THE NETWORK

Newsletter of The Retired Employees of San Diego County

March 2016 Honoring Yesterday—Protecting Tomorrow Vol. 47, No. 3

PRESIDENT'S MESSAGE

By John McTighe

"By the Numbers." That's what San Diego County Employees Retirement Association (SDCERA) Chief Executive Officer (CEO) David Wescoe and Chief Investment Officer (CIO) Steve Sexauer titled their presentation to the RESDC special membership meeting held in late January. Both Mr. Wescoe and Mr. Sexauer had been guests at RESDC Board of Directors' meetings shortly after they started with SDCERA. The Board thought it would be helpful for the membership to get acquainted with them personally, so we scheduled this special meeting in January for that purpose. Because what they shared with us at that time was very informative, I want to share some highlights so all of our members can have the benefit of knowing what was presented. This month I will summarize Mr. Wescoe's presentation that was cleverly presented in a series of numbers, the significance of which were then described. Next month I will summarize Mr. Sexauer's presentation. Here are Mr. Wescoe's numbers and what they signify:

4 – The number of new senior executives hired by the SDCERA Board over the past year. This includes Mr. Wescoe as Chief Executive Officer, Steve Sexauer as (in house) Chief Investment Officer, Greg Bych as Chief Financial Officer, and Elaine Reagan as Chief Legal Counsel. The turnover of so many senior staff members is significant, but it is important to note that the new people in these positions each bring unique and significant experience related to retirement systems and investments. Mr. Wescoe, Mr. Bych, and Ms. Reagan worked with each other at the San Diego City Employees' Retirement System (SDCERS), while Mr. Sexauer has had significant investment experience in the private sector. Interestingly, Mr. Bych was a city employee appointed by the mayor to the City's retirement board, so he brings a unique perspective as both a government finance professional and a former member of a public retirement board. To learn more about each of these people you can find the SDCERA press releases announcing their appointments at www.sdcera.org/news.aspx.

120 – The number of people who initially applied for the Chief Investment Officer opening. With the help of a professional recruiting firm the number was narrowed down and the Board of Retirement finally selected Mr. Sexauer based on his very successful private sector investment record. More on his approach in next month's NETWORK.

40,458 – The total number of members of the San Diego County Employees Retirement Association as of June 30, 2015, made up of 18,279 current employees, 17,248 retirees currently receiving benefits, and 4,931 people who have deferred receiving their retirement benefit.

$609,029,932 – The amount the retirement fund received from the combination of San Diego County employer and employee contributions and investment earnings during the fiscal year ended June 30, 2015.

$534,472,081 – The amount of retirement benefits paid out by SDCERA in the fiscal year 2014-15.

$10,351,497,319 – The valuation of the SDCERA retirement fund as of June 30, 2015.

7.5% - The target earnings rate for the SDCERA retirement fund. This rate was reduced a few months ago from 7.75% on the advice of the SDCERA actuarial consultant. The implication of reducing the rate is that the employer and employee contributions may have to **(Continued on Page 8)**

WHAT'S INSIDE?

March Calendar of Events

10—(Thurs.) RESDC Board of Directors Meeting
8825 Aero Drive, Suite 205, 9:30 a.m.

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

18—(Fri.) SDCERA Annual Member Meeting
5520 Overland Dr., San Diego, 10:00 a.m.

31—(Thurs.) Cesar Chavez Holiday
RESDC Office Closed

CREDIT RATING AGENCIES: MORE OF THE SAME?

By Stan Coombs, Director

By 2010, credit rating companies had lowered ratings on $1.9 trillion in mortgage-backed securities, causing bank losses totaling more than $523 billion and introducing us to The Great Recession.

Three major banks, Bear Stearns, Lehman Brothers, and Merrill Lynch, eventually collapsed, mortgage money dried up, housing prices tumbled, the stock market fell 40%, unemployment soared to 10%, and five million mortgaged homes were ultimately lost according to NBC News.

The U.S. Government Accountability Office estimates US economic output and household losses from the recession to be twenty-two trillion dollars ($22,000,000,000,000), about $68,750 for every U.S. resident.

One small group carries a share of blame, the credit raters, or Nationally Recognized Statistical Rating Organizations (NRSROs), as designated by the Credit Rating Agency Reform Act of 2006.

