

FISCAL YEAR
2022

The City of San Diego
**Risk Management
Annual Report**



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EXECUTIVE SUMMARY

The Risk Management Department is dedicated to preventing, controlling, and minimizing the City's financial risks while providing optimum services to City employees and the public through the centralized administration of employee benefits, loss control, and claims administration.

The Risk Management Annual Report provides the City Council and management with an overview of the Risk Management Department's programs. The purpose of this report is to provide City of San Diego (City) leadership with information regarding City exposures and losses for Fiscal Year (FY) 2022 with the intent of implementing loss prevention measures that will help control or eliminate identified risks.

The time covered in this FY 2022 report included continued challenges resulting from the COVID-19 pandemic. The Risk Management Department was again asked to pivot operations and begin to integrate the workforce back into the office while taking into consideration employee preferences and the ever-evolving pandemic guidelines. Office space was reorganized, schedules were created for each team's in-office day, and telework agreements were signed by each employee. Risk Management has taken the lessons learned from the pandemic and incorporated them into the vision of the department's future.

The report contains summaries of workers' compensation, public liabilities, loss recovery, and insurance premiums by fiscal year, as well as relevant benefits information for City employees.

Public Liability and Loss Recovery Division

The number of new reported public liability claims in FY 2022 was 1,557¹ an increase of 144 claims or 10 percent from FY 2021. This is primarily attributed to an overall increase in water main breaks, trip & falls, and pothole-related claims. The public liability claim costs for FY 2022 was \$66.6 million, an increase of \$17.9 million from FY 2021. It is important to note that payments made in FY 2022 are not necessarily correlated to the claims filed in the same year. In addition, Appendix A, Public Liability – Five Year History (FY 2018 – FY 2022), provides the number of public liability claims reported and expenditures paid in those particular fiscal years, including specific department detail for each of the top five cost incurring City departments.

The Public Liability and Loss Recovery Division also administers the City's Loss Recovery Program, which pursues claims against third parties that cause damage to City property or injury to City employees. The Division staff works closely with departments to quickly set up claims, determine costs, and identify possible insurers. The program invoiced \$2.6 million in FY 2022, a decrease of \$3.6 million from FY 2021. The total revenue received on outstanding invoices was \$2.1 million in FY 2022, a decrease of \$3.4 million. The General Fund portion of revenue received was \$0.7 million in FY 2022.

Insurance Program

The Risk Management Department oversees the insurance programs for the City. The City currently participates in pooled purchasing with counties and public entities in California through Public Risk Innovation, Solutions, and Management (PRISM). For the first time,

¹ Updated methodology for FY 2022 to determine public liability claims received using claimant add date. Previous fiscal year's methodology utilizes claim add date.

beginning in FY 2019, and outside of PRISM, the City purchased Excess Workers' Compensation Insurance coverage above its Self-Insured Retention of \$5.0 million. In FY 2022, total insurance premiums costs were \$28.2 million, an increase of \$3.3 million or 13 percent from FY 2021, which is primarily attributed to a \$1.3 million increase in General Liability premiums and \$0.8 million from Property Insurance. Insurance market conditions are the primary factor for the increase as the liability insurance industry continues to see significant increases in plaintiff demands, jury verdicts, and high dollar claims.

Workers' Compensation Division

The number of new workers' compensation claims reported in FY 2022 was 3,677, an increase of 1,833 claims from the 1,844 claims reported in FY 2021. This increase is primarily attributed to COVID-19 related claims. The workers' compensation claim expenditures for FY 2022 was \$50.9 million. This is an increase of \$10.3 million, or 25 percent from FY 2021. In addition, Appendix B, Workers' Compensation – Five Year History (FY 2018 – FY 2022), provides the number of workers' compensation opened claims reported and claim expenditures paid each fiscal year including specific department detail for each of the top five cost incurring City departments.

Employee Benefits Division

The Employee Benefits Division manages the citywide administration of the Flexible Benefits Plan, Retiree Medical Trust, Long-Term Disability (LTD) Plan, Employee Savings Plans, and the Transportation Alternative Program (TAP). In FY 2022, 1,136 new hires, re-hires, and newly benefitted employees were enrolled in their flexible benefits and mandatory savings plans. Additionally, 26 Non-Standard Hour employees met the qualifications and were offered medical coverage under the Affordable Care Act (ACA).

The Division participated in collective bargaining with the City's Recognized Employee Organizations (REO) regarding terms and conditions of employment as part of the City's negotiation team. In FY 2022, the Division successfully enrolled over ten thousand employees during open enrollment.



RISK MANAGEMENT DEPARTMENT

Mission

Our mission is to effectively prevent, control, and minimize the City’s financial risk and provide optimum services to the City’s employees and the public through the centralized administration of employee benefits and loss control.

Vision

To continue to improve the City’s risk management program through close collaboration with City departments in identifying, analyzing, and implementing risk prevention strategies that reduce or mitigate exposure for the City.

Overview

The Risk Management Department provides central risk management services to City of San Diego residents, visitors, and employees to limit the risk exposure of the City’s network of departments and infrastructure. The Department also provides data on workers’ compensation and public liability claims to City departments. This data provides City departments the information needed to monitor liability exposures and implement business process improvements.

Central risk services provided by the Risk Management Department include workers’ compensation claims management, flexible benefits, employee savings plan administration, public liability claims management, loss recovery, and oversight of the insurance program, which are administered through the following four divisions, as reflected in **Figure 1**, Risk Management Department Organizational Chart:

- ❖ Finance and Administration
- ❖ Employee Benefits
- ❖ Public Liability and Loss Recovery
- ❖ Workers’ Compensation

Figure 1: Risk Management Department Organizational Chart



* Beginning in FY2022 the Safety and Environmental Health Division was restructured to the newly created Compliance Department.

RISK MANAGEMENT DEPARTMENT ACTIVITIES AND FUNDING SOURCES

The Risk Management Department activities are funded by the following sources:

Public Liability Fund: Supported solely by the General Fund to provide a funding source for the City's General Fund liability claim expenditures. An annual operating and reserve transfer is budgeted in the Citywide Program Expenditures Department.

Non-General Funds: Water, Wastewater, and other Non-General Funds provide funding for the City's Non-General Fund liability claim expenditures. An annual operating budget is included in the Water and Sewer Funds. All other Non-General Funds reimburse the Public Liability Fund per the Appropriation Ordinance, Section E.4.

Flexible Benefits: An Internal Revenue Service (IRS) qualified cafeteria-style benefits program offered to all eligible employees. This program is a component of the citywide fringe allocation and represents the City's portion of the benefit expense. This program is supported by the revenues collected by the City.

Employee Savings Plans: Tax-deferred defined contribution retirement savings plans to help employees achieve a financially secure retirement. This program is a component of the citywide fringe allocation and represents the City's portion of the benefit expense. This program is supported by the revenues collected by the City.

Workers' Compensation Fund: Established to ensure that employees who suffer work-related accidents or illnesses are provided with medical treatment and indemnity benefits as mandated by the State.

Long-Term Disability Fund: An employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a non-work-related injury or illness. This benefit is also available for eligible employees on pregnancy leave.

Risk Management Administration Fund: The Risk Management Administration Fund is an Internal Service Fund that captures administrative costs related to workers' compensation claims management, employee benefits administration, safety and environmental health oversight, public liability claims management, loss recovery, and oversight of the insurance program for the City. Funding is a component of the citywide fringe allocation. Each City department is allocated a portion of the Risk Management Administration Fund's overall expenditures based on the number of full-time equivalent (FTE) positions in the department.

The Workers' Compensation, Long-Term Disability, and Risk Management Administration Funds are supported by all City funds with FTE positions. A fringe allocation is budgeted in every City fund to support the annual operating expenditures and reserve contributions. **Figure 2, Risk Management Department Funding Sources,** presents the operating amount and reserve fund balance for each of the funds described above for FY 2022.

Figure 2: FY 2022 Risk Management Department Funding
(in millions)

Funding Sources	Operating Amount	Reserve Fund Balance²
Employee Savings Plans ³	\$ 47.3	\$ -
Flexible Benefits ⁴	140.6	-
Long-Term Disability Fund	3.5	4.3
Public Liability Fund ^{5,6}	49.5	33.8
Risk Management Administration Fund	12.3	-
Workers' Compensation Fund	37.5	33.9
Total¹	\$ 290.7	\$ 72.0

¹Totals may not foot due to rounding.

² Fund Balances as of June 30, 2022.

³ FY 2022 Adopted Budget for Employee Savings Plans- SPSP, 401, RMT.

⁴ FY 2022 Adopted Budget for Flexible Benefits.

⁵ Includes \$17.8 million to support insurance premiums.

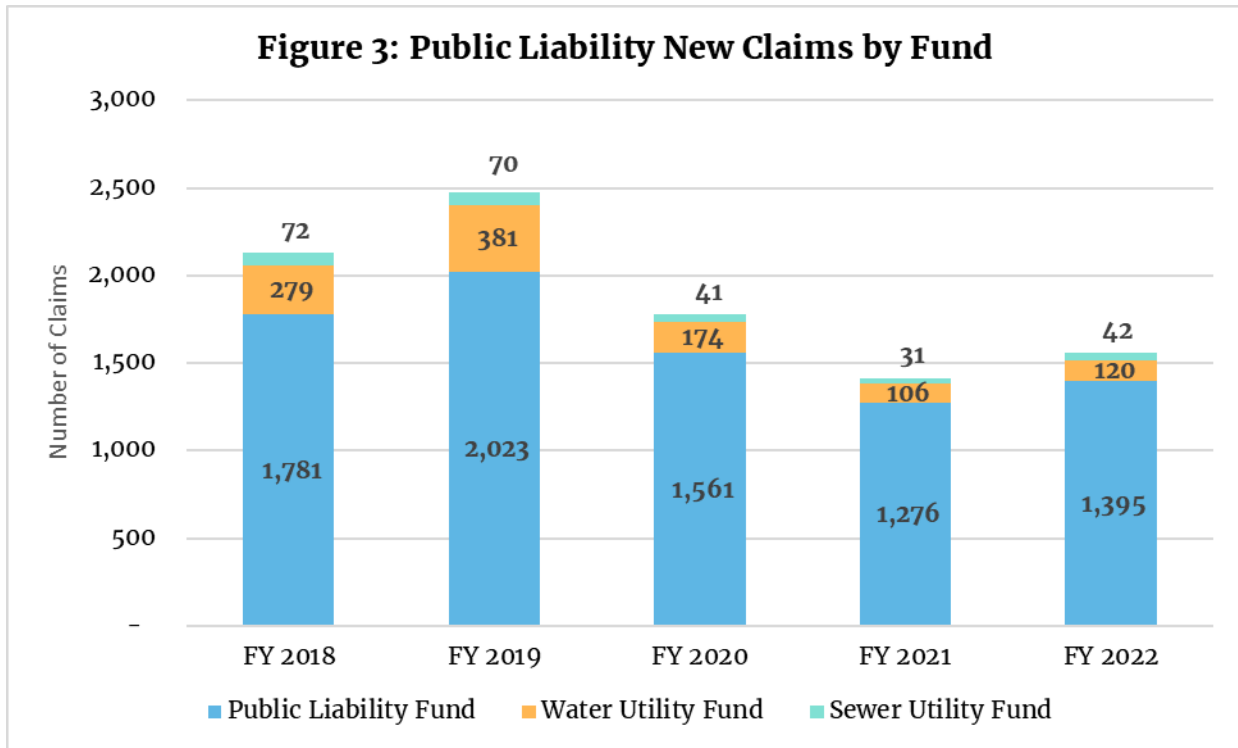
⁶ Includes \$26.6 million in off-setting expenditures associated with insurance proceeds received.

