CHARTERS, POLICIES, AND RULES
OF THE
BOARD OF ADMINISTRATION

Effective 11/04/2022
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SAN DIEGO CITY EMPLOYEES’ RETIREMENT SYSTEM
AUDIT COMMITTEE CHARTER

PURPOSE & AUTHORITY

1. The purpose of the Audit Committee (“Committee”) is to assist the Board of Administration (“Board”) in fulfilling the Board’s oversight responsibilities for SDCERS’ financial reporting process, system of internal controls, audit process, process for monitoring compliance with laws and regulations, and internal financial policies and procedures.

2. Primary responsibility for SDCERS’ financial reporting, accounting systems, and internal controls is vested in the Chief Executive Officer and Controller and is overseen by the Board. The internal and external financial auditors report directly to the Committee and to the Board.

3. The Committee shall have unrestricted access to SDCERS’ personnel, books, records, and facilities and is authorized to review any matter within its scope of responsibility.

4. The Committee shall not retain any individual or firm without the approval of the Board.

COMPOSITION

5. The Committee shall consist of five Committee Members: One Board Member, three Independent Non-Board Members appointed by the Board, and one additional Committee Member who may be either a Board Member or an Independent Non-Board Member. Each Committee Member shall be knowledgeable in financial reporting issues.

CHAIR

6. The Committee shall appoint one of its Committee Members as Committee Chair who shall serve a one-year term and may be appointed for a second year; however, no Committee Member may serve more than two consecutive terms as Committee Chair. A Committee Member who has served two consecutive terms as Committee Chair may not be elected as Committee Chair until a year has passed since their second term in office. The Chair takes office on the day of their appointment to that position and serves until their successor is appointed and assumes office. Appointments are conducted in open session by a vote of a quorum of the Committee.

TERM

7. The Independent Non-Board Members are appointed by the Board for staggered terms of four years each. The Board may appoint any Independent Non-Board
Member to serve a second term. Independent Non-Board Members shall be limited to a maximum of eight consecutive years in office and an interval of two years must pass before such persons can be reappointed. Such appointees must not have any other personal interests that would create a conflict of interest with the duties of an Audit Committee Member. If an Independent Non-Board Member resigns or otherwise permanently vacates the office during their term, the newly-appointed member shall begin a new term.

MEETINGS

8. The Committee shall meet at least two times per calendar year at the call of the Chair. All Committee Members are expected to attend each meeting and the Committee shall invite members of management, auditors, and/or others to attend meetings and provide pertinent information, as necessary. Staff or the Chair may call special meetings consistent with the requirements of the Ralph M. Brown Act (Gov. Code §54950, et seq.). Meeting agendas shall be prepared and provided in advance to Committee Members, along with appropriate briefing materials.

COMPENSATION

9. Committee Members shall serve without compensation but shall receive reimbursement for their necessary expenses incurred in performance of their duties for SDCERS.

RESPONSIBILITIES

10. The Committee has the following responsibilities:

a. External Financial Audit Firms or Individuals

i. Recommend to the Board the appointment, retention and/or removal of an external financial audit firm hired to perform an independent audit of SDCERS’ financial statements.

ii. Oversee the external financial audit process by reviewing the external financial audit firm’s proposed audit scope, approach and completion date, including coordination efforts with the Internal Auditor.

iii. Ensure the independence of the external financial audit firm by obtaining statements from the external financial audit firm regarding relationships between the external financial audit firm and SDCERS, including any non-audit services, and discussing the relationships with representatives of the external financial audit firm.

iv. Meet with the external financial audit firm, as necessary, to discuss pertinent matters, including the quality of SDCERS’ staff, and the
quality of the external financial audit team. If requested in advance, pertinent matters may be discussed in closed session in compliance with the Ralph M. Brown Act.

v. Resolve significant disagreements between management and the external financial audit firm.

b. External Firms or Individuals Providing Audit-Related Services

i. Recommend to the Board all other audit-related services to be performed by external firms or individuals.

c. Internal Audit

i. Review the Internal Audit Charter every three years to ensure that it accurately reflects the Internal Audit activity, purpose, authority, and responsibility.

ii. Review and approve the annual audit plan, risk assessment, and all significant changes to the plan. Review the Internal Auditor’s performance relative to the plan.

iii. At least every five years, with the assistance of an external quality assurance reviewer, review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

iv. Review the results of the Quality Assurance Review and monitor the implementation of the Internal Audit action plan to address recommendations.

v. Review Internal Audit findings and recommendations, management’s responses, and actions taken to implement the audit recommendations.

vi. Prepare an annual performance evaluation in accordance with the performance review timeline for the Internal Auditor.

vii. Advise the Board regarding the qualifications, recruitment, appointment, and removal of the Internal Auditor.

viii. Provide input to the Board related to evaluating the performance of the Internal Auditor.

ix. Recommend to the Board the appropriate compensation of the Internal Auditor.
x. Communicate with the Internal Auditor to determine if there are audit scopes or budgetary limitations that impede the ability of the Internal Auditor to carry out their responsibilities.

xi. Advise the Board regarding increases or decreases of requested resources to achieve the intended audit plan.

d. Financial Statements

i. Review the financial statements and any financial reports submitted or to be submitted to any governmental body; consider whether they are complete, and consistent with information known to the Committee.

ii. Review the external financial audit firm’s audit opinion and their assessment of:

1) Significant accounting and reporting issues, including complex or unusual transactions;

2) Recent professional and regulatory pronouncements;

3) Significant adjustments or revisions to the financial statements, including difficulties encountered, and

4) The appropriateness of accounting principles adopted by the organization and the clarity of financial disclosure.

iii. If not included above, review with management and the external financial audit firm all matters required to be communicated to the Audit Committee under generally accepted auditing standards.

iv. If submitted to the Government Finance Officers Association’s (“GFOA”) Special Review Committee, review any comments provided by GFOA as a result of GFOA’s review of the Annual Comprehensive Financial Report (“ACFR”).

e. Accounting Systems and Internal Control

i. Consider the effectiveness of SDCERS’ internal control system, including information technology security and control.

ii. Obtain reasonable assurances from discussions with the internal auditor, the external financial audit firm, consultants, and/or management that SDCERS’ accounting systems are reliable and the internal controls are operating effectively.
iii. Understand the scope of work performed by other providers of financial or internal control assurances, and obtain reports on significant findings and recommendations, together with management's responses.

f. Reporting

i. Regularly report to the Board about Committee activities, issues, and related recommendations.

ii. Disclose in the ACFR the Committee's composition and responsibilities.

iii. Review any other reports SDCERS issues that relate to the Committee’s responsibilities.

g. Other

i. Have oversight responsibility for other audit or governance-related activities as requested by the Board.

ii. Institute and oversee special investigations as needed.

iii. Review with General Counsel, the external financial audit firm, external counsel, and the Internal Auditor legal and regulatory matters that, in management’s opinion, may have a material impact on the financial statements or, related organization compliance policies, programs, and reports received from regulators.

iv. Seek advice from SDCERS’ fiduciary counsel, General Counsel, external and internal accountants and auditors, and others who advise the Committee or assist in conducting any review; and

v. Seek any necessary information it requires from employers – all of whom are directed to cooperate with the Committee’s requests – or external parties.

CHARTER REVIEW & HISTORY

11. The Board shall review this Charter at least every three years to ensure it remains relevant and appropriate.

Adopted November 17, 2006; amended July 18, 2008; reviewed July 8, 2011; and amended January 10, 2014, September 12, 2014, September 11, 2015, March 10, 2017,
SAN DIEGO CITY EMPLOYEES’ RETIREMENT SYSTEM
BOARD OF ADMINISTRATION CHARTER

INTRODUCTION

1. The Board is vested with the authority to manage SDCERS, exclusively control the
administration and investment of the SDCERS’ Trust Fund, and, subject to the City
of San Diego City Charter (“City Charter”), the San Diego Municipal Code
(“Municipal Code”), and plan documents, establish the rules and regulations it
deems proper to carry out these responsibilities.

GOVERNANCE & FIDUCIARY RESPONSIBILITIES

2. It is the obligation of every Board Member to act with the utmost integrity,
professionalism, and ethical behavior in relations with Members, retirees, the
public, plan sponsors, and SDCERS’ staff. With respect to the governance of
SDCERS, the Board Members shall:

a. Recognize and be accountable for their fiduciary responsibility;

b. Perform their functions solely in the interest of Members and benefit
recipients, and for the exclusive purpose of providing benefits and defraying
reasonable expenses incurred in performing such duties, as required by law;

c. Be familiar and compliant with SDCERS’ Policy on Board Member
Responsibilities and Core Competencies and SDCERS’ Education Policy;

d. Conduct all of SDCERS’ business responsibilities in a transparent and fair
manner and to be honest in all business negotiations;

e. Avoid any activity which is, or appears to be, a conflict of interest;

f. Exercise prudence and integrity in the management of funds under
supervision of the Board;

g. Communicate to an appropriate Board or staff member information
regarding actions that may be violations of the law, policies, and/or the
Board Rules;

h. Maintain confidentiality of information so designated that is received or
maintained by SDCERS;

i. Initiate, defend, or settle litigation involving SDCERS as is reasonable and
necessary according to the Board’s discretion; and
j. Delegate appropriate responsibilities to SDCERS’ staff and, commensurate with its fiduciary duties, exercise general supervision over the person(s) performing the delegated matter.

PROHIBITED ACTIONS

3. No Board Member shall:

   a. Violate any provisions of any SDCERS policies, including but not limited to SDCERS’ Ethical Conduct, Compliance and Training Policy, Conflict of Interest Policy, and Whistleblower Policy;

   b. Knowingly engage in any serial, rotating, or seriatim meeting through which a quorum of the Board becomes involved in the deliberation of any issue, unless the notice and public access provisions of the open meeting laws are satisfied;

   c. Fail to attend two consecutive meetings of the Board or three meetings in a calendar year, except that failure to attend a meeting will be automatically excused if the Board Member is unable to attend the meeting(s) because they are performing Board-related duties. The Board President may excuse the absence of any Board Member from a Board meeting when the Board Member’s absence is justified by a factual finding of good cause; and

   d. Censure of Board Members: If an issue is raised related to a Board Member’s lack of compliance with the provisions of any Board policy, the Board may direct staff to investigate and report back on the matter and may subsequently place the matter on the agenda for consideration and disposition, in which case the following process shall be observed:

      i. Upon consideration of the factual circumstances and after making a finding of good cause, the Board may vote to censure any Board Member who fails to comply with the prohibited actions outlined in these policies; or

      ii. Upon consideration of the factual circumstances and after making a finding of good cause related to a breach of fiduciary duty under this policy, if the offensive act rises to the level of being willful or corrupt, the Board may take action as it deems appropriate.

ADMINISTRATIVE RESPONSIBILITIES

4. With respect to its responsibility for administration of SDCERS, the Board shall:

   a. Elect one of its Board Members as President (Charter § 144);

   b. Credit the contribution accounts of Members and the plan sponsors with interest at a rate to be determined by the Board calculated each June 30th in
accordance with Board Rules (Municipal Code §24.0904; Port Plan §0901; Airport Plan §0901);

c. Prepare each year an annual budget of administrative costs for submittal to the San Diego City Council for inclusion in the annual budget ordinance (Municipal Code §24.0906);

d. Appoint a Chief Executive Officer (“CEO”);

e. Appoint such other employees as may be necessary (City Charter §144);

f. Determine the assumed rate of interest earnings for the retirement fund (Municipal Code §24.0901);

g. Transfer from the reserves for Member contributions and the reserves for employer contributions to the reserve available for retiree benefits (Municipal Code §24.0903);

h. Prepare and submit for payment an invoice to the City of San Diego each year for the annual cost of processing retiree health benefits;

i. Annually identify all administrative costs not included in Municipal Code section 24.0906, and when such costs exist, prepare and submit an invoice for these costs to the applicable plan sponsor;

j. Prepare and submit for payment to each plan sponsor an invoice for the coming fiscal year’s actuarially determined contribution after the Board approves a plan sponsor’s annual valuation for the preceding fiscal year;

k. Appropriate each year from the Undistributed Earnings Reserve a sum sufficient to meet the budgeted expenses and costs of operating SDCERS, including all personnel services, for the relevant fiscal year (Municipal Code §24.0906);

l. Declare a forfeiture, in its discretion, of an inactive Member's accumulated contributions to the Retirement Fund pursuant to the terms in the relevant Plan (Municipal Code §24.0905; Port Plan §0902; Airport Plan §0902);

m. Hold hearings, at the Board’s discretion, for the purpose of addressing any question presented to the Board involving any right, benefit, or obligation under SDCERS (Municipal Code §24.0908);

n. Administer oaths to witnesses and issue subpoenas to compel the attendance of witnesses and, the production of documents for hearings (Municipal Code §24.0908);

o. Prepare an Annual Report at the completion of each fiscal year for the information of all Members (Municipal Code §24.0911);
To ensure the independence of the CEO, Chief Compliance Officer, and Internal Auditor, the Board has the sole responsibility to establish performance goals and objectives and to conduct the annual performance review of these staff positions. Annual performance reviews shall be conducted in September of each year. Any performance-related issues that arise between reviews shall be placed on the Board’s agenda to discuss in closed session; and

Develop, review, and update strategic planning and performance plans for SDCERS.

**ACTUARIAL RESPONSIBILITIES**

5. With respect to its actuarial responsibilities, the Board shall:

a. Employ and contract with an actuary to conduct an annual actuarial valuation of the assets and liabilities of each plan (Municipal Code §24.0901);

b. Employ and contract with an actuary to provide for its use and benefit such services as needed by the Board (Municipal Code §24.0901);

c. Adopt by Board Rule actuarial tables to be used for calculating normal retirement allowances (City Charter §143);

d. Based upon the actuary’s advice, periodically adopt by Board Rule the normal rates of contribution of each Member according to age at the nearest birthday at the time of entry into SDCERS (Municipal Code §§ 24.0201, 24.0202, 24.0301, 24.0302; Port Plan §§ 0200, 0201; Airport Plan §§ 0200, 0201);

e. Adopt by Board Rule such mortality, service, and other tables and interest rates as it deems necessary and make such revisions in rates of contribution of matters as it deems necessary to provide the required benefits (Municipal Code §24.0902; Port Plan §0900; Airport Plan §0900);

f. Require the actuary to deliver and comment upon the annual valuation report for each plan sponsor in open session at a duly noticed Board meeting no later than January 31st following the fiscal year for which the valuation was prepared;

g. Approve each annual valuation at the next Board meeting after the actuary delivers the valuation report; and

h. Conduct, at regular intervals not to exceed five years, a thorough actuarial investigation of the mortality, service, and compensation experiences of Members and persons receiving benefits, together with an actuarial

INVESTMENT RESPONSIBILITIES

6. With respect to its investment responsibilities, the Board shall:
   a. Have plenary authority and fiduciary responsibility for investment of moneys and administration of the system as set for in article XVI, section 17, of the California Constitution; and
   b. Employ and contract with independent investment advisers as may be necessary to provide professional services in support of the Board’s investment responsibility as set forth in City Charter section 144 (Municipal Code §24.0901).

BENEFITS ADMINISTRATION RESPONSIBILITIES

7. With respect to its responsibility to administer benefits under SDCERS, the Board shall:
   a. Provide a retirement benefit for Members as outlined in each of the Plans administered by SDCERS;
   b. Prescribe rules setting forth the procedure for disability retirements of Members;
   c. Prescribe rules for an annual filing of an affidavit of condition of disability for Members who have been retired for disability, industrial or non-industrial, and may, under appropriate circumstances and prior to the time such Member reaches the minimum age for service retirement, order suspension of any disability benefit if the Member fails to timely submit this affidavit or fails to comply with any lawful order of the Board;
   d. Prescribe rules providing for periodic physical examination of any Member who has been retired for disability, industrial or non-industrial, and may, under appropriate circumstances and prior to the time such Member reaches the minimum age for service retirement, determine the Member no longer qualifies for disability retirement and cease the disability retirement allowance;
   e. Prescribe rules, as necessary and appropriate, setting forth the procedure to be followed by a Member with respect to the options described in each Plan – Optional Settlements and Survivor Benefits;
   f. Determine before July 1st of each year whether there has been an increase or decrease in the cost of living as provided in each Plan and make any necessary cost of living adjustments;
g. Address issues relating to the rights of Members, beneficiaries, and legal representatives of participants under the terms of the Preservation of Benefit Plan ("POB Plan"), obtain all information, compile and maintain all necessary records for administration of the POB Plan, address any factual questions arising in connection with the operation or administration of the Plan, and, upon request, furnish to the plan sponsors reports concerning the administration of the POB Plan; and

h. Adopt and promulgate such other Board Rules and Policies as necessary for the effective administration of SDCERS benefits.

HOLDOVER OF BOARD MEMBERS

a. Pursuant to California Government Code section 1302, every Board Member whose term has expired may continue to discharge the duties of their office until their successor has assumed office.

CHARTER REVIEW & HISTORY

8. The Board shall review this Charter at least every three years to ensure it remains relevant and appropriate.

SAN DIEGO CITY EMPLOYEES’ RETIREMENT SYSTEM
BOARD OFFICERS AND SECRETARY CHARTER

INTRODUCTION

1. The officers of the Board of Administration include a President and a Vice President. The President is elected by their fellow Board Members for a one-year term, starting with the May Board meeting, and may be re-elected for a second consecutive year; however, no Board Member may serve as Board President for more than two consecutive terms. A Board Member who has served two consecutive terms may not be elected as Board President again until a year has passed since their second term in office. The re-election of the existing President, or formation of a nominating committee should a new President need to be chosen, shall be held at the March Board meeting and shall follow the process outlined in the Board Process on Election of Board President and Appointment of Vice President. The President serves until a successor is elected and assumes office.

2. Partial Term: Service of a partial term of less than six months for purposes of filling a vacant Board President position is not considered a full term for purposes of re-election. When the Vice President assumes the office and becomes the sitting President because of a vacancy, they may then be re-elected as Board President pursuant to the Board Process on Election of Board President and Appointment of Vice President. If, upon re-election, the sitting President served for less than six months during their partial term, the first full year term shall be considered their first term in office for purposes of reelection. If, upon re-election, the sitting President served for six months or more during their partial term, the first full-year term shall be considered their second term in office for purposes of re-election.

3. The CEO shall serve as the Board Secretary.

4. The duties of each of the officers and Secretary of the Board are as follows.

DUTIES OF THE PRESIDENT

5. The President:

a. Presides at all Board meetings;

b. Appoints the Vice President of the Board with the concurrence of the Board by majority vote;

c. Appoints the Members of all of the Board’s standing Committees;

d. Appoints the Chair of the Business and Governance Committee, Disability Committee, and Investment Committee;
e. Forms ad hoc committees, as needed;

f. Signs agreements on the Board's behalf, consistent with the Board’s Contracting Policy and Delegation of Authority to Execute Contracts and Other Documents; and

g. Performs other duties as directed by the Board.

DUTIES OF THE VICE PRESIDENT

6. The Vice President:

   a. Assumes and discharges the President’s duties when the President is absent or otherwise unable to perform them, or as otherwise directed by the President; and,

   b. Performs other duties as directed by the Board.

DUTIES OF THE SECRETARY

7. The Secretary:

   a. Prepares the agenda for all meetings of the Board and its Committees;

   b. Assures that recordings are taken of all Board and Committee meetings;

   c. Issues communications, signs requisitions, and assembles reports;

   d. Arranges for and conducts any SDCERS elections required under the City Charter or San Diego Municipal Code;

   e. Schedules an annual budget for review by the Board; and,

   f. Performs such other duties as directed by the Board.

CHARTER REVIEW & HISTORY

8. The Board shall review this Charter at least every three years to ensure it remains relevant and appropriate.

   Replaces former Board Rules 2.00, 2.01, 2.02, 2.10 and 2.11; adopted June 20, 2008; amended May 28, 2010; reviewed and amended December 17, 2010, July 8, 2011, and March 14, 2014; reviewed on November 14, 2014; amended on March 13, 2015 May 11, 2018, January 10, 2020, and November 5, 2021.
SAN DIEGO CITY EMPLOYEES’ RETIREMENT SYSTEM
CHIEF COMPLIANCE OFFICER CHARTER

INTRODUCTION

1. The Board shall appoint a Chief Compliance Officer (“CCO”) who serves at the pleasure of the Board. The CCO is authorized by the Board to engage in independent reviews and activities for the development and implementation of a comprehensive system of operational controls to prevent illegal, unethical, or improper conduct and to implement compliance policies and procedures relating to standards of ethics and conduct for SDCERS’ Board, staff, and vendors. The CCO is responsible for monitoring and assuring compliance with the SDCERS tax compliance program. The CCO reports directly to the Board through the Business and Governance Committee.

DUTIES & RESPONSIBILITIES

2. Under the direction of the Board, the CCO:
   a. Pursuant to the Ethics and Compliance Program Charter, develops, initiates, and revises policies and procedures to prevent illegal, unethical, or improper conduct;
   b. Manages day-to-day operation of the compliance program;
   c. Collaborates with other divisions to implement compliance policies and procedures and to direct compliance issues to appropriate channels for investigation and resolution;
   d. Develops and periodically reviews and updates standards of ethics and conduct to ensure that continuing effective guidance is provided to the Board, management, and employees;
   e. Coordinates with the General Counsel or the Board to refer matters to fiduciary counsel as deemed appropriate;
   f. Coordinates with the General Counsel to ensure compliance with the SDCERS’ tax compliance program and refer matters to tax counsel as deemed appropriate;
   g. Ensures that compliance issues and concerns within the organization are being appropriately evaluated, investigated, and resolved;
   h. Responds to alleged violations of rules, regulations, policies, procedures, and standards of ethics and conduct by evaluating and, if necessary, recommending the initiation of investigative procedures;
   i. Develops and oversees a system for uniform handling of such violations;
j. Identifies potential areas of compliance vulnerability and risk;

k. Develops/implements corrective action plans for resolution of problematic issues and provides general guidance on how to avoid or deal with similar situations in the future;

l. Provides reports as directed or requested to keep the Board, Business and Governance Committee, and management informed of the operation and progress of compliance efforts;

m. Ensures proper reporting of violations or potential violations to duly authorized enforcement agencies as appropriate and/or required; and

n. Works with the Board, Business and Governance Committee, General Counsel, and management to develop an effective compliance training program for Board Members, managers, and employees, including appropriate introductory training for new individuals.

