



# NETWORK

Newsletter of The Retired Employees of San Diego County Since 1961

Vol. 45, No. 5

Honoring Yesterday—Protecting Tomorrow

May 2013

## GENERAL MEMBERSHIP MEETING FLAG DAY LUNCHEON

**THEME:** A PROGRAM OF PATRIOTIC MUSIC  
**WHEN:** THURSDAY, JUNE 13, 2013, 11:00 AM  
**WHERE:** RONALD REAGAN COMMUNITY CENTER  
195 East Douglas Avenue, El Cajon 92020  
**WHAT:** LUNCH—\$9.00 per person.



**Menu:** Teriyaki chicken, ham, pasta, salads, fruits, vegetables, desserts, coffee or tea. To join us for lunch, please complete the form below, include the name of person(s) attending, and send a check for **\$9.00** per person, payable to RESDC at 7860 Mission Center Court, Suite 209, San Diego, CA 92108-1329. **Reservation forms must be postmarked by Friday, June 7.** Hall limit is 200, so mail your reservations in as soon as possible. Tickets should be picked up at the registration table at the luncheon. They will not be mailed.

Name of Person \_\_\_\_\_ Telephone # \_\_\_\_\_

Name of Guest(s) \_\_\_\_\_ # of Reservations at \$9.00 \_\_\_\_\_

Total Enclosed \_\_\_\_\_ E-mail: \_\_\_\_\_

Department and Year Retired \_\_\_\_\_

## PRESIDENT'S MESSAGE

*By Susan Mallett*



In early April, a number of RESDC Board members participated in a SDCERA health benefits committee meeting. This is the time of year when SDCERA's health care consultant, from AON Hewitt, provides current trends and projected cost in health care plans as well as an update on health care reform through the federal Patient Protection Affordable

Care Act (PPACA). As you may know, health care coverage becomes a mandate in the United States for most citizens, in 2014. Currently 17 states, including California, have established an exchange to assist uninsured individuals, pre 65 years, purchase a

health care plan. Not affected are those citizens who are insured through eligible employer-sponsored plans, including retiree health plans, or through a government sponsored health program i.e., Medicare, TRICARE, etc. or through various individual plans.

At the outset of the committee meeting, we were pleased to hear that SDCERA, considered an employer under the provisions of PPACA, will continue to sponsor retiree health care plans. According to a recent SDCERA Member Services activity report, at the end of December 2012, there were 12,459 retirees and dependents enrolled in SDCERA sponsored health plans including Tier I/II retirees utilizing the Health Insurance Reimbursement Program. SDCERA and their health care consultant will monitor the implementation of the state-run exchanges, over the initial start up years, to ascertain how individuals fair in this open mar-

**Continued on Page 4**

## May 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**  
7860 Mission Center Court, Suite 209, 9:30 am

**14-17—(Tues.-Fri.) SACRS Conference, Napa Valley**

**16—(Thurs.) SDCERA Board of Retirement Meeting**  
2275 Rio Bonito Way, Suite 200, 8:30 am

## A CASH BALANCE OPTION

*By Stan Coombs, Benefits Committee Chair*

Defined benefit and defined contribution retirement plans. The former guarantee specific lifetime pensions based on age and years of service and are funded from employee payroll deductions, employer contributions and investment earnings. A board of retirement and investment team manages investments. Defined contribution plans, on the other hand, guarantee contributions from an employer, which may or may not be successfully enough invested to last a lifetime.

Turns out there's another kid on the block, "cash balance" systems, hybrids living between defined benefit and defined contribution arrangements. These are a far cry from our familiar San Diego County defined benefit plan, but officially considered a sub-set of the defined benefit category because the legal definition of same requires benefits "expressed in the form of an . . . (annuity) . . ." starting at normal retirement age." Cash balance has those.

Cash balance systems guarantee lifetime pensions, but members can only guess how much those benefits will be until they retire. That's because members can't know ahead how much they'll accumulate in their retirement accounts, and their annuities depend on that total. That's similar to defined contribution plans.

