



# NETWORK

Newsletter of The Retired Employees of San Diego County Since 1961

Vol. 44, No. 11

Honoring Yesterday—Protecting Tomorrow November 2013

## PRESIDENT'S MESSAGE

By Susan Mallett



Most mornings since retiring, I enjoy reading the newspaper and turn to specific sections first such as the local news, sports and more recently the editorial/opinion pages. As the vast majority of County of San Diego retirees still live in the County, I suspect if you read a daily paper, you are reading the U-T San Diego as I do. A 2010 Scarborough consumer research survey, cited on the U-T website, noted the print and online daily newspaper, reached 55.5% of San Diego County adults. Television and increasingly social media play a significant role in news reporting but I suspect that older adults continue to be newspaper readers.

Don't worry, not a lot of statistics, but one more example to illustrate my message for this month. In 2012, an SDCERA membership survey was conducted by Competitive Edge Research and Communication, Inc. via a phone interview with a sample group of 500 members, half being retirees. Of the members who read local print media, 32% reported reading about SDCERA during the past year. More than half of these respondents believed the coverage of SDCERA was somewhat or very positive and the researchers noted this was an increase over past years. However, the media treatment of other pensions was rated as far less positive by 78% of those surveyed. So true and the problem, of course, is the general public reader tends to lump all public pensions together and regularly confuses San Diego County government with San Diego City.

SDCERA's fund management has matched up well with like-sized systems over the past several years and our system is currently funded at a 78% level, above the 70% level deemed to represent adequate funding by national financial rating firms. Such facts do not always find their way into our newspapers, at least not in the reports entitled U-T Watchdog. The goal each month, of those who write articles for the RESDC newsletter, is to provide factual pension-related information for our readers. At times, we write about general topics of public pension facts and details so that retirees are better informed and able to answer questions about their pension, from family and

friends. At other times, we write about a specific inaccurate media article that prompts a RESDC response. This is one of those occasions.

On September 30<sup>th</sup>, the U-T published an opinion piece entitled "Fixing California: Quieting the Pension Monster". The writer stated that taxpayers throughout California will send nearly \$8 billion this year to the CalPERS pension system for retired state and local government employees and millions more to local jurisdictions for other retirement systems. The article lumps all pensions systems together when referring to funding shortfalls suggesting the situation is dire regardless of the system. When beginning a paragraph on two city bankruptcies in California, the writer stated, "Every taxpayer dollar that goes to the pension systems is a taxpayer dollar that can't be spent for more police officers, firefighters or teachers or expanded hours at libraries or recreation centers." This statement in particular was so misleading it warranted the following response from RESDC in a letter to the editor:

### **Public Pensions Don't Steal Tax Money**

*Your Sept. 30 opinion piece, "Fixing California: Quieting the pension monster," promotes the myths that public pensions steal tax dollars and are unsustainable.*

*First, public pension plans are funded from three sources: contributions from the employer, contributions from the workers, and investment income. Between 1993 and 2009 more than half of California public pension receipts came from investment earnings, while the remainder came from employers and workers. That means, three quarters of these funds are not tax dollars and cannot be used to repair streets.*

*Second, despite the recession, the San Diego County Employees Retirement System (SDCERA) is nearly 80 percent funded, exceeding the national sustainability benchmark.*

*Finally, pension dollars go back into the economy. This year, County retirees are on track to spend nearly \$400 million in San Diego - an economic impact equal to eight Comic-Con conventions.*

*No monster here.*

We are certainly pleased that our letter was printed in the October 6<sup>th</sup> edition of the U-T San Diego Sunday newspaper. We also urge our readers to learn more about our pension system by reading reports on the SDCERA.org website. Your RESDC representatives will continue to attend Board of Retirement meetings and keep you apprised of actions taken there and elsewhere that may impact your benefits.