3. In carrying out these responsibilities, the CCO shall:

   a. Ensure objectivity and independence;

   b. Remain free of actual or perceived conflicts of interest;

   c. Discharge professional responsibilities with due care, competence, and diligence;

   d. Have access to all functions, records, property, and personnel necessary to complete their responsibilities; and

   e. Have full and free access to the Board and the Business and Governance Committee.

4. The General Counsel or the Internal Auditor may serve as the CCO.

CHARTER REVIEW & HISTORY

5. The Board shall review this Charter at least every three years to ensure it remains relevant and appropriate.

   Replaces former Board Rule 4.20; adopted August 15, 2008; amended October 1, 2010; December 17, 2010; reviewed November 14, 2014; and amended September 14, 2018, and July 10, 2020.
SAN DIEGO CITY EMPLOYEES’ RETIREMENT SYSTEM
CHIEF EXECUTIVE OFFICER CHARTER

1. The Board of Administration (“Board”) shall appoint a Chief Executive Officer (“CEO”) who serves at the pleasure of the Board. The CEO shall implement policies and procedures as established by the Board and is responsible for SDCERS’ day-to-day activities.

DUTIES & RESPONSIBILITIES

2. The CEO:

a. Board Responsibilities:

i. Sets the Board meeting agenda, placing on the agenda for the next Board meeting items the CEO deems appropriate, items requested by the Board President, and/or items requested by concurrence of any three Board Members;

ii. Sets the Committee meeting agendas, placing on the agenda for the next Committee meeting items the CEO deems appropriate, items requested by the Board President or the Committee Chair, and/or items requested by concurrence of one less than a quorum of the relevant Committee;

iii. Provides a formal orientation for new Board and Independent Non-Board Members within 30 days of appointment or election and facilitates continuing education opportunities for Board Members, Independent Non-Board Members, and staff;

iv. Prepares reports for the Board;

v. Prepares the annual budget for review and approval by the Board; and

vi. Performs such other duties as the Board directs.

b. Operational Responsibilities:

i. Fulfills SDCERS’ mission to deliver accurate and timely benefits to its participants and ensure the Trust Fund's safety, integrity and growth;

ii. Incorporates SDCERS’ core values of Customer Service, Accountability, Professionalism, Fiduciary, Integrity, and Transparency into the daily operations of SDCERS;

iii. Supervises and assists in the professional development of the staff;
iv. Has responsibility to communicate with the actuary, investment managers, custodial bank, and consultants;

v. Prepares and maintains procedures manuals for internal processes, as appropriate;

vi. Maintains effective relationships with SDCERS’ plan sponsors, active Member organizations, and retiree associations;

vii. Oversees and directs internal and external communications; and

viii. Issues communications and signs requisitions and reports.

c. The Board Process for Review of the Chief Executive Officer and the Chief Compliance Officer provides the criteria on which the CEO will be evaluated.

CHARTER REVIEW & HISTORY

3. The Board shall review this Charter at least every three years to ensure it remains relevant and appropriate.

SAN DIEGO CITY EMPLOYEES’ RETIREMENT SYSTEM
COMMITTEES CHARTER

Authority
1. It is the responsibility of the Board to approve the creation or dissolution of standing Committees of the Board, thereby establishing the committee structure of the Board. The Board complies with that responsibility by establishing the following Committees and setting forth the duties of each Committee as follows.

Establishment of Committees
2. The following standing Committees are established:
   a. Investment Committee, which consists of at least four, but no more than six Board Members, plus up to three Independent Non-Board Members.
   b. Business and Governance Committee, which consists of at least three but no more than six Board Members;
   c. Audit Committee, which consists of five members: One Board Member, three Independent Non-Board Members, and one additional member who may be either a Board or an Independent Non-Board Member; and
   d. Disability Committee, which consists of at least five but no more than six Board Members.
3. The Board President may establish ad hoc committees to assist with conducting SDCERS’ business. When an ad hoc committee is created, the President or CEO shall document the committee's purpose, composition, scope of duties, and duration.

Quorum, Recommendations to the Board, and Abstentions
4. A Committee shall not meet or conduct any business without a quorum of its members present. A quorum of a standing Committee consists of a majority of the members appointed to the Committee.
5. A recommendation to the Board must be approved by a quorum of the Committee.
6. A Board or Independent Non-Board Member may not abstain from voting without stating on the record the reason for abstention.

Duties & Responsibilities

The Investment Committee
The Investment Committee meets on the Thursday preceding each Board meeting as set forth in the Board Calendar, which is approved by the Board no later than November of each preceding year, or at other times as needed, to:

a. Annually review and recommend the long-term asset allocation strategy and portfolio structure of SDCERS;

b. Conduct an asset/liability study every three to five years (or more frequently if circumstances warrant) as a basis to establish asset allocation goals and objectives;

c. Review, quarterly, the investment performance of SDCERS total fund and underlying portfolios with the assistance of the General Investment Consultant;

d. Review, quarterly, real estate performance reports from SDCERS’ Real Estate Consultant;

e. Review, quarterly, private equity and infrastructure performance reports from SDCERS’ Private Markets Advisors;

f. Retain a General Investment Consultant to assist with performance measurement, asset allocation, manager reviews, investment research, manager searches, and other projects as needed;

g. Retain a Real Estate Consultant to assist with performance measurement, structure of the program, investment research and recommendations, and development of the strategic policy and annual investment plan;

h. Retain a Private Markets Advisor to assist with performance measurement, structure of the program, investment research and recommendations, and development of the strategic policy and annual investment plan;

i. Retain a qualified custodial bank to safeguard SDCERS’ assets;

j. Monitor SDCERS’ investment managers to ensure they adhere to policies set forth in this document and recommend changes to the Board as needed;

k. Recommend to the Board initiation or termination of contractual relationships with SDCERS’ investment managers;

l. Monitor staff to ensure the administration of SDCERS’ investments in a responsible, cost-effective, and risk-minimizing manner;

m. Avoid any conflicts of interest; and

n. Perform other duties as directed by the Board.
The Business and Governance Committee

8. The Business and Governance Committee meets on the Thursday preceding each Board meeting as set forth in the Board Calendar, which is approved by the Board no later than November of each preceding year, or at other times as needed, to:

   a. Review SDCERS’ business and procedures and recommend changes;
   b. Review and recommend solutions to specific issues raised by the CEO or the Board that relate to administering SDCERS;
   c. Review and recommend approval of the annual budget;
   d. Develop and recommend Board Charters, Policies, and Rules for adoption by the Board;
   e. Evaluate candidates’ qualifications for Independent Non-Board Members of the Audit and Investment Committees;
   f. Oversee the Chief Compliance Officer, who will develop an effective compliance policy and effective compliance training program for Board Members, Independent Non-Board Members, and staff, including appropriate introductory training for new Board Members, Independent Non-Board Members, and staff;
   g. Ensure that the Ethics and Compliance Program Charter is reviewed periodically for effectiveness such that compliance issues and concerns within the organization are being appropriately evaluated, investigated, and resolved;
   h. Conduct hearings consistent with the Board’s Overpayment and Underpayment of Benefits Policy, Underpayment and Overpayment of Contributions Policy, and Appeals of Staff Decisions Regarding Benefits Policy, and make recommendations to the full Board; and
   i. Perform other duties as directed by the Board.

The Audit Committee

9. The Audit Committee meets at least two (2) times per calendar year, as set forth in the Board Calendar, which is approved by the Board no later than November of each preceding year, or at other time as needed, to:

   a. Oversee the annual audit of SDCERS’ financial statements and any other internal and external audits of SDCERS;
   b. Refer all audit results to the full Board;
c. Recommend the issuance and timing of Requests for Proposals for selecting outside auditors, review Requests for Proposals, and oversee the selection process;

d. Periodically review the adequacy of internal controls;

e. Direct investigations, as appropriate;

f. Oversee the duties and conduct an annual evaluation of the Internal Auditor; and

g. Perform other duties as directed by the Board.

Disability Committee

10. The Disability Committee meets on the Thursday preceding each Board meeting as set forth in the Board Calendar, which is approved by the Board no later than November of each preceding year, or at other times as needed, to:

a. Hear staff recommendations, adjudicator findings, and, when refuted, applicant responses regarding the award or denial of disability retirement benefits and make recommendations to the full Board;

b. Recommend to the full Board medical re-examinations, re-examination hearings, and termination of disability retirement benefits.

c. Recommend changes to the disability retirement process; and

d. Perform other duties as directed by the Board.

CHARTER REVIEW & HISTORY

11. The Board shall review this Charter at least every three years to ensure it remains relevant and appropriate.

INTRODUCTION

1. The Board of Administration (Board) for the San Diego City Employees’ Retirement System (SDCERS) understands that SDCERS holds a position of trust with our members. We have an important responsibility to operate in compliance with laws and regulations and in accordance with the highest standards of business conduct. SDCERS requires all of its employees and Board Members to conduct business in compliance with laws and with our Core Values. In support of this commitment, the Board has implemented and maintains the Ethics and Compliance Program (the Program).

SCOPE

2. The Program applies to all SDCERS employees and Board Members. Also, SDCERS expects its suppliers and other business partners to conduct business in accordance with the highest standards of business conduct.

GOALS

3. The Program seeks to create and sustain a culture where acting ethically and obeying the law are expected practices. The Program includes compliance controls and practices that are designed in light of SDCERS’ compliance risks and that reinforce the SDCERS Core Values of Accountability, Customer Service, Fiduciary, Integrity, Professionalism, and Transparency. The Program seeks to prevent misconduct from occurring at SDCERS; to detect early and respond appropriately to misconduct when it does occur; to document and maintain evidence of SDCERS’ efforts to implement an effective Program; and to continuously improve.

SCOPE OF THE PROGRAM

4. SDCERS seeks to mitigate the risk of any violation of law or Board policy or procedure. The Program is structured in light of SDCERS’ legal risks and regulatory obligations. The Chief Compliance Officer (CCO), in consultation with management (i.e., the CEO and Division Managers), determines which subject matter areas fall within the scope of the Program, as well as the level of oversight to be exercised by the Program with respect to various subject matter areas. For the areas of tax compliance, conflicts of interest, and fraud prevention, the Program has responsibility for the design and implementation of compliance
controls, including drafting and revising policies and procedures; developing training; and developing and implementing other controls. For other subject matter areas, such as Investments compliance, the Program exercises oversight of compliance but does not have responsibility for the design and implementation of compliance controls. For these areas, the relevant SDCERS subject matter experts (e.g., Chief Investment Officer) have primary responsibility for the design and implementation of compliance systems, and they are also responsible for providing reports to the CCO and management regarding risks and compliance systems for their respective subject matter areas on a periodic basis. The CCO may request modifications and enhancements to the compliance systems for any subject matter area.

RESPONSIBILITIES

*Chief Compliance Officer*

5. The Program is directed by the CCO, with the support of management, and oversight by the Business and Governance and Audit Committees. The CCO reports to the Board through those committees and is an officer of SDCERS. The CCO has the authority and appropriate access to meet with Board Members, the Chief Executive Officer (CEO), and others, as needed.

6. The CCO is authorized by the Board to develop and implement a comprehensive Program. The CCO reports to the Business and Governance and Audit Committees about the status of the Program and its ongoing activities.

7. The CCO meets with management periodically to obtain support for and guidance related to the Program and its direction from management and to provide strategic advice and counsel related to ethics and compliance, as requested. The CCO may organize and chair committees and teams, as necessary, in support of the Program.

8. The CCO functions as an independent and objective party with unrestricted access to SDCERS functions, records, property and personnel in order to fulfill the responsibilities of the position. The specific duties and responsibilities of the CCO are set forth in the SDCERS Chief Compliance Officer Charter.

*Board Oversight*

9. The Board has responsibility for oversight of the Program, facilitated by reports from the CCO, management, and independent assessments, as the Board deems necessary. The Business and Governance and Audit Committees receive updates from the CCO and assist the Board in its oversight. The CCO will inform the
Business and Governance and Audit Committees of allegations of serious suspected misconduct.

**Division Responsibilities**

10. Management is responsible for the overall compliance performance of their divisions, including implementing compliance strategies, policies and procedures and monitoring the effectiveness of these efforts (referred to as “Division Compliance Programs” herein). For example, the Investment Division is responsible for implementing the Investment Policy Statement and the Business Administration Division is responsible for calculating and payment of benefits consistent with the plan documents. Each Division shall report to the CCO and management regarding its Division Compliance Program on an annual basis.

11. The Legal Division provides advice on compliance issues to each division. Also, the Legal Division is primarily responsible for compliance efforts related to tax, conflicts of interest, and prevention of fraud.

12. The Internal Audit Division provides an independent assurance function with responsibility for ascertaining whether compliance controls are adequately designed and are functioning in an effective manner. The Internal Audit Division also provides advice regarding internal controls.

13. The Human Resources Division promotes compliance and our Core Values in personnel evaluations and compensation systems and provides guidance related to discipline in matters of noncompliance. The Human Resources Division also conducts background checks on prospective employees and members of the Board for evidence of noncompliance with laws, regulations or ethical business practices.

**Management Oversight and Efforts**

14. SDCERS management will integrate both the letter and spirit of the Program into the culture of their respective divisions. Management is responsible for ensuring that business goals encourage ethical and compliant behavior.

15. Management shall receive Program updates and pertinent Program information from the CCO. Management is responsible for:

   a. Providing guidance and assisting in the creation of policies and procedures relevant to their business operations.
b. Facilitating the work of the Program, including providing support for Program initiatives, such as training and monitoring.

c. Communicating about ethics and compliance within their divisions and encouraging employees to identify and raise potential ethics and compliance concerns and opportunities for Program improvement.

d. Working with staff to ensure that their division understands and implements Program requirements and promotes ethics and compliance throughout their division.

e. Facilitating investigations of suspected misconduct, including ensuring access to personnel and records, as necessary.

f. Completing an annual Program assessment, providing information related to the implementation of the Program in their area of responsibility, as requested.

g. Engaging with the CCO for guidance on major initiatives and, as needed, for recommendations on implementing Program requirements.

h. Raising ethics and compliance issues and potential noncompliance to management and the CCO.

**Employee Responsibilities**

16. All employees are responsible for:

a. Understanding and complying with the laws, regulations, Board policies and procedures that apply to their responsibilities.

b. Adhering to SDCERS Core Values.

c. Taking compliance training, reviewing compliance policies, cooperating in investigations, and complying with other Program requests.

d. Seeking guidance and raising questions as necessary to ensure that they maintain compliance.

e. Reporting potential misconduct to a supervisor, manager, Department Human Resources Manager, the CCO, or the City Auditor’s Fraud, Waste, and Abuse Hotline at (866) 809-3500.
f. Adhering to the Conflict of Interest Policy and acting ethically at all times.

PROGRAM ELEMENTS

17. SDCERS has designed its Program in light of governing legal standards, including the U.S. Sentencing Guidelines’ definition of an effective compliance and ethics program, and good corporate practices. The Program includes all of the traditional elements of an effective compliance program, each of which has been structured in light of SDCERS’ business and its legal risks. The elements of the Program include the following:

Program Oversight and Implementation

18. As described above, the CCO has primary responsibility for Program design and implementation. The CCO’s specific Program-related responsibilities are further described in the Charter of the Chief Compliance Officer, and they are also discussed below. As also described above, management and the Board have responsibility to oversee the Program and to provide appropriate support and resources for the Program.

Risk Assessment

19. The Internal Audit Division conducts an annual risk assessment and shares the results of that risk assessment with the CCO. The CCO reviews the results of the risk assessment and confers with management to identify any new significant areas of compliance risk and develop or oversee the development of appropriate compliance controls to mitigate the compliance risks identified.

Assurance

20. SDCERS will take reasonable steps to assure that the Program is functioning as intended. On a periodic basis, the CCO will conduct or oversee an assessment of the Program in which the Program is examined in comparison with the Federal Sentencing Guidelines for Organizations’ definition of an effective compliance and ethics program and other relevant standards, as well as good corporate practices. The results of the assessment, including any recommendations for enhancements to the Program, will be presented to the Business and Governance and Audit Committees.
21. Division Managers will be asked to provide an annual report to the CCO and management regarding their respective Division Compliance Program, discussing implementation of the Program in their area of responsibility. They may also periodically be asked to present information regarding their Division Compliance Program to the Business and Governance and Audit Committees.

22. The CCO will work with the Chief Internal Auditor to identify key controls to be subject to periodic auditing and will collaborate with the Chief Internal Auditor, as requested, in developing audit protocols. The CCO will cooperate with any internal or external audit, as applicable, that requires information, documentation or interviews related to the Program. In addition, the Business & Governance Committee will periodically review this Program Charter, evaluate the Program, and make revisions to the Charter and enhancements to the Program as appropriate.

**Codes of Conduct, Policies and Procedures**

23. The CCO is responsible for developing and maintaining documented requirements for business conduct and for making these rules clearly available to employees. The Program’s policies and standards include the Code of Business Conduct, the Fraud and Criminal Acts Policy, the Conflict of Interest Policy, and other compliance policies and procedures. All SDCERS employees must comply with the Code of Business Conduct in all SDCERS matters.

24. The CCO facilitates the Board’s periodic review of SDCERS Ethics and Compliance policies.

**Training and Communication**

25. SDCERS seeks to increase the level of awareness and understanding of policies and applicable law through compliance training and other communications. Compliance training is provided to employees in a risk-based manner. The CCO generates a compliance training and communications plan and is responsible for oversight of the development and delivery of training on pertinent ethics and compliance topics to employees and directors.

26. In addition to providing training, the Program is also responsible for communicating on ethics and compliance topics through various channels. This includes SDCERS’ intranet, email messaging, and other communications designed: (1) to raise employee awareness of legal and policy requirements; (2) to direct employees to appropriate resources, such as the Code of Business
Conduct; and (3) to remind them of their obligations to report suspected misconduct.

27. In addition to SDCERS compliance training and communications, employees periodically undertake ethics training that is required by the City of San Diego.

**Mechanisms for Seeking Advice and Reporting Concerns**

28. The CCO is responsible for providing channels for employees, directors, and others to raise questions and report suspected misconduct and for promoting these available channels. Employees may report potential misconduct to the CCO, a supervisor or manager, Department Human Resources, or the City Auditor’s Fraud, Waste, and Abuse Hotline at (866) 809-3500. The Program will provide the opportunity to directly contact the CCO through telephone or electronic mail, and also will provide for the ability to report concerns and suspected misconduct anonymously.

29. Additionally, the CCO, in collaboration with the Department Human Resources Manager, is responsible for providing employees who are voluntarily separating from SDCERS with the opportunity to report potential misconduct as part of the exit interview process.

**Investigating Suspected Misconduct**

30. The CCO is responsible for reviewing any allegations of misconduct reported or raised to the Program. The CCO has developed intake and investigation procedures to guide the investigation into allegations of suspected misconduct. Reports of suspected misconduct and the investigation of suspected misconduct will be handled in a confidential manner to the extent possible, given the need to conduct a full investigation and to carry out appropriate disciplinary action and remedial measures. Classified staff members will be noticed appropriately per City of San Diego disciplinary policies and procedures.

31. The CCO, in consultation with the Legal Division, is responsible for determining if potential misconduct indicates a reporting obligation to any external party. If the CCO determines that a reporting obligation exists, he/she is responsible for ensuring the report is made in a timely manner.

**Corrective Action**

32. The Program, in collaboration with Department Human Resources, promotes
accountability for violations and consistency and fairness in disciplinary decisions. SDCERS disciplines managers and supervisors, where and as appropriate, for failing to prevent and detect such violations.

Other Responses to Misconduct

33. The CCO works with investigators and other functions to: (1) identify appropriate Program-related and other remedial measures following the identification of compliance violations; and (2) track implementation of remedial measures.

Ethics and Compliance Certification

34. The CCO is responsible for developing and implementing a periodic certification process for appropriate employees to certify compliance with the Employee Code of Conduct and to disclose any exceptions or potential noncompliance. The CCO is responsible for tracking and appropriately following up on any noted exceptions or potential noncompliance.

Employee Evaluation

35. To the extent allowed by law, the Human Resources Division will promote ethics and compliance objectives by rewarding behavior and performance that demonstrate a commitment to ethical conduct and compliance with the law. As part of SDCERS’ employee evaluation process, an individual’s roles and responsibilities under the Program, as well as his/her adherence to the Core Values, may be assessed and factored into the individual’s overall performance rating. The CCO and Department Human Resources Manager will collaborate on ways to promote ethics and compliance.

Non-Retaliation

36. SDCERS strictly prohibits retaliation against employees for reporting suspected misconduct in good faith or cooperating with investigations or audits. Retaliating against any individual for engaging in such activity is a serious violation of SDCERS policy and will result in disciplinary action, up to and including termination, as permitted by law. The non-retaliation policy is publicized to all employees through training and other communications.

