

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM (SDCERS)
POST-RETIREMENT SUPPLEMENTAL COLA BENEFIT
(City of San Diego General and Safety Members)

SUBJECT: **SUPPLEMENTAL COLA BENEFIT**

DATE PREPARED: April 14, 2003 (Rev. 5-9-06)

DATE REVIEWED AND EDITED BY CERS: August 10, 2006

ELIGIBILITY

To be eligible for the Supplemental COLA Benefit, also known as the 75% Purchasing Power benefit, you must have:

- retired on or before June 30, 1982; and
- completed at least ten years of creditable service, and
- be a:

- (1) Retired General or Safety Member, or
- (2) Retired Unified Port District Member, or
- (3) Special Class Safety Member receiving a fixed monthly retirement benefit, or
- (4) A survivor of one of the above eligible retirees, or
- (5) an industrial disability retiree who had less than ten years service, or
- (6) a survivor of a Special Safety retiree who had a fluctuation monthly benefit, or
- (7) a survivor who receives a Special Death Benefit, and received a retirement allowance on July 1, 1998, which, as determined by the System's Actuary, was at a level less than the equivalent of 75% of the present value of your Base Retirement Benefit when combined with your Annual Supplemental Benefit (Thirteenth Check).

BENEFIT

The amount paid, effective July 1, 1998, was calculated by multiplying your annual base benefit as of July 1, 1998 by a factor, determined by the System's Actuary, and comparing the result with the amount of your annualized retirement benefit as of July 1, 1998 plus your 13th check. The factor used was determined by the change in the Consumer Price Index as shown by the Bureau of Labor Statistics Consumer Price Index, United States-All items for each applicable Fiscal year and the Cost of Living Allowance granted annually (currently not to exceed 2%). The amount of the 13th check was deducted from the amount needed to restore the 75% Purchasing Power amount and the difference, divided by 12, was applied monthly effective July 1, 1998. **There is a cap on the amount paid however. The maximum allowed annual increase could not exceed 50% of your retirement benefit effective July 1, 1998 plus the 13th check.** An example would be that if your increase to meet the 75% amount was \$9,000 per year and your 13th check and annual retirement benefit totaled \$14,000, only \$7,000 could be applied.

LEGAL AUTHORITY

Ordinance O-18608 adopted January 11, 1999 established this program, and it is shown in detail in Chapter 2, Article 4, Division 15 of the Municipal Code; specifically Paragraph 24.1504 Supplemental COLA Program.

FUNDING SOURCE

Under the legal authority shown above, a \$35,000,000 Reserve was established to fund this benefit. The funds came from Undistributed Earnings from the Fiscal Year ending June 30, 1998. Interest is to be credited annually, if sufficient funds are available. Interest was not added June 30, 2002. The benefit is paid from this Reserve and will cease when the Reserve is depleted.

There is a provision for Reevaluation, and the System's Actuary is to annually conduct an evaluation of the Reserve to determine the feasibility of expanding this program.

VESTED RIGHT

The supplemental benefit known as the Supplemental COLA is a vested right of the retired member but is subject to funding availability. Any changes that affect this benefit must be approved by a vote of the retirees.

ADMINISTRATION

The supplemental benefit, known as the Supplemental COLA, is administered by SDCERS.

ATTACHMENT

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM ELECTION BULLETIN
SUPPLEMENTAL COST OF LIVING (COLA) BENEFIT (See page 3 & 4 of this PDF)

FOR QUESTIONS

Contact SDCERS staff at (619) 525-3600 or Toll Free at (800) 774-4977.

This information is provided as a service of the **City of San Diego Retired Employees' Association**. The purpose of the above summary is to provide useful information about your retirement benefits. The facts surrounding your eligibility for payments may change from time to time. Do not rely on the above information for decision making but contact SDCERS for assistance. Should you find erroneous information in any of the above statements please contact a member of the City of San Diego Retired Employees' Association who will research your concern and make appropriate adjustments.

rec'd 11/13/98
11/14/98

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM ELECTION BULLETIN

SUPPLEMENTAL COST OF LIVING (COLA) BENEFIT

The San Diego City Employees' Retirement System is conducting an election that will affect retired member benefits. This election is allowed by Section 143.1 of the City Charter. The benefit is subject to approval by the retired members of the San Diego City Employees' Retirement System. If approved, these changes will be implemented in January 1999 retro-active to July 1, 1998. All retired members of SDCERS are encouraged to vote.

Many years of inflation have substantially eroded the purchasing power of the retirement benefits of some of the retired members/survivors of the Retirement System. At the request of a delegation of retired members (i.e. the COLA Task Force), the City Manager recommended to the City Council that the Supplemental COLA benefit be implemented.

