

CITY OF SAN DIEGO

Proposition H

(This proposition will appear on the ballot in the following form.)

PROP H AMENDS THE CITY CHARTER TO CHANGE THE COMPOSITION OF THE RETIREMENT BOARD. Shall the Charter be amended to change the composition of the Retirement Board as follows: seven highly qualified citizen appointees without interests in the City's pension system, four members elected from classifications of active membership (one police, one fire, two general), one member elected from the ranks of the retired, and one member appointed by the City Manager from City management?

This proposition requires approval by a majority (over 50%) of the voters.

**Full text of this proposition
follows the arguments.**

CITY ATTORNEY'S IMPARTIAL ANALYSIS

The City Council has authorized the placement of a proposition on the ballot seeking voter approval to amend Article IX, section 144 and Article X, section 7 of the City Charter to change the composition of the City's Retirement Board and change the qualifications for appointment to the Board.

Under the current Charter, the Board is composed of thirteen members: the City Manager, the City Auditor and Comptroller, the City Treasurer, three members elected by the active general membership, one member elected from City retirees, one member elected by the active membership from Fire Safety, one member elected by the active membership from Police Safety, and four citizens appointed by the Council, one of whom must be a local bank officer. The Charter prescribes six-year terms for Board members.

Voter approval of this measure would maintain the total number of Board members at thirteen, but change the terms of office to four years and change the composition of the Board as follows: seven citizens with professional qualifications appointed by the Council, two members elected by the active general membership, one member elected from City retirees, one member elected by the active membership from Fire Safety, one member elected by the active membership from Police Safety, and one top ranking City management employee appointed from the administrative service of the City.

The measure includes qualifications for the citizen appointees to the Board. The seven citizen appointees must have a college degree in finance, economics, law, business, or other relevant field of study, or a relevant professional certification. Additionally, a citizen appointee must have a minimum of fifteen years experience in pension administration, pension actuarial practice, investment management, real estate, banking, or accounting.

The measure also contains qualifications for citizen appointees in order to prevent conflicts of interest. First, "no person who is a City employee, participant in the Retirement System, or City union representative may be eligible for appointment in this category." Second, "appointees shall not have any other personal interests which would create a conflict of interest with the duties of a Board member and trustee." At the Council hearing regarding placement of the measure on the ballot, the City Attorney interpreted this language with more specificity and obtained Council concurrence to verify the Council's intent. A "participant" in the Retirement System is a person who has assets invested with the Retirement System or who is designated as a beneficiary for someone with assets invested in the Retirement System. A "personal interest" that conflicts with Retirement Board duties means an income interest that is reportable on a Statement of Economic Interests in the City, the Retirement System, or any entity contracting as a plan sponsor with the Retirement System. A person who is a "participant" or who has a "personal interest" is not eligible for appointment to the Board as a citizen appointee. Additionally, a stockbroker or bond broker actively engaged in doing business with the City or the Retirement System is ineligible for appointment.

CITY MANAGER'S FISCAL ANALYSIS

The effect of this proposition changes the composition of the Retirement Board, requiring seven of the thirteen members to be professionals with at least fifteen years experience in related fields, and with no personal or professional stakes in the Retirement System. No board members receive compensation to serve on the Retirement Board.

The proposed ballot measure to change the composition of the Retirement Board carries no fiscal impact.

ARGUMENT IN FAVOR OF PROPOSITION H

Vote YES on Proposition H to protect your tax dollars.

Vote YES on Proposition H to safeguard the City Retirement system.

Vote YES on Proposition H for an independent professionally qualified City Retirement Board.

Proposition H is the result of recommendations made by the Pension Reform Committee which was established by the Mayor and City Council to review the City's pension system and make recommendations for reform and change.

Currently the 13-member Retirement Board has nine (9) members who represent City management and employees and four (4) outside independent members.

The Pension Reform Committee recommended a seven (7) member board with no representatives from City employees or City management. After hearing public testimony, the City Council agreed that the majority of the Retirement Board should be independent professionally qualified members but that City management and City employees should also be represented. That's fair.