Background Checks

37. SDCERS shall exercise due diligence in hiring all staff and service providers. The Human Resources Division has developed procedures governing background
checks to avoid hiring any person whom SDCERS should reasonably know has engaged in fraudulent or unlawful activities or other conduct inconsistent with the Program and Our Core Values. The CCO will assist with the development of ethics and compliance-related standards and controls that are applicable to SDCERS’ vendors and certain other business partners.

**Continuous Improvement**

38. The CCO is responsible for ensuring the Program is continuously improved, including through the assurance practices and risk assessment process noted above.

39. The Board shall review this charter at least every three years.

   Adopted July 10, 2020, and reviewed July 8, 2022
SAN DIEGO CITY EMPLOYEES’ RETIREMENT SYSTEM
GENERAL COUNSEL CHARTER

AUTHORITY

1. The CEO shall appoint a General Counsel. The General Counsel supervises the
day-to-day activities of the Legal Services Division, reports to the CEO, and
provides legal advice to the Board and staff.

DUTIES & RESPONSIBILITIES

2. Under the direction of the CEO, the General Counsel:
   a. Provides professional direction to the Legal Division, staff attorneys and
      outside counsel;
   b. Formulates and directs the execution of SDCERS’ legal policy;
   c. In conjunction with the Chief Compliance Officer, develops, oversees, and
      monitors SDCERS’ tax compliance program;
   d. Prepares and monitors the legal division’s budget;
   e. Provides legal advice to the Board of Administration and staff in the areas
      of pension and trust law, tax law, benefits law, investments, corporate
      governance, and the provisions of the City of San Diego City Charter and
      San Diego Municipal Code relating to SDCERS, and the Port and Airport
      Plans;
   f. Provides recommendations and advice concerning legal rights, remedies,
      alternatives, and consequences to the Board;
   g. Represents or arranges for representation of the Board in legal proceedings
      to which the Board is a party;
   h. Advises the Board regarding laws imposing requirements on the Board,
      including the fiduciary responsibilities of the Board and its members, open
      meetings law, open records law, administrative law, Roberts Rules of
      Order, Proposition 162, and the legal relationship between the City, other
      plan sponsors, and the Board;
   i. Attends meetings of the Board and its committees;
   j. Researches, writes, and reviews legal opinions;
   k. Drafts and reviews legal documents including pleadings, motions,
      contracts, resolutions, and ordinances; and
1. Participates in the selection, and monitors the performance, of outside counsel.

**CHARTER REVIEW & HISTORY**

3. The Board shall review this Charter at least every three years to ensure it remains relevant and appropriate.

Replaces former Board Rule 4.10; adopted July 18, 2008; amended October 1, 2010; reviewed January 9, 2015; and amended September 14, 2018 and January 8, 2021.
SAN DIEGO CITY EMPLOYEES’ RETIREMENT SYSTEM
INTERNAL AUDITOR CHARTER

AUTHORITY

1. The Board of Administration (“Board”) shall appoint an Internal Auditor who serves at the pleasure of the Board. The Internal Auditor is authorized by the Board to engage in independent audit programs and risk assessments and to coordinate audit efforts with an external financial audit firm. The Internal Auditor reports directly to the Board through the Audit Committee (“Committee”).

2. Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of SDCERS. Internal auditing assists SDCERS in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s governance, risk management, and internal control.

3. The Internal Auditor shall have unrestricted access to SDCERS’ records, personnel, and facilities and is authorized to review any matter within the scope of their responsibilities.

DUTIES & RESPONSIBILITIES

4. The Internal Auditor shall adhere to The Institute of Internal Auditors’ mandatory guidance, including the definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. In addition, the Internal Auditor shall adhere to SDCERS’ relevant policies and procedures and the Internal Audit Policies and Procedures Operating Manual.

5. In order to achieve organizational independence, the Internal Auditor shall report functionally to the Board through the Audit Committee and administratively (i.e. day to day operations) to the CEO.

The Internal Auditor shall communicate and interact directly with the Committee, including in executive sessions and between Committee meetings, as appropriate.

The Internal Auditor shall remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

The Internal Auditor shall have no direct operational responsibility or authority over any of the activities audited. Accordingly, they shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.
The Internal Auditor shall confirm to the Board, at least annually, the organizational independence of the internal audit activity.

6. Under the direction of the Committee, the Internal Auditor:

   a. Confers with the Committee, the Chief Executive Officer, and the SDCERS management team to perform risk assessments and plan internal audit priorities;

   b. Reviews SDCERS’ governing laws and established policies and procedures and evaluates compliance with same during the performance of internal audits;

   c. Reviews the adequacy, efficiency, and effectiveness of SDCERS’ internal control structure and reports discovered significant deficiencies and/or material weaknesses to the Committee;

   d. Develops an annual audit plan based upon a system-wide risk assessment process and develops and updates audit programs;

   e. Conducts audits in support of the plan and writes and presents audit reports to the Committee for its review;

   f. Follows up on management responses to audit findings and recommendations and verifies that agreed-upon management actions are implemented in an accurate and timely manner;

   g. Follows up on the implementation status of findings and recommendations offered by the Chief Compliance Officer in the plan document, compliance, or other operational issues as may be required, and determines that appropriate implementing steps are completed or responded to;

   h. Assists the Committee in its evaluation and recommendation to the Board for the selection of the external financial audit firm;

   i. Coordinates audit efforts with the external financial audit firm and facilitates their review of internal audit program work during annual external financial audits;

   j. Assists the Committee in its financial statement oversight responsibilities;

   k. Participates in an advisory capacity in the planning, design, implementation, or major modification of information system projects to determine whether adequate controls are incorporated, adequate testing is performed, and the intended purpose of the project is met;

   l. Performs investigations of alleged fraud or fraudulent actions that come to the attention of management or the Committee;
m. Performs other duties as directed by the Audit Committee in accordance with the Committee’s Charter;

n. Maintains a Policies and Procedures Operating Manual, consistent with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*, that shall outline the definition of internal auditing and the Code of Ethics and the audit procedures that shall be followed;

o. Maintains a quality assurance and improvement program that covers all aspects of the internal audit activity. The program shall include an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing, the International Standards for the Professional Practice of Internal Auditing, and an evaluation of whether the Internal Auditor applies the Code of Ethics. The program also shall assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement; and

p. Communicates to senior management and the Board regarding the internal audit activity’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

**CHARTER REVIEW & HISTORY**

7. The Board shall review this Charter at least every three years to ensure it remains relevant and appropriate.

SAN DIEGO CITY EMPLOYEES’ RETIREMENT SYSTEM
INVESTMENT COMMITTEE CHARTER

PURPOSE & AUTHORITY

1. The purpose of the Investment Committee (“Committee”) is to assist the Board in overseeing SDCERS’ investment performance, transactions, goals, objectives, guidelines, and policies.

2. The primary responsibility for SDCERS’ investments is vested in and overseen by the Board. The Committee shall make recommendations to the Board. No action of the Committee is final until the Board has adopted the recommendation. It is the responsibility of the Committee to make recommendations to formulate policy; it is not the intent of the Board for the Committee to become involved in the implementation of that policy or in SDCERS’ daily operations.

COMPOSITION

3. The Committee shall consist of at least four, but no more than six, Board Members, plus up to three Independent Non-Board Members appointed by the Board. Each Independent Non-Board Member of the Committee shall be knowledgeable in and have a minimum of 10 years of professional experience in investment management issues, preferably institutional investing. Independent Non-Board Members shall be selected by the Board in accordance with the Board Process on Selection of Independent Non-Board Members of the Investment Committee. As required by Government Code section 995 et. seq, only, SDCERS shall defend and indemnify the Independent Non-Board Members for actions within the course and scope of their duties. If an Independent Non-Board Member resigns or otherwise permanently vacates the office during their term the newly appointed member shall begin a new term.

CHAIR

4. The Board President shall appoint a Committee chairperson who shall take office immediately upon appointment and serve in that position until their successor is appointed and assumes office.

TERM

5. The Independent Non-Board Members are appointed by the Board for a four-year term. The Board may appoint any Independent Non-Board Member to serve a second term. Independent Non-Board Members shall be limited to a maximum of eight consecutive years in office and an interval of two years must pass before such persons can be reappointed as an Independent Non-Board Member of the Committee. Service on the Committee as a Board Member shall not count towards this term limitation. Such appointees must not have any interests which would
create an actual or perceived conflict of interest with the duties of the Independent Non-Board Member.

MEETINGS

6. The Committee shall meet on the Thursday preceding each Board meeting, or at other times as needed. All Committee members are expected to attend each meeting and the Committee shall invite consultants or others to attend meetings and provide information, as necessary. Staff or the Committee Chairperson may call special meetings, consistent with the requirements of the Ralph M. Brown Act. Meeting agendas shall be provided to Committee members in advance of the meetings, along with appropriate briefing materials.

7. Any action taken at a meeting, including a recommendation to the Board, must be approved by a quorum of the Committee. A quorum of the Committee consists of a majority of the members appointed to the Committee, including the Independent Non-Board Members.

COMPENSATION

8. Committee members shall serve without compensation.

RESPONSIBILITIES


10. All Committee members shall comply with and abide by the SDCERS Board Meeting Policy; Closed Session Policy; Communications Policy; Confidentiality of Member Information Policy; Conflict of Interest Policy; Ethical Conduct, Compliance, and Training Policy; Fraud and Criminal Acts Policy; Information Technology Policy; Insider and Personal Trading Policy; Travel and Expense Reimbursement Policy; and Whistleblower Policy; including, as stated in those policies, the provisions of the California Government Code applicable to public retirement systems, including but not limited to:

a. The provisions of California Government Code section 7513.95, which provides that a member or employee of the Board may not directly or indirectly, by himself or herself, or as an agent, partner or employee of a person or entity other than the Board, sell or provide any investment product that would be considered an asset of the fund to any public retirement system in California;

b. The provisions of Government Code sections 1090 through 1097 which prohibit public officers or employees from being financially interested in any contract made by them in their official capacity; and
c. The provisions of Government Code sections 87100 through 87500 and 89500 through 89522 (“the Political Reform Act”).

11. Training

a. Independent Non-Board Members of the Committee are encouraged to comply with the Board’s Education Policy and may attend investment-related training upon approval of the Board.

b. SDCERS’ CEO shall arrange for each newly-appointed Independent Non-Board Member of the Committee to attend a required orientation session that complies with the Board’s Education Policy. Annually thereafter, CEO shall arrange for continuing education sessions for the Independent Non-Board Members of the Committee regarding issues affecting their service on the Committee, including issues relating to fiduciary duties and compliance. Independent Non-Board Members of the Committee are expected to attend this training.

12. Reporting

a. At each regular Board meeting following a Committee meeting, the Committee chairperson, or their delegee, shall report to the Board about Committee activities, issues, and related recommendations.

CHARTER REVIEW & HISTORY

13. The Board shall review this Charter at least every three years to ensure it remains relevant and appropriate.

Adopted January 9, 2015; amended November 9, 2018, January 10, 2020, and July 8, 2022.
SECTION II - BOARD POLICIES
APPEAL OF STAFF DECISIONS REGARDING BENEFITS POLICY

PURPOSE

1. To establish guidelines and procedures for appeal of staff decisions affecting a benefit payment.

SCOPE

2. This policy applies to any staff decision regarding the amount or effective date of a Member’s benefit or any other administrative decision affecting a benefit payment.

3. This policy does not apply to appeals of decisions regarding disability retirement benefits. Appeals for disability retirement benefits are governed by the Board Rules relating to disability retirement hearings. Also, this policy does not apply to staff’s administration of any order from a court, including but not limited to domestic relations orders, and spousal support orders.

POLICY

4. San Diego Municipal Code section 24.0908 empowers the Board to hold administrative hearings to determine any question presented to it involving the administration of benefits. When an interested party (“Claimant”) appeals staff’s decision regarding benefits to the Business and Governance Committee (“Committee”), a hearing on the matter is required in accordance with this policy and Division 10 of SDCERS’ Board Rules.

5. If a Claimant disagrees with an SDCERS staff decision regarding the amount or effective date of a benefit, or any other administrative decision affecting a benefit payment, the Claimant has the right to request an appeal. For purposes of this policy only, “Claimant” means any person or persons in a position to receive benefit payments or a distribution from SDCERS.

6. When a Claimant disputes a staff decision, staff shall provide written instructions to the Claimant explaining the appeal process.

7. To request an appeal, the Claimant must send a written appeal addressing the specific facts in dispute to the Member Services Director within 30 days of the date that the written instructions referred to in Paragraph 6 are provided to or mailed to the Claimant. The written appeal must describe the circumstances surrounding the Claimant’s situation, the Claimant’s requested resolution, and include any and all documentation in support of the Claimant’s request. Failure to file a written appeal within this 30-day time period shall result in a waiver of the Claimant’s right to appeal. Staff shall review the written appeal, conduct a review of the matter, and
the CEO or their designee shall issue a written decision to the Claimant advising
the Claimant of the reasons for the decision.

8. If the Claimant disagrees with staff’s decision, the Claimant may file a second
written appeal with the Business & Governance Committee (“Committee”) within
30 days of the date of the letter sent by staff containing staff’s decision. Failure to
file a second written appeal within this 30-day time period shall result in a waiver
of the Claimant’s right to further administrative appeal. If a timely written appeal
of staff’s decision is made, the Committee is required to either conduct a hearing
during a regularly scheduled Committee meeting or refer the matter to adjudication
in accordance with Division 10 of SDCERS’ Board Rules. The Claimant shall be
notified of the Committee meeting by mail at least 40 days in advance of the
meeting.

9. The Committee shall hear any matter referred to it under this policy and shall
consider all evidence and/or testimony offered by staff, the Claimant, and any
witnesses introduced by either party. However, the Committee may recommend
referring the matter to adjudication with a hearing officer if the dispute is based on
facts or if it determines the circumstances require more extensive proceedings than
the Committee is able to provide. After hearing the matter, the Committee shall
make a recommendation for final decision to the Board at its next regularly
scheduled meeting.

10. Division 10 of the Board Rules shall apply to hearings on appeals before the
Committee or a Hearing Officer. SDCERS’ staff shall provide a copy of those
Board Rules to any Claimant who submits their appeal to the Committee.

11. A Claimant must exhaust this administrative appeals process before they are able
to file a civil action against SDCERS or its Board. Additionally, any matter that
arises out of or is related to the Claimant’s appeal must be addressed in the
Claimant’s initial written appeal to staff and in the subsequent written appeal to the
Committee. Once the Board’s decision on the appeal is final according to Board
Rule 10.90, any issue that was not, but could have been raised in the Claimant’s
initial appeal is waived, and subsequent appeals of related matters shall not be
permitted.

12. Any monies owed to SDCERS shall continue to accrue interest until resolution of
the appeal pursuant to the Overpayment and Underpayment of Benefits Policy and
the Underpayment and Overpayment of Contributions Policy.

POLICY REVIEW & HISTORY

13. The Board shall review this policy at least every three years to ensure that it remains
relevant and appropriate.

Adopted November 21, 2008; amended January 22,
2010, January 21, 2011, January 9, 2015, September 9,
2016, September 14, 2018, March 8, 2019, March 13,
2020; and May 13, 2022.
BOARD MEETING POLICY

PURPOSE

1. The purpose of this Policy is to set forth the policies and guidelines relating to the scheduling of Board of Administration (“Board”) and Committee meetings, and to provide procedural guidance to the Board President (“President”) and Committee Chairpersons (“Chair”) in exercising their discretion in running the meetings.

SCOPE

2. This Policy governs all meetings of the Board and its Committees. A regular meeting is one that occurs at its normally scheduled time and place, as set forth in this Policy.

POLICY

3. Meetings: The Board shall meet regularly on the second Friday of odd-numbered months. Board standing Committees (excluding the Audit Committee) shall meet regularly on the second Thursday of odd-numbered months. The Audit Committee meets at least two (2) times per calendar year. Meeting schedules may be amended to provide for meetings at other times as needed to carry out Board or Committee business.

4. Quorum: Seven Board Members constitute a quorum of the Board and an affirmative vote of at least seven Board Members is necessary to carry any motion or authorize any Board action. A Board Member may not abstain from voting without stating on the record the reason for abstention. The Board shall not meet or conduct any official business without a quorum of its members present.

5. Location of Meetings: All Board and Committee meetings are held in offices or meeting rooms provided by SDCERS that are accessible to the disabled and open to the public. Board and Committee meetings are held at 401 West A Street, Suite 300, San Diego, California. If the meeting space is unavailable, SDCERS shall provide an alternate meeting space.

6. Meeting Procedure: To provide a guideline for addressing procedural issues or questions, all Board and Committee meetings shall be conducted in accordance with: (1) the open meeting law, known as the Ralph M. Brown Act (Government Code §54950, et seq.); (2) the guidelines as established in this Policy; and (3) the discretion of the President and Chairs based upon the practice and principles established by Robert’s Rules of Order.

7. Notice, Agenda, and Meeting Materials for Regular Meetings:
   a. Agenda Posting:
i. At least 72 hours before a regular meeting, the Board shall post the meeting agenda at the official site where the City of San Diego (“City”) posts its agendas, which are freely accessible to the public, located at the west entry of the City Administration Building, 202 C Street, San Diego, California.

ii. SDCERS shall maintain a list of persons who have asked to receive copies of agendas by mail or email, and shall mail or e-mail the agenda to these persons at the same time the agenda is posted, or, if requested after it is posted, as soon as reasonably practicable. Any person wishing to remain on the list to receive agendas must renew their request on January 1st of each year.

iii. SDCERS shall post a copy of the agenda on SDCERS’ website (www.sdcers.org) and at the SDCERS’ reception desk at 401 West A Street, Suite 400, San Diego, California.

b. Agenda Content: The agenda for each regular meeting shall contain:

i. The time and place of the meeting and a brief general description of each item to be discussed or acted upon at the meeting, including items to be discussed in closed session;

ii. Information on the availability of disability-related aids or services for persons who attend the meeting;

iii. Information on the availability of any public documents provided to Board Members and/or Independent Non-Board Members after the agenda has been posted; and

iv. Disclosures of any known conflicts of interest and recusals on the part of Board Members and/or Independent Non-Board Members relating to any matter on the agenda. These disclosures shall constitute part of the records of the Board.

c. Meeting Materials: SDCERS shall make available to the public copies of all meeting materials provided to the Board or Committees that are not exempt from disclosure under the Public Records Act (“non-exempt materials”) as follows:

i. “Non-exempt materials” distributed to Board and Independent Non-Board Members at least 72 hours before meetings:

1) At least 72 hours before a meeting, SDCERS shall provide access to these materials on its website (www.sdcers.org) and at its offices at 401 West A Street, Suite 400, San Diego, California.
2) Copies of these materials shall also be available to the public in the Board room throughout each meeting.

3) Upon the written request of any member of the public, SDCERS shall provide a full copy of these materials at the time the agenda is posted or the materials are provided to the Board, whichever comes first. SDCERS may charge a fee for the copies, not to exceed the actual cost of providing the service.

ii. “Non-exempt materials” provided to Board and Independent Non-Board Members less than 72 hours before meetings:

1) SDCERS shall provide access to these materials on its website (www.sdcers.org) and/or at its offices at 401 West A Street, Suite 400, San Diego, California.

2) Upon the written request of any member of the public, SDCERS shall provide a full copy of these materials. SDCERS may charge a fee for the copies, not to exceed the actual cost of providing the service.

iii. “Non-exempt materials” provided to Board and Independent Non-Board Members during meetings:

1) When materials are provided to the Board or Committee during a meeting, copies of the materials shall be placed, without delay, in the Board room for the public during the meeting.

2) Upon the written request of any member of the public, SDCERS shall provide a full copy of these materials after the meeting. SDCERS may charge a fee for the copies, not to exceed the actual cost of providing the service.

iv. SDCERS shall make all “non-exempt materials” as stated herein available in appropriate alternate formats to persons with disabilities, if requested.

8. Board Member Attendance at Meetings of Committees to Which They Are NotAssigned:

a. A Board Member may attend any Committee meeting. No more than six Board Members may sit at the dais and participate in any Committee meeting. Only Board Members who are members of that Committee may vote.
b. If more than six Board Members are present at any Committee meeting, then Board Members in excess of six who are not members of that particular Committee may attend only as observers. When attending a Committee meeting as observers, the Board Members must sit in the audience and may not ask questions or make statements except in their capacity as a member of the public.

9. **Non-Agenda Public Comment**: Every agenda for a regular Board or Committee meeting shall provide a period at the beginning of the meeting for members of the public to address the Board or Committee on items of public interest within the jurisdiction of the Board or Committee that are not on the agenda for action. The Board and its Committees shall use the following procedures for non-agenda public comment:

a. Public comment shall be limited to three minutes per speaker and 15 minutes per topic. However, if the speaker requires a translator, then the speaker shall be allotted six minutes. The President or Chair may extend these time limits pursuant to the *Ralph M. Brown Act*.

b. Any member of the public who wishes to speak during the period for non-agenda public comment may reserve time by submitting a Request to Speak form to the Board Secretary before the meeting begins. Speakers will be called in the order that their requests were received, unless the President or Chair elects to call speakers in a different order.

c. Each public speaker shall utilize the microphone and state the subject they wish to discuss. All remarks should be addressed to the Board or Committee as a whole, rather than to any particular Board or Independent Non-Board Member.

d. The Board or Committee may not discuss or take action on any matter raised during non-agenda public comment. If appropriate, the President or Chair may refer any matter properly raised under this Policy to the Board, staff, or appropriate Committee for action.

e. No person may disrupt any Board or Committee meeting with loud, offensive, boisterous, or tumultuous conduct.

