



San Diego City Attorney Jan I. Goldsmith

NEWS RELEASE

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APPELLATE COURT UPHOLDS KEY PENSION RULING *2010 Decision Found SDCERS Granted Benefits Improperly*

San Diego, CA: The Court of Appeal, Fourth Appellate District has upheld a ruling that the City is not required to pay roughly \$18 million in retirement benefits wrongfully awarded to employees hired from 2005 to 2007.

In 2005, the City and its labor unions negotiated changes to their collective bargaining agreements that eliminated certain benefits, including:

- The "13th Check" that some retirees received at the end of the year when whenever there were "excess earnings" available in the retirement system,
- The Deferred Retirement Option Program (DROP), which boosted pension benefits,
- Retiree health benefits.

The changes were codified in a January 2007 ordinance adopted by the City Council and made retroactive to July 1, 2005. However, the City's pension administrator, San Diego City Employees Retirement System (SDCERS), did not follow the ordinance and granted the eliminated benefits to 595 employees hired between 2005 and 2007, claiming they had a right to them.

In 2010, a Superior Court judge ruled that SDCERS violated the ordinance that eliminated the benefits. As a result, the City realized an immediate savings of \$209,000 in its annual pension contribution and an overall savings of \$4 million. In addition, the City saved \$14 million in retiree health benefits.

The Court of Appeal upheld that ruling Friday, June 29, 2012.

"This is the correct result," said City Attorney Jan Goldsmith. "The law is clear that the city has the right to change benefits for new employees."

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