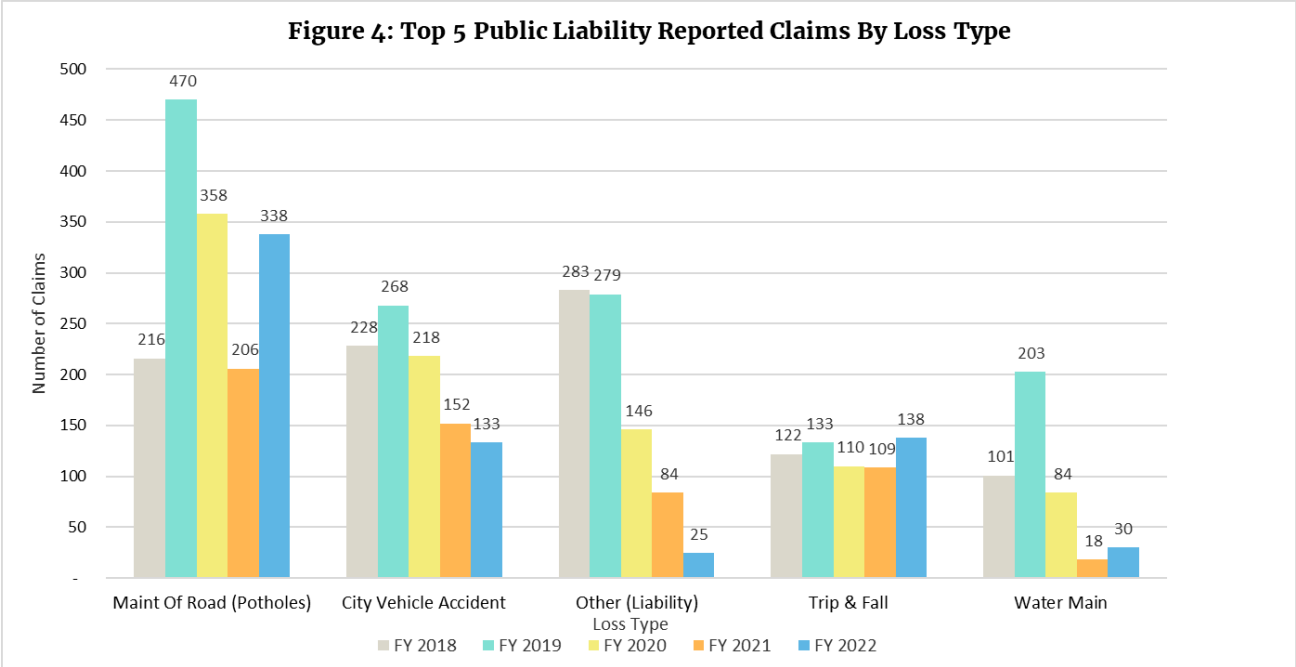
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PUBLIC LIABILITY AND LOSS RECOVERY DIVISION

The Public Liability and Loss Recovery Division is a self-administered, self-insured program for public liability (torts) risks, which is supplemented by excess liability insurance purchased through PRISM. The City’s self-insured retention (SIR) in FY 2022 is \$5.0 million. The Division supports the investigation, settlement or defense of all claims arising from the City’s municipal operations; collaborates with the City Attorney’s Office on litigated claims and lawsuits; services citizens and special event promoters to ensure the public’s interests are protected with appropriate insurance; provides guidance related to insurance requirements in City contracts; manages the City’s insurance portfolio; and investigates and recovers costs associated with damages to City assets or injury to City personnel caused by third parties.

In FY 2022, the number of new reported public liability claims was 1,557, an increase of 144 claims or 10 percent from FY 2021 as shown in **Figure 3**, Public Liability Reported Claims by Fund. This is primarily due to an increase in pothole, trip & fall, and water main break-related claims, offset by a decrease in City vehicle accidents, and Other (Liability)related claims. **Figure 4**, Top 5 Public Liability Reported Claims by Loss Type, highlights the top 5 most frequently reported loss types for the past five fiscal years.





The public liability claim costs for FY 2022 was \$66.6 million, an increase of \$17.9 million from FY 2021. **Figure 5**, Public Liability Claim Cost by Payment Type, presents the costs for public liability claims by payment type over the past five fiscal years.

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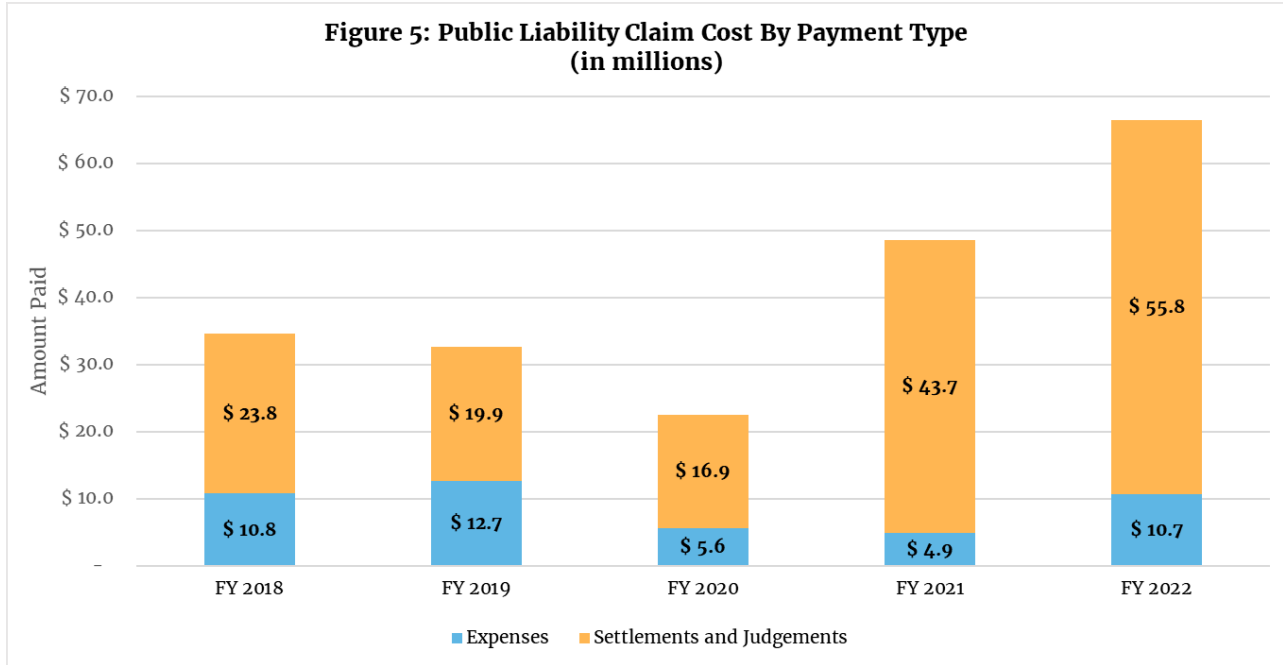
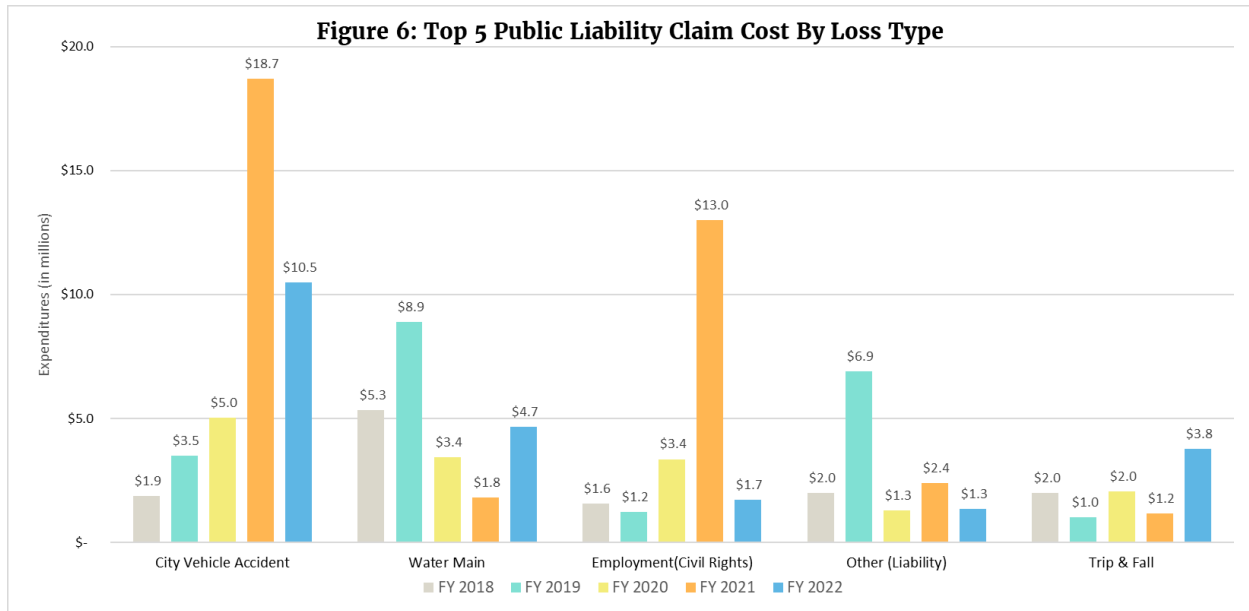


Figure 6, Top 5 Public Liability Claim Cost By Loss Type highlights the top 5 highest loss incurring loss types over the past five fiscal years. Note that Design of Roadway (Sight Distance & Signs) loss type was removed and replaced with Trip & Fall due to two significant settlement payments in FY 2018 for John Aavang (claim# 10880) and FY 2022 for Juan Vinolo (claim# 10737).



In FY 2022, the Loss Recovery Program of the Public Liability and Loss Recovery Division invoiced \$2.6 million, a decrease of \$3.6 million from FY 2021. **Figure 7, Loss Recovery Invoiced**, presents invoicing activity over the past five fiscal years.

Figure 7: Loss Recovery Invoiced					
(in millions)					
Fund Title	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fleet Services Operating Fund	\$ 0.3	\$ 0.4	\$ 0.5	\$ 0.8	\$ 0.7
General Fund	0.8	1.2	1.0	1.0	0.9
Public Liability Fund	0.0	0.1	0.2	0.1	0.2
Water Utility Fund	0.3	0.2	0.4	3.6	0.4
Workers' Compensation Fund	0.1	0.1	0.3	0.5	0.3
Other	0.1	0.2	0.9	0.2	0.1
Total¹	\$ 1.6	\$ 2.3	\$ 3.3	\$ 6.2	\$ 2.6

¹ Totals may not foot due to rounding.

The total revenue received on outstanding invoices in FY 2022 was \$2.1 million, a decrease of \$3.4 from FY 2021. As shown in **Figure 8, Loss Recovery Revenue**, the General Fund portion of revenue was \$0.7 million in FY 2022. Revenues for the past five fiscal years are also presented.

Figure 8: Loss Recovery Revenue					
(in millions)					
Fund Title	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fleet Services Operating Fund	\$ 0.3	\$ 0.3	\$ 0.5	\$ 0.6	\$ 0.7
General Fund	0.6	0.9	0.7	0.7	0.7
Municipal Wastewater Fund	0.1	0.0	0.1	0.0	0.1
Water Utility Fund	0.3	0.2	0.2	3.6	0.3
Workers' Compensation Fund	0.1	0.1	0.1	0.4	0.3
Other	0.2	0.1	0.8	0.2	0.1
Total¹	\$ 1.4	\$ 1.6	\$ 2.3	\$ 5.6	\$ 2.1

¹ Totals may not foot due to rounding.

Accomplishments and Highlights

In FY 2022, the Public Liability and Loss Recovery Division completed a reorganization of supervisory staff to add a Supervising Claims Representative for Public Liability, and one for Loss Recovery to oversee their teams of direct report claims staff. This change has improved overall efficiency in the Division's workflow processes and allows for better oversight of direct report staff.

The Public Liability Division worked closely with the City Attorney's Office to successfully pursue early tenders related to several electric scooter claims and other claims where there was indemnification language under a contract with the City. The Public Liability Division also sent notifications to responsible third parties or their insurance carriers where there was third party culpability in relation to claims filed against the City.

In conjunction with the Performance and Analytics Department, the Public Liability Division deployed ClaimStat for two additional Departments, including the Parks and Recreation and Engineering and Capital Projects Departments. In addition, the Public Liability Division also provided scheduled claims data reports for Environmental Services, Fire-Rescue, and Golf Operations to assist those departments in monitoring their claims experience and assist in identifying opportunities to prevent or mitigate future claims with the potential for similar causes of loss.

In FY 2022, the Loss Recovery section collaborated with the City Attorney's Office Civil Division to further streamline the processes related to criminal restitution conviction notifications to Loss Recovery, and enforcement and recovery of Court Awards/Judgments and Settlement Agreements in favor of the City. In addition, the Loss Recovery section submitted 33 first party claims to the City's insurance carriers to seek recovery of insurance proceeds for damaged City property. In order to pursue recovery of additional available insurance proceeds, the Loss Recovery section also worked closely with the City Attorney's Office and department staff to respond to coverage denial letters from the City's insurers in instances where there was a coverage dispute.

In FY 2022, insurance staff conducted 296 reviews of insurance for special events permits, which was a significant increase from FY 2021, which required reviews for only 33 special events permits due to COVID restrictions. Insurance staff also provided insurance requirements trainings to seven City Departments.

The Public Liability and Loss Recovery Division completed the following claims management services:

- ❖ 7,568 Transactions processed in the claims management system
- ❖ 2,387 Active claims managed (Public Liability and Loss Recovery claims)
- ❖ 1,557 Reported Public Liability claims
- ❖ 566 Settled cases
- ❖ 1,130 New Loss Recovery claims
- ❖ 296 Reviews of insurance for special events permits

Future Year Outlook

The Public Liability Division will continue to work towards reducing overall caseloads which will allow staff to take a more proactive approach and improve customer service. The Division will also work to develop a career advancement path between the Claims Aide and Claims Representative II positions.

In addition, the Public Liability Division will continue to closely monitor trip and fall claims in an effort to continue to reduce the number of these claims that go into litigation. Efforts will include pro-active investigation and early evaluation of adverse liability claims to attempt to resolve them at the claims stage, where possible, to reduce overall litigation expense.

In FY 2023, the Public Liability Division, in conjunction with the Performance and Analytics Department, plan to develop and deploy a Citywide ClaimStat dashboard to assist departments in evaluating overall Citywide claims experience. The dashboard will identify and target areas of opportunity for departments to determine actions necessary to prevent or mitigate future claims with the potential for similar causes of loss.

