

ORDINANCE NUMBER O- **20282** (NEW SERIES)

DATE OF FINAL PASSAGE AUG 05 2013

AN ORDINANCE AMENDING CHAPTER 2, ARTICLE 4,
DIVISION 15 OF THE SAN DIEGO MUNICIPAL CODE BY
AMENDING SECTIONS 24.1502 AND 24.1504, ALL
RELATING TO THE CITY EMPLOYEES' RETIREMENT
SYSTEM.

WHEREAS, the City of San Diego is the plan sponsor of the defined benefit retirement plan established under San Diego Charter (Charter) sections 141 through 149 (Retirement Plan); and

WHEREAS, the San Diego City Council (Council) has the sole authority to establish the retirement benefits for City officers, employees and elected officials under the Retirement Plan; and

WHEREAS, the Supplemental COLA benefit was added to the Retirement Plan by San Diego Ordinance O-18608, adopted by the Council on January 11, 1999; and

WHEREAS, the benefit was created for retirees who retired before July 1, 1982 with at least ten years of service credit, whose benefits had fallen below 75 percent of their original purchasing power; and

WHEREAS, on September 12, 2000, the Council adopted San Diego Ordinance O-18839, which expanded eligibility for the benefit to industrial disability retirees with less than ten years of service credit; and

WHEREAS, the Retirement System calculates the Supplemental COLA benefit on an individual retiree basis, according to a formula set forth in subsection (b) of section 24.1504 of the San Diego Municipal Code (SDMC); and

WHEREAS, the benefit has been paid monthly since January 1999, with the first payment retroactively covering the period of July 1, 1998 through December 31, 1998; and

WHEREAS, to date, all Supplemental COLA benefits have been paid from the Retirement System's Supplemental COLA Reserve (Reserve); and

WHEREAS, the Reserve was established with \$35 million from "Undistributed Earnings for the Fiscal Year ending June 30, 1998"; and

WHEREAS, SDMC section 24.1504 currently limits the duration of the benefit to the "Available Benefit Amount" (synonymous with "Supplemental COLA Reserve"), which is defined as the initial \$35 million credited to the Reserve, plus annual interest (credited in years in which the benefits paid are less than the investment earnings received), minus the benefits paid; and

WHEREAS, SDMC section 24.1504(c)(4) provides that when the Available Benefit Amount is zero, "[b]enefit payments under the Supplemental COLA Program shall cease"; and

WHEREAS, the Retirement System has informed the City that the Reserve will be depleted in October 2013; and

WHEREAS, the Mayor desires to appropriate the funds in the City's Fiscal Year 2014 budget to allow the Retirement System to continue paying the Supplemental COLA increases throughout Fiscal Year 2014 to the eligible pre-1982 retirees and their survivors; and

WHEREAS, the Mayor also desires that the City continue to decide on an annual basis, through the annual budget process, whether to provide the funds necessary to continue payment of the Supplemental COLA increases for the following fiscal year; and

WHEREAS, the defined benefit plan must be amended to allow payment of the Supplemental COLA increases on this basis after depletion of the Supplemental COLA Reserve; and

WHEREAS, the necessary amendments are contained in this ordinance; and

WHEREAS, this ordinance does not require a vote of the public under Charter section 143.1, because it will not increase the benefits of “any employee, legislative officer or elected official,” and because Charter section 143.1 specifically exempts cost of living adjustments from the vote requirement; NOW, THEREFORE,

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

Section 1. That Chapter 2, Article 4, Division 15 of the San Diego Municipal Code is amended by amending sections 24.1502 and 24.1504, to read as follows:

§24.1502 Transfers Made From Plan Assets

The following amounts shall be transferred as set forth below from plan assets as determined by the *Board*:

(a)-(d) [No change in text.]

§24.1504 Supplemental COLA Program

The Supplemental COLA Program was created to increase the retirement benefits of certain *Qualified Retirees* as defined in section 24.1503 by an amount sufficient to ensure that an eligible *Qualified Retiree's* total retirement benefit on July 1, 1998, including Cost of Living Adjustments and the Annual Supplemental Benefit as defined in section 24.1503, was equal to 75% of the present value (as of July 1, 1998) of the retiree's *Base Retirement Benefit* at retirement. The amount of increase could not, however, exceed 50% of the *Qualified Retiree's* total retirement benefit as of July 1, 1998. For purposes of this section, “*Base Retirement Benefit*” means the *Qualified Retiree's Base Retirement Benefit* on the date of his or her retirement. The “Benefit in Effect on July 1, 1998” means the *Qualified Retiree's* retirement allowance on July 1, 1998, as defined in

Division 4 of this Article, as adjusted by both the Cost of Living Adjustment defined in section 24.1505 and the Annual Supplemental Benefit.