## November Calendar of Events

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

**14—(Thurs.) RESDC Board of Directors Meeting**  
7860 Mission Center Ct., Suite 209, 9:30 a.m.

**12-15—(Tues.-Fri.) SACRS Conference, Indian Wells**

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

## IS PUBLIC RETIREMENT REALLY UNSUSTAINABLE?

*By Stan Coombs, Benefits Committee Chair*

Ran into a respected old friend in a food market parking lot after twenty-odd years with no contact. We exchanged pleasantries and updates, including my association with RESDC. He reacted almost immediately, "We've come to the point," he said, "where we have to recognize we simply can't afford these government retirement programs anymore." The "we" implied the U.S. society as a whole.

I listed some of the reasons I thought differently and the tension mildly increased. We remained friends, but he left looking doubtful.

Is that true? Are well-managed public retirement systems that provide adequate pensions really out of control and out of reach?

Morningstar, described as a leading provider of independent investment research (and therefore publishes to caution bond investors) has released their 2013 edition of "The State of State Pension Plans," based on final 2012 figures. They were kind enough to provide a copy.

In 35 pages of commentary and tabular data, Morningstar describes the state of state retirement systems administered by all 50 states and Puerto Rico, not including independent plans run by local agencies within the states. Since most states directly administer more than one retirement program, almost 300 are listed, Minnesota reporting the most at 16.

This financial information is condensed into several pertinent numbers: (1) total Actuarial Value of Assets (the value of the retirement funds calculated with a multi-year "smoothing" accounting mechanism); (2) total Actuarial Accrued Liability (present value of future benefits due employees to-date); (3) total unfunded Actuarial Accrued Liability (the difference between the first two numbers); (4) the ratio between the two; and, (5) the unfunded Actuarial Accrued Liability Per Capita (the Actuarial Accrued Liability divided by the population).

Unfunded liabilities are common in the retirement trade, usually resulting from annual investment earnings failing to reach projected levels in an off-year, or employers failing to contribute their full share. But they aren't left unaddressed, normally amortized and paid off over several decades. Public retirement is a very long-term proposition. Morningstar says fiscally sound funding levels begin at 70%, and are consid-

ered "strong" at 80%, as recommended by the Government Finance Officers Association.

The report notes that there are financial pressures on state and local governments still recovering from the recession, and state pension funded levels overall dropped -2.1% in 2013, as the final few years of recession losses moved through the various "smoothing" accounting mechanisms. That figure has been falling annually since the "crash year" in 2008, -6.1% in 2009, -2.4% in 2010 and -1.3% in 2011.

But, long-term investment returns have generally met the 7% to 8% assumptions (projected annual earnings goals), averaging 7.5% over the last ten years, 7.9% over the last 20 years and 8.9% over 25 years. The authors opine that the main driver of long term pension health will be good management practices, active management of pension liabilities, and periodic review of actuarial assumptions and investment portfolios.

The tabular detail reveals an interesting dichotomy. There are well-performing retirement systems and a few in trouble. Overall the states are 72.6% funded. Wisconsin at the top, 99.9% funded with a liability per capita of \$18, while 12 other states are funded above the "strong" level of 80%. Six of these exceed 90%. In all, 24 states – nearly half - exceed the 70% "threshold."

On the other hand, Puerto Rico is 11.2% funded with a liability per capita of \$8,934, and Illinois is the least-funded state at 40.4% and a \$7,421 liability per capita. Because higher funded levels don't always correlate with lower liability per capita, it should also be noted that six states have liability per capita below \$1,000 and six states exceed \$5,000. Alaska has the highest liability per capita, at \$10,235.

**Continued on Page 4**

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## LEGAL DEFENSE COVERAGE

*By Denise Price, RESDC Executive Director*

At a recent meeting, a prospective retiree asked if our organization provided liability insurance for carrying a firearm. Although we offer many supplemental insurance programs, firearms coverage is not available through RESDC. It is, however, offered to retired peace officers through the Peace Officers Research Association of California (PORAC).

First, a law enforcement retiree must become a Retired Associate Member (RAM) of PORAC. (The annual membership fee is \$26 per year for an individual retiree.) Once you become a RAM member, you become eligible for the legal defense coverage which is available at a cost of \$48 per year. There are no associated deductibles.