The Loss Recovery section will continue its efforts to recover funds due to the City from various



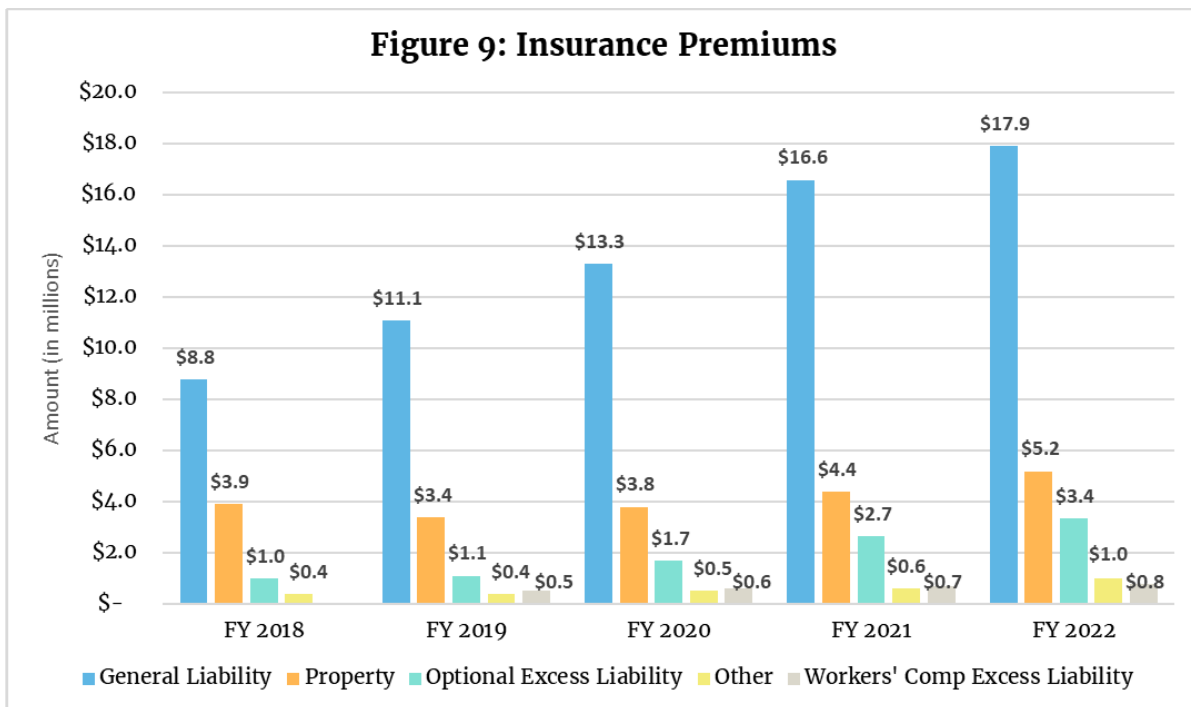
liable third parties who have damaged City property and assets, or their insurers, as well as seeking recovery of available insurance proceeds from the City's insurers for first party claims. The Loss Recovery section will also continue to meet with City departments throughout the year to review the section's functions and to provide training to staff to assist with the recovery process.

In FY 2023, Risk Management insurance staff will continue to provide Citywide insurance compliance reviews, training, and direction to all departments on acceptable risk transfer techniques to protect the City from claims which may arise from the activities of City contractors. The Division is currently working on creating a robust training program which will include a training video for insurance requirements in conjunction with the trainings provided by Risk Management insurance staff. With COVID restrictions being lifted, Risk Management continues to collaborate with the Office of Special Events on the approval of Special Event Permits involving street closures, as we anticipate the number of Special Events will continue to increase in FY 2023.

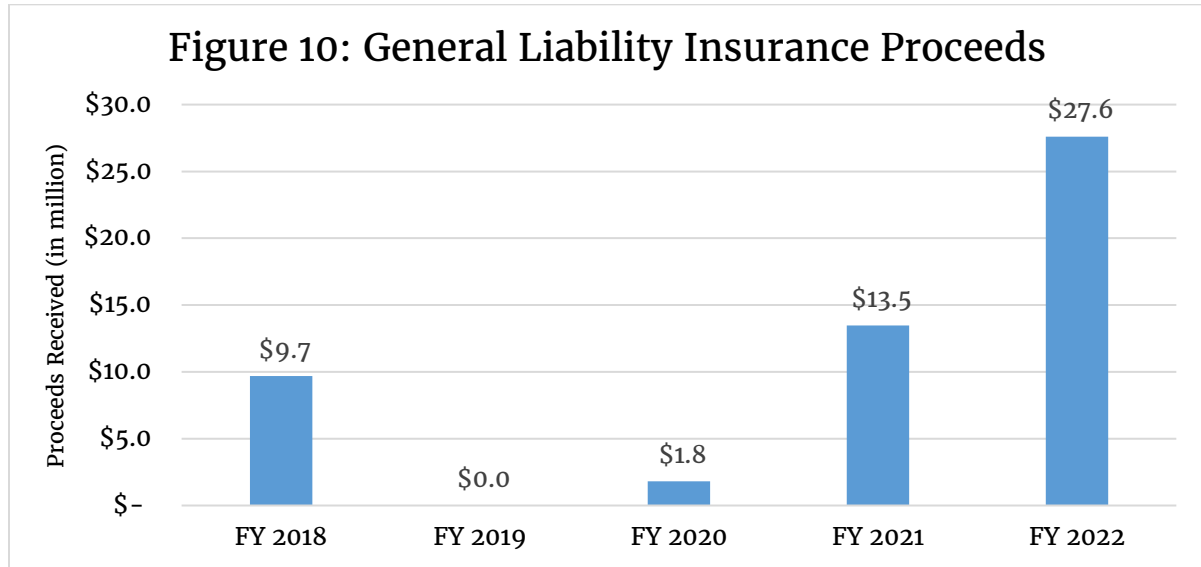
Insurance Program

As a member of PRISM since 1995, the City has been able to purchase comprehensive property and general liability insurance at favorable market rates, as well as other specialty lines of coverage including airport liability, property coverage for aircraft, pollution liability, and crime bond/employee dishonesty and cyber liability. This membership facilitates the joint purchase of property/earthquake and general liability insurance coverage with the combined purchasing power of 55 counties and 283 non-county public entities. In addition, the City’s membership in PRISM enables it to access additional risk management services at a reduced or zero cost. The City also purchases excess workers’ compensation insurance coverage that provides statutory limits above its Self-Insured Retention of \$5.0 million. This coverage is outside of PRISM membership via a commercial insurance broker.

Funding for liability and property insurance premiums is budgeted through the annual budget process in the General and Enterprise Funds. Funding for the excess workers’ compensation insurance premium is budgeted through the Workers’ Compensation Fund which is supported by all City funds with FTE positions. A fringe allocation is budgeted in every City fund to support the annual workers’ compensation operating expenditures. Insurance premiums may vary from year to year due to changing property values, special requirements, liability limits, modification to City assets, risk exposure, and overall market conditions. Total insurance premium costs in FY 2022 were \$28.2 million, an increase of \$3.3 million or 13 percent from FY 2021. The increase is primarily due to the General Liability Program increasing by \$1.3 million and \$0.8 million from Property Insurance. The General Liability Program provides the City liability coverage for claims from third parties alleging damages. As mentioned, market conditions are a primary factor of cost fluctuations as the liability insurance industry continues to see significant increases in plaintiff demands, jury verdicts, and high dollar claims. **Figure 9**, Insurance Premiums, displays the cost breakdown by the various types of insurance coverage purchased for the past five fiscal years.



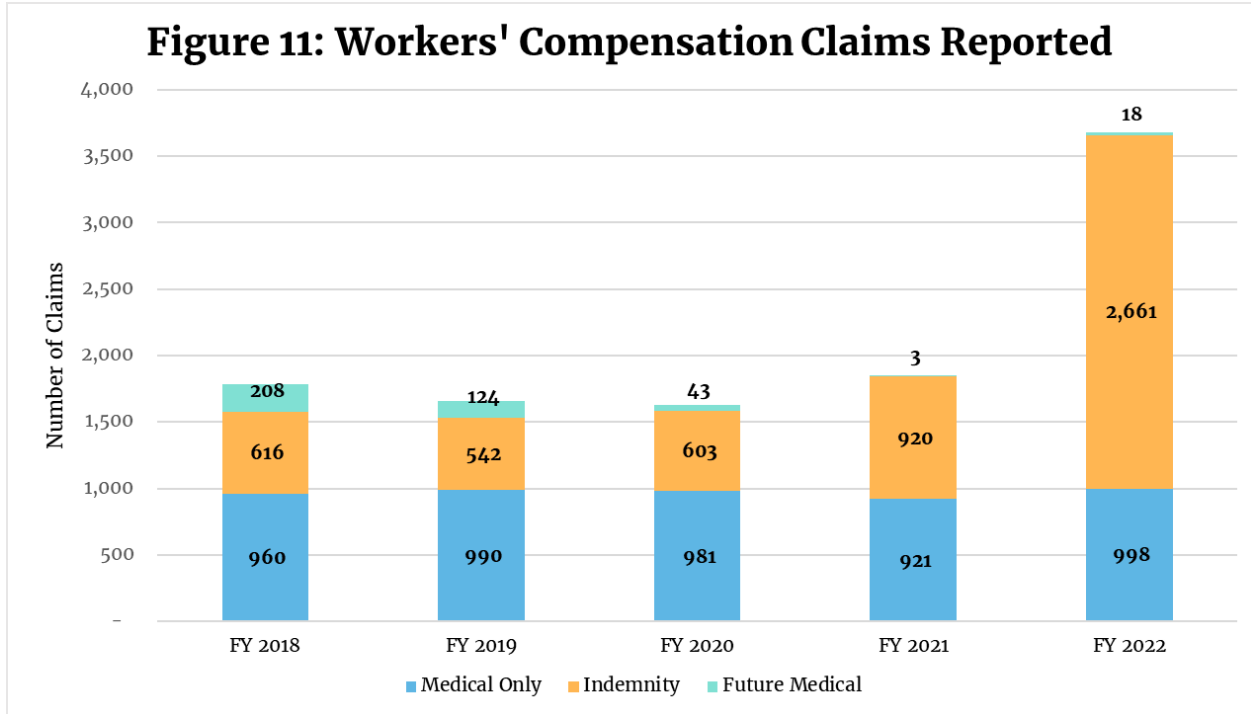
Public liability claims are funded by multiple funding sources which include the General Fund, Enterprise Funds, and insurance proceeds. Insurance proceeds for the past five fiscal years are displayed in **Figure 10**, Public Liability Insurance Proceeds.



WORKERS' COMPENSATION DIVISION

The City is committed to providing a safe working environment for all its employees. If an employee is injured, the workers' compensation claim is processed by the Risk Management Department in accordance with State laws for self-insured and self-administered agencies. Staff provides information and assistance to injured employees as well as all City departments. Staff investigates, determines, and delivers appropriate benefits, including all medical and salary continuation benefits (Industrial Leave), temporary disability benefits, permanent disability benefits, death benefits to surviving dependents, and coordination of return to work programs in compliance with federal and State mandates.

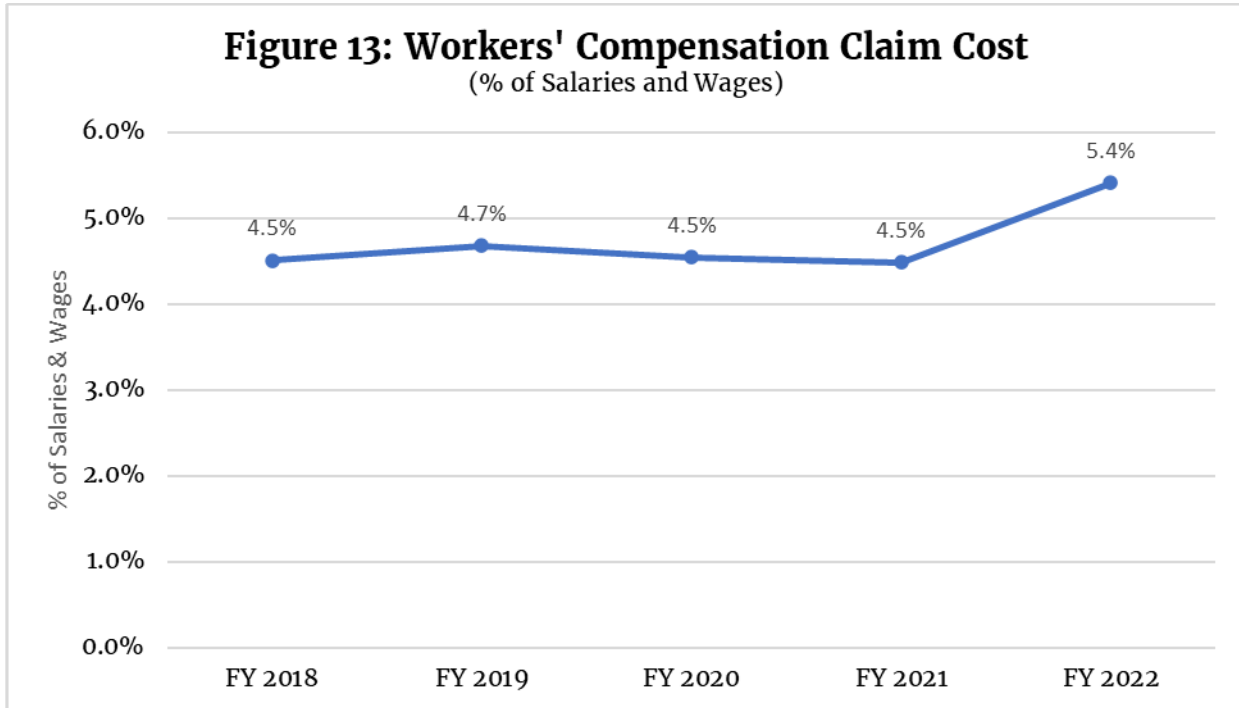
The Workers' Compensation Division oversees the City's State approved Medical Provider Network (MPN) contract. The California Labor Code and California Code of Regulations allow for insurers and employers to create a MPN consisting of a variety of physicians where injured workers can be directed for treatment of industrial injuries. These contractual agreements result in cost containment for the City while allowing the City's injured employees to access qualified healthcare providers in the San Diego region who are highly experienced in workers' compensation. In addition, the Division also administers the City's contract for managed care services which provide medical bill review, a pharmacy benefits network, nurse case management, utilization review, and injury call-in center services. The number of new workers' compensation claims reported in FY 2022 was 3,677, an increase of 1,833 claims, or 99 percent from FY 2021. This increase is primarily due to COVID-19 related claims. **Figure 11**, Workers' Compensation Claims Reported, presents the number of claims reported over the past five fiscal years.