- (a) Participation in the Supplemental COLA Program is limited to *Qualified Retirees* as defined in section 24.1503 and their survivors, including special death benefit recipients, who:
- (1) Retired on or before June 30, 1982; and
 - (2) Received a retirement allowance on July 1, 1998 which, as determined by the *System's Actuary*, was less than 75% of the present value (as of July 1, 1998) of their *Base Retirement Benefit* when combined with their Annual Supplemental Benefit.
- (b) The Supplemental COLA benefit increases were calculated as follows:
- (1) The *System's Actuary* determined the factor necessary to calculate 75% of the present value (on July 1, 1998) of the *Qualified Retiree's Base Retirement Benefit*. This calculation was based on the Cost of Living Index as shown by the Bureau of Labor Statistics Consumer Price Index, United States - All items, for each applicable Fiscal Year.
 - (2) The above factor was multiplied by the eligible *Qualified Retiree's Benefit in Effect* on July 1, 1998, to arrive at the amount of the increase required under the Supplemental COLA Program (the Supplemental COLA increase).
 - (3) The Supplemental COLA increase could not exceed 50% of an eligible *Qualified Retiree's Benefit in Effect* on July 1, 1998.

- (4) The *System* began paying the Supplemental COLA benefit in January 1999, retroactive to July 1, 1998, and then monthly thereafter, with an amount for the months of July through December 1998 added to the January 1999 Retirement Allowances.
- (c) The Supplemental COLA benefit is paid to each eligible *Qualified Retiree* for life, and then to his or her survivor for life, except as set forth in subsections (d) and (e). The *Qualified Retiree's* Retirement Allowance, as increased by the Supplemental COLA, is adjusted each July 1 by the Cost of Living Adjustment, in accordance with section 24.1505.
- (d) Payment of the Supplemental COLA benefit is limited to the Available Benefit Amount determined as follows:
 - (1) The initial Available Benefit Amount as of June 30, 1998 was \$35 million.
 - (2) Benefit payments under the Supplemental COLA Program are accounted for separately and charged against this Available Benefit Amount.
 - (3) The Available Benefit Amount is credited with interest annually, if the total of the amounts transferred pursuant to sections 24.1502(a) (1), (2), (3), and (4) are less than investment earnings received in that year, in accordance with section 24.0904 and related *Board* rules.
 - (4) Benefit payments under the Supplemental COLA Program cease when the Available Benefit Amount is depleted.

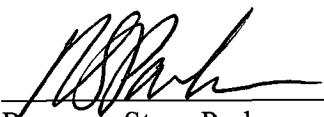
(e) Once the Available Benefit Amount is depleted, the Supplemental COLA benefit will not be paid from any other *System* assets. Instead, each year, as part of the annual budget process, the City will determine whether to appropriate and transfer to the *Retirement System* the funds necessary to pay the Supplemental COLA benefit for the following fiscal year.

Notwithstanding subsection (d), the Retirement System will continue to pay the Supplemental COLA increases from the funds transferred by the City to the Retirement System for this purpose. When the Available Benefit Amount is depleted, the Supplemental COLA increase will not be paid in years in which the City has not provided the funds to pay the benefit.

Section 2. That a full reading of this ordinance is dispensed with prior to its passage, a written or printed copy having been made available to the City Council and the public prior to the day of its passage.

Section 3. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

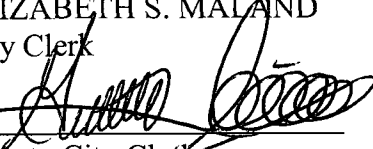
APPROVED: JAN I. GOLDSMITH, City Attorney

By  _____
Roxanne Story Parks
Deputy City Attorney

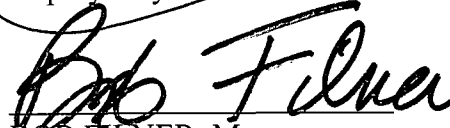
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04/15/2013
Or.Dept:Mayor
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I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of JUL 23 2013.

ELIZABETH S. MALAND
City Clerk

By 
Deputy City Clerk

Approved: 8/2/13
(date)


BOB FILNER, Mayor

Vetoed: _____
(date)

BOB FILNER, Mayor

This ordinance is effective August 5, 2013, which represents the day this ordinance was returned to the Office of the City Clerk with the Mayor's signature of approval.

Passed by the Council of The City of San Diego on JUL 23 2013, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Sherr Lightner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kevin Faulconer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Todd Gloria	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Myrtle Cole	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Kersey	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lorie Zapf	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Scott Sherman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Alvarez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marti Emerald	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Date of final passage AUG 05 2013

AUTHENTICATED BY: BOB FILNER
Mayor of The City of San Diego, California.

(Seal) ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.
By [Signature], Deputy

I HEREBY CERTIFY that the foregoing ordinance was not finally passed until twelve calendar days had elapsed between the day of its introduction and the day of its final passage, to wit, on JUL 09 2013, and on AUG 05 2013

~~I FURTHER CERTIFY that said ordinance was read in full prior to its final passage.~~

I FURTHER CERTIFY that the reading of said ordinance in full was dispensed with by a vote of not less than a majority of the members elected to the Council, and that there was available for the consideration of each member of the Council and the public prior to the day of its passage a written or printed copy of said ordinance.

(Seal) ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.
By [Signature], Deputy

Office of the City Clerk, San Diego, California
Ordinance Number O- 20282