



Mark A. Hovey
Chief Financial Officer

March 3, 2010

Ken Whitfield
City Comptroller
City of San Diego
202 C Street, 6th Floor
San Diego, CA 92101

Dear Ken:

I wanted to provide you with SDCERS' response to the February 24, 2010 "Third Annual and Final Report of Independent Consultant to the City of San Diego." Set out below in italics are each of the recommendations contained in the Third Report followed by SDCERS's response.

"Disclosures Practices Working Group (DPWG)" (page 18)

- *An SDCERS official should participate as necessary in a session of the DPWG at which pension-related disclosures are addressed.*

This comment was also made in the April 24, 2009 "Second Annual Report of the Independent Consultant." Our response to the Second Report was and remains:

As has been our practice, a SDCERS representative will participate in any DPWG meeting when requested to do so.

"San Diego City Employees' Retirement System (SDCERS)" (page 20)

- *The SDCERS Board should consider again steps for the selection of SDCERS' actuary that ensure the independence and objectivity of the actuary as part of best practices for actuary retention.*

This comment was also made in the Second Annual Report. SDCERS' response to the Second Report was:

Following research into actuarial retention best practices followed throughout the country, applicable Governmental Accounting Standards Board (GASB) pronouncements, Society of Actuaries (SOA) best practices, and Government Finance Officers Association (GFOA) best practices, SDCERS adopted a new Board policy in December 2008 that provides for actuary contracts to be re-bid every five years and that an audit of its current actuary's valuation be completed every five years. Rotation of the lead actuarial partner, which is neither required nor recommended by any of the above

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agencies, will be considered by the Board of Administration if SDCERS retains the same actuary for more than five years.

SDCERS continues to stand by our response to the Second Report. SDCERS Board policies are reviewed at least every three years. Actuarial firm selection and retention best practices, including the latest recommendation for "lead partner rotation in the event an actuarial firm is retained for more than 10 consecutive years, or requiring rotation as a factor in actuarial selection," will be re-reviewed prior to updating our policy.

- *The City, working with SDCERS and with the assistance of an experienced pension consultant, should continue to explore the range of alternatives for funding the City's pension and retiree health care benefits commitments, but it should do so based only on sound actuarial principles, consistent with prevailing practices in similar entities, with total transparency and without impairing the integrity of the pension system.*

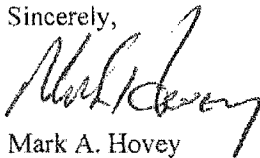
This comment was also made in the Second Annual Report. SDCERS' response to the Second Report was:

SDCERS will continue to assist the City, within California's constitutional framework, with pension-related issues. During this past year, SDCERS has provided appropriate information and assistance to the City in relation to: its new pension plan, Meet and Confer issues and Jay Goldstone's monthly pension updates. Additionally, SDCERS has provided a complete June 30, 2008 actuarial data file to the City's recently-retained actuary, Ira Summer.

SDCERS has continued to provide assistance to the City by providing June 30, 2009 actuarial data records to the City's current actuary, Buck Consultants.

If you have any questions about these responses or need any additional information, please let me know.

Sincerely,



Mark A. Hovey

cc: SDCERS Board of Administration
Stanley Keller
City Councilmembers
Jay Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Andrea Tevlin, Independent Budget Analyst
James V. Godsey, Macias Gini & O'Connell