The workers' compensation claim expenditures for FY 2022 was \$50.9 million. This is an increase of \$10.3 million from FY 2021. This increase is primarily attributed to an increase of \$5.7 million, or 56 percent in Salary Continuance (Industrial Leave). There were significant increases in Industrial Leave hours in the Police and Fire-Rescue Departments (respectively). Additional increases include medical expenses of \$3.4 million, or 18%. **Figure 12, Workers' Compensation Claim Expenditures**, displays the expenditure breakdown by the various categories for the past five fiscal years.

Figure 12: Workers' Compensation Claim Expenditures (in millions)					
Category	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Expense	\$ 1.8	\$ 1.8	\$ 2.1	\$ 1.7	\$ 2.1
Medical	17.6	18.9	19.8	19.1	22.5
Permanent Disability ²	8.1	9.0	9.6	8.8	9.3
Salary Continuance (Industrial Leave)	7.4	8.1	8.1	10.3	16.0
Temporary Disability	1.1	1.2	1.0	0.7	1.0
Total¹	\$ 36.0	\$ 39.0	\$ 40.5	\$ 40.7	\$ 50.9

Figure 13, Workers' Compensation Claim Cost as a Percentage of Salary and Wages, displays the City incurred an average of 5.4 percent of the total in workers' compensation costs in FY 2022 and 4.7 percent for the past five fiscal years.



Accomplishments and Highlights

The State of California Division of Workers' Compensation Audit Unit conducted their Utilization Review audit and Performance Audit Review (PAR) of the City's Workers' Compensation Division from reporting years 2019 through 2022. This audit occurs every five years. The City of San Diego successfully passed both phases of the audit. Audit scores were as follows:

- PAR 1.33538 (passing score is anything under 1.68033)
- Utilization Review 100% (passing score is 85% and above)

The Division will continue to move existing claims to an electronic format. The existing open claims needing to be digitized include approximately 2,500 claims which can range in size from 100 documents to tens of thousands. The Division is working to move approximately 20% of these cases to electronic storage, annually. The Division has automated several working processes from paper to paperless such as the Industrial Leave 5 Part Denial form and transitioned to e-file claim settlements with the Workers' Compensation Board.

The State of California requires reapplication of all Medical Provider Networks (MPNs) to be submitted every four years. The reapplication was approved and secured for the City's Medical provider Network (MPN) for the next four years.

The Workers' Compensation Division completed the following claims management services:

- ❖ 143,088 Transactions processed in the City's claims management system
- ❖ 5,487 Active claims managed
- ❖ 3,677 New claims received and processed
- ❖ 302 Claims settled

Future Year Outlook

The Division will be providing customized reporting and dashboards including workers' compensation data detailing information on loss trending to the top 3 loss incurring City departments.

The Division will be implementing a new claim feature within our claims system to track and trend suspected workers' compensation insurance fraud to both the California Fraud Division and the local District Attorney's office as required per California Insurance code sections 1877.3(a) and 1877.3(b).

EMPLOYEE BENEFITS DIVISION

The Employee Benefits Division manages the citywide administration of the Flexible Benefits Plan, Retiree Medical Trust, Long-Term Disability (LTD) Plan, Employee Retirement Savings Plans, and Transportation Alternative Program (TAP).

In support of the City's Flexible Benefits Plan, the Division provides benefits orientations to new, newly eligible, or rehired City employees. The Division also publishes the Flexible Benefits Open Enrollment Information and Costs Booklet annually to provide all City employees with benefits information and premium costs for open enrollment. Throughout the fiscal year, staff processes requests for changes to employee benefits when there is a qualifying event (e.g. marriage, divorce, birth or adoption of a child, gain or loss of coverage, job class change or court order, etc.). The Division is also responsible for all the reporting requirements related to the Affordable Care Act (ACA).

The Division also administers the LTD Plan which was established in 1981 for the purpose of providing income to eligible employees who are unable to work as a result of non-industrial injury, illness, or pregnancy. The LTD Plan is a self-insured and self-administered plan.

In addition, the Division oversees the Employee Savings Plans which allow employees to enhance retirement income by participating in tax-deferred defined contribution plans such as the Supplemental Pension Savings Plan (SPSP), 2009 401(a) Plan, 401(k) Plan, Deferred Compensation 457(b) Plan, and Retiree Medical Trust Plan. These plans had a combined trust asset value of approximately \$1.8 billion as of June 30, 2022. **Figure 14**, Employee Saving Plans, displays a summary of each tax-deferred plan including the number of participants and asset value of each plan.

Figure 14: Employee Saving Plans²

As of June 30, 2022

Savings Plan	Number of Participants	Asset Value (in millions)
401(a)	1,268	\$ 11.0
401(k)	10,059	496.2
457(b)	4,135	177.9
Option C HRA ³	553	41.7
Retiree Medical Trust Plan	5,642	11.9
SPSP	4,861	726.0
SPSP-H	8,956	317.9
Total¹		\$ 1,782.7

¹ Totals may not foot due to rounding.

² Includes active employees and retirees with balances.

³ The Retiree Medical Option C participants listed are employees that are inactive or active who are enrolled in the plan. These participants consist of employees that are unclassified/unrepresented and deferred vested.

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Accomplishments and Highlights

In FY 2022, the Employee Benefits Division participated in the negotiation process surrounding the unwinding of Proposition B for active employees. The division administered the Proposition B retirement choice program for certain bargaining units, allowing employees the option to choose which retirement plan they wish to participate in going forward – a revised version of the SPSP-H or the San Diego City Employees' Retirement System (SDCERS) pension plan. The division placed a major emphasis on employee education by developing detailed educational videos about Proposition B and hosted over thirty in-person and virtual Q&A sessions. The staff coordinated with the IT department to develop a new Proposition B Choice enrollment event in the benefits enrollment application of SAP and created tables and reports to capture employee elections. The division also completed system testing for the creation of the revised SPSP-H plan in SAP, which captures employee contributions based on SDCERS member contribution rates.

The Division tested and launched a new electronic Qualifying Events Form incorporated in the SAP Portal. This form includes guided instructions that are dynamic and adaptive to the specific event an employee is submitting. In addition, by incorporating the form into the SAP Portal, data is now automatically written to the Benefits Module, creating efficiencies in the processing of qualifying events.

The Employee Benefits Division continued working on an extensive benefits education project that started last fiscal year. The team collaborated with a video producer, creating and approving video story boards and providing feedback to video drafts. Through the creative process, a team mascot was born – a cartoon puppy named Sandy. The videos follow Sandy as she explores all of the benefits that the City of San Diego has to offer. The division completed the first of many videos, where Sandy provides an introduction to the City benefits and where to locate information from CityNet and on the benefits enrollment portal in SAP.

Finally, the division worked with the City's benefits consultant and insurance carriers to successfully extend the FY22 health plan costs and contracts through the end of calendar year 2022. This allowed the division to implement a short plan year period that ran from August 1 through December 31, 2022 for health plans and July 1 through December 31, 2022 for Flexible Spending Accounts. The division administered the annual open enrollment period, educating employees about the Short Plan Year and the upcoming transition to a calendar basis for year 2023. The division also worked with the Department of IT to update the system to capture enrollments for a shorter plan year period.

The Employee Benefits Division completed the following in service of City employees:

- ❖ 10,181 Employees receiving flexible benefits
- ❖ 1,136 New hires, re-hires, and newly benefitted employees who were enrolled in their flexible benefits and mandatory savings plans
- ❖ 170 New LTD claims
- ❖ 26 Non-Standard Hour employees met the qualifications and were offered medical coverage under the ACA

Future Year Outlook

In Fiscal Year 2023, the Employee Benefits Division will assist and participate in the negotiation process surrounding the unwinding of Proposition B for separated employees. The Division will work with a third-party to locate separated employees at their last known address. Separated employees will receive a comprehensive communication package aimed at providing detailed information about Proposition B and how it impacts them. Benefit specialists will be trained to field questions about Proposition B and direct separated employees to where they can find helpful resources.

The Division will carry out the next stages to transition the flexible benefit plan from a fiscal year to a calendar year. The Short Plan Year period implemented in FY22 will changeover to a calendar basis beginning on January 1, 2023. To facilitate the change, the division will update the benefits enrollment portal application and SAP to reflect the necessary updates. The Division will lead the inaugural fall open enrollment period for the first calendar year for the flexible benefit plan. This will require an updated communication plan and enhanced educational materials aimed at raising awareness to the changes and educating employees about the new calendar year basis.

The Division will continue to explore different enhancements it can make to the existing system of record (SAP) and how it captures employee benefit coverage changes, attempting to improve issues that have been encountered when transferring information to the health insurance carriers. The team will work with the Department of IT to come up with better solutions to transmit health coverage changes to carriers. The Division will also be working on a solution to expand the system's capabilities so that it is able to store records for surviving spouses that are eligible for continuation of medical benefits.

The Division is aimed at finalizing the extensive benefits education project by continuing to collaborate with a video producer and finalize at least six more short videos, incorporating the new team mascot, Sandy. The team will continue to meet and exchange ideas for additional videos that cover all of the benefit programs in more detail. Sandy will continue to appear in the videos, engaging and entertaining viewers about all of the benefit programs.

Finally, the Division will continue the testing phase process of the Total Compensation Statements that will later be accessible for all employees. These statements will include information on the complete pay package awarded to employees, incorporating all pay and benefits. The team will provide final feedback to the Department of IT and will launch the product in SAP. The Division will then announce the release of these statements through a Citywide communication.

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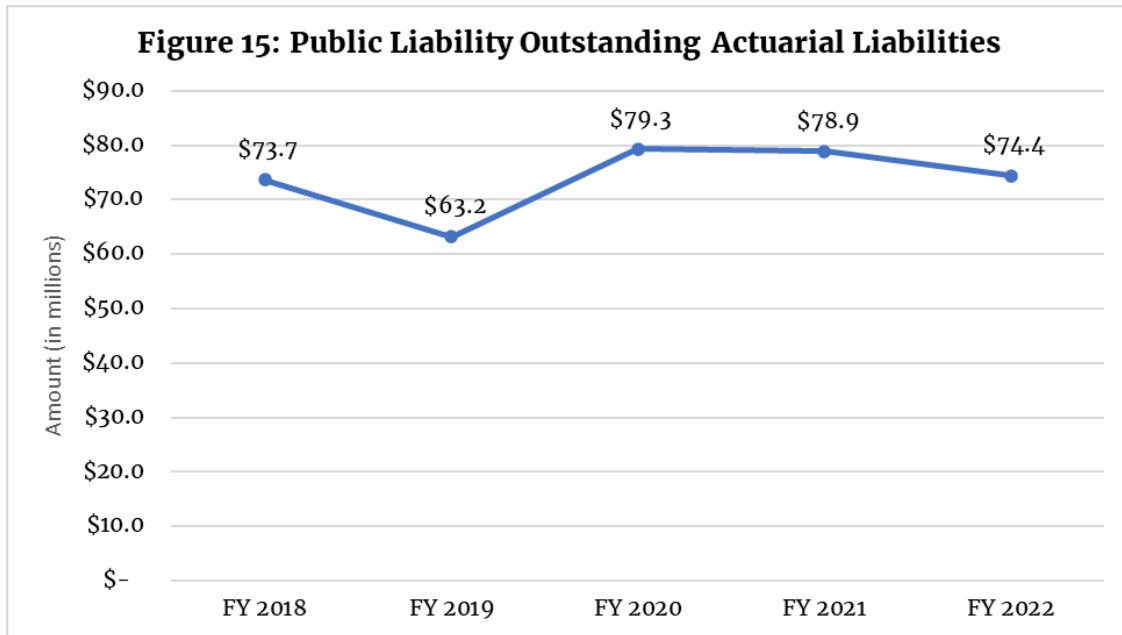
RISK MANAGEMENT RESERVES

The Public Liability, Workers’ Compensation, and LTD Funds provide funding sources for certain claims made against the City. The Public Liability Fund is funded by the General Fund to support claims arising from real or alleged acts on the part of the City, including claims for bodily injury, property damage, inverse condemnation, false arrest, and errors and omissions. The Workers’ Compensation Fund is a citywide fund that covers medical and disability costs for industrial injury claims, while the LTD Fund provides non-industrially disabled City employees with income and flexible benefits coverage. The reserve requirements for all these funds are outlined in the City’s Reserve Policy (Council Policy 100-20). For purposes of the policy, cash on hand is used to identify the projected reserve balance.