For more information about legal defense coverage for retirees, visit [www.porac.org/ram](http://www.porac.org/ram) or call Mike Durant at 1-800-937-6722.

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## HOLIDAY DISCOUNTS FOR SENIORS

Dear Members:

It's that time again! The holidays are just around the corner, and it's never too soon to start planning for those treasured times with family and friends.

If you're age 50 or over, I have some great news to share with you! Many retail stores already offer age-based discounts, and you can take advantage of those same discounts during the holiday season. Here's a short list of retailers you might want to consider:

**Banana Republic:** 10% off every day (62+). Valid on regular, sale and promotionally priced items.

**Dress Barn:** 10% off every day (55+). Valid on total purchase price.

**Goodwill:** 10% off every day (55+). Valid on total purchase price.

**Hallmark (Sports Arena):** 10% off every Tuesday (55+). Valid on full-priced items only.

**Kohl's:** 15% off every Wednesday (60+). Valid on sale, regular and clearance-priced items.

**Rite Aid:** 10% off on first Wednesday of every month (65+). Valid on full-priced items only. Does not include prescriptions.

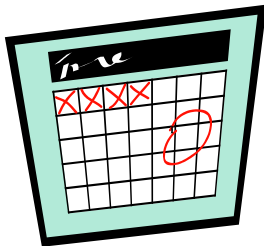
**Ross Dress for Less:** 10% off every Tuesday (55+). Valid on full-priced items only.

**The Salvation Army Thrift Stores:** 15% everyday (50+). Valid on full-priced items only.

And remember that RESDC offers discounted See's Candy Gift Certificates – a great holiday gift for anyone!

Wishing you happiness and health,

Denise Price  
Executive Director



## RESDC OFFICE SCHEDULE FOR NOVEMBER

The Retired Employees of San Diego County office will be closed on Monday, November 11 in observance of Veterans Day. RESDC will also be closed on Thursday and Friday, November 28 and 29 for the Thanksgiving holiday.



## COUNTY RETIREES CAN STILL DONATE TO CECO

Learn about the positive impact that the San Diego County Employees' Charitable Organization (CECO) continues to make in the local community at [www.sdceco.org](http://www.sdceco.org).

The CECO has served as the charitable arm of the County of San Diego since 1956. One hundred percent of monies donated by County of San Diego and Superior Court employees and retirees are distributed to the community via grants to local non-profit organizations and financial assistance to employees in crisis. Be part of this great tradition of giving by completing a "Request for County Employees Charitable Organization (CECO)" form, which is available from the [SDCERA website, Forms page](#).

**Every dollar makes a difference.**

**Have questions?** E-mail [sdceco@sdcounty.ca.gov](mailto:sdceco@sdcounty.ca.gov).

## HEALTH FAIR/PICNIC 2013

*By Denise Price, RESDC Executive Director*

Thanks to all for a great picnic on October 9<sup>th</sup>. Despite the ominous clouds and drizzle, we had over 450 attendees, a new record! It was great to see so many new faces this year, including newly elected Board of Retirement member, Kristina Maxwell.

This year, we encouraged more vendors to attend the health fair including Officer Collins of the Drug Enforcement Agency. As a special service to our members, Officer Collins provided a mobile collection box for unused and expired prescription drugs. If you missed participating in this drop-off event, your local sheriff's station can direct you to a drop-off location near you.

As always, the lunch menu of roast beef, coleslaw and baked beans from the Barbecue Pit was a hit with everyone. After the last person was served, the remaining food was donated to San Diego Safe Harbor, Inc., a nonprofit program providing transitional housing for the homeless. Remaining cupcakes were taken to the local sheriff's sub-station.

A round of applause goes to all our sponsors and vendors who supported and attended our health fair. The giveaways, donated raffle items and baskets were especially appreciated. Also, we send a special thanks to our SDCCU friends for the delicious cupcakes, Jean Stasko for donating her creative handmade crafts and to our very special group of enthusiastic volunteer meal servers.

Finally, special recognition to Event Outfitters and RESDC staff for going the extra mile to ensure event success!

