2015

RESDC NORTH COUNTY GENERAL MEMBERSHIP MEETING



When: Tuesday, February 24, 2015

Time: Beverages and light refreshments will be served at 9:30 a.m.
Speaker will begin at 10:00 a.m.

Place: Joslyn Senior Center, 210 Park Ave., Escondido

Program: Staff from San Diego County Aging & Independence Services will highlight programs and services which could benefit RESDC members.

Directions: From San Diego: I-15 North to SR 78 East, then right on North Broadway to Park Ave. Turn left to 210 Park Ave. Parking will be available in the parking lot or on the street.

PRESIDENT'S MESSAGE

By Susan Mallett



As I write this article during the second week of January, all the Christmas decorations have been safely packed away for another year or that's true for most of my neighbors. I hope each of you had a happy holiday season and are now looking forward to a healthy prosperous new year. Our recent Holiday Luncheon was enjoyed by 340 guests as we returned to the beautiful Bahia Hotel on Mission Bay. In spite

of the rain, the event was enjoyed by all thanks to the planning and dedicated work of our RESDC staff and some awesome volunteers. Nearly 200 door prizes were awarded to lucky attendees, thanks in large part to the efforts of volunteers, Dotty Badger and Eric Wong. Read more about Dotty who was recognized, most deservedly, as our Volunteer of the Year.

During the annual membership meeting portion of the event, our Executive Director Mark Nanzer shared RESDC highlights of a busy year. In doing so, he also elaborated on accomplishments that align with our estab-

lished goals for 2014. Last August, the RESDC Board reviewed these goals and accomplishments in detail ultimately establishing strategic goals for our association in 2015. I will outline a few key goals and objectives in this article and report on our efforts to meet them through activities in the coming months.

Be well informed on pension issues and maintain a strong advocacy on behalf of RESDC members.

RESDC board members and Executive Director will participate in statewide retiree and retirement system conferences to stay informed about pension initiatives as well as retiree economic and health topics, and to gain a better understanding of investment strategies. Within San Diego County, we will continue our collaboration with other retiree groups to develop common messages on retirement security that dispels myths and misleading media statements. More information will be provided in the coming months about this important local effort.

An important component of the advocacy goal, is our monitoring and reporting on our Board of Retirement (BOR) meetings. When the agenda becomes available prior to each BOR meeting, we review agenda items to determine if a RESDC public comment is warranted. As you know this has occurred a number of times in recent months and those comments are shared with members
(Continued on Page 6)

February Calendar of Events

- 5—(Thurs.) SDCERA Board of Retirement Meeting**
2275 Rio Bonito Way, Suite 200, 8:30 a.m.
- 12—(Thurs.) RESDC Board of Directors Meeting**
8825 Aero Drive, Suite 205, 9:30 a.m.
- 19—(Thurs.) SDCERA Board of Retirement Meeting**
2275 Rio Bonito Way, Suite 200, 8:30 a.m.
- 24—(Tues.) RESDC North County General Membership Meeting, Escondido**
Joslyn Senior Center, 210 Park Ave., 9:30 a.m.

REVISITING OUR ASSUMPTION RATE

By Stan Coombs

Talked about retirement assumption rates in an article a year-and-a-half ago, but was reminded by a RESDC member just this week that it's good to repeat such discussions, both for new retirees and some of the rest of us who forget. That July 2013 article reported that our Board of Retirement had just reduced their assumption rate from 8.0% to 7.75%, and explained some of the implications.

Think of assumption rates as estimates of earnings expected from invested County retirement funds, used as a basis for calculating how much more will be needed to meet total annual pension costs.

The County then budgets their contribution, and payroll deduction rates are calculated to produce active employees' contributions. Those three revenue sources fuel the retirement system: investment earnings, county contributions and employee contributions.