Public Liability Reserve Status

The Public Liability Reserve is funded by the General Fund to support claims arising from real or alleged acts on the part of the City, including claims for bodily injury, property damage, and errors and omissions. This Fund is included in the City’s Reserve Policy to ensure financial stability. Per the policy, the City will maintain reserves equal to 50.0 percent of the average value of the annual actuarial liability (AVAAL) by the end of FY 2022.

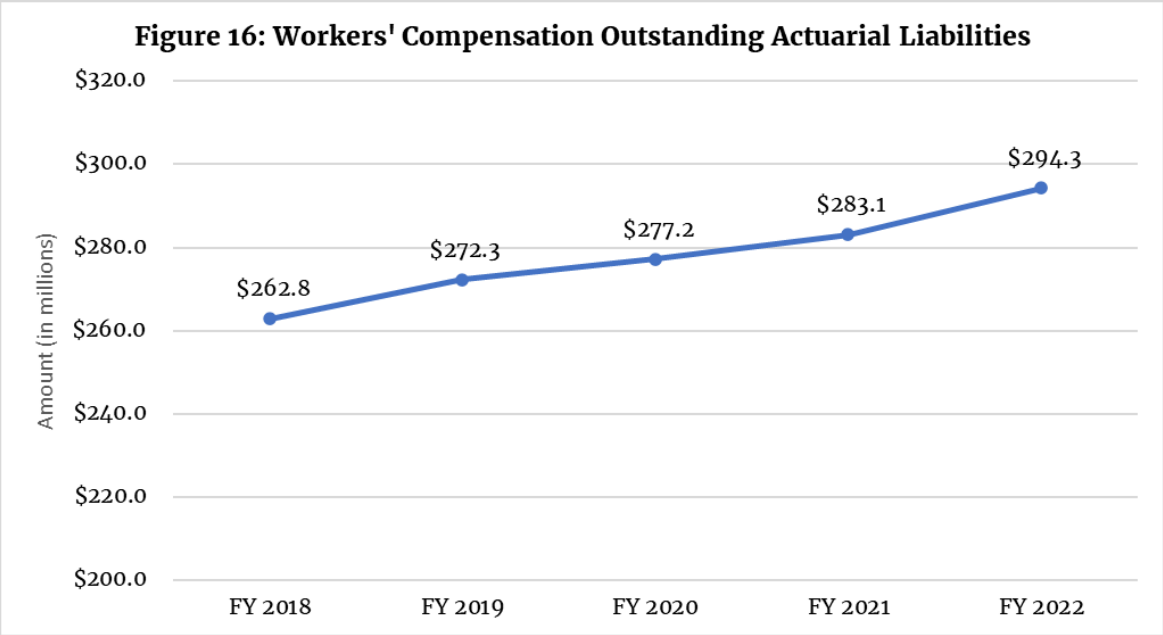
For FY 2022, the City’s Reserve Policy requires that the Public Liability Fund Reserve equals 50.0 percent of the AVAAL for the three most recent years, or \$36.9 million. Due to the COVID-19 pandemic and the effect on City revenues the FY 2022 reserve target was not met. The ending fund balance of the Public Liability Fund Reserve is approximately \$33.8 million or 46 percent of the three-year average of the annual actuarial liability. **Figure 15**, Public Liability Outstanding Actuarial Liabilities, displays the public liability outstanding actuarial liabilities for the past five fiscal years.



Workers' Compensation Reserve Status

The Workers' Compensation Reserve provides funding for medical and disability costs for injuries and illnesses occurring in the workplace. This Fund is included in the City's Reserve Policy to ensure financial stability. Per the policy, the City will maintain reserves equal to 12.0 percent of the average value of the annual actuarial liability (AVAAL).

For FY 2022, the City's Reserve Policy requires that the Workers' Compensation Reserve equals 12.0 percent of the AVAAL for the three most recent years, or \$33.3 million. The ending fund balance of the Workers' Compensation Reserve is approximately \$33.5 million or 12 percent of the three-year average of the annual actuarial liability. **Figure 16**, Workers' Compensation Outstanding Actuarial Liabilities, displays the workers' compensation outstanding actuarial liabilities for the past five fiscal years.

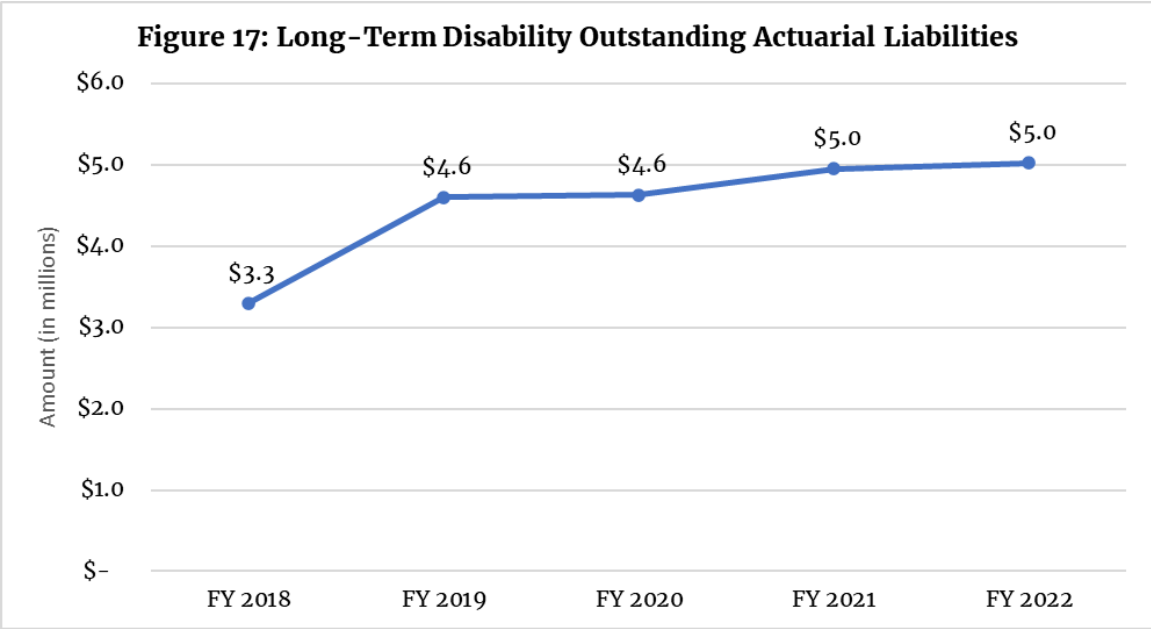


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Long-Term Disability Reserve Status

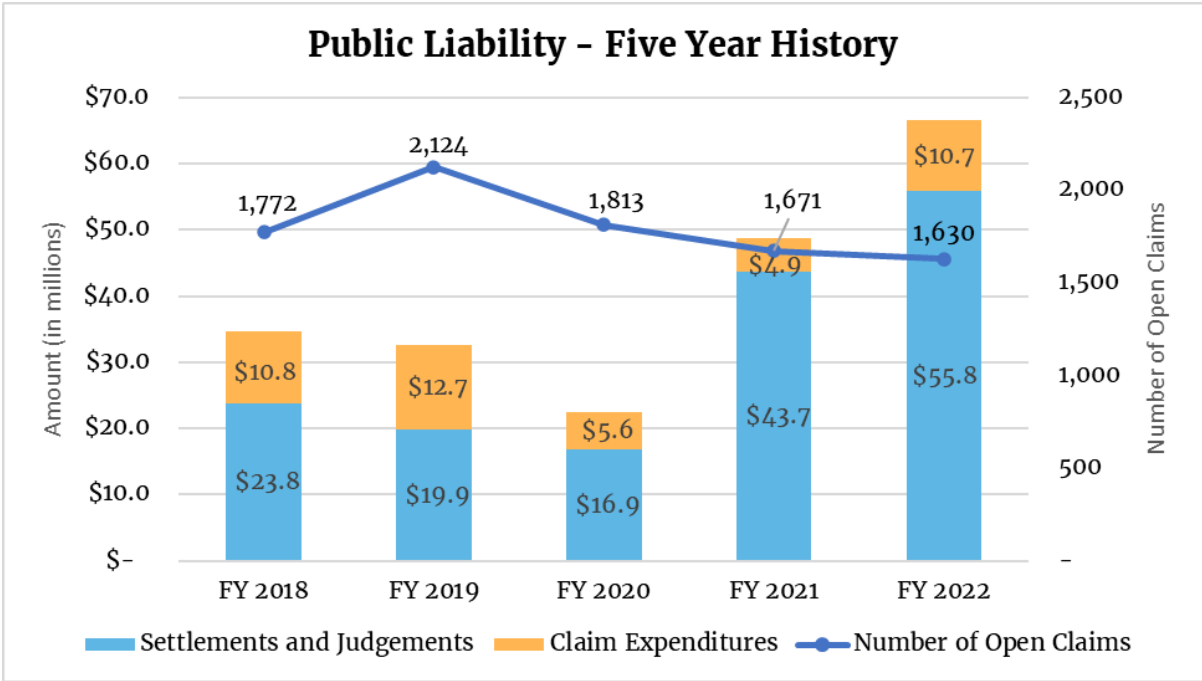
The Long-Term Disability Reserve provides non-industrially disabled City employees with income and flexible benefits coverage. This Fund is included in the City’s Reserve Policy to ensure financial stability. Per the policy, the City will maintain reserves equal to 100.0 percent of the average value of the annual actuarial liability (AVAAL).

For FY 2022, the City’s Reserve Policy requires that the Long-Term Disability Reserve equals 100.0 percent of the AVAAL for the three most recent years, or \$4.7 million. The ending fund balance of the Long-Term Disability Reserve is approximately \$4.3 million or 91 percent of the three-year average of the annual actuarial liability. **Figure 17**, LTD Outstanding Actuarial Liabilities, displays the LTD outstanding actuarial liabilities for the past five fiscal years.



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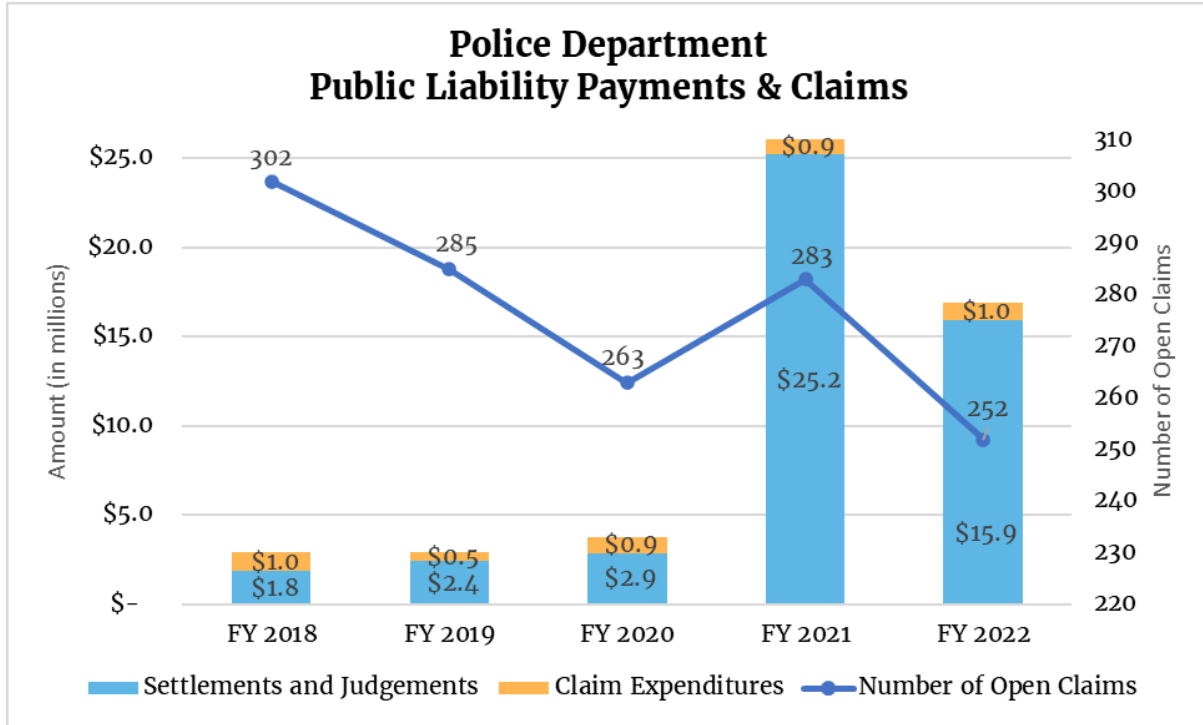
Appendix A



Citywide—FY 2022 total claim expenses increased \$17.9 million, or 37 percent, from FY 2021. Of this total, settlements and judgments increased \$12.1 million, or 28 percent, and claim expenditures increased \$5.8 million, or 118 percent from FY 2021. FY 2022 open claims decreased by 41, or 2 percent, from FY 2021.

