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February 25, 2009

Kevin L. Faulconer
Chairman, Audit Committee
City of San Diego
202 C Street
San Diego, CA 92101

Dear Mr. Faulconer:

I have seen Mark Hovey's February 12, 2009 memo relating to your January 21, 2009 letter to David Wescoe asking for the SDCERS Board to consider my suggestion for lead partner rotation in the event that an actuary is retained for more than 10 consecutive years. I have a couple of reactions.

First, I made two suggestions, of which lead partner rotation was one. The other was that the SDCERS Board consider identifying the benefits of turnover as one of the criteria in the actuary selection process.

With respect to lead partner rotation, adoption of such a policy would address concerns regarding bias, objectivity and erosion of independence in a manner that has become prevalent for auditors. However, there may be alternative approaches the SDCERS Board could consider that recognize the differences in the actuary and auditing professions should the Board consider that necessary. For example, a lead partner rotation policy could include an exception where the Board determines in the exercise of its fiduciary duties that there is compelling justification for a departure from rotation. An example might be if the firm selected did not have another person available with the requisite expertise, although one would expect that circumstance to be taken into consideration as a factor in the selection process. The point is that the SDCERS Board could consider additional steps consistent with the Kroll recommendation that enhances confidence in the integrity of the actuarial process and that works for SDCERS.

Please let me know if you have any questions.

Very truly yours,



Stanley Keller
Independent Consultant

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