



# San Diego City Attorney Jan I. Goldsmith

---

## NEWS RELEASE

**FOR IMMEDIATE RELEASE: June 28, 2010**

Contact: Gina Coburn, Communications Director: (619) 533-6181

### **YET ANOTHER COURT FINDS PENSION BOARD ACTED ILLEGALLY**

The City of San Diego has won another court victory against San Diego City Employees Retirement System (SDCERS) resulting in lower pension contributions and retiree health liability.

Superior Court Judge Jeffrey Barton ruled (attached) on Friday, June 17, 2010, that SDCERS violated the law by refusing to follow an ordinance adopted by the City Council eliminating certain benefits for new employees, including retiree health and DROP.

In accordance with labor agreements negotiated between the City and its labor unions in 2005, the ordinance adopted in January 2007 eliminated the benefits as to new employees hired after July 1, 2005. SDCERS refused to eliminate benefits for the 900 employees hired between 2005 and 2007 claiming the employees had vested benefits.

Judge Barton ordered SDCERS to follow the City's ordinance, finding that the employees hired after July 1, 2005 had no vested rights in the benefits because they were new employees whose benefits had been eliminated per labor agreements.

The decision will result in an immediate savings on July 1, 2010 of a \$209,000 reduction in the City's pension contribution and an overall pension savings of \$4 million. In addition, the City will save about \$14 million in retiree health benefits.

This latest City court win over SDCERS comes on the heels of a court of appeal decision on June 7th that SDCERS illegally charged the City for under-priced service credits. That ruling reduced the City's pension contributions annually by about \$3 million.

On March 16th, the City won another court ruling that SDCERS illegally sought to charge the City about \$177 million stating the City had underfunded its obligations under the plan.

In May, SDCERS agreed that its long-standing method of calculating the City's pension contributions to disability retirement violated local law. The correction reduced the City's pension contribution annually by \$2.6 million.

(MORE)

“This most recent decision illustrates how SDCERS over the years jumped out of its role as a pension administrator and into the role of political advocate,” said City Attorney Jan Goldsmith. “The labor unions and City agreed to end the benefits for new employees, but SDCERS hired very expensive lawyers to seek a loophole for 900 new employees.”

"SDCERS should stop these expensive crusades and, instead, focus on the job of wisely investing retirement plan assets."

###