Proposition H accomplishes that goal. Independence and fairness.

A YES vote on Proposition H will change the existing Retirement Board from having a majority of City employees and City managers to a Board having a majority of independent professionally qualified outside members. There will be seven outside members and six City management-City employee members on the new Retirement Board.

A YES vote on Proposition H will also establish tough professional and ethical qualifications for appointments to the Retirement Board that will enhance the ability of the Board to professionally manage the City's pension fund.

Proposition H specifically says persons appointed to the Retirement Board "shall not have any other personal interests which would create a conflict of interest with the duties of a Board member and trustee."

A YES VOTE ON PROPOSITION H WILL PROTECT TAXPAYERS, CITY EMPLOYEES AND CITY RETIREES.

Endorsed by the Pension Reform Committee!!

APRIL BOLING
Chair,
Pension Reform Committee

LISA BRIGGS
Executive Director,
San Diego County Taxpayers Association

DICK MURPHY
Mayor
City of San Diego

ARGUMENT AGAINST PROPOSITION H

Our Pension System is **underfunded by over a billion dollars**. It is irregularly managed by the Pension Board and irregularly funded by the Mayor and City Council majority. Real funding and management changes need to occur. This measure **does nothing** to solve the underfunding or management problems.

If we do not correct both the underfunding and management problems soon, it will exacerbate the City's current debt. This could **result in cuts in safety** and environmental services, and **limit our ability to fund** recreation activities and **basic neighborhood services**.

This proposal addresses **none** of these problems.

The latest underfunding proposals voted through the Pension Board were **opposed** by both a public representative **and** a labor representative. Most of the "Public Representatives" on the board voted to continue the underfunding.

The problem isn't who sits on the board. The problem is the **private underfunding agreements** and **deals that occur behind closed doors**, before the Pension Board ever meets.

A majority of the Pension Board Members that voted for underfunding the last time are **still eligible to serve** under this measure. Where is the reform in that?

We all agree that reform of the Pension System is needed. This proposal suggests that reshuffling a few seats on the Pension Board from labor representatives to public representatives will somehow solve the problem. It is only a ruse to give the impression of a solution, when **it clearly does nothing to solve the real problem**.

Please Vote NO!

DONNA FRYE
San Diego City Councilmember

DIANN SHIPIONE
Pension Board Trustee
(Public Representative)

PROPOSED CHARTER AMENDMENT

(The portions of the charter to be added are underlined
and the portions to be deleted are printed in ~~strike-out~~ type.)

Section 144: Board of Administration

~~The system shall be managed by a Board of Administration which is hereby created, consisting of the City Manager, City Auditor and Comptroller, the City Treasurer, three members of the Retirement System to be elected by the active membership, one retired member of the retirement system to be elected by the retired membership, an officer of a local bank, and three other citizens of the City, the latter four to be appointed by the Council. Such appointees shall serve without compensation. Members of the Board, other than ex-officio, shall serve six years or until their successors are elected and qualified, and shall so classify themselves by lot that one term shall expire each year. The members of the existing Board shall serve out their unexpired terms.~~

~~The Board of Administration may establish such rules and regulations as it may deem proper; shall elect one of its members president and appoint a secretary and may appoint such other employees as may be necessary. Such appointments, except the actuary, shall be made under the provisions of Article VIII of this Charter.~~

~~The Board of Administration shall be the sole authority and judge under such general ordinances as may be adopted by the Council as to the conditions under which persons may be admitted to benefits of any sort under the retirement system; and shall have exclusive control of the administration and investment of such fund or funds as may be established; and shall be permitted to invest in any bonds or securities which are authorized by General Law for savings banks; and, further, shall be permitted to invest in such additional classes or types of investments as are approved by resolution of the Council of The City of San Diego; provided, however, that individual investments within the classes or types approved by the Council must be approved by independent investment counsel; and, provided, further, the board may place such funds in the hands of the Funds Commission for investment. Provided, however, that the Auditor and Comptroller shall refuse to allow any warrant drawn for payment of a retirement allowance if, in the opinion of the Auditor and Comptroller, such retirement allowance has been granted in contravention of this Article or any ordinances passed under the authority granted herein.~~

