



NETWORK

Newsletter of The Retired Employees of San Diego County Since 1961

Vol. 42, No. 10

Honoring Yesterday—Protecting Tomorrow

October 2011

PRESIDENT'S MESSAGE

By Susan Mallet



On September 1st, the SDCERA Board of Retirement approved a proposal to charge retirees for the cost of administering health care plans in 2012, and future years, but they delayed a plan to charge retirees for past years administrative fees, (2008-2011), to allow time for further research into alternate funding sources. The decision will result in a deduction of \$4.12 per month for each partic-

ipant, retiree and dependent, in an SDCERA sponsored medical plan, and the same amount monthly if the participant is also in an SDCERA sponsored dental plan, a total monthly deduction of \$8.24. It is important to note that in 2012, each medical plan participant will receive a \$12.32 reduction in the monthly medical premium as a distribution from the Early Retiree Reinsurance Program (ERRP) part of the federal Affordable Health Care Act. This will offset the administrative fee for medical.

RESDC first learned of the proposal to charge retirees these health administrative health fees in June. Essentially, the reason for the change in how these fees are paid arose out of a conflict between the California 1937 Act Retirement Law and IRS regulations as to how pension earnings can be spent. Since June, RESDC Board members have attended meetings with SDCERA staff to discuss the proposal and to express our concern for retirees who may pay these proposed fees from their monthly pension, when their health premiums exceed their monthly allowance, either the 401H fund or the SBA. Letters were written to SDCERA's CEO Brian White and to each member of the Board of Retirement asking for consideration of alternate funding sources and for more clarification of the IRS regulations including ramifications of these financial decisions on possible future use of pension excess earnings for retiree benefits.

On September 1st, RESDC's position, on the proposed administrative fees, was presented to the Board of Retirement prior to their discussion and vote on the proposal. In consideration of the substantial legal and financial risks to our retirement system if no action is taken,

we believe the responsible position was to not oppose the proposal. The position statement is provided as a part of this article. You may also wish to view the meeting video replay by visiting the www.sdcer.org website under the Board of Retirement meeting and agenda category.

STATEMENT TO THE BOARD OF RETIREMENT PROPOSED HEALTH ADMINISTRATIVE FEES:

September 1, 2011

Today you will be asked to approve health administrative fees for 2012, fees that will be charged for the first time to each retiree and retiree spouse who participates in an SDCERA sponsored medical and dental plan.

The estimated health administrative cost for 2012 is said to be \$593,000. A per participant monthly fee of \$4.12 for medical and an additional \$4.12 for dental would be added to those health premiums for a total monthly increase of \$8.24.

At a June 21st SDCERA Benefits Committee meeting, we learned that these health administrative costs were erroneously paid through excess pension fund earnings, since 2008, a practice that is allowed by the California 1937 Act Retirement Law but conflicts with Internal Revenue Service regulations.

As the President of the Retired Employees of San Diego County Association (RESDC), I want to acknowledge that we have had the opportunity, over the past two months, for on-going discussion with SDCERA staff regarding these proposed fees and have repeatedly expressed concerns for retirees who will pay these fees out of their monthly pension when their combined medical and dental premiums exceed their monthly allowance.

We sent a letter to each Board of Retirement member, outlining our concerns and provided a number of questions we believe must be answered before such a decision, with significant financial consequence for many retirees, is made.

Our questions and concerns included the following,

The need for more information regarding the conflict between IRS regulations and provisions of the retirement law,

How will the recommended solution to charge these fees to retirees impact future use of excess earnings for other retiree benefits?

The staff estimated health administrative costs seem high, how were these costs compiled? Are they "loaded" with indirect costs or limited to actual defined health administrative activities? **(Cont'd on Page 3)**

October Calendar of Events

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

12—(Wed.) RESDC Health Fair/Picnic
Admiral Baker Field, 10 am

13—(Thurs.) RESDC Board of Directors Meeting
7860 Mission Center Ct., Suite 209, 9:30 am

17-19—(Mon-Wed.) CRCEA Conference, Sonoma County

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

ANOTHER POINT OF VIEW

By Stan Coombs, Benefits Committee Chair

Arguments abound whether public retirement systems are expensively out of whack and need “reform.” The word “reform” typically used to establish up-front, and with a roll of the eyes, that some alleged boondoggle must be corrected. So, it’s nice to bring another view forward. Maybe we can decide, “reform for whom?”