It's their job to provide global investors an informed analysis of the risk of debt securities, including government and corporate bonds, certificates of deposit, preferred stock, and (you guessed it) mortgage-backed securities and collateralized debt obligations. NRSROs are charged with answering, "How likely is it that the debt issuer (borrower) will fail to make required payments?"

There are ten registered NRSROs, the big three, Standard & Poor's, Moody's, and Fitch are reportedly responsible for over 95% of 2,420,094 outstanding ratings, through 2014.

Credit rating symbols that are used range from the highest AAA rating, down to A-, BBB+, B-, and eventually C and D ratings, which indicate an obligor that failed to meet an obligation. Bonds rated BBB- or higher are considered investment grade, and those rated below, "junk bonds." Interest rates increase as ratings descend and risk rises.

It's a profitable business. The Council on Foreign Relations reports that by 2006 Moody's had earned $881 million rating structured finance. More on structured finance to follow. . . The big three are built into the original, 1975 Securities and Exchange Commission (SEC) regulations, and many pension and hedge fund bylaws limit investments to those with a minimal designated rating. They have a captured clientele.

The system seemed to work. Standard & Poor's "One-Year Global Default Rates, 1981-2008," reported by Wikipedia, shows no defaults for debts rated AAA through AA, for that 27 year period.

So, what was the NRSRO's great sin during the crash?

Wikipedia says, lots of money, $70 trillion, globally available in 2006, plus low competing interest rates led to lots of sub-prime (risky) uninsured mortgages that needed high credit ratings to attract secondary investors.

To obtain the desirable higher credit ratings, debt issuers pooled the mortgages and re-divided the pooled-debt into groupings, or "tranches," obtaining high AAA ratings for the most-senior tranches and enabling their purchase by investors with the restrictions. This is structured finance.

For the remaining riskier tranches, bankers added another level of complexity, pooling and dividing them again to form something called, "collateralized debt obligations" (CDOs), and obtaining AAA ratings for 70% to 80% of those even though the underlying securities were only rated BBB and A-. Since CDOs were subject to change, their content wasn't always clear.

It's reported that between 2000 and 2007, Moody's rated nearly 45,000 mortgage-related securities as AAA, while only six private companies in the US were given that top rating. And, the Financial Crisis Inquiry Commission estimates that by April 2010, 73% of all the mortgage-backed securities Moody's had rated AAA in 2006 had been downgraded to "junk."

Several prosecutions and suits followed. In 2015, Standard and Poor's settled U.S. Department of Justice, California Public Employees Retirement System and SEC cases for almost $1.6 billion, while admitting no criminal wrongdoing. Several states sued Moody's.

Why did the NRSROs do this?

The most popular explanation is that the risk complexities of the layered securities flummoxed rating analysts, and the NRSRO business models were fundamentally flawed by inherent conflicts of interest.

Most NRSROs use an "issuer-pay" arrangement, vulnerable to debt-issuing clients shopping for favorable ratings, it was said. Other NRSROs use "subscriber-pay," where investors can shop for attractive ratings. Justice Department research turned up startling communications between NRSRO staffers, seeming to support those claims.

(Continued on Page 8)

BECOME A POLL WORKER!

For both Presidential Elections in June and November this year, the Registrar of Voters will need over 6,000 poll workers. Training is provided. For more information, please contact the Registrar of Voters at (858) 565-5800 or visit **www.sdvote.com.**

PENSION FACTS
Pension Liabilities Now Clearer In Annual Reports
By Chris Heiserman, Director

The annual financial statements filed by public pension plans for 2014-15 include a new line item highlighting their long-term unfunded liability. Traditionally, the unfunded portion of future retirement system benefits has appeared in footnotes to required financial reports. Now this extra bottom line calculation – the Net Pension Liability (NPL) – will appear clearly in the annual statements of net position.

The new requirements are from the accounting standards-setter for state and local governments – the Governmental Accounting Standards Board (GASB). According to GASB, the changes are "designed to improve the decision-usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments."