If the assumption rate is set higher than eventual investment earnings, insufficient funds will be provided by the County and employees, and a deficit results for that year. Under our controlling California 1937 Retirement Act, such deficits must be paid for by the County, not by active or retired members, and in our particular case, are amortized over 20 years. Those are the "deficits" that are so unpopular with media writers.

If, however, the assumptions rate is set lower than eventual investment earnings, the County and active employees will be overcharged up-front.

Determining an accurate assumption rate is no wet-finger-in-the-wind guessing game. Actuarial consultants use financial, economic and market factors, considered on a very long, 30-to-50 year basis, and apply statistical confidence tests to establish mathematical probabilities of their accuracy. Assumption rates are reevaluated and reestablished about once every three years.

So, assumption rates are just guesses about the future. How accurate are they?

Notwithstanding that assumption rates are very long-term targets, over the past ten years San Diego County retirement fund earnings have missed that target four years out of the ten. But, that included high losses during 2008 and 2009, the most severe recession since the 1930's. On the other hand, earnings so far exceeded assumption rates the

other five years that they still averaged 7.94% overall. County assumption rates varied from 8.25% to 7.75% over that period.

In the broader picture, a "Public Fund Survey" of 126 public pension plans, conducted by the National Association of State Retirement Administrators (NASRA), reported median average investment returns for one, three, five, twenty and twenty-five year periods, all ending June 30, 2014, substantially exceeded the 7.75% average assumption rate, while the ten-year figures, dominated by the 2008 and 2009 crash was slightly below, at 7.3%.

Yet, some public retirement critics claim low interest rates and volatile investment markets are requiring retirement portfolios to assume too much risk in order to reach their high assumption rates, leading to changes. Over half of NASRA's 126 surveyed plans had reduced their assumption rates since 2008, bringing the average rate down to 7.75%.

Not to be outdone, the San Diego County Board of Retirement reduced their rate from 8.25% to 8.00% in 2010, and to 7.75% in 2013. County and active employee contributions, of course, increased.

So, where are we now? The County system's in good shape, funded 83.3% this year, and the June 2014 Valuation Report for fiscal year 2013-14, shows 13.3% earnings. Yet, the Board of Retirement reduced investment "leverage limits" in September, from 400% to 100%, and the resulting portfolio realignment reduced earnings about \$100 million from previous expectations, according to the system Chief Investment Officer.

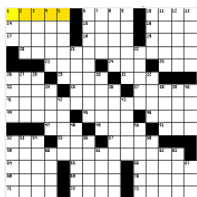
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VOLUNTEER OF THE YEAR

By Susan Mallett

It was wonderful to surprise **Dotty Badger**, at the Holiday Luncheon, with her selection as our Volunteer of the Year. Dotty served on our luncheon planning committee for the past two years. At SDCERA, before her retirement in 2012, Dotty was in charge of a number of off-site events. She did a great job, according to SDCERA's Mark Mimnaugh, who attended our luncheon and agreed Dotty was a great selection for recognition. This past fall, she agreed to be in charge of door prizes and she was amazing. Dotty and her fellow volunteer, Eric Wong, solicited donations, made multiple trips to Costco and held a gift wrapping party before the luncheon. If you attended the luncheon, you saw the colorful assortment of nearly 200 gifts assembled on the front tables. Thanks Dotty for all your contributions to another successful Holiday Luncheon.



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FROM THE DESK OF THE EXECUTIVE DIRECTOR

Dear Members:

I recently came across an article that I found to be quite interesting and contains some great information. It was focused on having a high level of mental activity throughout life and how that associates with helping us stay sharp as we get older. The following are excerpts from the article, originally posted in the St. Louis Post Dispatch on 12/4/14.