10. **Procedure for Deliberation and Public Testimony**: The Board and its Committees shall use the following procedures to deliberate on any item presented for action:

a. Items presented by staff:

i. Staff report, if any, by the appropriate staff member(s) and relevant questions by Board or Committee Member(s).
ii. Any action item shall have a motion that must be seconded, if applicable.

iii. Testimony or comment by members of the public concerning the action item, limited to three minutes per speaker and 15 minutes per side. However, if the speaker requires a translator, then the speaker shall be allotted six minutes. The President or Chair may extend these time limits pursuant to the Ralph M. Brown Act.

iv. Deliberation by Board or Independent Non-Board Members: The President or Chair shall determine the order in which to recognize any Board or Independent Non-Board Members who wish to speak.

b. Items presented to the full Board by a Committee:

i. Brief opening statement by the Chair or the Chair’s designee describing the item and the Committee’s recommendation.

ii. Any action item shall have a motion that must be seconded, if applicable.

iii. Staff report, if any, by the appropriate staff member(s) and relevant questions by Board or Independent Non-Board Member(s).

iv. Testimony or comment by members of the public concerning the action item is limited to three minutes per speaker and 15 minutes per side. However, if the speaker requires a translator, then the speaker shall be allotted six minutes. The President or Chair may extend these time limits pursuant to the Ralph M. Brown Act.

v. Deliberation by Board or Independent Non-Board Members: The President or Chair shall determine the order in which to recognize the Board or Committee Members who wish to speak.

c. Any member of the public who wishes to address an action item on the agenda may reserve time by submitting a Request to Speak form to the Board Secretary before the item is called. The President or Chair shall call speakers in the order that their requests were received, unless the President or Chair elects to call speakers in a different order.

d. No person may disrupt any Board or Committee meeting with loud, offensive, boisterous, or tumultuous conduct.

11. **Special Meetings:** The President or a majority of the Board may schedule a Special Meeting at any time when it is needed to accomplish SDCERS business. The Board and its Committees shall use the following procedures for Special Meetings:
a. At least 24 hours before a special meeting is held, written notice of the meeting must be served upon all Board and/or Independent Non-Board Members and all local newspapers of general circulation and radio and television stations that have requested written notice.

b. The Board Secretary shall prepare and serve the notice.

c. The notice to Board and/or Independent Non-Board Members may be delivered personally or by any other means and must be received at least 24 hours prior to the time of the meeting as specified in the notice.

d. The notice must specify the time and place of the meeting and the business to be transacted or discussed. No other business shall be considered at the Special Meeting.

e. Written notice is waived as to any Board or Independent Non-Board Member who: (1) files a written waiver of notice with the Board Secretary before the special meeting begins, or (2) is actually present at the meeting at the time it begins.

f. The notice must be posted at least 24 hours prior to the Special Meeting at the same locations where notices of regular meetings are posted.

12. Minutes and Recording of Meetings: All regular Board and Committee open session meetings are recorded and the audio recordings of the meetings are kept indefinitely. The audio and/or video recordings are the official minutes of the meetings. The Board Secretary shall prepare a summary of each meeting, which shall be included in the Board materials for the next regularly-scheduled meeting. For each item on which the Board or any Committee takes action, the summary shall reflect the maker of the motion, the Board or Independent Non-Board Member who seconded the motion, and the result of the vote.

POLICY REVIEW & HISTORY

13. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

BOARD MEMBER RESPONSIBILITIES AND
CORE COMPETENCIES

PURPOSE

1. All Board and Independent Non-Board Members should be knowledgeable and capable of making informed decisions on behalf of SDCERS. The purpose of this policy is to define the expectations for such members.

SCOPE

2. This policy governs all Board and Independent Non-Board Members.

POLICY

3. **Attendance:** Board and Independent Non-Board Members are expected to attend all Board and applicable committee meetings. While attendance is not always possible, once the meeting calendar is set, Board and Independent Non-Board Members should manage their schedules to avoid creating conflicts with SDCERS meetings.

4. **Committee Service:** Each Board and Independent Non-Board Member should serve on at least one standing committee.

5. **Preparation:** Board and Independent Non-Board Members should come to Board and committee meetings having read all meeting materials and having asked any questions of staff necessary to complete their understanding of the materials.

6. **Knowledge:** Board and Independent Non-Board Members should develop and maintain their knowledge and understanding of the issues involved in the management of SDCERS across the broad spectrum of pension-related areas. The specific areas in which they should develop and maintain useful levels of knowledge shall include, but are not limited to:

   - SDCERS’ Mission
   - SDCERS’ Core Values
   - Governance
   - Asset Allocation and Investments
   - Actuarial Process
   - Benefits Administration
   - Disability
   - Fiduciary Responsibility
   - Ethics, Conflicts and Disclosure
   - Open Meeting Requirements and Public Record Requirements
   - Financial Controls and Audits
   - Vendor Selection Process
7. **Education:** Board and Independent Non-Board Members should identify areas where they might benefit from additional education and work with staff to find educational opportunities. Board and Independent Non-Board Members should fulfill the training expectations outlined in the SDCERS Education Policy and are encouraged to attend additional relevant educational conferences as described in section 4 of the Education Policy.

8. **Collegiality:** The best decisions come out of unpressured collegial deliberations, and SDCERS seeks to maintain an atmosphere where Board and committee members can speak freely, explore ideas before becoming committed to positions, and seek information from staff and other Board and committee members. Board and Independent Non-Board Members should come to meetings without having decided their positions in advance.

9. **Independence:** Board and Independent Non-Board Members shall, upon taking office, sign a pledge confirming their independence and their understanding of their fiduciary duties. The pledge shall read as follows:

   “As an SDCERS Board or Independent Non-Board Member, I will discharge my duties as a fiduciary solely in the interest of our Members and beneficiaries. I will support our Mission statement and adhere to our Core Values. I understand the unique independent status that California public pension funds such as SDCERS hold, as reflected in the following finding of Proposition 162: ‘To protect pension systems, retirement board trustees must be free from political meddling and intimidation.’ My signature below affirms this pledge.”

**POLICY REVIEW & HISTORY**

10. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

BOARD PROCEDURE ON APPROVAL OF CITY RETIREMENT BENEFITS BY THE MEMBERSHIP

PURPOSE

1. The City of San Diego’s Charter section 143.1 (Approval of Retirement System Benefit) states, in part:

   No ordinance amending the retirement system which affects the benefits of any employee under such retirement system shall be adopted without the approval of a majority vote of the members of said system . . . No ordinance amending the retirement system which affects the vested defined benefits of any retiree of such retirement system shall be adopted without the approval of a majority vote of the affected retirees of said retirement system.

This document sets forth the Board’s procedure for conducting a vote of the membership for retirement benefit changes enacted by the City Council.

SCOPE

2. This procedure explains when a vote of the membership is required under City of San Diego Charter section 143.1 and how a vote shall be conducted.

PROCEDURES

3. **When a Vote is Required:** In accordance with City of San Diego Charter section 143.1:

   a. The Board shall hold a vote whenever an ordinance affects the benefits of any City Member. The Board interprets the term “affect” to mean any change to benefits. All active City General Members, Safety Members, and Elected Officers, as defined in the Municipal Code, are eligible to vote.

   b. The Board shall hold a vote whenever an ordinance affects the vested defined benefits of any City retiree. The Board interprets the term “affect” to mean any change to vested defined benefits. All City retirees whose vested defined benefits are affected by the ordinance are eligible to vote.

4. **Voting by an Automated Information Technology System:**

   a. Preparation and Distribution of Information: The Board shall analyze proposed changes to benefits and direct SDCERS staff to write an impartial and concise summary of the proposed changes. The CEO shall distribute the summary and instructions for electronic voting in accordance with this procedure via U.S. mail to all Members and/or retirees eligible to vote on the proposed benefit changes. The proposed ordinance codifying the
changes to the Municipal Code that is the subject of the vote shall be posted on SDCERS’ website and be available at the SDCERS’ office upon request.

- SDCERS shall distribute a ballot to each person in the appropriate membership category. Voting instructions shall be included with the ballot materials, which shall indicate the deadline and methods for submitting a vote.

- Voters shall have at least 10 business days from the date the ballots are distributed to cast their votes.

5. Results

- The election results shall be certified by the entity conducting the vote. The election results shall be presented to the Board for recertification at its next regularly scheduled meeting, after which the CEO shall provide the results to the public, and all SDCERS Members and retirees, either directly or through publications.

- City Charter section 143.1 provides that no ordinance amending the retirement system which affects the benefits of any employee shall be adopted without a majority vote of the Members of the system. As used in City of San Diego Charter section 143.1, the Board interprets the term “majority vote” to mean a simple majority of votes cast by eligible Members or retirees.

PROCEDURE REVIEW & HISTORY

6. The Board shall review this Procedure at least every three years to ensure that it remains relevant and appropriate.

This Procedure replaces Board Rules 7.01, 7.02, 7.03, 7.04, 7.05 and 7.06; adopted by the Board of Administration August 15, 2008; amended August 20, 2010, January 21, 2011; reviewed January 9, 2015, May 11, 2018, September 13, 2019; and amended September 9, 2022.
BOARD PROCESS FOR REVIEW OF THE CHIEF EXECUTIVE OFFICER AND CHIEF COMPLIANCE OFFICER

PURPOSE

1. The Board of Administration Charter provides that the Board has the sole responsibility of establishing performance goals and objectives and conducting the annual performance review of the Chief Executive Officer ("CEO") and the Chief Compliance Officer ("CCO").

2. The purpose of this Board Process is to establish a procedure for preparation of the Performance Goals and Objectives and Annual Performance Review for the CEO and CCO that is consistent with the Board’s duties and complies with the open meeting provisions of the Ralph M. Brown Act (Gov. Code §54950, et seq.).

SCOPE

3. This Board Process applies to the Board’s annual review of the SDCERS CEO and CCO.

PROCESS

CEO Evaluation

4. Evaluation Criteria: The criteria used to evaluate the CEO’s performance should address the following areas:

   a. Personal Development
   b. Organizational Development
   c. Community/Stakeholder Outreach
   d. Meeting SDCERS’ Mission and Vision statements and incorporating SDCERS’ Core Values

5. Evaluation Timetable:

   a. Each year, at the July Board meeting, the CEO shall present to the Board proposed goals and objectives, related to the evaluation criteria above, for that fiscal year.

   b. On or before July 15th of each year, the CEO shall provide the Human Resources Manager with a self-evaluation, using the Chief Executive Officer Performance Evaluation form. The Human Resources Manager shall distribute the self-evaluation to all the Board Members, along with a blank copy of the CEO Performance Evaluation form for each Board Member to complete.
c. On or before August 15th of each year, each Board Member shall complete the CEO Performance Evaluation form and return it to the Human Resources Manager.

d. On or before August 22nd of each year, the Human Resources Manager shall summarize the Board Members’ evaluation forms and provide the summary to the Board President or their designee, the Human Resources Manager shall provide the summary to the Board Members and CEO at least two weeks before the September Board meeting.

e. At the September Board meeting, the Board shall discuss its evaluation of the CEO.

f. Also, at the September Board meeting, the Board may modify the goals and objectives proposed at the July meeting, as needed.

g. The Board President and the CEO shall sign the final performance evaluation and the Board President shall forward it to the Human Resources Manager.

6. **Salary Evaluation:**

   a. At the July Board meeting, in open session, the Human Resources Manager shall provide a salary survey to the Board regarding the CEO.

   b. Any proposed salary adjustments shall be voted on by the Board at the September Board meeting in open session.

**CCO Evaluation**

7. **Evaluation Criteria:** The criteria used to evaluate the CCO’s performance should address the following areas:

   a. Compliance

   b. Meeting SDCERS Mission and Vision statements; and

   c. Incorporating SDCERS’ Core Values where appropriate.

8. **Evaluation Timetable:**

   a. Each year, at the July Board meeting, the CCO shall present to the Board proposed goals and objectives, related to the evaluation criteria above, for that fiscal year.

   b. On or before July 15th of each year, the CCO shall provide a self-evaluation to the Human Resources Manager using the CCO Performance Evaluation form. The Human Resources Manager shall distribute the self-evaluation to all Board Members, along with a blank copy of the CCO Performance Evaluation form for each Board Member to complete.
c. On or before August 15th of each year, each Board Member shall complete the CCO Performance Evaluation form and return it to the Human Resources Manager.

d. On or before August 22nd of each year, the Human Resources Manager shall summarize the Board Members’ evaluation forms and provide the summary to the Board President or their designee for their review. Once the summary is approved by the Board President or their designee, the Human Resources Manager shall provide the summary to the Board Members and CCO at least two weeks before the September Board meeting.

e. At the September Board meeting, the Board shall discuss its evaluation of the CCO.

f. Also at the September Board meeting, the Board may modify the goals and objectives proposed at the July meeting, as needed.

g. The Board President and the CCO shall sign the final performance evaluation and the Board President shall forward it to the Human Resources Manager.

**PROCESS REVIEW & HISTORY**

9. The Board shall review this Board Process at least every three years to ensure that it remains relevant and appropriate.

BOARD PROCESS FOR REVIEW OF THE INTERNAL AUDITOR

PURPOSE

1. The Board of Administration Charter provides that the Board has the sole responsibility of establishing performance goals and objectives and conducting the annual performance review for the Internal Auditor. The Audit Committee Charter provides that the Audit Committee shall prepare an annual performance evaluation of the Internal Auditor in accordance with the performance review timelines.

2. The purpose of this process is to establish a procedure for preparation of the performance goals and objectives and annual performance review of the Internal Auditor that is consistent with the Board’s duties and that complies with the open meeting provisions of the Ralph M. Brown Act (Gov. Code §54950, et seq.).

SCOPE

3. This Board Process applies to the Board’s annual review of the SDCERS Internal Auditor.

PROCESS

4. **Responsibility:** The Board has delegated to the Audit Committee responsibility for preparing the performance goals and objectives and conducting an annual performance review of the Internal Auditor. The Board shall retain responsibility for the Internal Auditor’s performance review. To ensure compliance with the provisions of the Ralph M. Brown Act, no Board or Independent Non-Board Member shall circulate or make comments regarding the Internal Auditor’s performance review to the Audit Committee or to the Board except in closed session as part of a noticed meeting.

5. **Evaluation Timetable:**

   a. At least four weeks before the July Audit Committee meeting, the Internal Auditor shall provide a written self-evaluation for the rating period and proposed goals for the subsequent rating period to the Human Resources Manager. The Human Resources Manager shall distribute those documents to each Audit Committee Member, along with a blank copy of the Internal Auditor Performance Evaluation form.

   b. At least two weeks before the July Audit Committee meeting, the Audit Committee Members shall review the Internal Auditor’s self-evaluation and then complete the Internal Auditor Performance Review Evaluation form and return it to the Human Resources Manager.
c. The Human Resources Manager shall summarize the Audit Committee Members’ evaluation forms, and provide the summary to the Audit Committee Chair, or their designee, for their review. Once the summary is approved by the Chair or their designee, the Human Resources Manager shall provide the summary to each Audit Committee Member and the Internal Auditor, along with the Internal Auditor’s self-evaluation and proposed goals for the subsequent period, at least one week before the July Audit Committee meeting.

d. At the July Audit Committee meeting, the Audit Committee Members and the Internal Auditor shall discuss the committee’s evaluation of the Internal Auditor for the rating period and the proposed goals for the subsequent period. The Audit Committee may modify the evaluation and proposed goals, as needed.

e. At the next Board meeting, the Audit Committee Chair shall present the Internal Auditor’s final performance evaluation and proposed goals to the Board.

f. The Audit Committee Chair and the Internal Auditor shall sign the final performance evaluation and the Chair shall forward it to the Human Resources Manager.

6. **Salary Evaluation:**

a. At the July Audit Committee meeting, the Human Resources Manager shall provide to the committee a salary survey regarding the Internal Auditor in open session.

b. Any proposed salary adjustments must be approved by the Audit Committee and Board in open session.

**PROCESS REVIEW & HISTORY**

7. The Board shall review this process at least every three years to ensure that it remains relevant and appropriate.

BOARD PROCESS ON ELECTION OF BOARD PRESIDENT
AND APPOINTMENT OF VICE PRESIDENT

1. **Election of Board President**: The Board President shall be elected by the following process:

   a. At the regularly scheduled March Board meeting, the Board shall either re-elect the sitting President for a second term or appoint a nominating committee to identify candidates for Board President.

   b. If the Board votes to re-elect the sitting President for a second term, the election is complete and the President’s second consecutive term shall commence at the May Board meeting.

   c. If the Board appoints a nominating committee, the Board shall also appoint a Chair for said committee.

      (1) Interested candidates may provide a letter of interest and a resume or statement of relevant professional and governance experience to the chair of the nominating committee.

      (2) Any Board Member may indicate their interest in the position or recommend another Board Member for the position. The nominating committee shall confirm that each candidate accepts or declines the nomination.

      (3) The nominating committee shall consider the qualifications of each candidate and nominate one candidate for Board President at the regularly scheduled May Board meeting. Additional nominations shall be taken from the floor. Then, the Board Members shall vote for the Board President at the beginning of the regularly scheduled May meeting and the newly-elected President’s term shall commence immediately.

   g. Board Members shall cast their votes publicly.

   h. A candidate, including the re-election of the Board President, must receive at least seven affirmative votes to win the election. If no candidate receives seven votes, a second vote shall be taken between the two candidates receiving the highest number of votes.

2. **Appointment of Vice President**: The Board President, with concurrence by public vote of at least seven Board Members, shall appoint the Vice President at the next regularly scheduled Board Meeting following the commencement of the Board President’s term.
3. **Composition of Board of Administration**: The Board is comprised of the following categories of Board Members: seven Board Members appointed by the Mayor, five Board Members are elected by the membership or retirees (“Elected Members”), and one City management employee designated by the Mayor. To avoid circumstances where the Board President and Vice President must both be recused, these positions may not be concurrently held by Elected Members.

4. **Vacancy in Office**: If the Board President vacates the office during their term, the sitting Vice President shall ascend to the position of Board President and, with concurrence by public vote of at least seven Board Members shall immediately select a Vice President, both of whom shall serve for the remainder of their respective predecessor’s term. If the Vice President vacates the office during their term, the President shall immediately appoint a new Vice President with concurrence by public vote of at least seven Board Members, who shall serve for the remainder of their respective predecessor’s term.

**PROCESS REVIEW & HISTORY**

5. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

BOARD PROCESS ON SELECTION OF INDEPENDENT NON-BOARD MEMBERS OF THE AUDIT COMMITTEE

PURPOSE

1. The purpose of this document is to create a process for selecting Independent Non-Board Members of the Audit Committee.

SCOPE

2. The scope of this Process includes the selection of any Independent Non-Board Member to the Audit Committee.

INTRODUCTION

3. The Audit Committee is a standing Committee of the Board. The Audit Committee assists in fulfilling the Board’s oversight responsibilities for SDCERS’ financial reporting process, system of internal controls, audit process, processes for monitoring compliance with laws, and other internal financial policies and procedures as described in the Audit Committee Charter. The Audit Committee interacts with SDCERS’ external auditor in conducting an independent annual audit. The Audit Committee meets at least two (2) times per calendar year at a scheduled public meeting and consists of five Committee Members: One Board Member, three Independent Non-Board Members, and one additional Committee Member who may be either a Board Member or an Independent Non-Board Member. Independent Non-Board Members shall serve without compensation. The purpose of this Process is to establish guidelines and a process for selection of Independent Non-Board Members of the Audit Committee.

PROCESS

QUALIFICATIONS OF INDEPENDENT NON-BOARD AUDIT COMMITTEE MEMBERS

4. To be considered an Independent Non-Board Member of the Audit Committee, the candidate must:

   a. Be independent of and have no financial interest in the SDCERS Trust Fund;

   b. Be knowledgeable in financial reporting issues;

   c. Have substantial professional experience in one or more areas of accounting, auditing, finance, investments, or corporate governance, which can be applied to a public pension plan; and
d. Undergo a background check.

**SELECTION PROCESS**

5. Independent Non-Board Members of the Audit Committee shall be selected according to the following process:

   a. Board Members, Independent Non-Board Members, and the CEO may identify and recommend candidates for the position.

   b. Interested candidates shall provide a letter of interest and a resume or statement of relevant professional and governance experience to the CEO.

   c. The CEO shall present the list of all interested candidates and copies of materials received from the candidates to the Business and Governance Committee at a public meeting during open session.

   d. The Business and Governance Committee shall review candidate information and, at its invitation, interview qualified candidates.

   d. The Business and Governance Committee, at its discretion, may form an ad hoc committee to assist in the selection of candidates for interview. The ad hoc committee shall review candidate information and recommend no more than three candidates for interview by the Business and Governance Committee.

   e. The Business and Governance Committee shall make a recommendation to the Board to appoint one person for each open Independent Non-Board Member position.

   f. The Board shall make the final selection to appoint. The selection shall be conducted at a public meeting in open session.

**VACANCY DURING TERM**

6. If an Independent Non-Board Member of the Audit Committee resigns, or otherwise permanently vacates the office during their term, the Board shall select an Independent Non-Board Member in accordance with this Process to serve a new term.

**PROCESS REVIEW & HISTORY**

7. The Board shall review this Process at least every three years to ensure that it remains relevant and appropriate.
BOARD PROCESS ON SELECTION OF INDEPENDENT NON-BOARD MEMBERS OF THE INVESTMENT COMMITTEE

PURPOSE & SCOPE

1. The purpose of this document is to create a process for selecting Independent Non-Board Members of the Investment Committee.