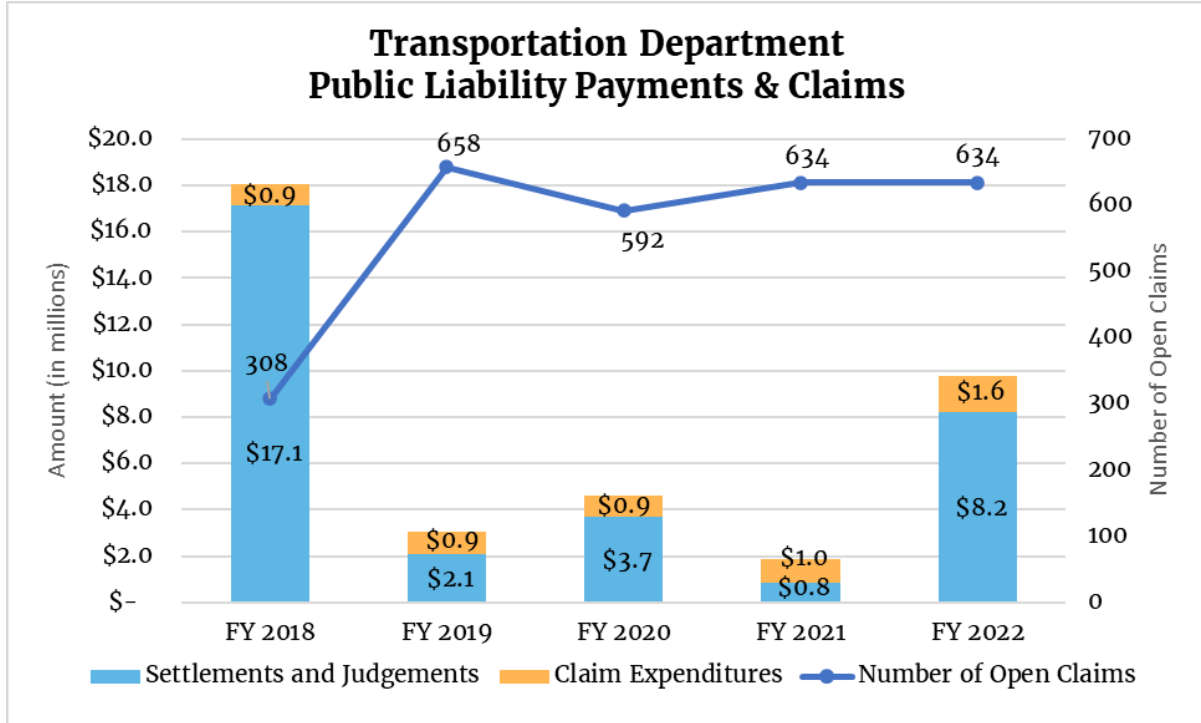
The following graphs reflect the number of claims and payments detail for the top five liability incurring departments and all other combined departments. Number of Open Claims displayed are as of Fiscal Year End.

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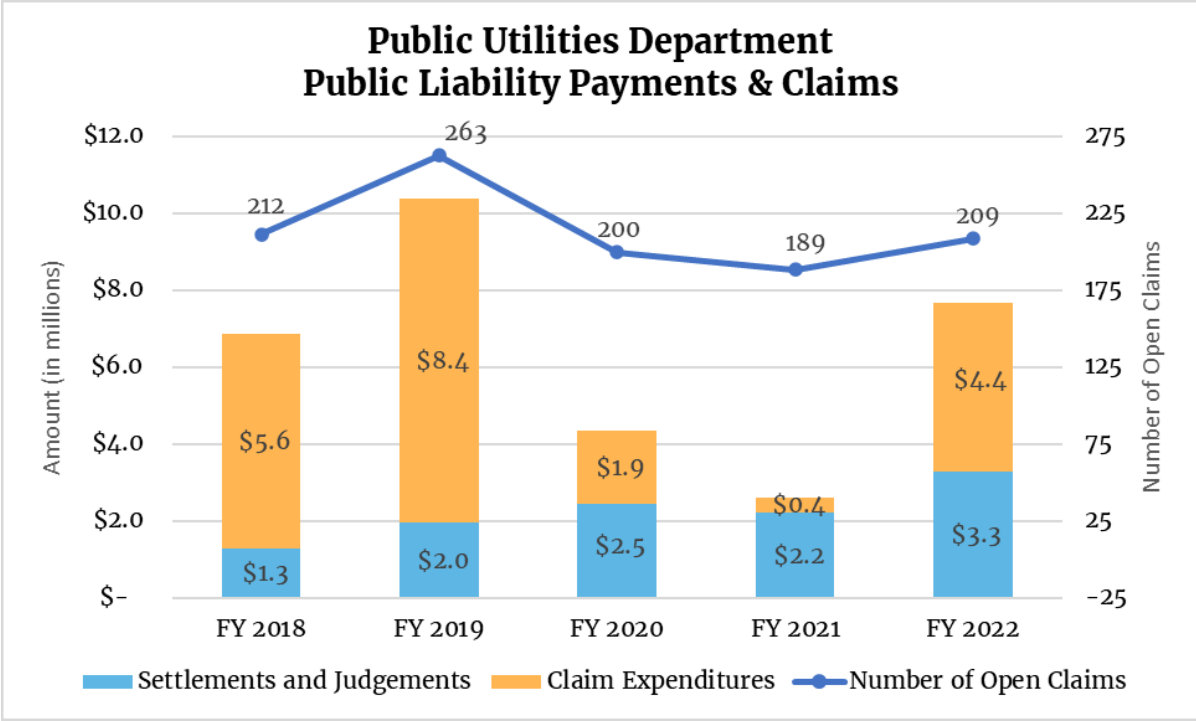
Police Department—FY 2022 total claim expenses decreased \$9.2 million, or 35 percent, from FY 2021. Of this total, settlements and judgments decreased \$9.3 million, or 37 percent, and claim expenditures increased \$0.1 million, or 11 percent, from FY 2021. FY 2022 open claims decreased by 31, or 11 percent, from FY 2021.

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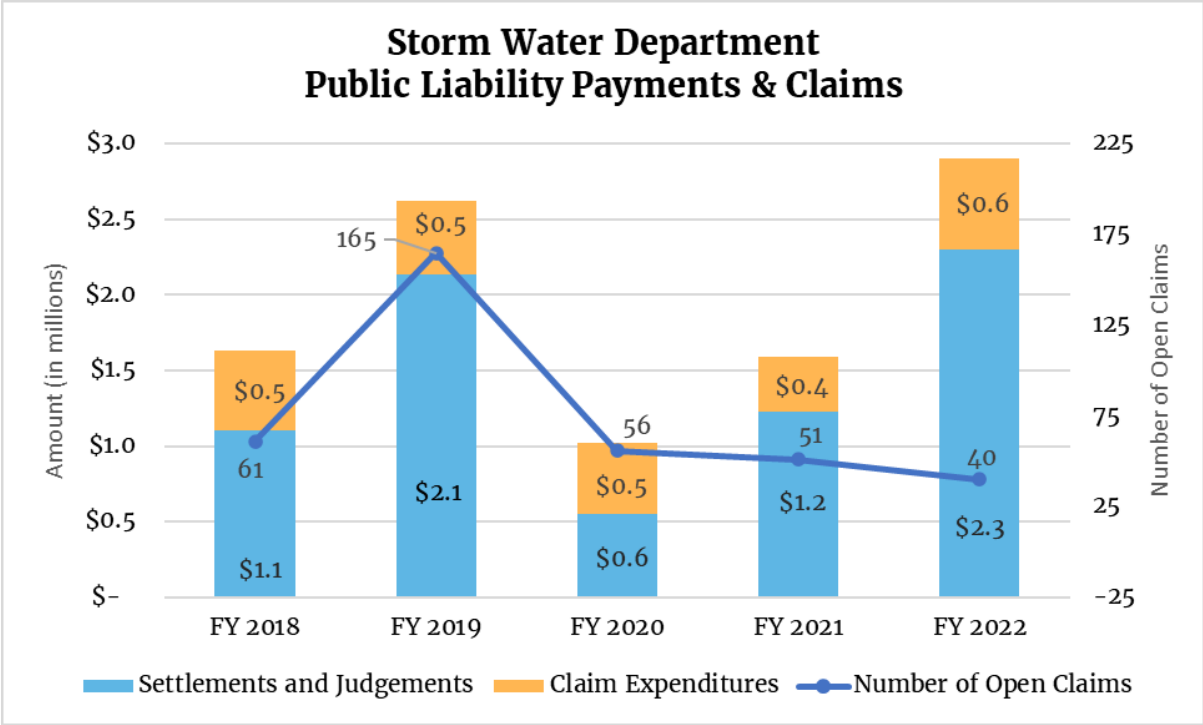
Transportation Department - FY 2022 total claim expenses increased \$7.9 million, or 444 percent, from FY 2021. Of this total, settlements and judgments increased \$7.4 million, or 925 percent, and claim expenditures increased \$0.6 million, or 60 percent, from FY 2021. The increase was mainly due to significant settlements totaling \$5.4 million related to Design of Roadway (Crosswalk), Ruben Abagyan (claim number 18278), Maintenance of Road (Potholes), Darin Barioni (claim number 11065), and bicycle injury accidents, Joseph Bushman (claim number 21042). FY 2022 open claims had no significant change from FY 2021.

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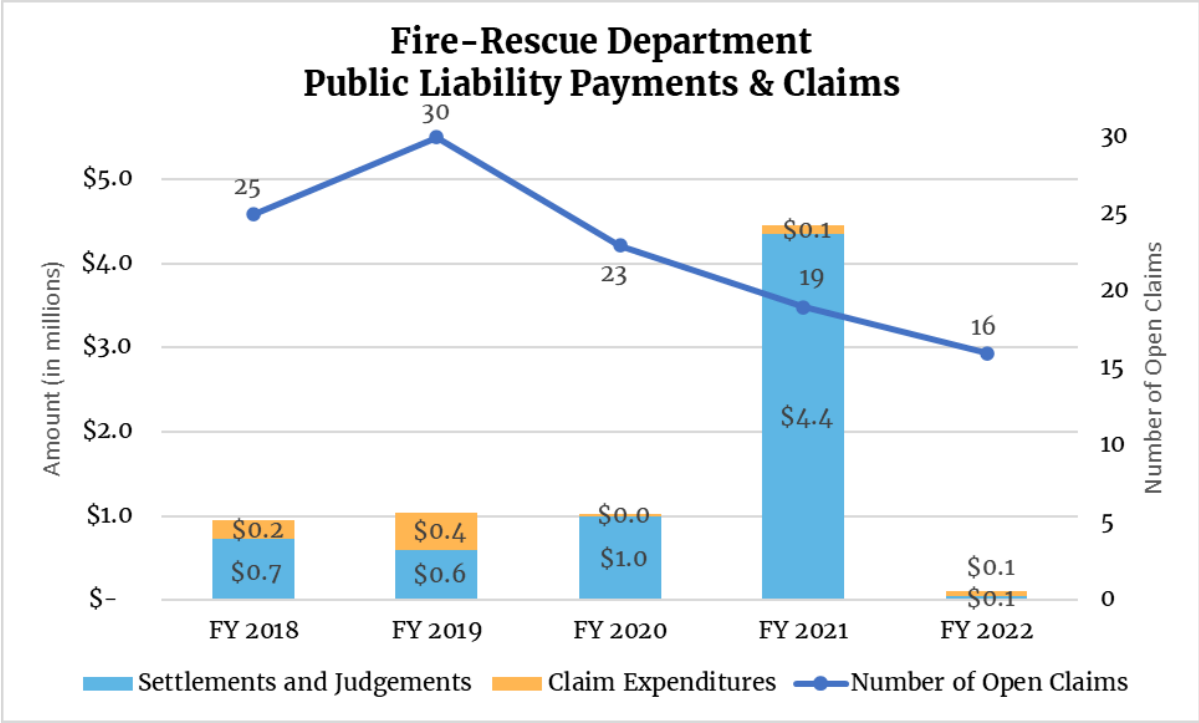
Public Utilities Department - FY 2022 total claim expenses increased \$5.1 million, or 196 percent, from FY 2021. Of this total, settlements and judgments increased \$1.1 million, or 50 percent, and claim expenditures increased \$4.0 million, or 1000 percent, from FY 2021. The increase was mainly due to \$3.3 million in claim expenditures related to a water main break resulting in property damage (claim number 23978) and \$1.1 million settlement related to a construction in right of way accident, Raul Ceballos (claim number 19772). FY 2022 open claims increased by 20, or 11 percent, from FY 2021.