- Even when someone has memory problems that can accompany old age, studies have found that learning new things will slow down and possibly reverse cognitive decline.
- Two large studies show when those who have cognitive impairment play computer games, their ability to think and remember can improve for as long as five years. The combination of memory stimulation sessions with physical exercise has been found to markedly improve memory of those who have dementia and live in nursing homes.
- Reading, especially when you talk about the content immediately afterward, such as discussing "what did you think about that article in the newspaper today," can be an excellent stimulus.
- Doing crossword puzzles, Sudoku and other word games can also be thought-provoking. Board games or cards are both socially and cognitively stimulating, but obviously require the involvement of others.
- In recent years many electronic games have become available as computer apps. Not only can these games be fun to play, but evidence is emerging that they can slow cognitive decline in those who have Alzheimer's disease. In addition, Wii games can combine both mental and physical exercise.
- Online game top picks, which can be found by using Google and searching for the name, include: "Let's Create Pottery," "Chain of Thought," "Flower Garden," "Lumosity" and "Wordmania."

These and other activities are all fun ways to help in both stimulating and entertaining your brain!

Mark Nanzer
Executive Director



SEE'S CANDY CERTIFICATES INCREASE IN PRICE FOR 2015

See's Candy has increased the retail price of their candy commencing January 5, 2015 to **\$18.50** per pound.

RESDC members are entitled to a group discount at the See's Discount Store at 3751 Rosecrans Street in San Diego. You must show them your RESDC Membership Card. Their discount price for one pound gift certificates is \$15.70.

Our office will mail See's Candy Certificates to our members for the price of \$15.50 for each one pound gift certificate.

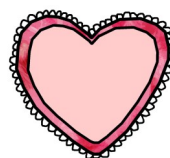
Please send a check payable to RESDC for the number of certificates you want to purchase with a business-sized (#10) stamped self-addressed envelope (the certificates won't fit in a small envelope) to RESDC, 8825 Aero Dr., Suite 205, San Diego, CA 92123. For more than five certificates please affix .70 cents postage on the return envelope.



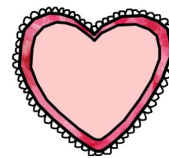
HAVE YOU SEEN THE PHOTOS FROM THE 2014 HOLIDAY LUNCHEON? RETIRED EMPLOYEES OF SAN DIEGO COUNTY, INC. NOW ON FACEBOOK!

If you're a member of Facebook, please check out RESDC's Facebook page. We can be found under our full name, Retired Employees of San Diego County. We use Facebook to keep our members informed of upcoming events and newsworthy announcements. We also post photos from recent gatherings, meetings, and lunches.

Use our Facebook page as another way to stay in touch with RESDC.



Happy
Valentine's
Day





2015 SCHOLARSHIPS

By Carlos Gonzalez, Scholarship Chair

RESDC will again this year award five \$2,000 scholarships to graduating high school seniors who are immediate family members of a RESDC member. An immediate family member is defined as a child, grandchild, or great-grandchild; step-children, step-grandchildren, and step-great-grandchildren are also included.

All eligible high school seniors are encouraged to apply.

Applications may be obtained at our office, 8825 Aero Drive, Suite 205, San Diego, CA 92123 or by calling the office at (866) 688-9229. You can also download the application off the RESDC web-site at www.resdc.net. You may use our e-mail address to request an application: resdc@resdc.net.

The deadline this year is **Friday, March 6, 2015**. We are not able to accept applications postmarked after that date.

A \$500 Community Service Award is also available for students in memory of LaRue Pierce, a former RESDC Board member.

We suggest you start this process early and check with your references to be sure they have met the deadline. In the past, we have had to disqualify applications because reference letters were missing.

Reminder: The Theo Yakel Scholarship applications are due on **Feb. 4th at 1:00 p.m.** Please call the San Diego Foundation or use their web-site for more information about the Theo Yakel Scholarship which is also offered by RESDC. The foundation's web address is: www.sdfoundation.org. Their phone number is (619) 814-1343. Applicants are eligible to apply for both scholarships.

PENSION FACTS COVERING THE TAB FOR STATE RETIREE BENEFITS

By Chris Heiserman, RESDC Director

California faces huge problems in paying for benefits promised to public workers in retirement.