Again, thank you all for your support. I hope to see you again at an upcoming RESDC social and/or informational event.

## WELCOME NEW MEMBERS

### PENSION FACTS

By Chris Heiserman, RESDC Director

So who really believes that Defined Contribution (aka 401(k) and Deferred Compensation) plans are the key to pension reform? Apparently the list of advocates includes local editorial writers, as well as the financial management industry which would charge fees on all those individual investment accounts.

A 2010 study prepared for the Nevada Public Employees Retirement System analyzing Defined Benefit (DB) and Defined Contribution (DC) plans looked at the differences in expenses and expected returns between the two types from two other national research efforts. It estimated that the DC plans would produce a 1.5% lower annual return, which would compound to approximately 20% lower assets at retirement.

A Wall Street Journal article over two years ago (February, 2011) reported on how 401(k) plans were coming up woefully short for the Baby Boomer generation. It considered households headed by 60-62 year olds nearing retirement with 401(k)-type accounts and found that the median plan held \$149,400 according to the Center for Retirement Research at Boston College. Analysts typically calculate an annual income based on a fixed annuity. In this case the \$149,400 would generate just \$9,073 a year for a couple.

The Wall Street Journal article said that just 8% of households approaching retirement have the \$636,673 or more in a 401(k) that would generate \$39,465 a year. This, of course, doesn't account for other sources of income, including Social Security. However, we know of agencies that do not participate in Social Security and expect a Defined Contribution plan to provide for their workers' future retirement. Prospects are sobering.

More information comparing the pros and cons of DB and DC plans in future articles.

Nancy Amador	Sheriff
Robert Amador	District Attorney
Beverly J. Cullen	Sheriff
Adelia R. Ebuén	Auditor & Controller
Cecilia Gonzales	SDCERA
Robert B. Martinez	Library
Regina U. Maschka	Health & Human Services
Vincent H. Peace	Sheriff
Velma Porter-Wendt	
John P. Stathis	Public Defender
Colleen Zalesny	Superior Court



### Is Public Retirement Really Unsustainable? Continued from Page 2

California reports a 76% funded level and a \$3,587 liability per capita, and it's interesting that our own SDCERA's 2012 Valuation reports a 78.7% funded level and an Unfunded Actuarial Liability of \$2.3 billion, amortized over 20 years. That roughly translates into a \$660 liability per capita within the County, although there are other public retirement systems here to be accounted for.

Several high-profile government bankruptcy cases are mentioned: Jefferson County, Alabama; Stockton and San Bernardino, California; and Detroit, Michigan; and the question being very carefully monitored, whether a federal judge can override a state constitution during a bankruptcy when constitutional law disallows contractual pension obligations from being "impaired or diminished."

Pension benefits are protected by the contract clause in the U.S. Constitution and the California State Constitution and statutes, and state case law says, ". . . a public employee's pension constitutes an element of compensation. . . a vested contractual right. . . upon acceptance of employment. . . such a pension right may not be destroyed. . . without impairing a contractual obligation of the employing public entity." An issue to watch carefully.

San Diego County net retirement assets fell \$131.7 million during August, decreasing fiscal-year-to-date gains to \$23.8 million and total net assets to \$9.1 billion.



The holidays are right around the corner and with a little planning you can save money and reduce stress to ensure a fun-filled holiday season. San Diego County Credit Union's products and services make saving easier than ever. It could be as simple as setting up a new special 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 more than 30 convenient branch locations.

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 .....Anne Schwartz  
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**NETWORK EDITOR**...Karen Hazel



**SEE'S CANDY CERTIFICATES  
 GREAT HOLIDAY GIFTS!  
 PURCHASE FROM RESDC  
 FOR LESS!**

See's Candy is now priced at \$17.50 per pound if you buy it at one of their stores. RESDC members can purchase See's gift certificate from us at \$14.70 each.

If you would like to order certificates from our office, please address an envelope to RESDC, 7860 Mission Center Court, Suite 209, San Diego, CA 92108-1329. Enclose a check for \$14.70 for each certificate.