Listing a separate figure for a plan's unfunded status may seem confusing, and public pension naysayers are already claiming the Net Pension Liability figures in the newest reports show retirement system boards have been hiding the true size of long-term liabilities. San Diego Union Tribune political columnist Steven Greenhut praised the new rules, saying they had practical importance for taxpayers. He suggested state and local governments have been able "to essentially hide – or at least down play – the size of their unfunded pension and retiree health care liabilities, or debt…"

In a commentary published in the Orange County Register, State Senator John Moorlach (R-Costa Mesa) said inclusion on Orange County's balance sheet of the unfunded accrued liability for its defined benefit retirement plan resulted " … in the worst documented financial position in Orange County's 126-year history." He said the bottom line for the county "dropped like a rock when accounting for the pension liability…"

In stark contrast to Senator Moorlach's opinion, Orange County Auditor-Controller Eric Woolery recently said in the County's Citizen Report that 2014-15 was a good year for the Orange County, that the new GASB standards were aimed at greater transparency in reporting pension liabilities, and that "…Showing these figures in the financial statements does not alter the County's financial health…" When GASB first announced the new reporting requirements back in 2012, it explained that "…While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed…"

In other words, Comprehensive Financial Accounting Reports (CAFRs) for pension funds will display a new calculation for Net Pension Liability based on figures already included in the financial statements. According to Orange County's Woolery, "The NPL should not come as a shock to anyone who has been looking at the County's financial statements." He characterized the new requirement as an educated guess based upon more than 20 different factors.

It may be confusing because the new line item will very likely appear next to a traditional and more complicated calculation of a pension plan's funded status based on the ratio of actuarial value of assets to actuarial liabilities. The simpler comparison of total actual reserves to the total liability of future benefits will usually reflect a larger unfunded amount and thus a smaller funded percentage than the regularly reported actuarial computation.

For example, the San Diego County Employees Retirement Association's (SDCERA) total investment portfolio fair value reported for FY2015 was $10.3 billion and its future benefits liabilities totaled $13.138 billion. The plan's funded ratio was 80.5% based on actuarial values but the net position as a percentage of Total Pension Liability was 78.63%.

Let's reiterate a couple of key take away points on the subject of GASB's new reporting standards for Total Pension Liability. First and foremost, reporting new figures for pension plan unfunded liability provides additional financial insight but does not change the fiscal health of a retirement system. Second, the new requirements relate only to how pension costs and obligations are measured and reported; they do not address how governments approach funding for retirement systems.

The goal is improved transparency in a complex financial arena, placing public pension plan financial reporting data front and center for both elected leaders and the public at large.

SDCERA

SDCERA NEWS

SDCERA Annual Member Meeting Will Be Held On March 18

SDCERA's first-ever Annual Member Meeting will be held on Friday, March 18 at 10:00 a.m. in the Conference Center Hearing Room at the County Operations Center, 5520 Overland Drive.

At the meeting, SDCERA's leadership team will provide a look at the past year's activities and future initiatives. The meeting is expected to last approximately one hour. Registration for the event is not required.

For more information about the SDCERA Annual Member Meeting, please contact SDCERA by phone at:
(**619) 515-6800 or by e-mail at:**
communications@sdcera.org.

U.S. DEPARTMENT OF TREASURY LAUNCHES myRA (my Retirement Account)

It should surprise no one that there is a retirement savings crisis at hand in the U.S. You may be familiar with the current data which validates this. Thirty-one percent of non-retired Americans say that they have no retirement savings or pensions, according to a 2015 Federal Reserve Report. Additionally, a 2014 report by the National Institute on Retirement found that the average near-retirement household had only $12,000 in retirement savings.

November 2015 witnessed the U.S. Treasury Department launch of a government-sponsored 401(k) alternative. Dubbed "myRA," this plan's intended advantages are in its simplicity. The myRA is a starter retirement savings account, with no minimums, fees, or complicated investment options, and savers can choose to transfer or roll over their account balance into a private-sector Roth IRA at any time. MyRA account holders are completely invested in U.S. Treasuries, the definition of a risk-free investment.

Americans without other savings can divert part of their paychecks, bank accounts, or tax refund into a retirement account. They can build the total to $15,000 and then transfer it to a private investment account. The myRA functions similarly to a Roth IRA. Contributions are made on an after-tax basis and any earnings made within the myRA are tax-free. The myRA has the same contribution limit as an IRA. Individuals can contribute $5,500 if they are less than 50 years old and $6,500 if they are 50 or older. If already contributing to an IRA, the contribution limit applies to both an IRA and a myRA. In other words, if you are 30 and contribute $500 to a myRA, you could only contribute $5,000 to an IRA.