Members only know that their employer will contribute some set credit annually during their working years to a "hypothetical retirement account," perhaps 5% of salary, plus a minimum interest credit on the last year's balance, maybe 6%, and sometimes an additional special dividend if investments outperform a stated threshold. Some folks claim cash growth will run ahead of inflation because the basic credit arises from a rate applied to salaries, which increase over time, and the minimum interest credit is often set near government bond yields.

In the end the retiree has a cash balance from which

a calculated pension annuity may be paid for life, or a portability feature can allow retirees to withdraw the final balance in a lump sum for purchase of an annuity elsewhere.

A board of retirement and, likely, a professional investment staff manages the pooled cash balance funds. That's similar to defined benefit systems.

The question remains, while a cash balance total may be stretched over a lifetime, will the resulting pension be enough to live on? Estimates of funding needs can be developed, providing a cash balance goal to aspire to, but investments aren't always predictable, as we all saw in 2008 and 2009, and losses can come at inopportune times.

Gerard Miller addresses that point in his May 2012 article, "Cash-Balance Pension Plans: A Wolf in Sheep's Clothing?" published in Governing. He suggests cash balance systems could be paired with defined contribution, 401(k) or deferred compensation options for employees who want aggressive investment opportunities in separate accounts.

Some retirement reform groups have suggested that cash balance could serve to move public agencies away from defined benefit plans, even that they would work well to repair systems in bankruptcy. A distressed system 75% funded could convert to a cash balance plan at 75% of the value of accrued benefits, they say. A large step backward, retirees might say.

A 2005 U.S. Government Accountability Office report analyzed the effects of cash balance conversion – from defined benefit to cash balance – and found the cash balance typically provides lower benefits for most workers, assuming no changes to the defined benefit plan and workers stayed to retirement age. The decline in benefits tended to be larger for older workers. Workers would need additional savings.

**(Continued on page 6)**

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## Happy Spring!



**FROM THE EXECUTIVE  
DIRECTOR'S DESK**

Dear Members:

Approximately four weeks ago, I may have interrupted your dinner, intruded on precious time with grandchildren or kept you from watching your favorite TV program just so you could answer some questions about RESDC. I am pleased to report that as of April 2, I talked with the last of the survey respondents. Like most, she was happy to give her opinion and was even more pleased I took the time to ask.

As you can imagine, completing the membership survey was a very time-intensive endeavor. However, we could not have completed such an undertaking without the generous assistance of 15 very special volunteers - THANK YOU! With their dedication and tenacity, we were able to make almost 500 calls and completed over 100 surveys.

The results are in! The data shows that the majority of our membership is extremely satisfied with the services and benefits received, particularly the advocacy efforts on behalf of retiree interests with the Board of Retirement. We received many great suggestions that the RESDC board will soon consider including adding day trips to the activities programs, modifying the newsletter, transforming the website and getting our retiree message out.

Thanks to all those who participated, made calls and helped gather information. For those of you who were not contacted and would like to provide input, we encourage you to contact us. As always, your opinion is important and we want to hear from you.

Looking forward to seeing everyone at the Flag Day lunch on June 13th at the Ronald Reagan Center in El Cajon.

Denise Price  
Executive Director

**SAN DIEGO COUNTY  
DEFERRED COMPENSATION  
INVESTMENT AND RETIREMENT  
SYMPOSIUM**

**Date:** Thursday, May 16, 2013

**Time:** 6 pm—8:30 pm / Check-In at 5:30 pm

**Place:** Hotel Circle Doubletree Hotel,  
1515 Hotel Circle South, San Diego, 92108

**Cost:** \$15 per person or \$25 for two  
Dinner and parking included.

The deadline to register is May 14.

**Topic:** Your Money, Your Retirement, Your Future  
**Speaker:** **Henry Cisneros**, Founder and Chairman  
of CityView Companies

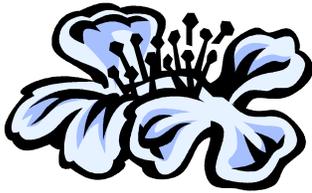
Seating is limited and pre-registration by May 14 is required. All current and former County employees and their guests are welcome.

For registration and information, please call the Deferred Compensation Department at (619) 531-5840 or log on to [www.mydcplan.com](http://www.mydcplan.com).