Hank Kim, Executive Director and Counsel for the National Conference on Public Employee Retirement Systems, appeared before a Congressional Ways and Means Subcommittee on Oversight last May.

Kim brought along a “2011 NCPERS Public Fund Study,” covering 216 public pension funds, with \$900 billion in total assets and 7.6 million active and retired public employees. Approximately 180 of the systems were local and about 36 were state systems. For perspective, the San Diego County Employees Retirement Association (SDCERA) totals about 31,000 active and retired members with \$8.3 billion in assets.

Kim pointed out what we’ve reported before. Despite this “Great Recession” we’re muddling through, these public systems have used investment professionals to rebound strongly from the 2009 low point, averaging a one-year, 2010 return of 13.5%, and a 20-year average of 8.2%. Far from being stressed, the systems are on average, 75.7% funded, with \$3 trillion (with a “T”) in total assets. About 66% of the funding comes from investment earnings. That’s hardly the retirement crisis we keep hearing about!

Careful stewardship of retirement funds notwithstanding, the question isn’t whether funds necessary to meet all future obligations should be in the kitty now, but whether there’s an effective plan working to accomplish full funding within a reasonable time, and plenty of cash to meet pension payments in the interim. That’s true for public retirement plans generally, and for San Diego County specifically.

At last report, the County system was 84% funded, primarily due to the 2009 crash, but pays out only \$407 million in annual pensions, about 5% of total assets, and receives three-quarters of that back in contributions alone. Overall the fund increased about 11% in fiscal year 2010, and reported earnings of 21% during fiscal 2011. The fund has bounced back from a \$5.4 billion low point in February 2009 to the current \$8.3 billion, a 52% gain in 29 months.

90% of Kim’s surveyed public systems were defined benefit arrangements, as is the County’s, meaning vested benefits are guaranteed and thus predictable, and system funding is calculated to meet those costs.

But, there’s a strong move afoot to eliminate defined benefit systems. So how are folks doing nowadays who depend on defined contribution plans, have no guaranteed benefits, may receive some contributions from the employer, and leave employees to their own devices to invest for needed earnings, usually through individual 401(k) accounts?

Kim gets right to the point. “Today,” he said, “there’s a \$6.6 trillion deficit between what 401(k) account holders should have and what they actually have!” “And, the 80 million baby-boomers who are nearing retirement may not have enough time left in the workforce to earn back what they (recently) lost in retirement assets.”

That’s not only Mr. Kim’s view. In “A Post-Crisis Assessment of Retirement Income Adequacy for Baby Boomers and GenXers,” Jack VanDerhei, of The Employee Benefit Research Institute, notes from a review of “tens of millions of 401(k) participants, dating back to 1996,” households at risk of inadequate income at 65 years and older increased from 44% to 51% in 2009 largely due to the market decline. More than half!

Cont’d on page 5

SCHOLARSHIP RECIPIENTS NEWS

By La Rue Pierce, Scholarship Committee Chair

We have news from **Alissa Roland**, a 2008 Recipient of one of our scholarships, sponsored by her grandfather, member **Roland Tarbox**. Alissa has completed three years at Cal Poly, San Luis Obispo, studying Mechanical Engineering and will graduate after two more years in 2013.

Outside of her studies, she has become a member of the Gamma Phi Beta Sorority and the Cal Poly Women’s Ultimate Sports Club Team. Alissa returned home to San Diego this summer to intern at Goodrich Aerostructures. She traveled back to Cal Poly in September to continue her studies.

It was so nice to hear from Alissa. Best wishes to her for her continued success. She has certainly put our scholarship to good use.

Joan Wells, who sponsored her Grandson, **Evan Walker-Wells**, a 2009 RESDC Scholarship recipient, tells us that Evan’s first year studies at Yale University were interrupted by cancer treatments. However, Evan is now cancer free and interned this summer at the White House. He was in the White House Tour Division and enjoyed it immensely. He has now returned back to his studies at Yale. Way to go Evan!

We would love to hear from others who have received RESDC Scholarships or their sponsors. Just drop us a note when you can!