The myRA could be an option for those individuals impacted by employers which do not offer a 401(k) or other defined contribution plan. Although anyone can register and participate at **myra.gov**, this savings vehicle seems targeted toward people without bank accounts, a credit history, and are one of the 31% of non-retirees who say they have no retirement savings

The idea behind the myRA of getting more people to save for retirement is certainly well-intentioned, and for those with no other avenues to save for retirement, the myRA will be a great resource.

Mark Nanzer
Executive Director

2016 SCHOLARSHIPS

By Carlos Gonzalez, Scholarship Chair

In 1995, **George Liddell**, one of RESDC's founders, had the vision to create a program that would reward the efforts of a younger generation eager to prepare themselves professionally for life's challenges. That first year, there were only three RESDC scholarships, at $750 each. Our efforts have come a long way. We aim for greater achievements. Thank you **George Liddell** for such great inspiration.

LAST CALL for the 2016 scholarship application season: This year there are five $2,000 RESDC Scholarship awards, plus one $500, distinguished Community Service award. The deadline for filing is Friday, March 4th. All applications must be delivered to our office at 8825 Aero Dr., Suite 205, San Diego, CA 92123, or in the mail postmarked no later than March 4th. Be sure to check with your references that they have sent their letters to meet the March 4th deadline. In fairness to all participants, late applications or reference letters cannot be accepted after the established deadline.

The filing date for the Yakel Scholarships at the San Diego Foundation closed February 3rd. It is our hope that all applicants filing for the RESDC Scholarships also filed for the Yakel Scholarships. Together they are significantly helpful in defraying the ever-increasing cost of college tuition, fees, and books.

Many, many thanks to **Evelyn and Theo Yakel** for establishing this Scholarship Program at the San Diego Foundation for the benefit of immediate family members of the RESDC membership. Many thanks also to **Mrs. Joan Liddell** who continues to make generous annual contributions to the RESDC Scholarship Fund in memory of her husband, **George Liddell**.

CESAR CHAVEZ DAY THURSDAY, MARCH 31

Cesar Chavez Day is a State holiday in California. The day is commemorated to promote service to the community in honor of Cesar Chavez's life and work. The RESDC office will be closed on Thursday, March 31 in honor of Cesar Chavez Day.

NO REED AND DEMAIO PUBLIC PENSION BALLOT INITIATIVE THIS YEAR

Leaders of efforts to curtail future public retirement benefits in California recently folded their campaign to place a pension reform measure on the 2016 ballot. In a recent statement, former San Jose Mayor Chuck Reed and former San Diego City Councilman Carl DeMaio said, in part, "After conversations with members of our coalition and key donors, we have decided to re-file at least one of our pension reform measures later this year for the November 2018 ballot. By then we will know the outcome of a key court case that might limit the public employee unions' capacity to spend 'unlimited' resources against pension reform."

Reed and DeMaio have been trying for several years to get a proposal on the ballot that would mandate pension reductions. Their attempts have been reported in a series of RESDC NETWORK articles. Until this latest postponement in their assault on public retirement benefits, they had two new initiative proposals on the table.

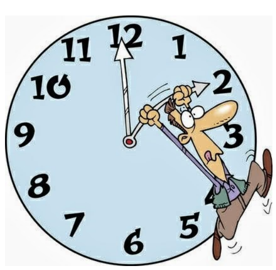
The "key court case" Reed and DeMaio refer to is Friedrichs v. California Teachers Association, currently before the U.S. Supreme Court, that challenges laws allowing non-union employees to pay a "fair share service fee" to help cover union collective bargaining costs. Reed and DeMaio may also be avoiding the 2016 presidential election that's likely to bring out more voters than the mid-term elections in 2018.

In response to this Reed and DeMaio statement, David Low, of Californians For Retirement Security, stated, "Chuck Reed and Carl DeMaio's extremist attempts to eliminate retirement security for millions of California's teachers, firefighters, school employees and other public servants failed because they were too extreme, would have cost taxpayers billions of dollars, and would have destabilized our state's two retirement systems, CalPERS and CalSTRS."

"We are skeptical that donors have any confidence in these two failed politicians who have repeatedly bungled efforts to put their poorly-written efforts to gut retirement security for millions of Californians on the ballot. They can be assured that any scheme they cook up for 2018 will meet the same fate of their previous efforts because we will fight it with our full arsenal."

Stay tuned RESDC members. This isn't over. . .

Daylight Savings Time begins Sunday, March 13 at 2 a.m. Don't forget to set your clocks ahead one hour!