Effective April 1, 2005, the system shall be managed by a newly constituted Board of Administration which shall consist of 13 members. Seven members shall constitute a quorum of the Board and the concurring vote of seven members shall be required for the Board to take any action. Prior to April 1, 2005, in anticipation of the effective date, and thereafter, members shall be selected to serve as follows:

- (a) Seven (7) members shall be appointed by the Mayor and confirmed by the Council. No person who is a City employee, participant in the Retirement System, or City union representative may be eligible for appointment in this category. Such appointees shall have the professional qualifications of a college degree in finance, economics, law, business, or other relevant field of study or a relevant professional certification. In addition, such appointees shall have a minimum of fifteen (15) years experience in pension administration, pension actuarial practice, investment management, real estate, banking, or accounting. Members of the Board serving in this category shall serve staggered terms of four (4) years each (inaugural appointments shall have three (3) members serving two year terms) and members in this category shall be limited to a maximum of eight (8) consecutive years in office and an interval of four (4) years must pass before such persons can be reappointed. Such appointees shall not have any other personal interests which would create a conflict of interest with the duties of a Board member and trustee.
- (b) One (1) police safety member of the Retirement System elected by the active police safety members to serve a four (4) year term, except that the inaugural member elected in 2005 to fill the seat in this category shall serve a two (2) year term.
- (c) One (1) fire safety member of the Retirement System elected by the active fire safety members to serve a four (4) year term.
- (d) Two (2) general members of the Retirement System elected by active general members of the Retirement System to serve a four (4) year term.

- (e) One (1) retired member of the Retirement System elected by the retired members of the Retirement System to serve a four (4) year term, except that the inaugural member elected in 2005 to fill the seat in this category shall serve a two (2) year term.
- (f) One (1) City management employee in the administrative service appointed by the City Manager to serve at the pleasure of the City Manager selected from the following: City Manager, City Treasurer, Deputy or Assistant City Manager, or person in a similar position who reports to the City Manager.

The Board of Administration may establish such rules and regulations as it may deem proper; shall elect one of its members president and appoint a secretary and may appoint such other employees as may be necessary. Such appointments, except the actuary, shall be made under the provisions of Article VIII of this Charter.

The Board of Administration shall be the sole authority and judge under such general ordinances as may be adopted by the Council as to the conditions under which persons may be admitted to benefits of any sort under the retirement system; and shall have exclusive control of the administration and investment of such fund or funds as may be established; and shall be permitted to invest in any bonds or securities which are authorized by General Law for savings banks; and, further, shall be permitted to invest in such additional classes or types of investments as are approved by resolution of the Council of the City of San Diego; provided, however, that individual investments within the classes or types approved by the Council must be approved by independent investment counsel; and, provided, further, the board may place such funds in the hands of the Funds Commission for investment. Provided, however, that the Auditor and Comptroller shall refuse to allow any warrant drawn for payment of a retirement allowance if, in the opinion of the Auditor and Comptroller, such retirement allowance has been granted in contravention of this Article or any ordinances passed under the authority granted herein.

Article X: Transfer Of Police And Fire Department Employees Into The Retirement System

Notwithstanding any language in Article IX of this Charter to the contrary the City Council shall, upon the taking effect of this amendment, by ordinance provide for the transfer into The City Employees' Retirement System of all members of the Police and Fire Departments of The City of San Diego who were regularly employed and members of their respective Pension systems on June 30, 1946; provided, however, that in any such ordinance said Council shall provide as follows:

- (1) A minimum retirement allowance of \$200.00 per month when a member has completed the required number of years of service as provided in this Charter, and who at the effective date of the ordinance is receiving a monthly salary of at least \$400.00.
- (2) For retirement of members of the Police Department who entered the service of the department on or prior to the 8th day of May, 1941, and who have served for 20 years or more in the aggregate as a member or employee in any rank or capacity in said department, regardless of age, and for the retirement of members of the Police Department who entered the service of the department subsequent to the 8th day of May, 1941, after completion of 25 years of service in the aggregate.
- (3) For retirement of members of the Fire Department who entered the service of the Department on or prior to January 1, 1936, and who have served for 20 years or more in the aggregate as a member or employee in any rank or capacity in said department, regardless of age, and for the retirement of members of the Fire Department who entered the service of the department subsequent to the 1st day of January, 1936, after completion of 25 years of service in the aggregate.
- (4) Each member of either the Fire or Police Department who is entitled to retire after 20 years of aggregate service with the City shall receive a pension credit of 2 1/2% of his final compensation for each year completed at the effective date of said ordinance, but in no case shall such credit exceed 50% of such final compensation. For each year completed after the effective date of said ordinance the member shall be credited with 1/60th of his final compensation. The pension credits specified above will not be allowable until after such member shall have reached the age of 50 years. No member of either department who is entitled to retire after 20 years as above and who has had 20 years of service in the aggregate shall receive less than the following: \$200.00 per month as retirement allowance, together with such additional amount per month as will represent the actuarial equivalent of that portion of the contributions of such member contributed after his 20th year of service but before his attainment of age 50.

- (5) Members of the Fire and Police Departments who are not eligible for retirement until the completion of 25 years of service in the aggregate shall receive a pension credit of 2% of their final compensation for each year completed at the effective date of said ordinance, provided that such credit shall not exceed 50% of such final compensation, and in addition thereto shall be entitled to credits of 1/60th of their final compensation for each year completed after the effective date of the ordinance. The pension credits specified in this paragraph will not be allowable until after such member shall have reached the age of 55 and has completed 20 years of aggregate service in the department, provided, however, that such member may be permitted to retire at the age of 50 years after 20 years of aggregate service in the department with a reduced allowance, as provided in Article IX and the ordinance passed pursuant thereto.

Except as to those members who are forced to retire because of disability or who die, 'Final Compensation' within the meaning of paragraphs 4 and 5 hereof shall be the highest average compensation received during any five consecutive years of service, limited, however, to the following monthly maximums for members who retire: During the first year after the ordinance is adopted, \$400.00; during the second year, \$500.00; during the third year, \$600.00; during the fourth year, \$700.00; during the fifth year, \$800.00; and after the end of the fifth year there shall be no ceiling considered in determining the amount of the final compensation.

As to those members who are compelled to retire because of disability or who die after the ordinance becomes effective 'Final Compensation' shall be defined as above, but with the following monthly maximums: For death or disability occurring during the first year, after the ordinance is adopted, \$500.00; during the second year, \$600.00; during the third year, \$700.00; during the fourth year, \$800.00; during the fifth year, \$900.00; and after the end of the fifth year no ceiling shall be considered in determining the amount of the final compensation.

- (6) No member of either the Fire or Police Departments transferred pursuant to the provisions of this Article of the Charter shall be required to contribute in excess of 8% of his total salary; and each member so transferred shall be classed as a safety member of a special class and shall be entitled to all of the service credit earned by such member in the Police and Fire Retirement System up to the date of transfer without further contributions from said member because of absences prior thereto while serving in the armed forces of the United States.
- ~~(7) The membership of the Board of Administration created by Article IX of the Charter, upon the taking effect of this amendment, shall be increased to the extent of one additional member to represent the Police Department and one additional member to represent the Fire Department, such members to be chosen by the members of the respective departments.~~

Immediately upon the taking effect of the ordinance making the transfer of members into the City Employees' Retirement System, all of the provisions of Article IX not inconsistent with the hereinabove provided, together with any ordinance passed pursuant thereto, shall be applicable to such transferred members, and the Police and Fire Retirement System heretofore created in 1947 is abolished, and except as prescribed by this amendment all benefits therein authorized are canceled.

All moneys in the Police and Fire Retirement Fund at the date of the taking effect of the ordinance transferring said members are hereby transferred to the City Employees' Retirement Fund.

Nothing herein contained shall be construed in any way so as to affect the vested rights of members of the Police and Fire Departments who have been heretofore retired by virtue of any retirement or pension system of The City of San Diego.