ASSOCIATION OFFICERS
 President.....Susan Mallett
 1st Vice Pres.....Skip Murphy
 2nd Vice Pres.....Merrilyn Carpenter
 Secretary.....Joan Wright
 Treasurer....Frank Bittner

ASSOCIATION DIRECTORS
 Stan Coombs, Christopher Glenn
 Carlos Gonzalez, Chris Hinshaw
 Joe McGuire, La Rue Pierce
 George Shoemaker, Roma Stronach

IMMEDIATE PAST PRESIDENT
 George Shoemaker

Office Staff.....Karen Hazel
 ...Sharon Kay
 ...Anne Schwartz
 NETWORK Editor...Karen Hazel

President’s Message Cont’d from Page One

Finally, we reminded Board of Retirement members of published County pension facts, the median average pension amount is \$30,000 a year, this mid-most point represents the range from least to most, and clearly thousands of retirees receive less than this amount.

A recent SDCERA Benefits Committee meeting, joined by SDCERA’s tax counsel, via teleconference, answered some of our questions. The discussion provided much more information regarding the IRS regulations and elaborated upon the real risks to our retirement system if a compliant remedy to the health administrative cost issue is not begun.

At times, some of our members say that RESDC has no impact on decisions made by SDCERA or the Board of Retirement. Where discretion exists, the interests of retirees are not considered.

In the important matter at hand, I believe we have been heard, in particular, regarding our concerns that the original proposal, in June, to charge retirees’ fees for current health administrative costs and for past administrative costs was too onerous for retirees.

Therefore, in light of substantial legal and financial risks that have been identified if no action is taken,

RESDC is most reluctant to support this proposal but will not oppose the minimum fees required solely to fund future health administrative costs for the minimum period required, during which time we urge SDCERA staff to aggressively research all feasible funding sources to identify a non-retiree replacement funding source as soon as possible.

IN MEMORIAM

- | | |
|----------------------------|-------------------------|
| Anthony Aranita | Health & Human Services |
| Marshall T. Bear | Sheriff |
| Aureo Belasco | Probation |
| Donald L. Berger | General Services |
| Donald F. Bertram | Probation |
| Sharon A. Cornish | Health & Human Services |
| Billy R. Freeman | Public Works |
| Donald J. Gilfether | Public Works |
| Beth Harvey | Surviving Spouse |
| Joseph Jacquemet | Health & Human Services |
| Dorothy M. Kilcrease | Surviving Spouse |
| Raymond H. Kramer | Health & Human Services |
| Cynthia Laudermilk-Hayden* | Auditor & Controller |
| Gary A. Malone | Sheriff |
| Ernest M. Marshall | Superior Court |
| Sharon M. McIntire | Sheriff |
| Paul D. Nevills | Sheriff |
| Sandra J. Parrish | Probation |
| Joseph R. Stables | Sheriff |
| Janet Weil | Probation |
| Patty J. Wellman | Health & Human Services |
| Yvonne M. Young | Probation |

*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 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.

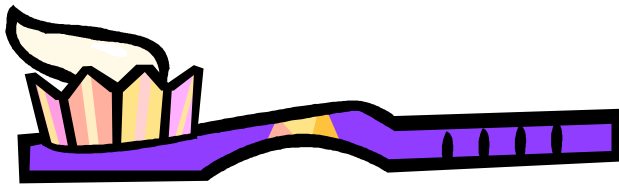


Protect your valuables and keep them safe. Important papers, such as birth certificates, insurance papers and loan documents, as well as special family heirlooms can be hard to replace, or even irreplaceable. To have peace of mind, keep them secure in a Safe Deposit Box at San Diego County Credit Union. Safe Deposit Boxes are available to rent at 19 SDCCU branch locations and come in varied sizes. To see a list of the branches that have Safe Deposit Boxes, visit sdccu.com or call toll-free 1 (877) 732-2848.



HOLIDAY LUNCHEON

Save the Date: The annual RESDC Holiday Luncheon will be held on Wednesday, December 14th, at The Bahia Resort on Mission Bay. Mark your calendars. The reservation form and directions to the Bahia will be in the November and December issues of the NETWORK!



RESDC BENEFIT PLANS OPEN ENROLLMENT DENTAL, VISION, HOME, AUTO, TRAVEL, ACCIDENT, PRE-PAID LEGAL & MORE

During the second half of October, all members will receive the 2012 Open Enrollment package for the exclusive RESDC Benefits Plans. We are pleased to announce some exciting news. The Ameritas PPO Dental Plan will have an increased In-Network Calendar Year benefit and increased Dental Rewards per year. The Met-Life HMO will have the same great benefits as this year. In addition to the Dental, Vision, Accident, Pre-Paid Legal, and Hearing Aid plans offered in past years, members can now get Comprehensive Travel, Home, and Auto Insurance.

