

# SDCERS

San Diego City Employees' Retirement System

(DISABILITY ACCESSIBLE)

## NOTICE OF SPECIAL MEETING

### **BOARD OF ADMINISTRATION AGENDA**

**FRIDAY, OCTOBER 19, 2007 – 8:30 A.M. to Noon**

**401 WEST A STREET  
SDCERS BOARDROOM, THIRD FLOOR  
SAN DIEGO, CA 92101**

#### SDCERS TRUSTEES

Thomas C. Hebrank, President; Mark C. Sullivan, Vice-President; Susan S. Gonick, V. Wayne Kennedy, Franklin R. Lamberth, Carmen C. Lutes, Steven W. Meyer, George A. Murray, Peter E. Prevolos, Jo Anne SawyerKnoll, William J. Sheffler and John G. Thomson

#### CALIFORNIA GOVERNMENT CODE SECTION 1090: INTEREST DISCLOSURE

Pursuant to California Government Code Section 1091.5(a)(9), a city officer or employee does not have a financial interest in a city contract if these conditions are satisfied: (i) his or her interest is that of a person receiving a salary, per diem or reimbursement for expenses from a government entity; (ii) the contract does not directly involve the department of the government entity that employs him or her; and (iii) the interest is disclosed to his or her body or board at the time the contract is considered and is noted in its official record. In accordance with this statute, the following Board members request that the Board note in its official records that they receive a salary, per diem or reimbursement for expenses from the City of San Diego: Franklin Lamberth, Steve Meyer, Jo Anne SawyerKnoll, Mark Sullivan and John Thomson. John Thomson is also a Board member of San Diego Fire Fighters Local 145 and a DROP participant. Carmen Lutes is a retired City employee and receives a SDCERS retirement allowance. Mark Sullivan is also a Board member of the San Diego Police Officers Association. Steve Meyer, Franklin Lamberth, John Thomson and Mark Sullivan have decided to recuse themselves from discussions pertaining to past pricing of purchased service credits because they have made service credit purchases.

## I. PURPOSE OF MEETING

To provide representatives of SDCERS' plan sponsors, their employee bargaining units and retirees, public interest groups, system members and the general public the opportunity to express their views on the issues described below concerning the pricing of purchased service credits.

## II. BACKGROUND

In 1997, the City approved amendments to the Municipal Code to permit its employees to purchase up to five years of additional service credit towards their retirement benefits. The Code requires that purchasing employees pay the amount the SDCERS' Board of Administration "determines to be the employer and employee cost" of the additional service credit.

Since 1997, nearly 6,000 City employees have entered into contracts under the PSC program. Between 1997 and November of 2003, the former SDCERS' Board charged a single price per year of service for all general employees and another single price for all safety employees. During that time period, City-approved increases in retirement benefits increased the value of each year of additional service credit. In November, 2003 the former Board increased the prices of future PSC purchases. Those prices have remained constant since then.

On September 21, 2007, the current SDCERS Board announced that it has been engaged in a thorough review of the Purchase of Service Credit program. The Board has been advised by its actuary, Cheiron, that the purchased service credit rates in place for contracts entered into since November 2003 cover the full projected cost to the System. Cheiron also confirmed that the prices charged prior to that date did not cover the full projected cost of purchased service credits. The shortfall totals an estimated \$146 million, and has been included in the system's Unfunded Actuarial Liability since the inception of the PSC program and is being recovered through the Annual Required Contribution payments made by SDCERS' plan sponsors.

The issues arising out of the PSC program also affect the Port and Airport and their respective employees and retirees, although to a lesser extent than the City.

The Board is considering carefully its options regarding the prior pricing of PSC contracts. These options include: with respect to some or all past PSC contracts, continue to amortize the associated liability as part of the system's Unfunded Actuarial Liability; recovering past overpayments of benefits and renegotiating or adjusting contracts either to provide for additional member payments or reduced

amounts of service credit for some or all of the affected member contracts; and initiating declaratory relief litigation to establish the respective rights and obligations of the City, SDCERS and the members. In considering its options, the Board will also take into consideration, among other things, the bases on which the prior board made its pricing determinations, the length of time that has passed since many of these contracts have been entered into and whether the members relied in good faith on the prices they were asked to pay for their purchases.