2. The Investment Committee is a standing Committee of the Board. The Investment Committee assists in fulfilling the Board’s oversight responsibilities for SDCERS’ investments as described in the Investment Committee Charter. The Investment Committee meets on a bi-monthly basis at a scheduled public meeting and consists of up to nine Committee Members: At least four Board Members but no more than six Board Members and up to three Independent Non-Board Members. Independent Non-Board Members shall serve without compensation. The purpose of this document is to establish guidelines and a process for selection of Independent Non-Board Members of the Investment Committee.

QUALIFICATIONS OF INDEPENDENT NON-BOARD MEMBERS OF THE INVESTMENT COMMITTEE

3. To be considered as an Independent Non-Board Member of the Investment Committee, the candidate must possess the following qualifications:

   a. Have no financial interest in the SDCERS Trust Fund;
   b. Be knowledgeable in investment issues;
   c. Have substantial professional experience in one or more areas of investment management and institutional investments, which can be applied to a public pension plan, and;
   d. Undergo a background check.

SELECTION PROCESS

4. Independent Non-Board Members of the Investment Committee shall be selected according to the following process:

   a. Board Members, Independent Non-Board Members, the CEO, and CIO may identify and recommend candidates for the position.
   b. Interested candidates shall provide a letter of interest and a resume or statement of relevant professional and governance experience to the CEO.
c. The CEO shall present the list of all interested candidates and copies of materials received from the candidates to the Business and Governance Committee at a public meeting during open session.

   i. The Business and Governance Committee shall review candidate information and, at its invitation, interview qualified candidates.

      1) The Business and Governance Committee, in its discretion, may form an ad hoc committee to assist in the selection of candidates for interview. The ad hoc committee shall review candidate information and recommend no more than three candidates for interview by the Committee.

      2) In its discretion, the Business and Governance Committee shall make a recommendation to the Board for appointment of Independent Non-Board Member positions.

   ii. The Board shall make the final selection to appoint. The selection shall be conducted at a public meeting in open session.

VACANCY DURING TERM

5. If an Independent Non-Board Member of the Investment Committee resigns, or otherwise permanently vacates the office during their term, the Board may select another Independent Non-Board Member in accordance with this process to serve a new term.

PROCESS REVIEW & HISTORY

6. The Board shall review this process at least every three years to ensure that it remains relevant and appropriate.

PROCESS ON BOARD MEMBER ELECTIONS

1. **Election of General and Safety Representatives:** General and Safety Members elect representatives from their respective groups to serve as Board Members. The following procedures govern elections to fill vacancies in General and Safety Member representative positions on the Board when a regular term of office expires:

   a. To be eligible to run for a General or Safety Member position on the Board.

      i. All candidates for a General Member position on the Board must be active General Members employed by the City of San Diego (“City”) at the time SDCERS opens the nominating petitions.

      ii. All candidates for the police Safety Member position on the Board must be active police Safety Members employed by the City at the time SDCERS opens the nominating petitions.

      iii. All candidates for the fire Safety Member position on the Board must be active fire Safety Members employed by the City at the time SDCERS opens the nominating petitions.

   b. To be placed on the ballot, the candidate, or a person in the candidate’s membership category, must submit a nomination petition endorsed by at least 10 Members of the membership category to be represented. The nomination petition must be submitted to the CEO by the date specified in the notice of upcoming election.

   c. The CEO shall give notice of an upcoming election at least 20 calendar days before the deadline for submitting nomination petitions for that election. The notice shall clearly indicate the deadline and method for submitting nomination petitions.

   d. The names of all nominees who accept their nominations shall be listed alphabetically on the ballot.

   e. SDCERS shall distribute a ballot to each person in the appropriate membership category. Voting instructions shall be included with the ballot materials.

   f. Voters shall have at least 10 business days to cast their votes.

   g. A candidate must receive a plurality of the votes cast to be elected to the Board.

      i. Where one Board Member is to be elected, the candidate receiving the highest number of votes shall be declared the winner.
ii. Where two Board Members are to be elected, the two candidates receiving the highest number of votes shall be declared the winners.

iii. Each voter may vote for as many candidates as there are positions to be elected but may not vote more than once for any one candidate. The ballot shall contain instructions stating the maximum number of candidates for whom each voter may vote.

h. The election results shall be certified. The election results shall be presented to the Board for recertification at its next meeting, after which the CEO shall provide the results to the public and to all SDCERS Members and retirees, either directly or through publications.

i. An elected General or Safety Member of the Board who leaves active City service is ineligible to continue serving on the Board in that position.

j. Whenever an elected Board Member leaves office before the end of their term, the vacancy shall be filled by an election in accordance with this Process. The election shall be conducted within 180 calendar days of the vacancy. The winner of the election shall serve the remainder of their predecessor’s term.

k. Port Police Officers may vote in elections for the police Safety Member. City lifeguards may vote in the elections for the fire Safety Member. Port and Airport employees who are General Members may vote in elections for General Member positions on the Board.

2. **Election of Retired Member Representative:** Retirees elect a representative to serve as a Board Member. The following procedures govern elections to fill vacancies for the retiree representative position on the Board when a regular term of office expires:

   a. To be eligible to run for the retiree position on the board, the candidate must be retired from the City and receiving a retirement allowance from SDCERS at the time SDCERS opens the nominating petitions.

   b. Nomination petitions for the office of a retiree Board Member must be endorsed by not less than 10 retired SDCERS Members.

   c. Nomination petitions shall be filed with the CEO by the date specified in the notice of upcoming election.

   d. The CEO shall give notice to all SDCERS retirees at least 20 calendar days prior to the closing date. The notification shall clearly indicate the place and the time for receiving nominations.
e. The election shall be conducted, certified, and reported in the same manner as set forth for General and Safety Member representatives in Paragraphs 1(e) through 1(h) above.

f. Whenever a vacancy occurs in the office of the retiree Board Member other than by expiration of term, said vacancy shall be filled by election from retired Members in accordance with this process. The election shall be conducted within 180 calendar days of the vacancy. The winner of the election shall serve the remainder of their predecessor’s term.

g. All retirees may vote in elections for the retired Member representative.

3. **Procedure When A Nominee(s) Runs Unopposed**

a. Where one Board Member is to be elected and only one candidate has been nominated, the CEO shall verify the endorsements presented in the nomination petition. Once the candidate accepts their nomination, the CEO shall cancel the remaining election procedures and certify the candidate as elected.

b. Where two Board Members are to be elected and only two candidates have been nominated, the CEO shall verify the signatures presented in the nomination petition. Once the candidates accept their nomination, the CEO shall cancel the remaining election procedures and certify the candidates as elected.

**PROCESS REVIEW & HISTORY**

4. The Board shall review this Process at least every three years to ensure that it remains relevant and appropriate.

CLOSED SESSION DISABILITY HEARINGS POLICY

PURPOSE

1. The purpose of this document is to establish the Board’s policy on holding disability retirement hearings in closed session in compliance with the Ralph M. Brown Act (Gov. Code §549501, et. seq.; the “Brown Act”) and to remind Board Members and staff of their responsibility to protect the confidentiality of information and materials disclosed during a closed session meeting of the Disability Committee.

SCOPE

2. This policy applies to all Board Members and staff members, the setting of closed session meetings; and the protection of confidential information and materials disclosed during a closed session meeting.

POLICY

3. The Board is committed to conducting as much of its business as possible in public session. Consistent with the Board’s commitment, the Disability Committee’s policy is to hold disability retirement hearings in public session and staff is to advise all disability applicants regarding this policy.

4. Staff will advise a disability retirement applicant that, notwithstanding this policy, the applicant may request that their hearing be held in closed session.

5. Staff can approve the applicant’s request for a closed session hearing if good cause is shown. Good cause includes, but is not limited to, concern for the applicant’s safety or well-being. If staff believes the applicant’s case should not be held in closed session, the issue shall be referred to the Disability Committee for decision. The Disability Committee’s decision in this matter is final and is not subject to rehearing or review by the Board.

POLICY REVIEW & HISTORY

6. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

CLOSED SESSION POLICY

PURPOSE

1. The purpose of this policy is to ensure that closed session meetings are conducted in compliance with the provisions of the Ralph M. Brown Act (Gov. Code §549501, et. seq.; the “Brown Act”) and that Board Members, Independent Non-Board Members, and staff are aware of their responsibility to protect the confidentiality of information and materials disclosed during a closed session meeting of the Board or its Committees.

SCOPE

2. This policy applies to all Board Members, Independent Non-Board Members, staff members, and other attendees, the setting of closed session meetings; and the protection of confidential information and materials disclosed during a closed session meeting.

POLICY

3. Under the Brown Act, closed sessions may be held only if expressly authorized by statute. Closed sessions allowed under the Brown Act that are applicable to SDCERS are as follows:
   a. Personnel Exception: A closed session may be held regarding the appointment, employment, evaluation of performance, disability retirement, discipline, release, or dismissal of a public employee;
   b. Litigation Exception: A closed session may be held regarding pending litigation, potential exposure to litigation, formally initiated litigation, or potential initiation of litigation;
   c. Real Property Negotiations Exception: A closed session may be held to advise and provide authority to the Board’s negotiator relating to negotiations concerning the price and terms of payment in real property negotiations;
   d. Pension Fund Investment Exception: A closed session may be held to discuss and consider decisions concerning the purchase or sale of particular, specific fund investments; and,
   e. Safety Infrastructure Exception: A closed session may be held to discuss a threat to or concern for services or facilities.

4. The Brown Act provides that a person may not disclose information and materials obtained in a closed session to any person not entitled to receive that information unless disclosure has been authorized by the Board.
5. Board Members, Independent Non-Board Members, staff, and other attendees shall not disclose confidential material from closed session and shall take reasonable precautions to protect confidential information and materials provided in a closed session meeting.

6. This policy does not apply to the following types of disclosures:
   a. Making a confidential inquiry or complaint to a district attorney or grand jury concerning a perceived violation of law or to establish the illegality of an action taken by the Board in a closed session;
   b. Expressing an opinion concerning whether actions taken by the Board in a closed session were proper or legal, which may include disclosing the nature and extent of the illegal or potentially illegal action but not specific facts obtained in the closed session meeting;
   c. Disclosing information acquired in a closed session that is not confidential information; and
   d. Disclosing information to a government entity or law enforcement agency under a whistle blower statute based on a good faith belief there is violation of a state or federal statute, rule, or regulation.

7. If any Board Member, Independent Non-Board Member, staff member, or any other attendee violates or indicates that they intend to violate this policy, the Board may take the following actions:
   a. Seek injunctive relief to prevent disclosure of confidential information;
   b. Take disciplinary action against any person who has willfully disclosed confidential information in violation of this policy; and/or
   c. Refer the matter to the appropriate government agency.

POLICY REVIEW & HISTORY

8. The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

COMMUNICATIONS POLICY

PURPOSE & SCOPE

1. The purpose of this policy is to ensure that the Board Policies are accurately transmitted and explained to representatives of the mass media and to serve as a guide for communications with all outside parties, including the plan sponsors and employee organizations. This policy is created for Board Members, Independent Non-Board Members, and staff members.

POLICY

2. Media Contact
   a. In responding to inquiries regarding Board Policies or actions, plan design, plan benefits, or SDCERS’ organization or administration, Board Members and Independent Non-Board Members are encouraged to refer such inquiries to appropriate staff. This Policy does not preclude Board Members and Independent Non-Board Members from discussing their personal reasons for their own votes or actions. However, Board Members and Independent Non-Board Members shall avoid voicing speculation as to the motivations of any other Board Members, Independent Non-Board Members or staff members.

   b. In responding to inquiries about pending, potential, or past Board actions or plan design changes from the media, Board Members and Independent Non-Board Members shall clearly state that they are expressing a personal opinion and shall encourage media representatives to confirm factual matters with the appropriate staff or Board spokesperson.

   c. As a courtesy to other Board Members and Independent Non-Board Members, and to keep staff informed, any contact with the media should be reported to the Board President and the CEO as soon as possible.

   d. All Board Member and Independent Non-Board Member contacts with outside parties, in which SDCERS policies and practices are discussed, should be conducted in accordance with the intent of this Policy.

   e. Board Members and Independent Non-Board Members shall not publish any writing or make any statement to the media or other outside party that purports to represent SDCERS’ position or policy on any matter or subject before the Board has adopted a policy or position on the matter or subject.
3. **Responses to Media Reports**

   a. The CEO shall advise all Board Members and Independent Non-Board Members of media reports about SDCERS as soon as possible after learning of such reports.

   b. If a news story contains clearly inaccurate information, an authorized SDCERS representative may contact the author or publication responsible for the inaccuracy to request a correction.

   c. Editorials or opinion pieces may be addressed by the CEO as necessary by submitting a letter to the editor.

   d. Letters expressing personal opinions shall state that they are the personal opinion of the author and do not express the official position of the Board or SDCERS.

4. **Attending Conferences and other Public Meetings**

   a. Board Members, Independent Non-Board Members, and staff members representing SDCERS at conferences and other public meetings should remember that reporters often attend these events. When making presentations or participating in discussions at these events, Board Members, Independent Non-Board Members, and staff members shall avoid voicing speculation regarding past or future Board actions.

   b. All presentation materials created by a Board Member, Independent Non-Board Member, or staff shall be presented to the CEO before the presentation.

   c. If an SDCERS representative gives a presentation at a conference or other public meeting, the SDCERS’ representative shall provide copies of the presentation materials to a Board Member or Independent Non-Board Member, upon request.

   d. If a Board Member, Independent Non-Board Member, or staff member offers a personal opinion during a presentation or discussion, it shall be clearly identified as such.

**POLICY REVIEW & HISTORY**

5. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

CONFIDENTIALITY OF MEMBER INFORMATION POLICY

PURPOSE

1. An important component of SDCERS’ mission is to protect the privacy of our Members, retirees, and beneficiaries and the security of SDCERS’ records. SDCERS’ Board Members, Independent Non-Board Members, and Staff have a duty to ensure that reasonable safeguards are in place to prevent unauthorized disclosures of confidential information. This policy provides direction to help SDCERS meet its obligation to protect the privacy of its Members, retirees, and beneficiaries and to comply with all legal requirements.

SCOPE

2. This policy applies to SDCERS’ Board, Independent Non-Board Members, and staff.

DEFINITIONS

3. “Confidential Information” is information, obtained or created by SDCERS which is restricted as to access, disclosure, or use. It may be found in any medium, whether oral, written, or electronic. It includes Personally Identifiable Information, which is any non-public information that is identifiable to an individual, such as: (a) their social security number; (b) an individual’s address, phone number(s), and/or email address(es); (c) health information, such as medical history; and/or (d) information that is private or intimate in nature, such as the identity of the Member’s designated beneficiary. Confidential Information may also include information provided by a Member to the Board or staff. It also includes banking information, confidential or proprietary business records, attorney-client privileged communications, I.T. network audit logs, security audit logs, system audit logs, and data procedures.

4. “Personal Representative” is a person, such as an attorney-in-fact, who is designated in writing by a Member or beneficiary to receive Confidential Information concerning the Member or beneficiary.

5. “Staff” is defined as SDCERS’ employees, provisional employees

POLICY

6. San Diego Municipal Code (“Municipal Code”) section 24.0909 prohibits disclosure of information submitted to SDCERS by a Member, retiree, or beneficiary to any person other than the Member, retiree, or beneficiary to whom the information relates, their Personal Representative, or the City. SDCERS shall only use this information for the purpose of administering the system.
7. This policy provides direction on the dissemination of information, protection of the privacy and confidentiality of SDCERS’ records and other confidential information from unauthorized use, disclosure, or identity theft, and to make reasonable mitigation efforts in the event of an incident or breach of confidentiality.

8. SDCERS shall implement and enforce physical and electronic controls to ensure the privacy of Confidential Information, including controls on:

a. Who can access the information;

b. How the information is used;

c. How it is obtained, stored, and shared; and

d. How/when it is disposed.

9. The internal controls implemented to ensure privacy of Confidential Information shall include the following:

a. SDCERS shall maintain internal written procedures that provide guidance for the handling of Confidential Information. These procedures shall address the controls identified in paragraph 8. These procedures shall be provided to all Board and Independent Non-Board Members, Staff and third party vendors who have access to Confidential Information. SDCERS shall periodically review its written procedures to ensure they continue to address all relevant laws and risks inherent in the handling of Confidential Information.

b. SDCERS shall train all new Board and Independent Non-Board Members and Staff upon appointment or employment regarding privacy and confidentiality policies and procedures. Staff, Board and Independent Non-Board Members, and third party vendors who have access to Confidential Information shall be required to execute a confidentiality/non-disclosure agreement.

c. SDCERS shall maintain contractual agreements, including non-disclosure/confidentiality agreements, with third parties working on behalf of SDCERS in order to ensure Confidential Information is protected from unauthorized disclosure.

d. SDCERS shall obtain a written authorization from the Member or beneficiary before disclosing Confidential Information to third parties, other than third parties working on behalf of SDCERS or to those who require the information under applicable law or court order.

e. SDCERS is committed to privacy, data security, and the quality of information that is available on or collected by SDCERS’ website or
contained within SDCERS’ computer systems. SDCERS shall take reasonable precautions to protect such information from loss, misuse, or alteration by implementing security measures and systems, including firewalls, data encryption, user authentication, anti-virus, and password protection functionality. SDCERS shall periodically test the protections in place to ensure their continuing effectiveness.

f. SDCERS shall establish internal written procedures for notifying individuals of any unauthorized use or disclosure of their Confidential Information.

g. The CEO may designate a staff member to monitor compliance with this Policy and applicable laws. The designee shall coordinate with SDCERS’ Staff, and Board and Independent Non-Board Members to ensure collaboration on information security and Confidential Information issues.

h. SDCERS’ Internal Auditor shall incorporate privacy and security risk rankings in the annual organization-wide risk assessment. The results of this organization-wide risk assessment shall be reported to the Audit Committee.

10. All SDCERS Board and Independent Non-Board Members and Staff shall ensure that Confidential Information is not disclosed to anyone other than:

a. Staff who need access to the information for purposes of administration of the system;

b. The person who is the subject of the Confidential Information or their Personal Representative;

c. Any authorized third party working on behalf of SDCERS who has a need for the information for purposes of administration of the system; and


e. Where disclosure is required by law, any requests for disclosure of information under this section shall be forwarded to SDCERS’ Legal Services Division and Privacy Officer.

11. SDCERS Board and Independent Non-Board Members, Staff, and third party vendors shall ensure that Confidential Information is obtained, used, or shared only to the minimum extent necessary to further SDCERS’ mission and within the bounds of the applicable laws. This means that access to Confidential Information is permitted only on a need-to-know basis and retention of unnecessary Confidential Information is not permitted.
POLICY REVIEW & HISTORY

12. The Board shall review this Policy at least once every three years to ensure that it remains relevant and appropriate.

CONFLICT OF INTEREST POLICY

PURPOSE

1. The Board adopts this Conflict of Interest Policy to ensure the proper administration of SDCERS and to foster unquestioned public confidence in SDCERS’ institutional integrity as a prudently-managed and fiduciarily-governed public pension system operated for the sole and exclusive purpose of providing benefits to SDCERS’ participants.

SCOPE

2. This Policy provides a fiduciary framework for the proper conduct of SDCERS’ affairs. It should not be relied upon as an exclusive or comprehensive list of applicable legal or fiduciary requirements of conduct. It does not attempt to specify every possible activity that might be inappropriate or prohibited under applicable laws and regulations. Nothing in this Policy exempts any person from any other applicable law or regulation. The standards of conduct set forth in this Policy are in addition to all other applicable laws and regulations.

COVERED PARTIES

3. This Policy covers all Board Members, Independent Non-Board Members, and staff (collectively “SDCERS Person” or “SDCERS Personnel” for the purposes of this Policy). This Policy also covers all investment consultants, and any external managers, general partners, managing members, financial services providers or any other external consultants or service providers of SDCERS who have discretionary authority over SDCERS’ assets or operations (collectively “Consultant” or “Consultants” for the purposes of this Policy). This Policy shall not apply to persons or entities which might otherwise be considered “Consultants” or be otherwise subject to this Policy solely as a result of their relationship to SDCERS arising out of SDCERS’ investments or potential investments in a commingled fund. Conflicts of interest for these persons and entities shall be governed by contract terms and applicable law.

FIDUCIARY STANDARDS

4. SDCERS is a trust fund that is administered by the Board of Administration (“Board”) on behalf of SDCERS’ Members and beneficiaries. SDCERS Personnel and Consultants are expected to adhere to the fiduciary standards set forth in Article XVI, section 17 of the California Constitution. Consultants shall discharge their duties solely in the interest of, and for the exclusive purpose of, providing benefits to SDCERS’ Members and beneficiaries. SDCERS Personnel and Consultants shall exercise their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims. SDCERS Personnel and Consultants must discharge
their responsibilities with integrity and fidelity and are expected to refrain from taking any actions that could reasonably be expected to interfere with their fiduciary duties.

CONSTRUCTION OF THE POLICY & COMPLIANCE WITH THE LAW

5. SDCERS Personnel and Consultants are expected to understand, and shall comply with, the provisions of this Policy as well as applicable legal requirements, including without limitation California’s Political Reform Act of 1974 (Government Code sections 81000, et seq. “Political Reform Act”), Government Code sections 1090, et seq., SDCERS’ Placement Agent Payment Disclosure Policy and related state disclosure laws, and the ethics provisions and lobbyist registration laws of the San Diego Municipal Code. This Policy is intended to be broadly construed and if there is any question as to whether a provision of the Policy or the corresponding law applies, the SDCERS Person or Consultant should disclose the issue to the SDCERS’ Chief Compliance Officer (“CCO”) and collaborate with the CCO to resolve any doubts about the meaning of the Policy. All SDCERS Personnel are encouraged to seek legal advice to understand their obligations under this Policy and California law.