BITS AND PIECES

Jane Griffin retired in 1998 after working for 15 years in Welfare. She recently celebrated her 87th birthday! She lives in Michigan now and is very active with her church.

Ken Meyer and his wife, Joanne, celebrated their 60th anniversary in December! Ken retired as a deputy with San Diego Marshals in 1991. They spent several years traveling in their recreational vehicle, and went on several cruises. They moved to Henderson, Nevada to be closer to their children. Their anniversary was attended by all four of their children and their families, including nine grandchildren and seven great grandchildren.

Max Stayrook celebrated his 80th birthday in January! His family surprised him with a dinner dance with friends and relatives. Max worked for the Sheriff's Department for 32 years and retired in 1994 with 18 years as a sworn officer and the remainder as a Forensic Documents Examiner in the crime lab.

Jeff Williams just returned from an eight week trip around the United States. He and his wife, Carolyn, visited friends and family in all corners of America. Jeff retired from General Services in 2006 after nine years with the county. They moved to Prescott, Arizona in 2007 where they enjoy spending time with their church and their daughter's family.

WELCOME NEW MEMBERS

James Kelly Anderson	Sheriff
Alma Douglas	Social Services
Van L. Ford	Public Works
Springtime Gandia	Superior Court
Sharon R. Johns	
Thomas R. Parry	Public Works
Evelyn Stainbrook	Purchasing & Contracting
Mary Ann K. Stanovik	
Victoria M Williams-Eli	Information Technology

PENSION FACTS AT A GLANCE

7.5%

In September, 2015 SDCERA reduced the expected investment return rate from 7.75% to 7.5%. More conservative economic assumptions mean somewhat higher contributions from the County and employees beginning July, 2016.

SAVE THE DATE!
April 26, 2016

On April 26th, RESDC will host a General Membership Meeting at the Serra Mesa/Kearny Mesa Library, at 9005 Aero Dr., in San Diego. The meeting begins at noon.

Kristin Rigsbee, Long-Term Care Ombudsman Trainer and Development Specialist, from Aging and Independence Services will join us to speak about the Ombudsman Program.

Linda Hopkins, Manager, Retired & Senior Volunteer Program (RSVP) will also join us to speak about the RSVP program.

Mark this date on your calendar and plan on joining us for an informational meeting.

BOARD MEMBER PROFILE

Joan Wright—A member of the RESDC Board of Directors since 2010, Joan retired from the Sheriff's Department in 2009 as a Lieutenant. She had more than 30 years of County service. She still currently serves as a Supervised Child Visitation Monitor.

Her education included Pasadena City College, San Diego State University, and Western State University Law School. In retirement Joan enjoys running, Jazzercise, water and snow skiing, and reading. She also volunteers as a Court-Appointed Special Advocate (CASA) with Voices for Children.

Joan has one child and one grandchild. Her favorite travel adventures include cruises, especially to Alaska. She has also vacationed in London and France.

San Diego County Credit Union®

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

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

ASSOCIATION OFFICERS
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1st Vice Pres…..Stan Coombs
2nd Vice Pres…..Chris Heiserman
Secretary…..Joan Wright
Treasurer….Frank Bittner

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Sarah Brooks, Chuck Brown,
Carlos Gonzalez, Janice Graham Heather,
Joe McGuire, Nellie Parks
Janel Pehau, George Shoemaker

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Susan Mallett

EXECUTIVE DIRECTOR
Mark Nanzer

OFFICE STAFF….Marge Elmendorf
….Karen Hazel
.....Liz Silverman

NETWORK EDITOR….Karen Hazel

St. Patrick's Day March 17th!

The surviving spouse of a member is eligible for RESDC membership. For enrollment assistance, please 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.