**Also enclose a business size (#10) self-addressed stamped 46¢ envelope as the certificates will not fit in a small envelope.** If you order over five certificates, please put 66¢ postage on the self-addressed enclosed envelope. Please include a stamped envelope for every 10 certificates. Candy certificates are redeemable at any of the See's retail stores for ready-packed or specially packed boxes.

Incidentally, there is no expiration date on these certificates.

See's Candy Certificates are available through RESDC all year long.

**IN MEMORIAM**

Andre Barnes	Auditor & Controller
Lois E. Bennett	Surviving Spouse
Michele Carson-Delong	
Jon E. Christensen	Assessor Recorder
Gladys W. Cotton	Municipal Court
Lily M. Dayton	Superior Court
E. Christine Egnoski	Surviving Spouse
Winona H. Gilliam	Health & Human Services
Sargent Goen	Assessor/Recorder
Joe A. Gomez	Facilities Management
Dixon M. Guthrie	Health & Human Services
Gladys Harris	Surviving Spouse
Michael N. Kinnard	Probation
Joseph A. Linges	Probation
Lena F. Linnenburger	Assessor Recorder
Dorothy L. McSwain	District Attorney
Rina J. Miller	Agriculture Weights & Measures
Donald P. Pickford	Health & Human Services
Donald W. Reeves	Probation
Betty Riles	Probation
Esther C. Ryan	Board of Supervisors
Fred A. Schubitzke	Revenue & Recovery
Dallas Steward	General Services
Mary J. Valente	Surviving Spouse

\*Active

**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 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.

**2013 HOLIDAY LUNCHEON  
 NEW LOCATION!**

This year our Holiday Luncheon will be located at a new location. We are excited to announce the 2013 Holiday Luncheon will be located at the Sheraton Mission Valley Hotel. **Please see the reservation form on page 6.** We are offering **three** meal choices this year and there will be many door prizes to win. We hope to see you there on December 12th!





**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  
**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.**  
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 San Diego, CA 92108-1329

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**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.

## ANNUAL HOLIDAY LUNCHEON

**Thursday, December 12, 2013**  
**Social Time 11 am-11:30 am**  
**Lunch will be served at 11:30 am**  
**Sheraton Mission Valley Hotel**  
**1433 Camino Del Rio South, San Diego**  
**Cost—\$22 per person**

**NEW  
 LOCATION!**

**NEW  
 LOCATION!**



**Menu:** Roast Turkey, Filet of Salmon, or Vegetarian meal.

**Program:** San Diego Festival Chorus, President's welcome, and approval of the 2014 budget.

**Reservations:** Reservation forms and payment must be in our office by **Friday, December 6**. Cancellations must be received by **December 6**; no refunds can be made after that date. **Reserved tables will be provided only for groups of at least 8, and no more than 10. No Exceptions.** Indicate on the reservation form below the names of those in your party and include payment for all. Please make your check payable to RESDC, enclose it along with the form and mail to: **RESDC, 7860 Mission Center Court, Suite 209, San Diego, CA 92108-1329**. Badge and raffle ticket packets should be picked up at the registration table at the event. They will not be mailed. If handicapped seating is required, please call our office at (866) 688-9229.

**Directions:** From the West: I-8 East, right off Mission Center Rd. exit, turn left onto Camino del Rio South. The hotel is on the right side. From the East: I-8 West, exit Mission Center Rd., left on Camino Del Rio N., left on Mission Center Rd., left on Camino Del Rio South. The hotel is on the right side.

### ANNUAL HOLIDAY LUNCHEON RESERVATION FORM

Member Name(s) \_\_\_\_\_ Telephone # \_\_\_\_\_

Name of Spouse or Guest(s) \_\_\_\_\_

Number of Reservations at \$22 each \_\_\_\_\_ Total Enclosed \_\_\_\_\_

Menu Selection: Roast Turkey \_\_\_\_\_ Filet of Salmon \_\_\_\_\_ Vegetarian meal \_\_\_\_\_

Please check menu selections for each person.

Department and Year Retired \_\_\_\_\_ E-mail address \_\_\_\_\_