PERTAINING TO SDCERS PERSONNEL

6. Interest in Board and/or Independent Non-Board Member Constituency:

A Board or Independent Non-Board Member’s interest in a constituency (e.g., Mayor, retirees, safety police) that elected or appointed that Board or Independent Non-Board Member may cause a conflict of interest on a particular matter. If a Board or Independent Non-Board Member believes that an interest of the constituency that has appointed or elected them may create a conflict or the appearance of a conflict, the Board or Independent Non-Board Member is encouraged to seek legal advice before participating in the discussion, vote, or contract at issue. Board and Independent Non-Board Members should recognize at all times that their fiduciary obligation is to act in the best interest of SDCERS and its Members as a whole and not to a particular constituency that elected or appointed them.

7. Financial Interest:

For purposes of this Policy, the term “financial interest” means the same term as defined by the Political Reform Act, except where the SDCERS Person is participating in the making of a contract, in which case the term means a “financial interest” as defined in Government Code sections 1090, 1091, and 1091.5.

8. Financial Interest in SDCERS’ Activities:

a. Each SDCERS Person must comply with Government Code section 87100, which prohibits a person from attempting in any way to participate in or
influence an SDCERS decision in which the person has a disqualifying financial interest.

b. An SDCERS Person is deemed to have a disqualifying financial interest if all of the following are present:

i. It is reasonably foreseeable that the decision will have a financial effect;

ii. The anticipated financial effect is in the financial interest of the SDCERS Person;

iii. The anticipated financial effect is material; and

iv. The decision’s financial effect on the SDCERS Person’s financial interest is distinguishable from its effect on the public generally served by SDCERS.

c. Each SDCERS Person must abide by the provisions of Government Code sections 1090 through 1097, which prohibit public officers or employees from being financially interested in any contract made by them in their official capacity, or by any body or Board of which they are members. Board and Independent Non-Board Members who are employed by the City of San Diego may be prohibited by Government Code section 1090 from participating in a contract that affects the department with which they are employed and should seek legal advice when they will or are expected to participate in a decision affecting their department.

9. **Prohibition on Personal Interest in Outside Activities/Employment Statement:**

a. No SDCERS Person may have a financial or personal interest in activities outside of SDCERS that may conflict with SDCERS’ interests.

b. No SDCERS Person may have a financial or personal interest in activities outside of SDCERS that affects or would create the appearance of having an adverse effect on that person’s independence, objectivity, or loyalty to SDCERS. By way of example, an SDCERS Person is prohibited from the following:

i. Borrowing from contractors, outside service providers, banks, or other financial institutions with which SDCERS has a business relationship, unless such entities are normally engaged in lending in the usual course of their business. If so, the SDCERS Person may only borrow based on customary terms offered to others under similar circumstances to finance proper and usual activities;
ii. Referring Plan participants to any outside business provider, such as a deferred compensation vendor or an SDCERS-contracted investment advisor, without informing the CCO and prior written approval of the CEO;

iii. Referring any outside business provider, such as a deferred compensation vendor or an SDCERS-contracted investment advisor, to a Plan participant without informing the CCO and prior written approval of the CEO;

iv. Engaging in outside employment with any Consultants or providers of supplies or services to SDCERS;

v. Engaging in outside employment that would interfere with or hamper their expected performance at SDCERS;

vi. Selling or providing goods or services to SDCERS without informing the CCO and prior written approval of the CEO; and

vii. Selling or providing investment products to other California public retirement funds in violation of Government Code section 7513.95.

10. SDCERS’ Conflict of Interest and Disclosure Code:

The Political Reform Act requires state and local government agencies to adopt conflict of interest codes. The Fair Political Practices Commission has adopted a regulation that may be incorporated by reference in an agency’s code. Therefore, the terms of this regulation (Cal. Code Regs., tit. 2, § 18730) and any duly adopted amendments are hereby incorporated by this reference. This regulation and the attached Appendix A and Appendix B shall constitute the Conflict of Interest Code for SDCERS as applied to SDCERS Personnel. SDCERS Personnel designated under Appendix A shall timely file their Form 700 with the City Clerk of the City of San Diego via its online filing system.

11. Addressing Conflicts of Interest:

a. An SDCERS Person who becomes aware of a personal or financial conflict of interest or the appearance of a personal or financial conflict of interest that affects their duty owed to SDCERS has an immediate obligation to disclose that conflict to the CCO.

b. The SDCERS Person must recuse themselves from any participation, whether direct or indirect, in any SDCERS decision that may reasonably be expected to affect their interest consistent with this Policy and with California law; and the SDCERS Person must work with the CCO and appropriate SDCERS management to resolve the conflict of interest in a manner consistent with this Policy, governing law, and the standards of
ethical conduct set forth in SDCERS’ Ethical Conduct, Compliance, and Training Policy.

12. **Addressing Conflicts of Interest on Matters Presented for Decision at SDCERS Meetings:**

   a. Any SDCERS Person who has a personal or financial interest in a matter before or likely to come before the Board who will or is expected to participate in that decision must, following the announcement of the agenda item to be discussed or voted upon but before either the discussion or vote commences, do the following:

      i. Publicly identify the personal or financial interest giving rise to the conflict and request that this disclosure be made part of the record of the proceedings;

      ii. Recuse themselves from discussing, voting, or attempting to use their influence to affect the outcome of this matter;

      iii. Leave the room until after the discussion and vote on the item in question, except that an SDCERS Person is not required to leave the room during the consent agenda or if the person wishes to appear before the Board as a member of the public to represent their interests in a matter related to those interests;

      iv. In the event the discussion or vote is to occur in closed session, the public identification may be made orally during the open session before the body goes into closed session and may be limited to a declaration that their recusal is because of a conflict of interest under Government Code section 87100; and

      v. If a Board or Independent Non-Board Member has a direct or indirect interest in a contract being made by the Board, they shall disclose their interest to the CCO immediately and seek advice as to whether or not the Board may enter into the contract despite that member’s interest. Upon disclosure of any Board or Independent Non-Board Member’s interest in a contract under this section, the CCO shall provide guidance to the Board.

13. **Nepotism:**

   a. For purposes of this Policy, a “Related Person” to an SDCERS Person includes any child, step-child, foster child, grandchild, parent, step-parent, grandparent, spouse, brother, sister, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law and any member of the household, whether or not related by blood or marriage. No SDCERS Person shall:
i. Directly supervise a Related Person or a person with whom the SDCERS Person has a close personal relationship (this does not apply to out-of-class assignments of 30 days or less);

ii. Influence the approval of any employee rewards for a Related Person or person with whom the SDCERS Person has a close personal relationship;

iii. Interfere with any performance evaluation or disciplinary proceeding for a Related Person or person with whom the SDCERS Person has a close personal relationship or business relationship; or

iv. Recommend or attempt to influence any contractor or business which has a business relationship with SDCERS to employ a Related Person or any other person with whom the SDCERS Person has a close personal relationship or business relationship.

b. No SDCERS Person may utilize the services of any Related Person for SDCERS business without disclosing the relationship to the CCO and obtaining the approval of the CEO. Any approved arrangements must be reported to the Board before a contract is executed.

14. Procurement Process for SDCERS’ Vendors:

a. The hiring processes for vendors that provide services or goods to SDCERS are consistent with the highest fiduciary standards. SDCERS shall retain a vendor only when their services are necessary to the effective and efficient management of SDCERS’ assets. The hiring of vendors is based solely on competitive merit. The compensation of vendors may not exceed the fair market value of the services rendered.

b. Communications With Prospective Vendors: During the process leading to an award of a contract for services to a vendor, SDCERS Board and Independent Non-Board Members, staff, and any persons or entities participating in the procurement process (collectively “SDCERS Representatives” for the purposes of this Policy) shall not have any communications with a person or entity financially interested in the prospective contract (including without limitation the bidders and their representatives) unless the communication is:

i. Part of the process expressly described in the Request For Proposals (“RFP”), Request For Qualifications (“RFQ”), or other procurement solicitation document;

ii. Part of a noticed meeting of the SDCERS Board or one of its Committees;
iii. Exclusively social, and does not involve the SDCERS Representative’s position at SDCERS;

iv. A communication with a current vendor which solely concerns work performed, or to be performed, by the vendor pursuant to an existing contract with SDCERS; or

v. An unintended, incidental communication.

vi. This “Quiet Period” shall commence immediately upon the issuance of the RFP, RFQ, or other procurement solicitation document by SDCERS and shall terminate upon execution of the contract.

c. Notice of Quiet Period: The RFP, RFQ, or other procurement solicitation document shall expressly notify all prospective candidates and bidders and their representatives of the terms of this Policy. This Policy shall also be posted in a prominent place on the SDCERS website.

d. Identification of Candidates: Nothing in this Policy shall prohibit an SDCERS Representative from communicating with another official conducting the procurement process about the identity of any person or entity that might be a qualified bidder or candidate or about the procurement process itself unless the SDCERS Representative is financially interested in the prospective contract or otherwise has a conflict of interest within the meaning of this Policy or California law.

e. Integrity of the Process: SDCERS Representatives are strictly prohibited from receiving a “kickback” or engaging in “pay to play” as part of the procurement process.

i. A “kickback” is a financial or other personal benefit provided to an SDCERS Representative in exchange for an agreement to influence the selection of a vendor.

ii. “Pay to play” is a scheme or agreement to provide an SDCERS Representative with a financial or other personal benefit in exchange for the opportunity to participate in a procurement process, maintain an existing contract or other financial relationship with SDCERS, or obtain some other financial benefit from SDCERS.

f. Any violation of this Policy must be immediately reported to the CCO. Such violation shall result in the automatic removal of a service provider’s proposal from consideration.

15. **Prospective Employment Communications:**

a. SDCERS Personnel are prohibited from making, participating in making, or using their official position to influence SDCERS’ decisions directly
relating to a prospective employer. As used in this paragraph, a “prospective employer” of an SDCERS Person is an employer with whom the person interviews, discusses the prospect of employment, or accepts an offer of employment.

b. SDCERS Personnel must disclose to the CCO any prospective employer that is also a party presently or prospectively engaged in business with SDCERS.

16. **Post-Employment Restrictions:**

   a. An SDCERS Person must not do any of the following during the 12 months after termination of office or employment:

      i. Receive compensation to represent a third person before SDCERS for the purpose of influencing any administrative action (the proposal, drafting, development, consideration, amendment, enactment, or defeat of any matter including any rule, regulation, or any adjudication), legislative action (drafting, introduction, modification, enactment, approval, or defeat of any resolution, report, nomination, or resolution of the Board or any of its Committees), or any action or proceeding involving the issuance, amendment, award, or revocation of a permit, license, grant, contract, or the purchase or sale of property.

      ii. Receive compensation to represent a third person in relation to any application, case, proceeding, contract, or other determination upon which the SDCERS Person took any discretionary action during their term of office or employment with SDCERS.

   b. These prohibitions shall not apply when the former SDCERS Person is:

      i. Representing their own personal interests before SDCERS, unless the appearance is in an administrative adjudication in which the person previously participated;

      ii. Receiving no compensation for the representation or appearance; or

      iii. Representing another government agency in the capacity of employee or officer of that agency.

17. **Incompatible Activities Statement:**

   a. An SDCERS Person may not engage in any activity that is incompatible with their duties, or with the duties, functions, or responsibilities of the SDCERS Board/Committee on which they serve.
b. An SDCERS Person is therefore prohibited from engaging in the following incompatible activities:

i. Using the facilities, equipment, property, or supplies of SDCERS for personal gain;

ii. Using their prestige, influence, or position with SDCERS for personal gain;

iii. Receiving compensation from anyone other than SDCERS for doing work that the SDCERS Person would be required or expected to perform as part of their duties for SDCERS;

iv. Receiving compensation from a third party for performing an act outside of their capacity as an SDCERS Person that would be directly or indirectly subject to the approval, control, inspection, review, audit, or enforcement of any other SDCERS Person;

v. Falsifying or improperly recording entries in any books or records of SDCERS;

vi. Knowingly condoning, or becoming a party to, any illegal activity at SDCERS;

vii. Engaging in dishonesty, fraud, deceit, or misrepresentation at SDCERS;

viii. Engaging in outside activities that conflict with the impartial and objective execution of their duties at SDCERS;

ix. Directly or indirectly selling goods or services to SDCERS without prior disclosure to the CCO and prior written approval of the CEO;

x. Engaging in outside employment with any providers of goods or services to SDCERS; or

xi. Working for two public entities that involve incompatible offices. An incompatible office exists where (a) there is a significant overlap or conflict of interests between the SDCERS Person’s duties and loyalties to SDCERS and those owed to the alternate office such that the SDCERS Person is subject to conflicting loyalties or (b) the SDCERS Person holds an office subordinate to another office held by that person.

c. Nothing in this Policy prohibits a Board or Independent Non-Board Member from performing work, service, or counsel in the course of their regular employment with the City of San Diego or any department within
the City, where the Board or Independent Non-Board Member is an ex-officio member or is an elected member of the Board.

18. **Gifts:**

   a. A gift includes anything of economic value, whether in the form of money or cash equivalent, service, loan, travel, entertainment, hospitality, promise, or favor, unless the SDCERS Person provided something of equal or greater value in return for the item. A gift also includes a rebate or discount in the price of anything of value unless the rebate or discount is made in the regular course of business to members of the public without regard to an individual’s public official status (such as frequent flyer miles).

   b. An SDCERS Person who is required to file a Statement of Economic Interests (“Form 700”) may not accept any gift that would cause the value of gifts received from a single source to exceed that amount set forth in California Government Code section 89503.

   c. An SDCERS Person shall not, on an individual basis:

      i. Accept one or more gifts having a total value in excess of $50 annually or solicit any gift, favor, or service from any third party which has done, is doing, or may do business with SDCERS;

      ii. Accept free travel or accommodations from any third party which has done, is doing, or may be reasonably anticipated to do business with SDCERS; or

      iii. Accept free meals, entertainment, gifts of cash or cash equivalents (including gift certificates, securities, below-market loans, etc.) in any amount from any third party which has done, is doing, or may be reasonably anticipated to do business with SDCERS.

   d. Notwithstanding sections (b) and (c) above, an SDCERS Person is not prohibited from accepting a gift under this Policy if the gift is given under the following circumstances:

      i. It is a gift from a spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, aunt, uncle, niece, nephew, first cousin, or the spouse of any of these people, unless the person providing the gift is acting as an agent or intermediary for another person not included in this list who is the true source of the gift;

      ii. It is a gift of hospitality, food, drink, or occasional lodging received in a person’s home when the individual providing the gift or a member of that individual’s family is present; or
iii. It is a gift of approximately equal value for one exchanged between the SDCERS Person and the person providing the gift on holidays, birthdays, or similar occasions.

PERTAINING TO CONSULTANTS

19. Communications with SDCERS During A Request for Proposals, Request for Qualifications, or Other Procurement Solicitation Process:

a. During a RFP, RFQ, or other procurement solicitation process, a prospective bidder (including without limitation the bidders and their representatives) who is financially interested in a prospective contract shall not have any communications with any SDCERS Person or SDCERS’ Representative unless the communication is:

i. Part of the process expressly described in the RFP, RFQ, or other procurement solicitation document;

ii. Part of a noticed meeting of the SDCERS Board or one of its Committees;

iii. Exclusively social and does not involve the SDCERS Representative’s position at SDCERS;

iv. A communication with an SDCERS Representative which solely concerns work performed, or to be performed, by the bidder pursuant to an existing contract with SDCERS; or

v. An unintended, incidental communication.

vi. This “Quiet Period” shall commence immediately upon the issuance of the RFP, RFQ, or other procurement solicitation document by SDCERS and shall terminate upon execution of the contract.

b. Notice of Quiet Period: The RFP, RFQ, or other procurement solicitation document shall expressly notify all prospective candidates and bidders and their representatives of the terms of this Policy.

c. Identification of Candidates: Nothing in this Policy shall prohibit an SDCERS Representative from communicating with another official conducting the procurement process about the identity of any person or entity that might be a qualified bidder or candidate, or about the procurement process itself, unless the SDCERS Representative is financially interested in the prospective contract or otherwise has a conflict of interest within the meaning of this Policy or California law.
d. Integrity of the Process: Consultants are strictly prohibited from giving SDCERS Representatives a “kickback” or engaging in “pay to play” as part of the procurement process.

i. A “kickback” is a financial or other personal benefit provided to an SDCERS Representative in exchange for an agreement to influence the selection of a Consultant.

ii. “Pay to play” is a scheme or agreement to provide an SDCERS Representative with a financial or other personal benefit in exchange for the opportunity to participate in a procurement process, maintain an existing contract or other financial relationship with SDCERS, or obtain some other financial benefit from SDCERS.

20. Conflicts of Interest:

Consultants shall not participate in any decision of SDCERS or in any decision affecting the investment or management of SDCERS’ assets when the Consultant, or any of its individual officers, directors, or employees participating in the decision, might have a conflict of interest without fully disclosing the nature of the conflict of interest in advance. A conflict of interest exists when the Consultant’s relationship with another party, or when the financial interests of the Consultant or any of its officers, directors, or employees participating in the decision, could reasonably be expected to diminish the Consultant’s independence or judgment in performing its duties to SDCERS. In addition, Consultants shall comply with all applicable California conflict of interest statutes including Government Code sections 1090, et seq. and the Political Reform Act.

21. SDCERS’ Conflict of Interest and Disclosure Code:

a. 2 Cal. Code Regs. Section 18730, any duly adopted amendments thereto, and the positions and disclosure categories designated in Appendix A and Appendix B attached hereto are hereby incorporated by this reference and shall constitute the Conflict of Interest Code for SDCERS as applied to Consultants. Designated position(s) of each Consultant shall abide by the Act, as applicable, and timely file their Form 700 with the City Clerk of the City of San Diego via its online filing system. SDCERS shall make the statements available for public inspection and reproduction consistent with the Act. (Gov. Code § 81008.) The lead partner or contact for SDCERS work performed by a Consultant who provides these services is generally the individual who works in a “designated position” under the Act.

b. Any “consultant,” as defined by 2 Cal. Code Regs. Section 18700.3(a), of SDCERS shall abide by the Act, as applicable, including but not limited to filing a Form 700, abiding by gift limits, and complying with conflicts of interest provisions.
POLICY REVIEW & HISTORY

22. The Board shall review this Policy every other year in conjunction with the City of San Diego’s review of SDCERS’ Conflict of Interest Code.

### Designated Positions

<table>
<thead>
<tr>
<th>Position</th>
<th>Duties</th>
<th>Category</th>
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<tbody>
<tr>
<td>1. <strong>Members of the Retirement Board</strong> also known as <strong>“Trustees”</strong></td>
<td>Board Members/Trustees exercise responsibility for the management of public investments, and are identified in SDMC sections 27.3503, 27.3510 as statutory filers to Government Code section 87200.</td>
<td>Form 700 (Government Code § 87200)</td>
</tr>
<tr>
<td>2. <strong>Chief Executive Officer (“CEO”)</strong></td>
<td>Under policy direction of SDCERS’ Board of Administration (“Board”), the CEO manages the routine affairs of retirement office and staff; directs SDCERS staff; sets policy direction for staff; counsels and informs employees regarding options and benefits; has primary responsibility to deal with actuaries; and provides assistance and recommendations to the Board and its committees.</td>
<td>Form 700 (Government Code § 87200)</td>
</tr>
<tr>
<td>3. <strong>Deputy Chief Executive Officer</strong></td>
<td>Under the direction of the CEO, the Deputy CEO assists the CEO in managing routine affairs of the retirement office and staff; provides assistance and recommendations to the Board and its committees; oversees operations; and coordinates projects with the actuary.</td>
<td>Form 700 (Government Code § 87200)</td>
</tr>
<tr>
<td>4. <strong>General Counsel / Chief Compliance Officer</strong></td>
<td>Under the direction of the CEO, the General Counsel provides legal representation, advice, and recommendations to the Board and staff; directs and reviews the work of SDCERS’ Legal Services Division and outside legal firms. Under the direction of the Board, the Chief Compliance Officer develops and maintains procedures to prevent illegal, unethical, or improper conduct; develops and updates ethics standards for the Board and staff; ensures compliance with federal tax laws; monitors compliance with local, state, and federal laws; and conducts investigations as required.</td>
<td>1 – Form 700 (Local Code Filer Under San Diego Municipal Code §27.3503; Government Code§87300)</td>
</tr>
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</table>
5. **Chief Investment Officer**

Under the direction of the CEO, the Chief Investment Officer prepares recommendations regarding investment policy, practices, allocations, and instruments; coordinates and participates in the review, selection, evaluation, and termination of investment managers; and negotiates contracts for investment managers and other investment-related activities.

Form 700 (Government Code § 87200)

6. **Associate General Counsel / Assistant General Counsel**

Under the direction of the General Counsel, the Associate General Counsel/Assistant General Counsel acts on behalf of the General Counsel when necessary and provides legal representation, advice, and recommendations to the Board and staff.

7. **Member Services Director**

Under the direction of the Chief Benefits Officer, the Member Services Director oversees customer service functions, including the call center, direct correspondence, and meetings with Members; resolves complex Member benefit issues and directs all Member counseling, education, and outreach activities; and oversees the Communications Manager and communications with Members.

8. **Chief Benefits Officer**

Under the direction of the CEO, the Chief Benefits Officer oversees benefits administration, Member services, and the processing of disability retirements; directs and manages benefits administration staff in the delivery of services and benefits to SDCERS’ Members, including calculating and preparing pension payments, administering health benefits, processing enrollments and terminations, tracking service credit and Member contributions, reconciling deceased Member accounts, and processing beneficiary payments; and coordinates with the actuary.