IN MEMORIAM

Ann W. Arthur	Library
Joan A. Ashman	Social Services
Belinda Baslee*	Child Support
James J. Brophy	Health Services
Malcolm W. Brown	
Lenore M. Culver	Health Services
Rhonda A. Dixon	Human Resources
Alberto P. Domingo	Auditor & Controller
Billy R. Ellis	Superior Court
Ariano M. Evangelista	General Services
Thomas W. Frank	Welfare
Nellie E. Golden	Social Services
Barbara M. Guerin	Health & Human Services
Ben S. Hamilton	General Services
William T. Healy	Planning & Land Use
Martha A. Hearold	Welfare
Willie Hoskins	Surviving Spouse
Robert Hylton	Planning & Land Use
Stanley T. Jones Jr.	Public Defender
Devell (Del) E. Kay	Sheriff
Judy W. Kennedy	Probation
Jacqui Lamb	Information Services
Nodia J. Lett	Animal Services
Odetta F. Levine	Surviving Spouse
Janice C. Long	Health & Human Services
Roberta J. Marsh	Health Services
John A. Martin	Surviving Spouse
Mary C. Mathis	Surviving Spouse
Marcia L. Moreland	Health Services
Janice M. Murray	Probation
Pablo R. Navarro	Social Services
Alice B. Nesnow	Probation
Mary E. O'Donnell	Health Services
William L. Parish	General Services
George L. Penniman	Sheriff
Charles Peyton	Probation
Nola J. Picht	Health & Human Services
Robert P. Pringle	Transportation
Susan Rossini	Environmental Health
Margaret L. Rubio	Health Services
Barbara Schoppert	Superior Court
Janice Shulak	Superior Court
Pauline Solomon-Yoder	Probation
Nancy R. Spellman	Health & Human Services
Linda C. Swanson	Superior Court
David S. Tadlock	Facilities Management
Marsha O. Thomas	Sheriff
Roy S. Williams	Sheriff
Susan K. Williams	Health & Human Services
Frank C. Woodson	Probation

***Active**

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

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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.

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.

Retired Employees of San Diego County, Inc.
8825 Aero Drive, Suite 205
San Diego, CA 92123

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Credit Rating Agencies: More Of The Same
(Continued from page 2)

In reaction, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010 with stiffer requirements, including requiring NRSRO explanations of ratings issued, and requiring the SEC to examine NRSROs annually and levy fines and deregister agencies for inaccuracies.

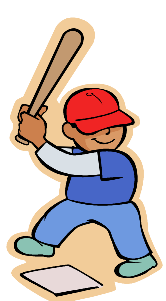
Why focus on a story that's been reported in media financial pages as it developed since 2008?

Because our retirement investments can be affected by credit ratings, and it's not clear much has changed in the NRSRO world, according to the SEC's, "2015 Summary Report of Commission Staff's Examination Of Each Nationally Recognized Statistical Rating Organization."

Available on the net, the Report notes that while there's evidence of "improvements in these organizations," it also lists 95 "findings" of non-compliance with SEC rules scattered across the ten NRSROs. In one case a rating was "motivated at least in part by market share considerations." In short, many credit raters associated with the recent crash escaped accountability, and the NRSROs apparently continue with their conflicted business models.

On January 8, 2016, the New York Times reported that Moody's 2014 earnings topped $1 billion.

San Diego County retirement net assets decreased $147.2 million during December, bringing fiscal-year-to-date changes to losses of $242.1 million, and total net assets to $10.3 billion.



First Day of Spring! March 20th

(President's Message, Continued from Page 1)

be increased in future years in order to maintain the appropriate funding ratio in the retirement fund.

8.43% - The 25-year average earnings of the SDCERA retirement fund. While last year's earnings fell significantly below the target due to poor market earnings, the long-term earnings have been strong. The earnings for fiscal year 2014-15 were 2.68%. Mr. Wescoe noted that one of the significant differences between a pension fund like SDCERA and an individual's investments is the long-term investment horizon that the retirement fund takes due to the pooling effect of the resources in the retirement fund. He emphasized that regardless of market conditions and earnings, there is a contractual obligation that retirees will be paid the retirement benefits that have been promised.

80% - The funded ratio of the SDCERA retirement fund on June 30, 2015. Mr. Wescoe said this is the standard considered to be appropriate for large retirement funds. Retirement systems do not seek to be funded at a higher ratio because future earnings are assumed to make up the difference between the current assets and the amount that will be necessary to pay all retirement obligations to members through the length of their retirement.

Nearly all of the numbers used in Mr. Wescoe's discussion were taken from the Comprehensive Annual Financial Statement for SDCERA for the fiscal year ending June 30, 2015. You can locate that document online and find out more interesting facts about SDCERA by going to the link at: www.sdcera.org/investments_report.htm. (See the Pensions Facts article on Page 3 for more information on financial reporting requirements for retirement systems.)

Finally, I want to thank SDCERA Board Chair and retiree-elected trustee Skip Murphy for doing a masterful job of moderating the presentation.