JULY 27, 2007 STATEMENT TO GOVERNOR'S
PUBLIC EMPLOYEE POSTEMPLOYMENT BENEFITS COMMISSION

Mr Chairman and Members of the Commission:

Thank you for the opportunity to speak. I'm Stan Coombs, a member of the board of directors of the Retired Employees of San Diego County (RESDC), a non-profit organization aptly described by it's name.

I've been retired for nine years, with thirty years of County service. I'm fortunate. With my current benefits and savings, I enjoy reasonable financial security. But, many retirees' benefits are meager.

The "2006 Actuarial Valuation and Review," published by our independent retirement system, the San Diego County Employees Retirement Association, reports the average County retiree's pension to be about $2,000 per month, certainly not exorbitant after decades of service!

That same report also shows that more than 41% - nearly half - of the 12,000 retirees receive less than $1,500 month. Of that they actually take home around $1,000, for which they contributed up to 17% of each paycheck over their entire employment period. This in one of the highest-cost housing areas in the nation, where health insurance, and gasoline costs are increasing by double digits.

Against this backdrop our County Board of Supervisors recently maneuvered a reduction in health benefits for many retirees of about twenty-five percent, even though those health benefits were not paid for by taxpayers, but from excess earnings of the retirement fund. A fund, I've already indicated was partially created by contributions from those retirees when they were actively employed, and by earnings therefrom!

The excuse used by proponents of the reduction was that there can be no excess earnings when the fund has a deficit, and that all excess earnings should be used to pay off the debt. Sounds good, except that half the excess earnings they were so quick to grab legitimately belong to the retiree's, who need the health benefits. And, the debt is the County's, principally caused by their past failures to pay their contribution to the fund on a timely basis. The retiree's were outraged!

Let me also note the current momentum toward defined contribution and away from defined benefit retirement systems, and make three brief comments. I support continuation of defined benefit plans. Properly managed and funded, they are not expensive, and <u>much</u> more likely to provide critically needed retirement benefits.

Secondly, pooled retirement funds, so common to defined benefit plans, provide a windfall for taxpayers and members. Industry-wide, approximately 70% of public retirement system costs are paid for by fund earnings, not taxpayer or member contributions. Without those professionally managed retirement funds, all of the retirement system costs would be transferred to members and taxpayers.

And, thirdly, as much as we'd like to think it isn't true, individuals, including individual public employees, typically don't manage their retirement investments very well when left to their own resources. Without professionally managed funds, hundreds of thousands of them will be without the resources needed to sustain. This has broad implications for the welfare of elderly retirees, for our social service and health support systems, and for our consumer-based economic system, which depends on the resources of a rapidly aging population.

That concludes my remarks. Thank you for your attention. Please take these comments into consideration as you develop your report.