The Board is holding two public stakeholder meetings at which any interested party may appear to express their views on these issues. For this first meeting the Board is particularly interested in input on the following questions:

- 1) What additional facts should SDCERS take into consideration in weighing its options?
- 2) What actions, if any, should SDCERS take under the circumstances?
- 3) What legal challenges might result from any SDCERS' action or inaction?
- 4) What impact would efforts to recover overpaid amounts or adjust past PSC contracts have on SDCERS' active members and retirees?
- 5) Should SDCERS initiate declaratory relief litigation to determine the validity of the contracts in question, or is such legal recourse best left to the plan sponsors and their employees/retirees?

### **III. SDCERS' ADVISORS' PRESENTATIONS**

- A. Actuarial Information (Gene Kalwarski, Cheiron)
- B. Factual and Legal Information (Harvey Leiderman, Reed Smith)

### **IV. PLAN SPONSOR PRESENTATIONS**

### **V. REPRESENTATIVE EMPLOYEE BARGAINING UNIT PRESENTATIONS**

### **VI. RETIRED EMPLOYEE ASSOCIATION PRESENTATIONS**

### **VII. PUBLIC INTEREST GROUP PRESENTATIONS**

Representatives can register with SDCERS using the attached form to make a presentation on these topics. We request that representatives notify the Board Secretary and submit presentation and handout materials (if any) at least 48 hours before the meeting and fill out a Request to Speak form and submit it to the Board Secretary before the meeting begins. Presentations by representatives will be limited to 15 minutes unless additional time is granted by the Board President.

**VIII. MEMBERS OF THE RETIREMENT SYSTEM, RETIREES AND GENERAL PUBLIC COMMENT**

Members and retirees of the retirement system and the general public also are invited to provide comment. To address the Board during this portion of the meeting, a Request to Speak form should be submitted to the Board Secretary prior to the end of the Representative presentations. These forms will be located in the back of the meeting room. The Board President will call your name to address the Board. Because of the anticipated number of speakers, public testimony will be limited to 3 minutes per speaker. The Board encourages individual speakers to avoid repetition in their presentations.

**IX. QUESTIONS OR COMMENTS FROM PRESIDENT, TRUSTEES, STAFF and ADVISORS**

**X. ADJOURNMENT**



## SDCERS STAKEHOLDER REPRESENTATIVE REGISTRATION FORM

The SDCERS Board of Administration is permitting approved stakeholder groups to register an individual as a Stakeholder Representative to express their views on the issues concerning the pre-November 2003 pricing of purchased service credits.

Stakeholder Representatives may make formal presentations to the Board pursuant to the following guidelines:

- ◆ Presentations may not exceed 15 minutes;
- ◆ Subject matter is limited to service credit pricing;
- ◆ Stakeholder Representatives must notify the SDCERS Board Secretary of their intent to make a presentation at least 48 hours before the meeting;
- ◆ Electronic or printed presentations (if any) must be forwarded to the SDCERS Board Secretary at least 48 hours before the meeting (see contact information below).

To register your group's representative, please fill out the form below and return it to Michelle London at the address or fax number listed below.

### **REPRESENTATIVE REGISTRATION** *(Please Print)*

REPRESENTATIVE NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY: \_\_\_\_\_ ST \_\_\_\_\_ ZIP \_\_\_\_\_

PHONE: \_\_\_\_\_

EMAIL: \_\_\_\_\_

ORGANIZATION NAME: \_\_\_\_\_

**PLEASE SUBMIT THIS FORM AND PRESENTATION REQUESTS TO:**

**SDCERS  
Attn: Michelle London  
401 West A Street, Suite 400  
San Diego, CA 92101**

**Phone:** (619) 525-3655  
**Fax:** (619) 595-0357  
**Email:** mlondon@sandiego.gov