Summer is right around the corner and it's not too late to start saving for your next vacation. San Diego County Credit Union's products and services make saving easier than ever. It could be as simple as setting up a new savings account, using our 30,000 surcharge-FREE CO-OP ATMs, refinancing to a lower interest rate or saving money on postage by paying your bills online.

Start saving for your goals today. Visit [sdccu.com](http://sdccu.com), call (877) 732-2848 or come into any of our 29 convenient branch locations.



## WELCOME NEW MEMBERS

Andrea M. Anderson	Health & Human Services
Teresia Harvey	Superior Court
Heidi Shaffer	Mental Health
Virginia J. Stewart	Health & Human Services
Joan Werner Vokac	Planning

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### President's Message (Continued from Page 1)

ket approach to health insurance.

The PPACA includes fees that will apply to many of those insured through a health plan. The fees will be incorporated into health care premiums. For example, beginning in 2013, there will be a \$2 annual fee to the plan sponsor, SDCERA, for each participant covered in the group health care plan to fund research to determine the most clinically cost effective treatments for specific health conditions. In 2014, a \$63 annual fee will apply to each plan participant, under the age of 65, and be used to help stabilize health care premiums for those entering the health care exchanges. These fees are currently scheduled to reoccur each year until at least 2018. There are also Medicare tax increases and other tax rate increases impacting higher income individuals that will provide additional funds for PPACA programs.

SDCERA's health care consultant is scheduled to return in June with proposed premiums and covered benefits for open enrollment. No major plan changes are anticipated. As always, RESDC will keep you informed of proposed actions related to these retiree plans.

We expect much more information to be available regarding PPACA as this year progresses. Media coverage of this topic is often politically slanted and often quite misleading. Our goal is to give retirees accurate information and/or resources, for your own review, so that each of us might better understand these changes to health care insurance in our country.

**Editor's Note:** This article was published in the April issue of the **NETWORK** with an incorrect e-mail address. The e-mail address has been corrected here and we are publishing it again this month.

### PERS LONG TERM CARE INSURANCE

Our statewide organization, CRCEA, has asked us to poll our members to ascertain how many retirees may have purchased long term care insurance through the Public Employees Retirement System (PERS). According to PERS' correspondence to its participants, substantial rate increases are anticipated over the next couple of years and could reach or exceed 85% more than current premiums.

In the past, members of '37 Act retirement systems were able to purchase this insurance. CRCEA would like to determine the number of members who may have this insurance coverage so that they can evaluate the impact of such rate increases on CRCEA members. Over the coming months we will provide more information and a plan of action by CRCEA as it develops.

If you have PERS long term care insurance, please inform the RESDC office via email at [resdc@resdc.net](mailto:resdc@resdc.net) or a phone call at (866) 688-9229.



### CHANGE OF ADDRESS?

If you have moved recently or are planning to move, be sure to provide RESDC with your new address, phone number, and any changes to your e-mail address. We want to make sure you continue to receive your monthly **NETWORK** and any important e-mail announcements from us. Call the RESDC office at (866) 688-9229 or e-mail us at [resdc@resdc.net](mailto:resdc@resdc.net) with any changes in your addresses.

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**ASSOCIATION OFFICERS**

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

**ASSOCIATION DIRECTORS**

Carlos Gonzalez, Chris Heiserman  
 Chris Hinshaw, George Lejeck  
 Joe McGuire, Janel Pehau  
 George Shoemaker, Mila Thurber

**EXECUTIVE DIRECTOR**

Denise Price

**OFFICE STAFF.....**

Karen Hazel  
 .....Sharon Kay  
 .....Anne Schwartz

**NETWORK EDITOR...Karen Hazel**

**Happy  
 Mother's Day!  
 May 12**



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 doesn't 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**