9. **Chief Information Officer/Chief Information Security Officer**

Under the direction of the CEO, the Chief Information Officer/Chief Information Security Officer directs and manages information technology (“IT”) security, staff, contractors, consultants, vendors, and technical services contracts; manages technical infrastructure and facilities, desktop services, application support, SDCERS Help Desk, IT procurement and system implementation and integration projects; manages Board audio/video production; develops and manages division budget to support business operations;
develops and implements IT strategic initiatives to support SDCERS’ business objectives; and develops, implements, and enforces organizational IT policies and procedures.

10. **Senior Investment Officer**
Under the direction of the Chief Investment Officer, the Senior Investment Officer advises and makes recommendations to the Chief Investment Officer, CEO, and the Board by conducting research and investigations and preparing or presenting reports and/or analyses; and acts as back-up to the Chief Investment Officer when the Chief Investment Officer is unavailable.

11. **Investment Officer**
Under the direction of the Chief Investment Officer, the Investment Officer advises and makes recommendations to the Chief Investment Officer, CEO, and the Board by conducting research and investigations and preparing or presenting reports and/or analyses.

12. **Assistant Investment Officer**
Under the direction of the Chief Investment Officer, the Assistant Investment Officer is responsible for the management of SDCERS’ operational, audit, and cash management functions and serves as a resource for the Investment Division.

13. **Internal Auditor**
Under the direction of the Board and Audit Committee, the Internal Auditor plans, conducts, and reports on internal audit projects; evaluates SDCERS’ internal control procedures and processes; evaluates compliance with governing laws, policies, and procedures; coordinates audit efforts with external auditors; assists the Audit Committee in its review of the Comprehensive Annual Financial Report; and performs investigations or other duties as requested by the CEO or Audit Committee.

14. **Disability Review Officer**
Under the direction of the Chief Benefits Officer, the Disability Review Officer reviews disability applications for compliance with medical and administrative requirements and makes recommendations to the Board and the Disability Committee regarding eligibility for disability retirements by preparing or presenting reports and analyses.
15. **Controller**

Under the direction of the CEO, the Controller directs and manages finance and accounting staff and budget operations; develops and administers department budgets; prepares financial reports for the Board; prepares financial analyses for management, actuaries, plan sponsors, and consultants as assigned; implements department goals, objectives, policies, and procedures; oversees the maintenance of accounting system and related interfaces; oversees the preparation of the annual state comptroller's report; and coordinates preparation of the annual financial report and interactions with the independent auditor.

16. **Communications Manager**

Under the direction of the Member Services Director, the Communications Manager ensures the accuracy, consistency, timeliness, and functionality of SDCERS’ broad range of communication responsibilities to its membership, plan sponsors, media, and general public; manages the budget for communications; and is responsible for procurement of contracts necessary to complete their duties such as, but not limited to, contracts related to printing services, mailing services, web site design, and other vendors and consultants.

17. **Consultant / Investment Manager**

An individual who, pursuant to a contract with SDCERS: (1) authorizes SDCERS to enter into, modify, or renew a contract requiring agency approval, (2) grants agency approval to a contract requiring agency approval, or (3) serves in a staff capacity and, in that capacity, performs duties that would otherwise be performed by a designated position without supervision of that designated position. Consultant shall be included in the list of designated employees and shall disclose pursuant to category 1, subject to the following limitation: The CEO may determine in writing that a particular consultant is hired to perform a range of duties that is limited in scope and thus, is not required to fully comply with the disclosure requirement in this section. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. The CEO’s determination is a public record and shall be retained for public
inspection in the same manner and location as this Conflict of Interest Code.

18. **Independent Non-Board Members of the Audit or Investment Committees**

   Audit Committee Independent Non-Board Member: Oversees financial reporting processes, systems of internal controls, audit process, and process for monitoring compliance with laws, regulations, and internal financial policies and procedures.

   Investment Committee Independent Non-Board Member: Develops investment guidelines; monitors investment transactions and performance, market conditions, and recommends changes as needed; recommends investment managers and consultants; and develops proxy voting guidelines.
Category 1

Investments or business positions in any business entity that supplies goods or services to SDCERS or in any security which was or is held by any fund administered by the Board of Administration wherein the reporting party’s interest in said security amounts to 1% or more of the issue of that security.

Income and gifts from any person or business entity that supplies goods or services to SDCERS or that may be reasonably anticipated to do business with SDCERS.

Interests in real property.

For the purposes of this Appendix, an “interest in real property” is any real property located in or within two miles of the City of San Diego, or within two miles of any land owned by SDCERS as set forth in the Attachment to this Appendix, which lists the real properties owned by SDCERS in its direct and co-investment real estate portfolio. A copy of this Attachment is also on file at the SDCERS office.
## Direct Real Estate Holdings as of May 31, 2022

<table>
<thead>
<tr>
<th>PROPERTY NAME</th>
<th>PROPERTY TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Foothills Corporate Center</td>
<td>Office</td>
</tr>
<tr>
<td>Phoenix, AZ</td>
<td></td>
</tr>
</tbody>
</table>
CONTRACTING POLICY AND DELEGATION OF AUTHORITY TO EXECUTE CONTRACTS AND OTHER DOCUMENTS

PURPOSE

1. This document establishes the Board’s policy for selecting and contracting with service providers and for the acquisition of goods. Additionally, this document delegates authority to execute contracts and other documents to certain positions.

SCOPE

2. This policy covers the Board’s and staff’s acquisition of goods and selection of and contracting with service providers, other than asset managers. The selection of asset managers is governed by the Investment Guidelines.

DEFINITIONS

3. For purposes of this policy only:

   a. “Goods” means any personal property involved in trade or commerce, excluding money, securities, or negotiable instruments.

   b. “External Financial Auditor” means the external audit firm retained by SDCERS to perform financial audit services.

   c. “Competitive Bidding Process” means a process of issuing a public bid with the intent that providers will put together their best proposal and compete for a specific project or service. This process can be a request for proposal, information quote, or response.

POLICY

4. Selecting Service Providers and Acquiring Goods:

   a. Legal Representation, Fiduciary Counsel, Actuary, External Financial Auditor, General Investment Consultant, Real Estate Consultant, Building Lease or Purchase Agreement, and Custodial Banking Services: Only the Board may select legal counsel to represent SDCERS or the Board in a judicial or administrative proceeding, fiduciary counsel, the Actuary, the External Financial Auditor, the General Investment Consultant, the Real Estate Consultant, and custodial banking services. Also, only the Board may enter into a building lease or purchase agreement for SDCERS’ office space. When selecting and contracting for these services, the Board may utilize a Competitive Bidding Process, conduct interviews, or take any other action.
b. **Contracting with Other Service Providers and for Acquisition of Goods:** All contracts for acquisition of goods and for services, except for those services covered in the paragraph 4(a), shall be selected and contracted with as follows:

i. If the estimated annual cost of a contract is $50,000 or less, the CEO may select and contract with the Provider. The CEO may determine whether to sole source, select from a list of candidates pre-qualified by staff, or utilize a Competitive Bidding Process. If immediate action is required on a contract of $50,000 or less and the CEO is unable or unavailable to act for any reason, the Deputy CEO, the Controller, or the Board President may act in place of the CEO.

ii. If the estimated annual cost of a contract is over $50,000 but less than $100,000, the Board may select and contract with the provider, or delegate this authority to the CEO, or to a committee of the Board. The party who selects and contracts with the provider may determine whether to sole source, select from a list of candidates pre-qualified by staff, or utilize a Competitive Bidding Process. Where authority to contract with the provider is delegated by the Board to another, the party who selects and contracts with the provider shall report the terms of the contract to the Board.

iii. If the estimated annual cost of a contract is over $100,000, only the Board may select and contract with the provider. The Board may either utilize a Competitive Bidding Process, and conduct interviews itself, or direct staff to utilize a Competitive Bidding Process, conduct interviews, and report back to the Board with recommendations.

iv. If, during the term of an ongoing contract, the cost of a contract will exceed the CEO’s authority or the amount authorized by the Board, the CEO shall report this fact to the Board at the next regularly scheduled Board meeting and obtain Board approval of the increased amount. If circumstances exist that require continued operation under the contract before the next regularly scheduled Board meeting, the CEO may continue operation under the contract so long as the amount incurred will not exceed 10% of the original cost of the contract or $20,000, whichever is greater.

v. **Services or Goods Provided through the City or Other Government Entities:** Notwithstanding any other provisions of this policy, services provided by the City of San Diego (“City”) or City agencies, services procured through contracts between the City and an outside vendor, and services procured through other participating government agency contract terms, services, or master pricing
agreements may be approved by the CEO or the Board, within the monetary limitations set forth in paragraph 4(b)(i)-(iv) above.

5. **Term of Contracts:** Unless the party selecting the provider determines otherwise, all provider contracts shall contain the following terms:

   a. **Contracts Under Paragraph 4(a):** For contracts described under paragraph 4(a), the contract term shall be for a period of no more than five consecutive years.

   b. **Contracts for Services Other Than Under Paragraph 4(a):** Except for services described under paragraph 4(a), that the contract be for a period of no more than three years, with two optional one-year extensions.

   c. **Contracts for Services of the Actuary:** For contracts pertaining to actuarial services provided by the Actuary, that the contract be for a period of no more than five consecutive years. At the expiration of the contract for actuarial services, the Board shall utilize a Competitive Bidding Process. Should SDCERS retain the same Actuary for more than five consecutive years, SDCERS shall conduct an audit of the Actuary’s services by an independent actuarial firm at least every five years.

   d. **Termination:** That the CEO or the Board may terminate the contract upon 30 days’ notice, with or without cause.

6. **Monitoring Provider Services and Performance:**

   a. The CEO shall monitor the performance and services of all providers on an ongoing basis.

   b. For each provider that has billed SDCERS for more than $50,000 in the last fiscal year, the CEO shall prepare for the Board, a schedule of, actual fees paid to each provider, and present the report at the regularly scheduled September Board meeting.

7. **Positions Delegated the Authority to Execute Contracts and Other Documents:**

   a. The following positions are delegated the authority and responsibility of executing contracts and other documents on behalf of the Board.

      i. For any contracts, including but not limited to asset management services and other services obligating SDCERS to annual expenditures of more than $50,000: The joint signatures of the CEO and either the Board President or Vice President.
For contracts for non-legal services obligating SDCERS to annual expenditures between $25,000 and $50,000: The CEO or Deputy CEO.

For contracts for non-legal services obligating SDCERS to annual expenditures of $25,000 or less: The CEO, Deputy CEO, or the Controller.

For contracts for legal services obligating SDCERS to annual expenditures of $50,000 or less: The joint signatures of the CEO or Deputy CEO and the General Counsel.

For financial documents pertinent to the administration of SDCERS’ business operations and investment activities, including but not limited to:

1) Authorizations for transfer of investment funds to pay investment manager fees, to fulfill Board approved investment capital calls, or transfers to fund SDCERS’ benefit and operating expense bank accounts, any one of the following: Board President, Board Vice President, CEO, Deputy CEO, Controller, or Chief Investment Officer.

2) Authorizations for the payment of Board-approved budgeted operating expenses follow SDCERS’ Administrative Expense Authorized Signers listing.

3) Authorizations to open foreign trading accounts or open custody accounts at SDCERS’ custodial bank, powers of attorney to vote proxies, foreign tax reclamation requests, stock/bond powers, or documents to grant investment managers access to view SDCERS information at SDCERS’ custodial bank, or other investment, regulatory, or tax documents not requiring a transfer of cash: One of the following signatories is required: the CEO, Deputy CEO, Controller, or Chief Investment Officer.

4) Authorizations to open domestic bank accounts for operational, benefit, tax, or legal expense purposes: The joint signatures of the Controller and either the CEO or Deputy CEO.

Settlement of claims and lawsuits against the Board or SDCERS under the requirements of Board Policies and the following monetary guidelines:

1) Any amount of $10,000 or less: CEO.
2) Any amount in excess of $10,000, with prior Board approval, any one of the following: Board President, Board Vice President, or CEO.

vii. For the positions delegated the authority and responsibility to execute agreements necessary to recover SDCERS’ critical business operations in the event of a disaster, see the Board Policy Regarding a Disaster Event.

b. The Deputy Chief Executive Officer may sign in place of the CEO as listed in (7)(a)(i)-(6)(a)(vii) in this section if the CEO has authorized, in writing, the Deputy CEO to sign or if the CEO is unable or unavailable to sign.

c. The Board Secretary is responsible for maintaining a current list of the individuals in these positions.

POLICY REVIEW & HISTORY

8. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

BOARD POLICY REGARDING A DISASTER EVENT

PURPOSE

1. To establish a plan in the event of a disaster that affects SDCERS’ critical business operations.

SCOPE

2. This Policy applies when SDCERS suffers a disaster, such as an earthquake, fire, flood, facility structural damage, epidemic, ransomware, or a declared state of emergency, which affects one of its critical business operations. Critical business operations include payment of benefits, benefit setups, investment transactions, and other operations identified by the CEO in the Business Continuity Plan (“BCP”).

POLICY

3. The CEO shall create a BCP, which establishes procedures to recover interrupted critical business operations caused by a disaster.

4. The BCP shall include recovery of critical business processes and support systems required for SDCERS to function following an interruption. The BCP shall address disruptions caused by loss of human capital or physical damage. The BCP shall also minimize operational impacts to SDCERS’ participants and staff.

5. As soon as possible, the CEO shall inform the Board of an interruption to critical business operations and efforts to recover those operations. In the event that the CEO is unavailable, the declaration of the Disaster Event and appointment of a successor Disaster Management Executive Leader shall be in the following order of precedence: the Deputy CEO, Chief Information Officer, Chief Investment Officer, Member Services Director, General Counsel, Controller, IT Application Services Manager, and the Benefits Administration Officers/Program Coordinators (by seniority).

6. The CEO or next appointed successor shall have the authority to enter into agreements and make purchases necessary to recover SDCERS’ critical business operations in the event of a disaster for up to $50,000 without additional approval, and purchases up to $250,000 with approval of the Board President, Vice President, or any two Board Members.

7. A report of purchases and justifications must be made to the Board at the next scheduled meeting following the disaster. The Board shall discuss ratifying those purchases.

8. The CEO shall review the BCP annually and revise the BCP, as needed.
9. In the event a quorum of the Board or Ad Hoc Committee is unable to meet at any time during an active Disaster Event, the CEO or next appointed successor shall follow in descending order of priority: all directives provided by the Board during the event, all directives provided by an appointed Ad Hoc Committee during the event, the BCP, and any decisions made due to a lack of directive by preceding priorities in which said decisions are designed to a) ensure existing payees receive their benefits payments on time, and b) return SDCERS to normal operations as quickly and effectively as possible.

POLICY REVIEW & HISTORY

10. This Policy does not require periodic review but may be reviewed and amended, as needed, at the Board’s discretion.

DONATIONS POLICY

PURPOSE
1. The purpose of this Policy is to explain the terms under which SDCERS will accept donations to its Trust Fund.

SCOPE
2. The scope of this Policy includes all donations to the Trust Fund.

POLICY
2. SDCERS is authorized by article XVI, section 17 of the California Constitution; City of San Diego City Charter, article IX, section 144; and California Probate Code section 16221 to accept additions to the Trust Fund from any person.

3. Consistent with its authority, the Board shall accept monetary additions to the Trust Fund from any person. Such additions shall be general in nature and may not be applied to the account of any particular Member. This Policy is not intended to and does not conflict with any provision of the City of San Diego City Charter or San Diego Municipal Code, Port and Airport plan documents and in the event it does so, the applicable section of the plan document shall prevail.

4. Any addition to the Trust Fund made pursuant to this Policy shall be non-refundable and shall not create or expand any rights or benefits of membership in SDCERS.

POLICY REVIEW & HISTORY
5. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

EDUCATION POLICY

PURPOSE

1. The purpose of this Policy is to provide a framework to educate Board and Independent Non-Board Members on their fiduciary duties under the California Constitution, the City of San Diego City Charter (“City Charter”), and other applicable laws.

SCOPE

2. The scope of this Policy includes a Board Member or Independent Non-Board Member’s attendance at any educational event or consumption of educational material on behalf of SDCERS.

PRINCIPLES

3. This Policy rests on the following important principles:

   a. There exists a unique body of knowledge that can be imparted to Board and Independent Non-Board Members to facilitate the carrying out of their distinct roles and responsibilities.

   b. Board and Independent Non-Board Members are responsible for making policy decisions affecting all major aspects of pension plan administration. They, therefore, must acquire an appropriate level of knowledge of all significant facets of SDCERS, rather than only specializing in particular areas.

   c. No single method of educating Board and Independent Non-Board Members is optimal. Instead, a variety of methods is necessary and appropriate.

   d. This Policy is not intended to dictate that Board and Independent Non-Board Members attend only specific conferences, programs, etc. Instead, it should be left to the judgment of the Board and Independent Non-Board Members as to which programs best meet their needs and the objectives of this Policy, as needs change and new opportunities become available.

POLICY

4. Orientation of New Board and Independent Non-Board Members:

   a. Attendance: Each new Board and Independent Non-Board Member shall attend an orientation session.
b. **Timing for Orientation:** The new Board or Independent Non-Board Member should attend the orientation session before participating in their first Board or Committee meeting.

c. **Development and Content:** The CEO shall develop the orientation sessions and shall, at a minimum, include the following topics:

   i. Role and expectation of Board and Independent Non-Board Members;

   ii. A brief history and overview of SDCERS, including the mission, vision, Core Values, and purpose of SDCERS;

   iii. An overview of the Board, including its function, processes, committee structure, exercise of discretion, delegation of responsibilities, and oversight role;

   iv. Overview of organizational structure and the roles of staff and key service providers, including but not limited to the actuary, investment consultant, custodian, investment managers, attorneys, and auditors;

   v. An overview of the laws and rules governing SDCERS and the Board, including portions of the California Constitution, the City of San Diego City Charter, San Diego Municipal Code, Board Rules, Port and Airport Plan Documents, policies and procedures, and applicable requirements, the Ralph M. Brown Act, conflict of interest laws and regulations, and the California Public Records Act;

   vi. An overview of the funding policies and recent actuarial valuation results;

   vii. A summary of the asset allocation and investment policies of SDCERS;

   viii. A summary of the SDCERS’ benefit structure and administration;

   ix. A summary of the disability retirement application process;

   x. An explanation of Proposition 162 and its effect on SDCERS;

   xi. An explanation of fiduciary responsibility, conflicts of interest, and ethics laws;

   xii. A review of Board and Independent Non-Board Member immunity, indemnity, and insurance;

   xiii. A briefing on current and emerging issues before the Board;
xiv. Biographical information on the other Board and Independent Non-Board Members;
xv. A review of best practices for Board governance; and
xvi. A tour of the SDCERS’ offices, if practicable.

d. **Written Materials:** At or before the orientation session, the new Board and Independent Non-Board Members shall receive the following documents:

   i. A list of the names, addresses, and contact information for the Board and Independent Non-Board Members;
   ii. A list of the names and contact information for the Leadership Team;
   iii. The most recent Board Charters, Policies, and Rules;
   iv. The most recent actuarial valuations;
   v. The most recent investment performance report;
   vi. The most recent Annual Comprehensive Financial Report (“ACFR”);
   vii. The most recent SDCERS budget;
   viii. A list of upcoming recommended educational conferences; and
   ix. Any other relevant information or documents as determined by the CEO.

5. **Ongoing Board and Independent Non-Board Member Education:**

   a. **Educational Conferences:** The CEO shall maintain a list of educational conferences appropriate for Board and Independent Non-Board Members and they may attend any of these conferences subject to the Board’s Travel and Expense Reimbursement Policy. The CEO shall regularly update this list with new educational opportunities and based upon Board and Independent Non-Board Member evaluations of conferences. In considering out-of-state educational opportunities, Board and Independent Non-Board Members should weigh the costs and benefits of travel versus locally-based education.

   i. In the Board and Independent Non-Board Members’ first year of service on the Board, in addition to attending the orientation session, they should attend one educational session or conference designed to give them a general understanding of the responsibilities of a public retirement system fiduciary, including knowledge of pension fund investment practices.
ii. In their subsequent years of service on the Board, Board and Independent Non-Board Members are encouraged to attend one educational session per year designed to help them perform their duties on Committees to which they have been assigned.

iii. Generally, Board and Independent Non-Board Members with at least two years of experience should not attend more than four educational opportunities or conferences per calendar year absent an exemption from the Board. In considering educational opportunities and conferences, Board and Independent Non-Board Members should weigh the costs and benefits of the training and select those conferences that provide the most value based on their unique circumstances and educational needs.

iv. The CEO (or their designee) shall work with Board and Independent Non-Board Members to discuss potential educational opportunities and conferences that best meet their needs and experience level in a manner that minimizes the overlap of content. The CEO and Board or Independent Non-Board Member shall develop a training plan for the Board or Independent Non-Board Member designed to meet their training needs, consistent with the provisions of this Policy. The Board or Independent Non-Board Member’s plan shall be submitted to the Board for approval at a regularly-scheduled Board meeting. Additional educational opportunities or conferences not included within the Board or Independent Non-Board Member’s approved training plan must be approved separately by the Board.

b. **In-House Education Sessions:** Based on the personal education needs of the Board and Independent Non-Board Members, the CEO shall arrange for staff or outside service providers to conduct educational sessions throughout the year at regularly scheduled Board meetings or off-site.

c. **Evaluation:** Board and Independent Non-Board Members should share with their fellow Board and Independent Non-Board Members an evaluation of the educational opportunity or conference at the next regularly scheduled board meeting following attendance at the conference.

6. **Fiduciary Education Session:** Each year, SDCERS’ General Counsel shall arrange for a fiduciary education session that will update the Board and Independent Non-Board Members on issues affecting their service on the Board. All Board and Independent Non-Board Members are expected to attend.