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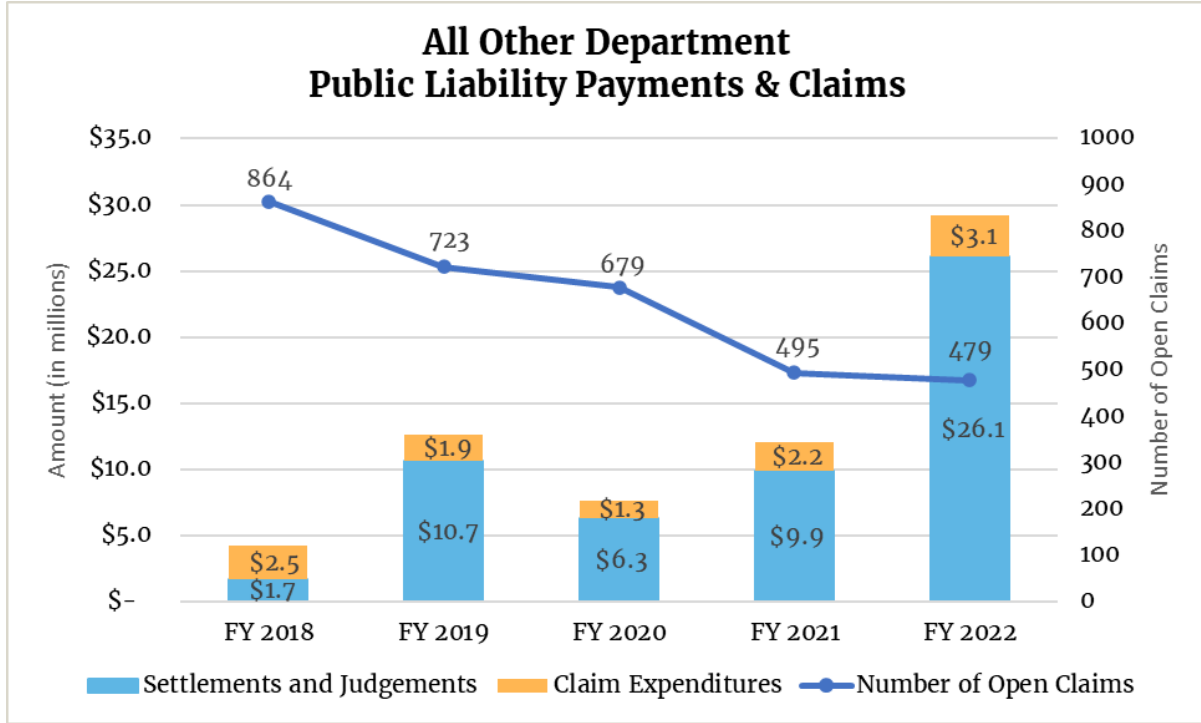
Storm Water Department—FY 2022 total claim expenses increased \$1.3 million, or 81 percent, from FY 2021. Of this total, settlements and judgments increased \$1.1 million, or 92 percent, and claim expenditures increased \$0.2 million, or 50 percent, from FY 2021. This increase was mainly due to a \$1.8 million settlement related to a storm drain injury accident, Michael Cizauskas (claim number 13848). FY 2022 open claims decreased by 11, or 22 percent, from FY 2021.

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Fire-Rescue Department - FY 2022 total claim expenses decreased \$4.3 million, or 96 percent, from FY 2021. Of this total, settlements and judgments decreased \$4.3 million, or 98 percent while there was no significant change in claim expenditures from FY 2021. FY 2022 open claims decreased by 3, or 16 percent, from FY 2021.

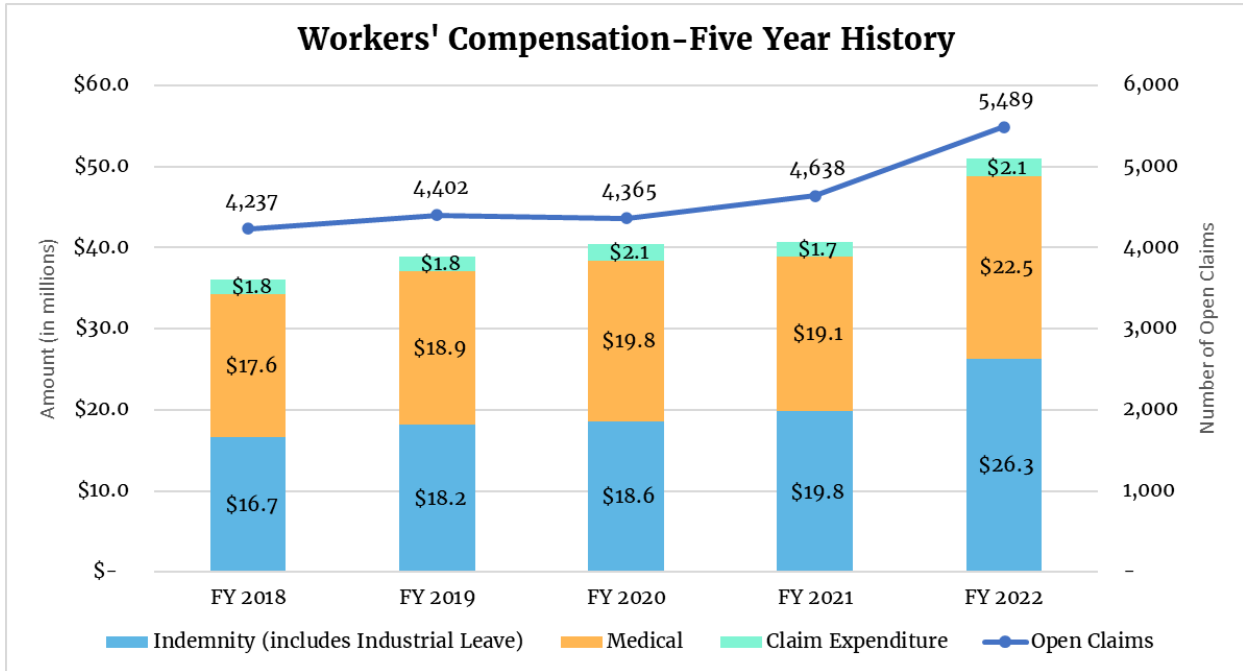
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All Other Departments- FY 2022 total claim expenses increased \$17.1 million, or 141 percent, from FY 2021. Of this total, settlements and judgments increased \$16.2 million, or 164 percent, and claim expenditures increased \$0.9 million, or 41 percent, from FY 2021. The increase was mainly due to a \$23.8 million settlement related to Design of Roadway (Signs) bicycle accident, Juan Vinolo (claim number 10737). FY 2022 open claims decreased by 16, or 3 percent, from FY 2021.

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Appendix B

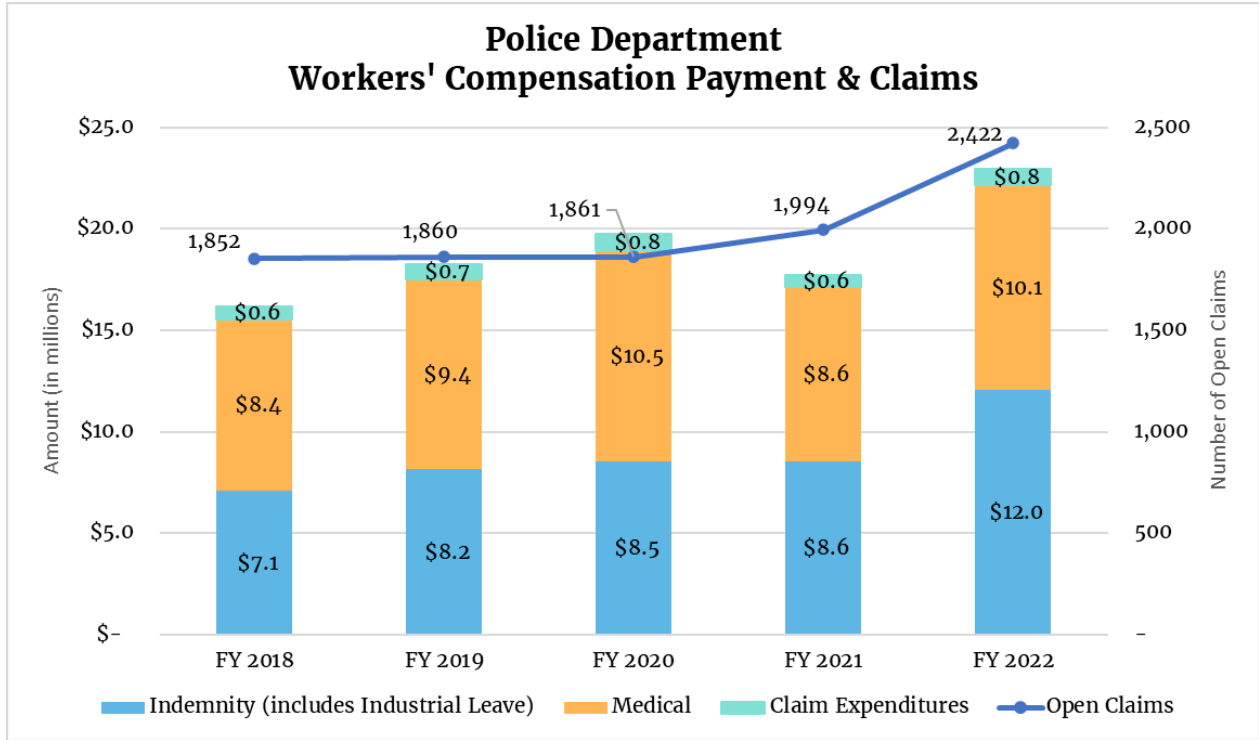


Note: Indemnity includes: permanent disability, salary continuance (industrial leave/4850), and temporary disability. Number of Open Claims displayed are as of Fiscal Year End.

Citywide—FY 2022 total claim expenses increased \$10.3 million, 25 percent, from FY 2021. Of this total, \$6.5 million, or 33 percent, increased in indemnity, \$3.4 million, or 18 percent, increased in medical, and \$0.4 million, or 24 percent, increased in claim expenditures from FY 2021. FY 2022 open claims increased by 851, or 18.3 percent, from FY 2021.

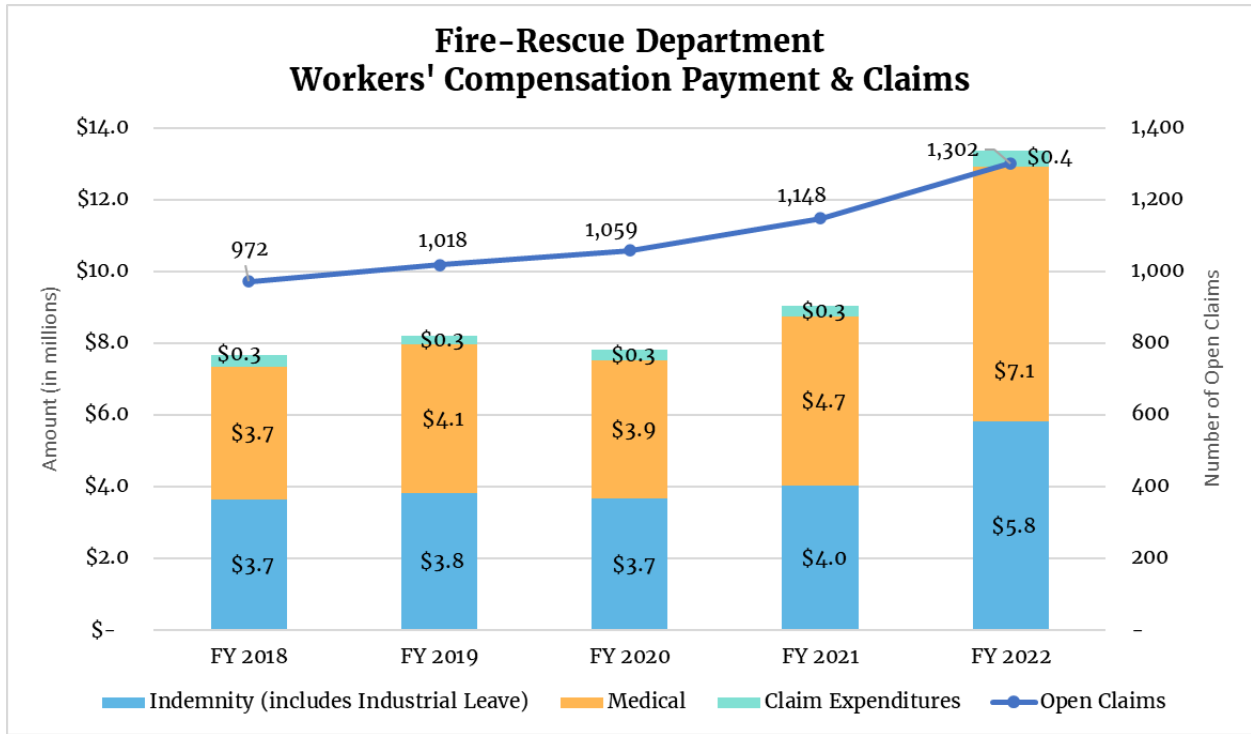
The following graphs reflect detail for the top five workers' compensation incurring departments and all other combined departments.