The Open Enrollment period for the dental plans is strictly enforced, so watch your mail for the package and don't delay! If you are currently enrolled in one of these plans, your coverage will continue automatically for 2012. There is no need to do anything.

At the RESDC Health Fair Picnic, on Wednesday, October 12, Pacific Group Agencies (our benefits providers) will have a listing of in-network dentists for your review. Also, new 2012 rates will be available at the picnic. See page 6 for more information and the reservation form for the 2011 Health Fair Picnic.

WELCOME NEW MEMBERS

Carolina O. Abugan	Dept. of Child Support Services
Mona Adams	
Wilfredo M. Batac	General Services
Cheryl A. Bear	
Elaine K. Bertram	
William F. Betts	SDCERA
Kristin Burns	Purchasing
Rebecca J. Cason	Public Health Services
Anne Colt	Superior Court
Kim Davy	
Deborah S. Fanning	Public Defender
Mary M. Freeman	
Wanda Geer	
Gilbert Grayson	Sheriff
Susie M. Hargress	Health & Human Services
Dolores Iverson	
Claire Jacquemet	
Wendy L. Johnson	Child Support Services
Ernesto C. Liwanag	Health & Human Services
Georgia Mansury	Superior Court
Nick Marinovich	General Services
Judith Nodurft	Social Services
Beverly J. Orr	Sheriff
Nancy C. Parker	Assessor
Emilio Rodriguez	Health & Human Services
Sonia Santoyo	Assessor
April H. Saron	General Services
David B. Secor	Superior Court
Manuel A. Serrano	
Diana Torrento	Small Claims Central
Rocio C. Valleroy	Health & Human Services
Carlos Vasquez	Public Defender
Cheryl Wardenaar	Animal Services
Duncan S. Werth	Superior Court

COUNTY EMPLOYEES INVESTMENT CLUB

The County Employees Investment Club is recruiting new members. Applicants may be active or retired employees and their spouses or others as invited by club members. The club, which has been in existence since 1965, exists for the purpose of providing good principles for investing, with the objective of educating members to better manage their investments. The club meets monthly on the third Wednesday, at 6:30 pm, in the Harbor Room at the County Health Services Complex, 3851 Rosecrans Street. Interested persons are encouraged to attend two or more meetings prior to applying for membership. Further information is available by contacting John Williamson (619) 660-9281 or John Melbourne (858) 279-4368.

RESDC HEALTH FAIR/PICNIC



Last year, RESDC's Health Fair Picnic was a little bit cool and rainy but we still had a large group come out to visit with old friends and past co-workers. Everyone stayed warm and dry and sheltered from the rain. All the attendees enjoyed their lunch provided by The Barbecue Pit! Don't miss out this year. Get your Health Fair/Picnic reservation mailed in and join us this year. Picnic reservation form is found on Page 6. **Reservation forms and payment must be received in the RESDC office by Friday, October, 7th.**

Photograph by Carlos Gonzalez, RESDC Board Member

INVESTMENT AND RETIREMENT SYMPOSIUM WOMEN AND MONEY WEDNESDAY, OCTOBER 19, 2011

San Diego County Treasurer-Tax Collector Dan McAllister is pleased to announce the next Investment and Retirement Symposium presented by the Deferred Compensation Division. This evening symposium will be held on Wednesday, October 19, 2011 from 6 pm to 8:30 pm at the Doubletree Hotel, Mission Valley, 7450 Hazard Center Dr., San Diego.

The powerhouse team of Certified Financial Planner A.J. Frank and Certified Specialist Attorney in Trust and Estate Planning Nancy Spector offer you a relaxed environment to learn about their areas of expertise. Topics include: How to protect your assets in a down trending market; How to prepare to help take care of an elderly parent; How to protect yourself in the event of a divorce.

Cost is \$15 per person or \$25 per couple prior to October 1. \$20 per person and \$30 per couple after October 1. Dinner and parking are included with your paid registration. Seating is limited and pre-registration by October 14 is required.

For registration and information, please log on to www.myDCplan.com (under the Important Information Box) or call the Deferred Compensation Dept. at 619-531-5840.