The Supplemental COLA benefit will apply to the retirement benefit of any retiree/survivor whose purchasing power of the dollar value of his or her current combined annual retirement benefit is less than 75% of what the retiree's annual base benefit was at the time of retirement.

You must be eligible for and receiving the 13th Check Benefit to be eligible for the Supplemental COLA benefit. Retirees eligible for the Supplemental COLA benefit will continue to receive the 13th check benefit.

The CURRENT COMBINED ANNUAL RETIREMENT BENEFIT is the annual base benefit (at time of retirement) plus accumulated COLA's plus the 13th check.

The Supplemental COLA benefit will increase the retiree's current combined annual benefit to 75% of purchasing power, as long as the increase does not exceed 50% of the retiree's current combined annual benefit, in which case it shall be limited to 50%.

The Supplemental COLA benefit will affect retirees/survivors who retired on or before December 31, 1996 and whose annual combined benefit has fallen below the 75% level as of July 1, 1998. It will generally apply to those retirees whose effective dates of retirement were prior to 6/30/82. Future eligible retirees shall be determined annually after negotiations with, and approval by, the City Manager and City Council; with concurrence by the Retirement Board. This increase to the retiree's benefit calculated under the Supplemental COLA benefit will be paid to the retiree or his or her survivor for life, provided funds are available. The Retirement System's actuary has identified those persons who are presently eligible to receive the Supplemental COLA benefit.

The following two examples should help to explain the Supplemental COLA benefit. (Please note that the examples given are for the purpose of explanation only.)

Mary Smith retired December 29, 1962. As of July 1, 1998, Mary's current annual retirement allowance (including COLAs accumulated over the years) was \$5,690, or \$474.17 monthly (\$5,690 divided by 12). The amount of her last 13th check was \$1,509. Her total combined annual benefit as of July 1, 1998 was \$7,199 (\$5,690 + \$1,509).

The System's actuary has been provided the dollar amount of Mary's annual base benefit at the time of her retirement in 1962. The actuary has determined that for Mary's current combined annual benefit to have 75% of the purchasing power of her original annual base benefit, it would have to be increased by **\$6,351**. However, the Supplemental COLA benefit increase cannot exceed 50% of her current combined benefit of \$7,199 or **\$3,599.50**.

The amount of Mary's January 1999 monthly benefit including accumulated COLAs would be increased to **\$774.13** monthly ($\$5,690 + \$3,599.50$ divided by 12). She would also receive an additional payment of **\$1,799.75** ($\$3,599.50$ divided by 12 multiplied by 6), the amount of the incremental increase from July 1998 through December 1998. If an annual COLA is applied in July 1999, it would be applied to Mary's monthly benefit of **\$774.13**.

Jim Jones retired October 6, 1978. As of July 1, 1998, Jim's annual retirement allowance (including COLAs accumulated over the years) was **\$13,958** or **\$1,163.17** monthly. The amount of his last 13th check was **\$1,877**. His current combined annual benefit as of July 1, 1998 was **\$15,835** ($\$13,958 + \$1,877$).

The System's actuary has been provided the dollar amount of Jim's annual base benefit at the time of his retirement in 1978. The actuary has determined that for Jim's current annual combined benefit to have 75% of the purchasing power of his original annual base benefit, it would have to be increased by **\$5,547**. This amount does not exceed 50% of Jim's combined annual benefit of **\$15,835**.

The amount of Jim's January 1999 monthly benefit including accumulated COLAs would be increased to **\$1,625.42** monthly ($\$13,958 + \$5,547$ divided by 12). He would also receive an additional payment of **\$2,773.50** ($\$5,547$ divided by 12 multiplied by 6), the amount of the incremental increase from July 1998 through December 1998. If an annual COLA is applied in July 1999, it would be applied to Jim's monthly benefit of **\$1,625.42**.

A reserve has been created by the Retirement Board and credited with \$35,000,000 from Undistributed Earnings for the Fiscal Year ending June 30, 1998 to fund this benefit. The reserve will be credited with interest annually, if sufficient funds are available, in accordance with San Diego Municipal Code Section 24.1502(a)(7). Benefit payments under the Supplemental COLA program will cease if the reserve is depleted.

If you have any questions regarding the Supplemental COLA benefit, please contact Vincent Hayes at (619) 533-4695 or (800) 774-4977.

Shall the San Diego Municipal Code be amended to provide a Supplemental Cost of Living Adjustment benefit?

A "yes" vote will allow the San Diego Municipal Code to be amended to provide the Supplemental Cost of Living benefit.

A "no" vote will cause the San Diego Municipal Code to remain the same.