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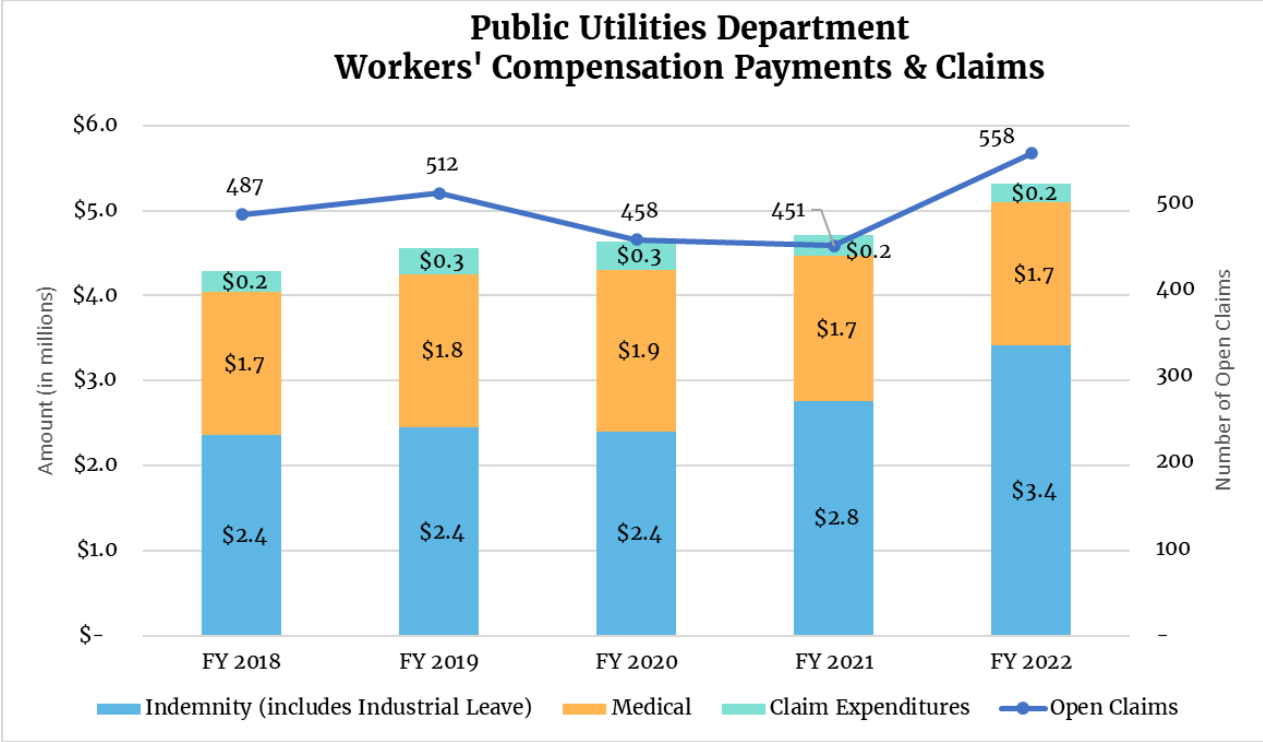
Police Department—FY 2022 total claim expenses increased \$5.1 million, or 29 percent, from the FY 2021. Of this total, \$3.4 million, or 40 percent, increased in indemnity, \$1.5 million, or 17 percent, increased in medical, and \$0.2 million, or 33 percent, increased in claim expenditures from FY 2021. FY 2022 open claims increased 428, or 21 percent, from FY 2021.

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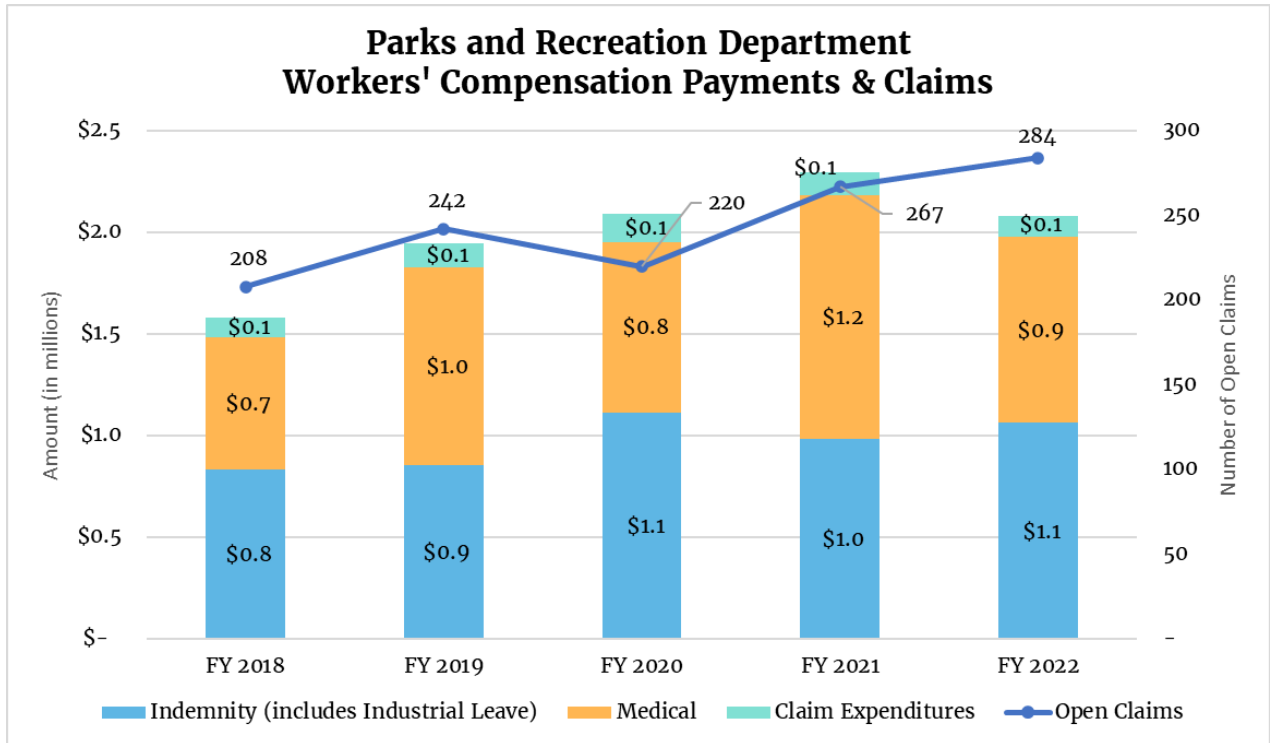
Fire-Rescue Department (includes Fire, Lifeguards, and Emergency Medical Services)-FY 2022 total claim expenses increased \$4.3 million, or 48 percent, from the FY 2021. Of this total, \$1.8 million, or 45 percent, increased in indemnity, \$2.4 million, or 51 percent, increased in medical, and \$0.1 million, or 33 percent, increased in claims expenditures from FY 2021. FY 2022 open claims increased 154, or 13 percent, from FY 2021.

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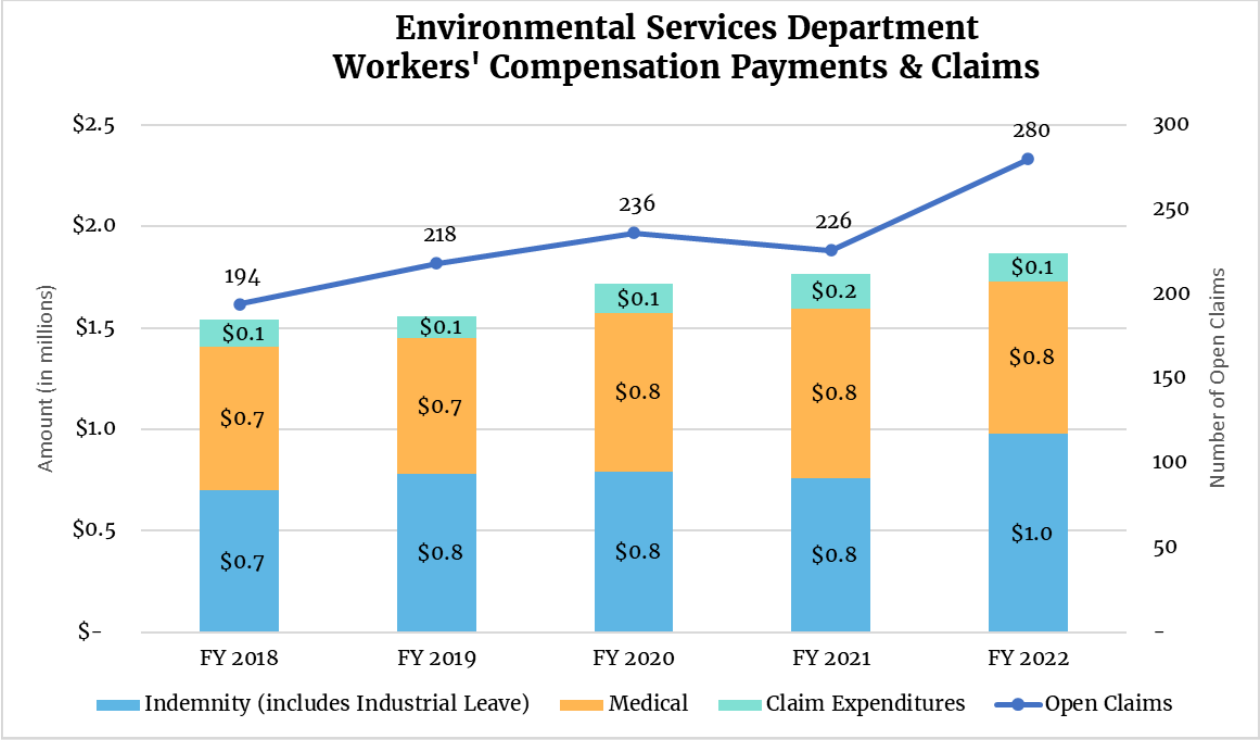
Public Utilities Department-FY 2022 total claim expenses increased \$0.6 million, or 13 percent, from the FY 2021. Of this total, \$0.6 million or 21 percent, increased in indemnity, \$20,000, or 1 percent, decreased in medical, \$21,000 or 8 percent, decreased in claim expenditures from FY 2021. FY 2022 open claims increased 107, or 24 percent, from FY 2021.

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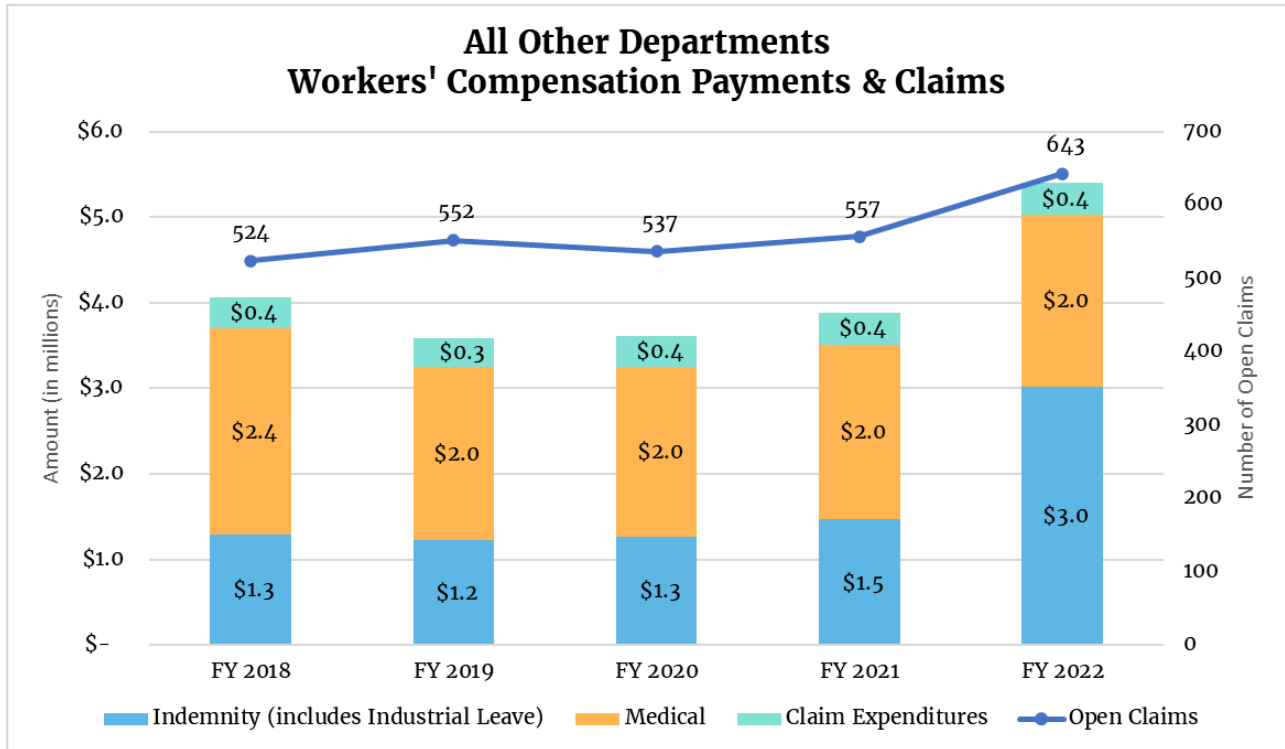
Parks and Recreation Department—FY 2022 total claim expenses decreased \$0.2 million, or 9 percent, from the FY 2021. Of this total, \$0.1 million, or 10 percent, increased in indemnity payments, \$0.3 million, or 25 percent, decreased in medical, and \$10,000, or 9 percent, decreased in claim expenditures from FY 2021. FY 2022 open claims increased 17, or 6 percent, from FY 2021.

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Environmental Services Department—FY 2022 total claim expenses remained similarly the same compared to 2021. Of the total, \$0.2 million or 25 percent, increased in indemnity, \$82,000, or 10 percent, decreased in medical, \$35,000 or 20 percent, decreased in claim expenditures from FY 2021. FY 2022 open claims increased 54, or 24 percent, from FY 2021.

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All Other Departments—FY 2022 total claim expenses increased \$1.5 million, or 38 percent, from the FY 2021. Of this total, \$1.5 million, or 100 percent, increased in indemnity, \$42,000, or 2 percent, decreased in medical, and \$4,000 or 1%, decreased in claim expenditures from FY 2021. FY 2022 open claims increased 86, or 15 percent, from FY 2021.

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