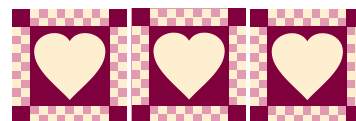
Another Point of View Cont'd from Page 2

In another September 2011 piece, "How Your Nest Egg Compares To Your Peers," U.S. News and World Report describes VanDerhei's study as examining 21.8 million participants in 56,232 employer-sponsored 401(k) plans. They note that the median account balance for those earning \$60,000 to \$80,000 was only \$162,683, and the average balance for long-timers, with 20 to 30 years of seniority, was only a bit more, \$172,584.

In yet another "Retirement Confidence Study," VanDerhei found that 43% of workers surveyed said they had less than \$10,000 saved.

Finally, the U.S. Census Bureau reports in its "Population Profile of the United States," that one in every eight Americans were elderly in 1994, about 33 million, while one in every four Americans will be elderly by 2030, over 90 million, an increase of 57 million elderly people!

So, the question arises, how's our society to cope with 57 million more, substantially under-funded elderly than we have now? And, what will the economic impact be for the business community when so many more elderly are unable to buy their products?



BITS AND PIECES

Editor's Correction: In the August NETWORK we published the incorrect name in Bits and Pieces. We published the name David "Wayne" Hunt. The correct name is **George "Wayne" Hunt**. That entry is repeated here with the correct name.

George "Wayne" Hunt and his wife, Patrice, will celebrate their 50th wedding anniversary this month. Wayne retired from the Assessor's Office as a Principal Appraiser with nearly 21 years service in 1982. He earned his Masters Degree in Management in 1986 and went on to earn a Juris Doctor Degree in law in 1998. Wayne was recently chosen to be a subject of biographical record in Marquis Who's Who in America for each of the years 2008 through 2011. He also enjoys a membership in Mensa, taking courses, traveling with Patrice, reading, exercising and motorcycle riding.

Jack and Judy Eastman celebrated their 50th wedding anniversary in September. Jack retired in 1998 as Chief of Solid Waste Operations with the Department of Public Works after 30 years of service. Judy retired with 17 years of service as a Supervising Code Enforcement Officer with the Department of Environmental Health. They live in Shenandoah Valley in Virginia. They toured Washington D.C. with family and friends to celebrate their anniversary.



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

NON-PROFIT
 ORG.
 U.S. POSTAGE
 PAID
 SAN DIEGO, CA
 Permit No. 885

Address Service Requested

Business and Inquiries: Business matters and address changes may be recorded on our voice mail at any time, call (866) 688-9229. Please spell your 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. Circulation: 7200

Directions to Admiral Baker Field for the Health Fair/Picnic

Take Route 8 East to Mission Gorge Road, take Friars Road going west (left). Turn right on Santo Road (there is a sign there that says "LaMirage"). Turn right on Admiral Baker Road, turn right at the first kiosk. Proceed to the second kiosk and turn left. **Upon entering the park, there will be signs to direct you.** If using Route 15, turn east onto Friars Road and left on Santo Road, right on Admiral Baker Road and follow directions involving the kiosks.

ANNUAL PICNIC/HEALTH FAIR

Sponsored by: Ameritas Dental, CIGNA Dental, Health Net, Kaiser Permanente, Pacific Group Agencies, Inc., San Diego County Credit Union, and UnitedHealthCare

Date: Wednesday, October 12, 2011, 10 am - 2 pm
Location: Admiral Baker Field



All members, spouses and/or guests are requested to pay \$5.00 each. The member's picnic fee will be refunded/returned at the registration desk upon checking in, thus making the member attending the picnic free of charge.

The menu will be barbecued beef, barbecued beans, coleslaw, roll and butter, soda pop, water and dessert.

To make reservations for the picnic, please complete the form below, indicating the names of those attending and include payment. Make your check payable to RESDC, enclose it with the form and mail to: RESDC, 7860 Mission Center Court, Suite 209, San Diego, CA 92108-1329. Reservation forms and payment must be received in the RESDC office by Friday, October 7th. Badge and raffle ticket packets should be picked up at the registration table at the picnic. They will not be mailed.

Cut Here HEALTH FAIR/PICNIC RESERVATION FORM Cut Here

We need your reservation in advance to know how much food to order and to prepare envelopes with name tag(s) and raffle ticket(s). Charge for members, spouses and/or guests is \$5.00 each. **Members' fee will be returned if he/she attends.**

Member Name _____ Telephone # _____

Name of Spouse or Guest _____

Member, Spouse or Guest(s) at \$5.00 each _____ Total Enclosed _____ E-mail Address _____

Department and Year Retired _____