



Saturday

- News
- » Local News »
- Opinion
- Business
- Wheels
- Sports
- Family

The Last Week

- Sunday
- Monday
- Tuesday
- Wednesday
- Thursday
- Friday
- Saturday

Weekly Sections

- Books
- Personal Tech
- Enlace
- Family
- Food
- Home
- Homescape
- Insight
- Night & Day
- Religion & Ethics
- Sunday Arts
- Travel
- Quest
- Wheels



### Reader Survey

Please help SignOnSanDiego.com serve you better by providing the following anonymous information. This will take only a moment.

Age:  Gender:  Male  Female  
Country:  Zip Code:

[Privacy Policy / Questions?](#)

- [SAVE THIS](#)
- [EMAIL THIS](#)
- [PRINT THIS](#)
- [MOST POPULAR](#)

## Troubles continue for San Diego's pension fund

**Deficit deepens to more than \$1.1 billion; retirees reassured**

**By Philip J. LaVelle**  
STAFF WRITER

**December 20, 2003**

The financial condition of San Diego's \$2.5 billion city pension system continued to slip in the last fiscal year, with a deficit deepening to more than \$1.1 billion and funding levels falling to their lowest point in a decade, according to a report released yesterday.

Officials of the San Diego City Employees Retirement System said the more than 5,000 current retirees need not worry because, they said, there is enough money in the system for them.

But the numbers show trouble ahead, with the city's obligation to future retirees likely to gobble up an increasingly large share of the municipal treasury, putting the squeeze on other city services.

The report by Rick Roeder, the system's outside actuary, attributed most of the losses to investment setbacks on Wall Street. But, at a hearing yesterday, Roeder reminded members of the pension fund's board of trustees that the system also has been harmed by years of under-funding by the city, and by benefit increases granted in recent years.

"There is a significant financial issue with the funding of the system,"



Roeder said.

The two leading challengers to San Diego Mayor Dick Murphy in the March 2 primary – Port Commissioner Peter Q. Davis and county Supervisor Ron Roberts – pounced on the news as evidence of financial mismanagement during Murphy's three years in office. In response, Murphy said: "These losses are primarily due to the stock market volatility. If they know how to control the stock market, I wish they would tell me."

Davis said the financial implications of the city's continued intentional under-funding of the retirement system will be far-reaching. The city owes the system at least \$102 million for under-funding dating to the mid-1990s.

"This is a liability that will be passed from generation to generation, and will weigh heavily on our city in every way, including affecting our future bond ratings," said Davis, a former banker.

Roberts said city officials are "driving this city into bankruptcy" and "digging an enormous financial hole, and it's going to come back to haunt them."

"If any private company or labor union was under-funding their pension fund to this extent, I think the officers of the company would probably be going to jail. I don't know how they're getting away with it," said Roberts, who has called for an audit of city finances.

Murphy said: "The pension plan's unfunded liability (deficit) is caused by multiple factors. However, the actuary is reporting that the losses for the year ending June 30, 2003, were primarily due to lower investment returns than anticipated. I am confident that the Pension Reform Committee, which I created, will conduct a thorough investigation and make recommendations to address the problem."

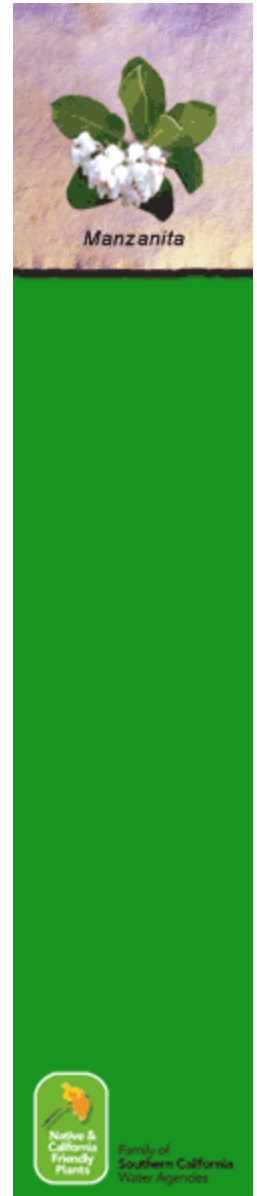
Roeder's report showed that in the fiscal year ending June 30, the system's deficit grew to \$1.15 billion, up from \$720 million at the end of the previous fiscal year.

It also showed that the "funding ratio" – a gauge of the system's assets versus long-term liabilities – slipped to 67 percent, the lowest level in a decade. A system with a 100 percent funding ratio is said to be fully funded.

"I don't like presenting reports like this six days before Christmas," Roeder told retirement board members yesterday. "I feel like the Grinch."

As an actuary, Roeder's job is to analyze the demographic and economic realities of the retirement system, and to recommend the economic assumptions used by trustees to determine the costs of the benefits promised.

He said his report provides a "heads up" to a broader report expected



to be delivered to the retirement board in the coming weeks.

The latest numbers reflect the heavy burden of a wave of recent retirements. They also appear to confirm earlier warnings from pension-board trustee Diann Shipione, who has long contended that years of under-funding by the city – and unfunded benefit increases – are weakening the retirement system.

In November 2002, Murphy and a City Council majority continued a pattern that began under Mayor Susan Golding, by voting to increase benefits while putting off heavier contributions – designed to close the system's funding gap – for several years. Councilwoman Donna Frye was the lone vote against the plan.

The city's annual costs of financing the pension system appear certain to rise, with one estimate showing the annual payment soaring to as high as \$214 million by 2009, up from \$54 million in 2002.

"Not only do they confirm" Shipione's warnings, "but we had the opportunity to do something about it . . . instead, we just added to the problem," said Frye. "Diann obviously knew what she was talking about."

Shipione said: "The problem has always been the intentional under-funding of the system. And the denials, by the City Council and retirement board, have been routinely deceptive. It will take this city into insolvency unless we act now and not push this off to future administrations."

Last February, Roeder reported to city officials that the retirement system's deficit could soar to more than \$2 billion by 2009.

That report, as well as yesterday's, do not include the millions of dollars the city owes to retirees under a court settlement. That amount has been estimated to be as much as \$38.5 million by 2009.

Hoping to minimize the political fallout, retirement officials delivered a memo to the mayor and council, on the heels of Roeder's presentation, urging them to take the long view.

"The management of a retirement system investment program is a very long-term proposition," the memo said, "and we believe it remains important to stay focused on long-term measures. It would not be prudent for short-term pressures to force unnecessary responses to short-term phenomena."

Pension trustee Ron Saathoff, noting that the fund's investment returns have improved throughout much of this year, said: "We're looking at 30-year time horizons, and markets fluctuate up and down."

---

Philip J. LaVelle: [phil.lavelle@uniontrib.com](mailto:phil.lavelle@uniontrib.com)

---

Copyright 2003 Union-Tribune Publishing Co.

**ADVERTISER LINKS**

What's this?

**CNF & CFC Pension Suit**

Read about lawsuit against CNF by former employees w/ pension losses.

[www.lieffcabraser.com](http://www.lieffcabraser.com)

**Discover San Diego**

See San Diego's popular sights Save 10% on all tickets

[www.historictours.com](http://www.historictours.com)

[Site Index](#) | [Contact SignOn](#) | [JTads.com](#) | [About SignOn](#) | [Advertise on SignOn](#) | [Make SignOn your homepage](#)  
[About the Union-Tribune](#) | [Contact the Union-Tribune](#)

© Copyright 2003 Union-Tribune Publishing Co.