

DATE: November 20, 2001

REPORT NO. 01-258

ATTENTION: Rules, Finance and Intergovernmental Relations Committee
..... Agenda of November 21, 2001

SUBJECT:..... Modification of the Retirement Program for Former Elected Officers

DISCUSSION

The Legislative Officers Retirement Plan (LORP) was created by Ordinance in 1971 as a distinct plan administered by the San Diego City Employees Retirement System (SDCERS). The Plan was re-titled Elected Officers Retirement Plan (EORP) in October of 2001, when the elected City Attorney was added to the Plan. While the retirement benefits for general members and safety members of SDCERS have increased over time to stay competitive with other public agency jurisdictions, the formula for calculating retirement benefits for EORP members had not changed since inception in 1971 (nineteen years). In September of 2000, the City Council adopted modifications to the Elected Officers Retirement Plan (EORP) that (1) changed the formula for calculating benefits from "5% of the first \$500/month compensation plus 3% of any additional monthly compensation" to "3.5% of total monthly compensation"; and (2) changed the age at which an elected member could draw retirement benefits from age 60 to age 55.

There are presently three categories of EORP Members:

1. *Active Members* are the current Mayor, Councilmembers and City Attorney.
2. *Deferred Members* are former Mayors and Councilmembers who have left contributions on deposit with SDCERS and will be eligible to receive benefits as soon as they reach the age requirements and are eligible for a benefit as specified in the Municipal Code.
3. *Retired Members* are former Mayors and Councilmembers who have met both service and age eligibility requirements and are actually receiving retirement benefits.

When benefit modifications were implemented on September 12, 2000, based on the current provisions of the Municipal Code, the new benefits only apply to EORP members who were in office on or after September 12, 2000.

Deferred Members

There are presently six (6) Deferred EORP Members who left office *before* the September 12, 2000 modifications were effected, and who will receive benefits under the old formula once they

reach age eligibility, unless the Council amends the Municipal Code.

Retired Members

There are twelve (12) Retired EORP Members who are currently receiving benefits under the old formula. There are five (5) Retired Members who left office after September 12, 2001 and are receiving benefits under the new formula.

It is recommended that the City Council express its intent regarding application of the new benefit modifications to all EORP Members, including Deferred and Retired Members.

Attachment 1 is a Draft Ordinance which would make these benefit modifications applicable to Deferred and Retired Members should the Council so desire. The Draft Resolution also changes the reference to the name of the Plan from "LORP" to "EORP" where applicable. Given the small number of Deferred and Retired EORP Members under the old formula (Attachment 2), the cost associated with the change would be diminimus.

Respectfully submitted,

Cathy Lexin....
Human Resources Director....

- Attachments:.. 1. Draft Resolution
.....2. Comparison of EORP Benefits for Retired and Deferred

NEW LANGUAGE - REDLINED

OLD LANGUAGE - STRIKEOUT

.....(O-2002-62)

STRIKEOUT ORDINANCE NUMBER O-_____ (NEW SERIES)
ADOPTED ON _____

AN ORDINANCE AMENDING CHAPTER 2, ARTICLE 4, DIVISION 1, BY AMENDING SECTION 24.0103; AND BY AMENDING CHAPTER 2, ARTICLE 4, DIVISION 12, BY AMENDING SECTION 24.1201; AND BY AMENDING CHARTER 2, ARTICLE 4, DIVISION 17, SECTION 24.1706, ALL RELATING TO ELECTED OFFICERS RETIREMENT PLAN

Amending Chapter 2, Article 4, Division 1, by amending section 24.0103, to read as follows:

24.0103 Definitions

- Unless otherwise stated, for purposes of this Article:
- “Accumulated Additional Contributions” through “Elected Officers” - No changes made in definitions.
- “Final Compensation” for General Members and ~~Legislative~~ Elected Officers means the Base Compensation based on the highest one year period during membership in the Retirement System for those Members and Officers who are on the active payroll of ~~the~~ City of San Diego on or after June 30, 1989, and who retire on or after July 1, 1989.
- “Final Compensation” for Safety Members - No changes made in definition.
- “General Member” is any Member not otherwise classified as a Safety Member of ~~Legislative~~ Elected Officer.
- “Health Eligible Retire” means any retired General Member, Safety Member, or ~~Legislative~~ Elected Officer who: (1)was on the active payroll of ~~the~~ City of San Diego on or after October 5, 1980, and (2)retires on or after October 6, 1980, and (3)is eligible for and is receiving a retirement allowance from the Retirement System.
- “Investment Earnings Received” - No changes made in definition.
- ~~“Legislative Officers” means the Mayor and/or members of the City Council.~~

. “Members” means any person who actively participates in and contributes to the Retirement System, and who is thereafter entitled, when eligible, to receive benefits therefrom. There are four classes of Members: General, Safety, ~~Legislative~~ Elected Officer and Deferred.

. “Normal Contributions” through “Unmodified Service Retirement Allowance” - No changes made in definitions.

By amending Chapter 2, Article 4, Division 12, by amending section 24.1201, to read as follows:

24.1201 Eligible Retirees

. (a). Effective August 1, 1997, two separate post retirement health benefits shall be offered, one to Health Retirees as set forth in this Division. A Health Eligible Retiree is any General Member, Safety Member or ~~Legislative~~ Elected Officer who: (1) was on the active payroll of ~~the~~ the City of San Diego on or after October 5, 1980, and (2)retires on or after October 6, 1980, and (3) is eligible for and is receiving a retirement allowance from the Retirement System. A Non Health Eligible Retiree is any retiree who: (1) retired or terminated employment as a vested member from ~~the~~ the City of San Diego prior to October 6, 1980; and (2) is eligible for and is receiving a retirement allowance from the Retirement System.

. Subsections (b) through (c) - No changes made.

By amending Charter 2, Article 4, Division 17, section 24.1706, to read as follows:

24.1706 Elected Officer Services Retirement - Computation of Benefits

. The service retirement allowance payable to eligible Members shall be an amount sufficient, when added to the annuity that is derived from the accumulated normal contributions of the Member, to equal 3.5% of his or her final monthly compensation for each year of creditable service. **Notwithstanding Sections 24.0102 and 24.0103, all Elected Officers and former Elected Officers who are Members of the System shall receive the service retirement allowance provided for in this Section.**

ELH:smf

11/16/01

Or.Dept:Human Resources

O-2002-62

Comparison of Old and New EORP Benefits for Retired and Deferred Members

Member	Pre-2000 Annual Benefit	Post-2000 Annual Benefit	Annual Difference
John T. Hartley	6,228.36	6,975.76	747.40
Lucy L. Killea	4,398.72	4,926.57	527.85
Robert T. Martinet	3,404.16	3,812.66	408.50
Gloria D. McColl	12,319.92	13,798.31	1,478.39
William J. Mitchell	5,365.20	6,009.02	643.82
Floyd L. Morrow	7,575.84	8,484.94	909.10
Maureen O'Connor	25,169.88	28,190.27	3,020.39
Michael J. Schaefer	1,554.12	1,740.61	186.49
Edward J. Struiksma	19,359.84	21,683.02	2,323.18
Leon L. Williams	15,201.84	17,026.06	1,824.22
Barbara G. Warden	15,673.56	17,554.39	1,880.83
Judith H. McCarty*	39,628.44	44,383.85	4,755.41
Bob Filner	6,408.84	7,600.68	1,191.84
Mike Gotch	9,982.20	14,829.24	4,847.04
Bruce Henderson	6,247.80	7,401.96	1,154.16
William Jones	5,776.08	6,684.12	908.04
Wes Pratt	6,247.80	7,401.96	1,154.16
Ron Roberts	11,247.60	13,345.20	2,097.60
			30,058.42

* Although Councilmember McCarty was still in office on September 12, 2000, she exercised the Deferred Retirement Option Plan (DROP) feature of SDCERS prior to September 12, 2000 under the old formula and consequently is receiving benefits under the old formula.