As much as it irks us to read editorials characterizing the long term cost of pension and other benefits as catastrophic with metaphors like "oncoming tsunami," there is no denying the magnitude of the funding challenge.

Two of the most pressing and most expensive issues are the large unfunded liability in the California State Teachers Retirement System (CalSTRS) and the escalating cost of state retiree health benefits. Both of these big ticket problems were identified last year in a report from the state Legislative Analyst's Office (LAO) about key liabilities facing California policy makers. The LAO report said the \$74 billion unfunded liability in CalSTRS should be the top funding priority because the cost continues to grow and delaying action will make hard decisions even more difficult.

The Legislature responded and in June passed Assembly Bill 1469 which calls for higher contributions from the state, school districts and teachers to close the CalSTRS funding gap over 32 years. However, those larger contributions needed to get the education pension system back on solid footing will ramp up to a projected \$5 billion a year by 2021 and districts and teacher representatives are worried about possible deep budget impacts on school programs.

The other major unfunded liability is the \$72 billion representing the present day cost for health benefits for state retirees. A December report from the State Controller's Office proposed a five-year plan to move from "pay-as-you-go" funding for these expenses to pre-funding the liabilities over a 30-year period similar to retirement plans. Covering only the current health care tab every year essentially passes the growing obligation for future benefits to the next generation.

Just as in the CalSTRS case, biting the bullet to move toward pre-funding long term retiree health liabilities would be expensive. Based on the assumption the whole expense would remain a state responsibility, the Controller's plan suggested a five-year phase-in that would ratchet up to doubling the \$1.8 billion annual pay-as-you-go cost.

Governor Brown's proposed 2015-16 Budget addresses the pre-funding issue. Brown says paying down the huge unfunded liability for retiree health care will take decades and is a shared responsibility between employers and employees. His Administration will seek cost-sharing agreements as labor contracts come up for renewal.

It is somewhat heartening that pragmatic ideas to address the escalating cost of these large pension and health benefits obligations are finally being seriously proposed and considered. Hopefully they will gain real traction at the State Capitol. Difficult and painful decisions are needed now precisely because our elected leaders failed to deal with them in a timely fashion many years ago.

WELCOME NEW MEMBERS

Marcia D. Kennard	Assessor/Recorder/Clerk
Amy M. Marrah	Health & Human Services
George W. Seidel	Health & Human Services
Norma Ignacio Spaulding	
Velma R. Whittingham	Sheriff



**February 2nd is
Groundhog Day!**

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



In a big bank trap? Eligible SDCCU® cardholders can transfer their high-rate credit cards to a low-rate SDCCU Visa®! Transferring is easier than ever with the new SDCCU Easy Balance Transfer mobile app. Simply take a picture of the credit card payment stub you want to transfer and the app will collect the required information. It's as easy as Balance. Snap. Transfer.SM The app is available from either iTunes® or Google Play®, search for SDCCU.

Start saving today. You can make your balance transfer request by using the SDCCU Easy Balance Transfer mobile app, calling us at (877) 732-2848 or by visiting one of our more than 30 convenient branch locations.