Robert T. Allen	Public Works
Helen Anderson	Sheriff
Laverne Biskup	Surviving Spouse
Vernon Bowden	Public Works
Vinita F. Brooks	Surviving Spouse
Gary W. Cane	Public Works
Louisa Chadwick	Health & Human Services
Roma L. Cohee	Health & Human Services
Raymond J. Cummings	Sheriff
Alvis Davis	Health & Human Services
William Davis	Formation Commission
Ruben G. Dionisio	Health & Human Services
Arlene Eddy	Health & Human Services
William Fowler	EDP
Natividad L. Greer	Health & Human Services
Cheryl L. Griggs	SDCERA
Marilyn D. Grip	Health & Human Services
Cecilia Guadian*	Animal Services
Elizabeth S. Hammock	Social Services
Jerry Jones	Health & Human Services
Eugene H. Jordan	Probation
Ingeborg Lehuman	Surviving Spouse
Georgia L. Liaga	Sheriff
Mary Martin	Health & Human Services
Richard McGraw	Information Services
John E. Melhorn	Public Works
Ben Menancio	Treasurer/Tax Collector
Margaret D. Michael	Surviving Spouse
Dorothy Miles	Health & Human Services
Edwin L. Miller	District Attorney
Violette M. Miller	Medical Institution
Sherley A. Molitor	Health & Human Services
Susan Mooney	Child Support
Russell Morissette	Surviving Spouse
Bruce R. Nason	Superior Court
Richard J. Neely	District Attorney
G. Kristine Newkirk	Surviving Spouse
David S. Nisbet	Medical Institution
Donna Pool	Health & Human Services
Blanche G. Prilaman	Probation
Margaret E. Rennow	Surviving Spouse
Donald B. Ross	Marshal's Office
Shirley B. Scott	Surviving Spouse
Howard E. Smith	County Library
Judy A. Stenberg	Superior Court
Lila F. Stone	Health & Human Services
Tetsuko Stracener	Surviving Spouse
John B. Trahan	Surviving Spouse
Helen Virgil	Health & Human Services
Alpine D. Weaver	Social Services
George W. Werthwein	Surviving Spouse
Allen M. Williamson	Assessor/Recorder

\* Active

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

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



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

**Retired Employees of San Diego County, Inc.**  
 7860 Mission Center Court, Suite 209  
 San Diego, CA 92108-1329

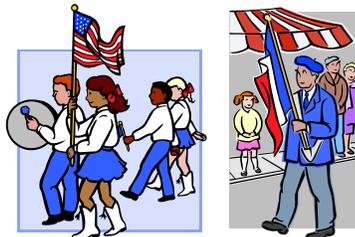
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Address Service Requested

**Business and Inquires:** 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.

## Memorial Day May 27th!



### NEW MEMBERS NEEDED

RESDC is asking help from the membership in recruiting new members in 2013. If you know a retired County employee who is not a member of RESDC or someone planning to retire soon, urge them to join our association.

Every County retiree should belong to RESDC. RESDC is the voice for retirees before the Board of Supervisors and the County Retirement Board.

Call the office at (866) 688-9229 for membership packets, and let's get started recruiting new members. Thank you for your help.

### A Cash Balance Option (Continued from page 2)

Cash balance systems have not been without controversy. Retirement groups don't care for the risk of inadequate pensions. Others like the pooling of investments and longevity risk, and that professional investment management is available, costs are lower and no one outlives their funds. And, while business/taxpayer groups distrust the employer underwriting risks, they like the crediting rate, which is usually lower than the 7.0% to 8.0% assumption rates typically used in defined benefit plans.

There has also been litigation, whether cash balance plans violate age discrimination rules due to the lessening of pensions no longer calculated on an average of the last several years' wages for older employees. Applicable statutes forbid any plan from reducing "the rate of benefit accrual" for any worker on account "of the attainment of any age."

Cash balance plans, another ingredient in the mix retirement-savvy folks need to keep an eye on.

San Diego County retirement plan net assets increased \$16 million during February, increasing fiscal-year-to-date-gains to \$722.9 million, and total net assets to \$9.2 billion.

### FLAG DAY LUNCHEON 2013

RESDC's Flag Day Luncheon is scheduled for Thursday, June 13th at Ronald Reagan Community Center in El Cajon. The theme this year is a patriotic music program.

Be sure to get your reservation mailed in early! (See reservation form on page one.) The cost of the Flag Day Luncheon is \$9 per person.

Directions to the Ronald Reagan Community Center will be published in the June issue of the NETWORK.