PENSION FACTS AT A GLANCE

83.3%

**SDCERA Funded Status June, 2014—
 up from 77.4% June, 2013**

IN MEMORIAM

F. Rita Archibald	Health & Human Services
Dora Beamesderfer	Health & Human Services
Sylvia Bradley	Sheriff
Roy A. Celis	Health & Human Services
Frank Chavez	Surviving Spouse
Judith Chun	Health & Human Services
Charles H. Dale	Health & Human Services
Yvonne Daniels	Health & Human Services
Lazetta M. Davis	Health & Human Services
Samuel E. Donaldson	Assessor/Recorder/Co Clerk
Richard E. Duncan	Probation
Mary E. Ely	Sanitation & Flood Control
Nathan E. Heard	Surviving Spouse
Julia H. Holly	District Attorney
Therese Holmquest	Probation
Elmer H. Keshka	Auditor & Controller
Mary R. Koehler	Health & Human Services
Elmer E. Lundy	Health & Human Services
Patricia J. Magalski	Health & Human Services
Butch Navarro	Planning & Land Use
Marilyn Ontiveros	Assessor/Recorder/Co Clerk
Katherine Osborn	Surviving Spouse
Jose M. Pena	Public Works
Joseph Simas	Health & Human Services
Mary Vlismas	Municipal Court
Doreen F. Walters	
Peggy D. Wayne	Assessor/Recorder/Co Clerk
John Westrick	Probation
Frederick T. Wieder	Health & Human Services
Barbara Wilson	Surviving Spouse
Billie Wilson	Health & Human Services

**Gone from our sight, but never our memories.
 Gone from our touch, but never our hearts.**

The surviving spouse of a member is eligible for RESDC membership. For enrollment assistance, call (866) 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.





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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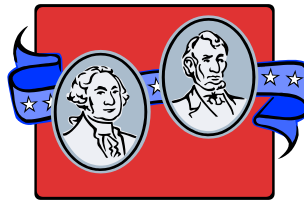
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President's Message (Continued from Page 1)

who may not have viewed the meeting in person or through the SDCERA website feature. Video clips of these comments will be available on the RESDC website, www.resdc.net. We have made every effort to report on BOR actions by writing numerous newsletter articles and through more timely email communications when necessary. Additionally, we hosted a special membership meeting at the end of January to give members the opportunity to hear directly from Skip Murphy, our retiree representative on the BOR, and Scott Whalen, of Wurts and Associates, the independent Investment Advisor to our BOR.

Increase membership and encourage participation in RESDC.

In recent months, RESDC staff and board members have connected with active employees through participation in County events. We look forward to greater involvement in 2015. In that regard, we hope to be involved with the County's Live Well San Diego, a collaborative mix of County departments and community groups, with the shared goal of "HEALTHY, SAFE AND THRIVING COMMUNITIES IN SAN DIEGO COUNTY." We see a natural connection between these efforts and RESDC as a number of the existing programs seek positive outcomes for seniors' health and intergenerational activities. Finally, we encourage new members to attend a General Membership meeting, held quarterly and throughout the County, and learn more about your association—the only organization representing the interests of all retirees who worked for the County of San Diego.



**Presidents Day—
 February 16th.
 The RESDC office will be
 closed in observance
 of the holiday.**

Revisiting Our Assumption Rate (Continued from Page 2)

So now there's discussion about reducing assumption rates again, two years before the next scheduled, three-year reevaluation. Reductions from the current 7.75% to 7.00%, and lower, have been mentioned.

But at what cost? The impact on the County is straightforward. Reducing the assumption rate .75%, to 7.00%, would increase the County's annual retirement bill approximately \$98 million, and another .75% reduction, to 6.75%, would increase the County's bill about \$132 million, about 2.6% of the County's \$5 billion Budget.

Active employees would feel it too. Payroll deduction rates currently average 12% and 14.02%, for general and safety employees. Reducing the assumption rate to 7.00% would raise those to 14.19% and 16.74%, respectively, and a reduction to 6.75% raises them to 15.02% and 17.79%. The latter raises monthly payroll deductions to \$800 and \$1,137 for general and safety employees, who earn average compensation of \$63,938 and \$76,735, respectively.

The Board of Retirement is expected to dive into this subject within months.

One satisfying aside; according to the same NASRA Survey, as of June 30, 2014, U.S. state and local government retirement systems held total assets of \$3.70 trillion (3,750,000 X \$1 million), in trusts to pre-fund pension benefits.

San Diego County net assets increased \$62.4 million and \$129.3 million during October and November, bringing fiscal year-to-date net assets to \$170.3 million, and total net assets to \$10.35 billion.