7. **Ethics Training:** Every two years, Board and Independent Non-Board Members shall complete ethics training.

8. **Retirement Industry Periodicals:** Board and Independent Non-Board Members are encouraged to subscribe to periodicals selected from a list of pension and investment-related periodicals maintained by the CEO. SDCERS shall pay for the
expense of the periodicals. The CEO shall annually review and update this list with input from the Board and Independent Non-Board Members.

9. **Sexual Harassment Prevention Training:** Board and Independent Non-Board Members shall attend sexual harassment prevention training every two years. SDCERS’ Human Resources Manager shall provide the Board and Independent Non-Board Members with such training opportunities.

**POLICY REVIEW & HISTORY**

10. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

ETHICAL CONDUCT, COMPLIANCE, AND TRAINING POLICY

PURPOSE

1. The Board is mindful of the positions of trust and confidence held by Board and Independent Non-Board Members and SDCERS staff members. The Board adopts this Policy to ensure the proper administration of SDCERS and to foster unquestioned public confidence in SDCERS’ institutional integrity as a prudently-managed and fiduciarily-governed public pension system, operated for the sole and exclusive purpose of providing benefits to SDCERS’ participants and beneficiaries.

SCOPE

2. This Policy provides a fiduciary framework for the proper conduct of SDCERS’ affairs and a basis to evaluate that conduct. This Policy should not be relied upon as an exclusive or comprehensive list of applicable legal or fiduciary requirements of conduct. It does not attempt to specify every possible activity that might be inappropriate or prohibited under applicable laws and regulations and does not exempt any person from any other applicable law or regulation. Board and Independent Non-Board Members and staff who are also members of professional organizations that promulgate standards of conduct must comply not only with this Policy, but also with those professional standards, as applicable (CAIA, CPA, CIA, CFA, CISA, CFE, State Bar, ASA, FSA, MAAA, FCA, Enrolled Actuary, etc.).

3. This Policy is specific to SDCERS and applies only to its Board and Independent Non-Board Members and staff. It is separate and apart from any policies promulgated by the City of San Diego Ethics Commission.

POLICY

4. Ethical Standards: The Board expects each Board and Independent Non-Board Member and staff member to consistently demonstrate SDCERS’ Core Values in the conduct of their duties. They should also demonstrate honesty, fairness, independence, respect, avoidance of conflicts of interest and the appearance of impropriety, lawfulness, confidentiality, and loyalty to SDCERS’ Members and beneficiaries.

5. Code of Conduct: No Board Member, Independent Non-Board Member, or staff member may engage in any activity that would violate the Board’s Conflict of Interest Policy or any of the policies set forth below.

6. Statement of Economic Interests: Each Board and Independent Non-Board Member and staff member who is required to file a Statement of Economic Interests (“Form 700”) must:

   a. File a Form 700 on a timely basis as required by the Political Reform Act;
b. Disclose on the Form 700 all information required by the Political Reform Act or the applicable Conflict of Interest Code that applies to that person; and

c. Comply with the applicable provisions of the Ethics in Government Act of 1990 (California Government Code §§ 89500 et seq.) and the City of San Diego Ethics Ordinance (San Diego Municipal Code §27.3501) prohibiting the acceptance of honoraria.

7. Review and Evaluation of the Form 700:

a. The Chief Compliance Officer shall review and evaluate the Form 700 filed by each Board Member, Independent Non-Board Member, and staff, as well as any other persons designated as a Form 700 filer by SDCERS, for known or possible conflicts of interest.

   i. After reviewing the Form 700 forms, if any known or possible conflicts of interest are identified, the Chief Compliance Officer shall work with the filer to resolve the conflict and to provide appropriate advice to guide the filer regarding compliance with or violation of Board Policies and any applicable laws.

   ii. At the next Board meeting after the Form 700 has been reviewed, the Chief Compliance Officer shall report to the Board that the review has been completed and identify any disclosures provided in a Form 700 that give rise to a known or possible conflict of interest that have not been resolved.

8. Unlawful Activities: SDCERS and its Board of Administration are committed to the highest level of legal, ethical, and moral standards in the conduct of SDCERS’ business based on a fundamental belief in law, honesty, and transparency in government. SDCERS and the Board expect all Board, Independent Non-Board Members, and staff to maintain and foster these standards. Board and Independent Non-Board Members and staff members have an obligation to disclose any action that is believed to be inconsistent with these standards. This commitment applies without exception to all activities that Board, Independent Non-Board Members, and staff are engaged in, whether related or not related to SDCERS. SDCERS and its Board shall not tolerate any acts involving moral turpitude such as dishonesty, fraud, deceit, misrepresentation. Any Board Member, Independent Non-Board Member, or staff member who engages in such behavior may be subject to immediate discipline, including possible termination and/or referral to the appropriate prosecuting agency, as applicable.

9. Fair and Courteous Treatment: Board and Independent Non-Board Members and staff must treat each other and all SDCERS’ Members and beneficiaries fairly and equitably at all times, including when at Board or Committee meetings. In
keeping with this requirement, Board Members, Independent Non-Board Members, and staff members must:

a. Listen courteously to all discussions at meetings and avoid interrupting other speakers, including other Board or Independent Non-Board Members or staff, except as may be permitted by Robert’s Rules of Order or the Board Rules.

b. Refrain from abusive or disruptive conduct, personal charges, or verbal attacks upon the character, motives, ethics, or morals of others.

10. **Political Activities:** All Board Members, Independent Non-Board Members, and staff members must comply with Government Code sections 3201-3029 and City of San Diego City Charter, article V- section 31 and article VIII section 135, which prohibit:

a. The use of SDCERS’ time or resources to actively oppose or support a candidate in any political campaign, including seeking contributions on behalf of a candidate; and

b. The use of the Board or Independent Non-Board Member’s or staff member’s position to influence or coerce political action of any person or body, or to interfere with any nomination or election to public office. No Board Member, Independent Non-Board Member, or staff member may threaten, punish, or reward any employee for contributing or not contributing money, time, services, or other valuable things for a political purpose.

11. **Ethics Training:** Each Board Member, Independent Non-Board Member, and staff member who is required by the Political Reform Act to file a Form 700 with the City Clerk must:

a. Complete an SDCERS-approved ethics orientation program within 180 days of assuming office or employment; and

b. Complete a biennial ethics refresher provided by the City of San Diego Ethics Commission.

c. If staff fails to meet the training requirements prescribed in this Policy after reasonable opportunities to do so, the Chief Compliance Officer shall notify the CEO, who shall take the appropriate action.

d. If a Board or Independent Non-Board Member fails to meet the training requirements prescribed in this Policy after reasonable opportunities to do so, the Chief Compliance Officer shall notify the Board President who shall take the appropriate action.
12. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

FIDUCIARY COUNSEL POLICY

PURPOSE

1. SDCERS’ Board of Administration ("Board") recognizes the need to retain fiduciary counsel to assist the Board, on an as-needed basis, in discharging its fiduciary responsibilities. The Board shall retain fiduciary counsel for this purpose. This Policy defines the relationship between SDCERS’ Board Members, Independent Non-Board Members, staff, and fiduciary counsel.

SCOPE

2. This Policy covers the role of SDCERS’ fiduciary counsel as well as the process for communications between SDCERS’ fiduciary counsel, and the Board, Committee members, and staff.

POLICY

3. The Role of SDCERS’ Fiduciary Counsel:

Fiduciary counsel is the attorney for the Board. The attorney/client relationship is between fiduciary counsel and the Board. Fiduciary counsel shall report to the Board President. Notwithstanding, the General Counsel, Chief Compliance Officer ("CCO"), or Chief Executive Officer ("CEO") may ask fiduciary counsel to perform specific tasks and collaborate with fiduciary counsel. In doing so, they are engaging fiduciary counsel, on behalf of the Board. The contract for fiduciary counsel shall contain termination provisions consistent with the Board’s Contracting Policy and Delegation of Authority to Execute Contracts and Other Documents.

The role of the Board’s fiduciary counsel is to assist the Board in discharging its fiduciary duties. Fiduciary counsel shall not provide opinions or advice to the Board in non-fiduciary law matters (e.g., employment, investment transactions, or securities law) unless requested to do so by the Board, the Board President, General Counsel, CCO, or the CEO. Because of its issue-specific role, fiduciary counsel is not required nor expected to attend every Board meeting. Fiduciary counsel may attend Board and/or committee meetings, including any special meetings or closed session meetings, at the request of the Board, any Board Member, General Counsel, CCO, or the CEO. Also, fiduciary counsel shall:

- Provide fiduciary training to Board and Independent Non-Board Members and staff annually;
- Provide advice on conflict of interest matters;
- Review the Board agenda and material prior to each meeting, identify any agenda items or material that contemplate a fiduciary issue, and provide
comment and guidance to the Board on its fiduciary duty as to that issue. Fiduciary counsel should provide their comments to the Board in advance of any Board or Committee meeting; and

- Provide oral and written legal opinions regarding fiduciary law issues involving SDCERS and its Members, at the request of the Board, any Board Member, General Counsel, CCO, or the CEO.

4. **Communications Between Fiduciary Counsel and SDCERS:**

Fiduciary counsel’s primary contact for the Board shall be the Board President but may communicate through the General Counsel. Any and all non-privileged or attorney/client communications between fiduciary counsel and any SDCERS staff member, Board Member, Independent Non-Board Member, or any other individual regarding SDCERS’ business must be reported by fiduciary counsel to the Board President, General Counsel, CEO, or CCO, as appropriate. “Communications” includes in-person conversations, telephone calls, emails, correspondence, or any other writing regarding SDCERS’ business, employees, or interests. Notice to Board President, General Counsel, CEO, or CCO of such communications must be immediate and intended to fully advise the recipient of the substantive content of the communications.

**POLICY REVIEW & HISTORY**

5. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

FRAUD AND CRIMINAL ACTS POLICY

PURPOSE

1. SDCERS’ management is responsible for designing and implementing policies, systems (internal control), and procedures for the prevention and detection of fraud and other criminal conduct. Employees, Members, beneficiaries, and plan sponsors must have confidence that sufficient safeguards exist to detect and prevent misappropriation of Trust Fund assets, and ensure that allegations of fraud, criminal misconduct, or violations of local, state, and/or federal law involving fraud or dishonesty are investigated objectively, fairly, and promptly. The purpose of this Policy is to provide all employees, Members, beneficiaries, and plan sponsors with these assurances.

2. This Policy is not intended to address personnel or human relations issues that do not involve allegations of fraud, criminal misconduct, or a violation of a local, state and/or federal law involving fraud or dishonesty. This Policy is separate from and does not replace existing grievance or complaint resolution procedures provided in any applicable memoranda of understanding or the City’s Personnel Policies and Administrative Regulations. Any allegations of fraud, criminal misconduct, or violation of law that may result in disciplinary action against an employee shall be coordinated with the applicable City policies and procedures. Any allegations of conduct related to personnel issues not covered under this Policy shall be referred to the SDCERS’ human resources designee. Personnel complaints include, for example, complaints pertaining to employee relations, discrimination, or harassment.

DEFINITIONS

3. The following words have the following meanings for the purpose of this Policy:

   a. “Good Faith” means an honest state of mind with no intent to deceive. An employee who makes a report under this Policy shall be deemed to have acted in “Good Faith” if, at the time of the report, the employee honestly believed in the substance of their report and was not acting with an intent to deceive.

   b. “Fraud” means an intentional deception, misappropriation of resources, or the manipulation of resources or data to the unfair or unlawful advantage or disadvantage of a person or entity.

   c. “Retaliation” means subjecting a person who, in “Good Faith”, reports suspected fraudulent or unlawful activity under this Policy or participates in an investigation under this Policy to an unjustified adverse employment action. Adverse employment action includes, for example, termination, demotion, transfer to a less desirable position, pay cut, denial of promotion, threats, negative evaluations, negative references, or increased surveillance.
SCOPE

4. This Policy addresses fraud and criminal acts, including violations of local, state, and/or federal law that involve an element of fraud or dishonesty. A representative list of acts that are covered by this Policy is presented below. This list is not comprehensive, but instead provides examples of the types of misconduct that violate this Policy. It is a violation of this Policy to use of one’s authority or position to influence or coerce another to commit a prohibited act.

a. Taking for one’s personal use any funds, supplies, or other assets that belong to SDCERS.

b. Taking for one’s personal use any property that belongs to another SDCERS’ employee or agent, or to any person that is visiting SDCERS’ offices.

c. Forging or intentionally altering any document or record so that the information presented is false.

d. Forging or altering any financial document with the intent that the resulting payments or debits are credited or charged to the wrong party or in the wrong amounts.

e. Seeking or receiving payment from a Member, retiree, beneficiary, or plan sponsor in exchange for processing an SDCERS application or providing any benefit or service to a Member, retiree, beneficiary, or plan sponsor.

f. Seeking or receiving any payment from any other person in exchange for making or influencing an SDCERS-related decision.

g. Maliciously destroying documents, records, furniture, equipment, information, or other assets that belong to SDCERS or to another employee, Member, beneficiary, vendor, visitor, Board Member, or Independent Non-Board Member.

h. Violating any federal securities laws, including buying or selling securities based on material, nonpublic information. Information is “material” where there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to buy or sell the securities in question, or where the information, if disclosed, could be viewed by a reasonable investor as having significantly altered the total mix of information available.

i. Intentionally misrepresenting or distorting the truth to a Member, retiree, or beneficiary to convince the person to give up money, property, or some right or entitlement rightfully belonging to that person.
j. Taking any action with knowledge that it will result in payment of a benefit to which the recipient is not lawfully entitled.

k. Stealing a participant’s identity.

l. Stealing any Personally Identifiable Information that SDCERS holds or maintains for personal use or disclosure to outside parties.

m. Disclosing confidential and proprietary information to outside parties without authorization.

n. Intentionally taking steps to hinder the detection of any of the above activities, or to interfere with or obstruct an investigation under this Policy.

REPORTING PROCEDURE

5. Any SDCERS’ Board or Independent Non-Board Member, employee, consultant, vendor, or any other party associated with or doing business with SDCERS who knows or suspects that a Board Member, Independent Non-Board Member, employee, or third party has committed any activity of the type described in this Policy has the responsibility to immediately report the activity to any of the following: Chief Compliance Officer, General Counsel, Internal Auditor, CEO, Deputy CEO, Board President, Board Vice President, or the employee's supervisor or division manager. Reports of violations under this Policy shall be handled as follows:

a. If a report is made to an individual Board or Independent Non-Board Member, they shall promptly inform one of the following: Internal Auditor, Board President, Vice President, CEO, Deputy CEO, Chief Compliance Officer, or General Counsel.

b. If a report is made to any person other than the Chief Compliance Officer, General Counsel, or the Internal Auditor, the person receiving the report shall convey the report to the Chief Compliance Officer, General Counsel, or Internal Auditor as soon as practicable.

c. Reports may be made orally or in writing, and may be made confidentially and/or anonymously. An anonymous report shall be investigated if it includes sufficient information to allow for an investigation. Alternatively, reports may be made to the Ethics and Compliance Hotline at (866) 809-3500.

6. Confidentiality concerning reports, inquiries, and investigations shall be maintained to the greatest extent possible, consistent with the need to investigate and respond to reports. Confidential information obtained by a Board or Independent Non-Board Member or employee in the course of an inquiry or investigation must not be disclosed except to persons involved in the investigation
or who have a business need to know the information, except as expressly authorized by the General Counsel or Chief Compliance Officer.

7. SDCERS prohibits Retaliation against employees for making a Good Faith report of suspected misconduct or for participating in an investigation. No Board or Independent Non-Board Member or employee is permitted to engage in Retaliation against an employee for making a Good Faith report under this Policy. Any employee who conducts or condones Retaliation shall be subject to discipline, up to and including termination.

DETECTION & INVESTIGATION

8. All Board and Independent Non-Board Members and staff should be familiar with the opportunities for fraud or criminal acts that may exist in their areas of responsibility and be alert for any indication of fraud, criminal acts, or violations of local, state, and/or federal law of the type described in this Policy. Suspected fraud or other misconduct must be reported as set forth in paragraph 5 above. All credible allegations reported under this Policy shall be investigated.

9. The Chief Compliance Officer, General Counsel, and Internal Auditor shall review allegations received to determine whether they fall within the scope of this Policy and warrant further investigation. The CCO shall develop internal written procedures for the review and investigation of reports. All investigations will be conducted in a fair, objective, and professional manner and in compliance with relevant laws.

AUDITING & MONITORING

10. The Chief Compliance Officer, General Counsel, and Internal Auditor shall monitor, audit, and evaluate adherence to this Policy. Results of these auditing and evaluation activities shall be shared with the Audit Committee, the Business and Governance Committee, and the executive staff to improve SDCERS’ business practices and maintain ties between compliance efforts and business decisions.

11. The Chief Compliance Officer shall report to the Business and Governance and Audit Committees regarding allegations and investigations under this Policy on an as needed basis. Additional reporting may be requested at any time by the Audit Committee and/or Business and Governance Committee.

CORRECTIVE & DISCIPLINARY ACTION

12. Where an internal investigation substantiates a violation of this Policy, the Chief Compliance Officer, under the direction of the CEO, shall determine and initiate the appropriate corrective action, including instituting appropriate disciplinary action and system changes to prevent a similar violation from reoccurring in the future. Where required by law, or as directed by the CEO or the Board to do so,
the Chief Compliance Officer shall report the violation to the appropriate law enforcement agency.

13. Disciplinary action may be taken against:

a. Any employee who is found to have committed any of the activities described in paragraph 4 of this Policy.

b. Any employee who makes a false report that is not made in Good Faith.

c. Any employee who intentionally makes false statements in connection with any SDCERS investigation.

d. Any employee who Retaliates against another employee for making a Good Faith report.

e. Any employee who condones, permits, or has knowledge of fraudulent or unlawful conduct of the type described in this Policy and does not report it.

f. Any employee who intentionally misuses information received in connection with a report or investigation under this Policy.

14. The Chief Compliance Officer shall develop internal written procedures for instituting corrective and disciplinary actions under this Policy.

CONFLICT OF INTEREST

15. If a report is made against the Chief Compliance Officer or other circumstances exist that create a conflict of interest for the Chief Compliance Officer, the Internal Auditor shall act in their place and assume all duties and obligations of the Chief Compliance Officer under this Policy. No employee or Board or Independent Non-Board Member who is the subject of a report or investigation shall be involved in the review of the report or the conduct of the investigation.

HIRING & PROMOTION

16. SDCERS shall exercise due diligence in hiring all staff and service providers. The CEO shall develop procedures to avoid hiring any person whom SDCERS knows, or should reasonably know, has engaged in fraudulent or unlawful activities or other conduct inconsistent with this Policy.

POLICY REVIEW & HISTORY

17. The Board shall review this Policy every three years to ensure it remains relevant and appropriate.
FUNDING OBJECTIVES POLICY

PURPOSE

1. SDCERS’ goal is achieving a funded ratio between 90% and 110%, with the overarching goal being 100% funding for each of the plan sponsors. This ensures assets are sufficient to pay benefits when due. Funding Objectives are the fundamental convictions that the Board holds regarding long-term plan funding to meet this goal. The Funding Objectives Policy (Policy) serves to facilitate the Board’s discussion and analysis necessary to meet SDCERS’ funding objectives, but not to document the methods and assumptions in this document.

SCOPE

2. This Policy covers the actuarial methods, assumptions, and practices to meet the goal of 100% funding. The decision on specific methods used in each valuation is documented in the annual actuarial valuation and the following Board Rules:

   • 2.80 Member Contribution Rates
   • 2.90 Applicable Mortality Tables and Assumptions for Determining Actuarial Equivalence and Other benefits
   • 2.100 Calculation of Substantially Equal Requirement
   • 2.110 Actuarial Funding Methodologies and Assumptions.

OVERVIEW

3. The Board has four funding objectives:

   • Benefit Security - *The setting of actuarial assumptions and methodologies should be based upon funding the Plan to avoid the risk of running out of assets to pay pension benefits.*

   • Stable and Predictable Costs - *Contributions should be managed and controlled, consistent with other funding objectives and rules, so that costs remain stable and predictable over time for both cash-flow and investing purposes.*

   • Intergenerational Equity - *The employee’s pension should be funded by the generation of tax payers that receives the employee’s services.*

   • Cost Sustainability - *Establish a funding model providing employers the ability to pay their actuarially determined contribution through various economic cycles.*
The methods and assumptions used to achieve each of these objectives may be in conflict with each other. The Board has the responsibility to determine how to weigh the primary funding objectives and then set the methods and assumptions to meet the overall goal of a funded ratio between 90% and 110%.

4. The Board’s actuarial toolkit includes setting assumptions and methodologies to meet the funding objectives. The assumptions and methodologies include:

- **Economic Assumptions** - discount rate (investment return), inflation rate, salary increase rate, merit increases, and cost-of-living increase rate.
- **Demographic Assumptions** - family composition (marital status), DROP entry and exit behavior, and rates at which members refund contributions, terminate employment, become disabled, die, and retire.
- **Asset Valuation Method** - smoothing annual asset values over time to dampen asset value volatility caused by fluctuations in market conditions.
- **Actuarial Funding Methods**
  - **Funding method**
  - **Amortization of experience gains and losses**
  - **Amortization of changes to economic and demographic assumptions and methodologies**
  - **Amortization of changes in benefits**

**OBJECTIVES**

5. **Benefit Security**: This objective is achieved through the use of shorter amortization periods, entry age normal funding method, level dollar amortization, a lower discount rate, and a higher inflation rate; these all require greater funding upfront, at the beginning of a member’s career. The guidelines to consider in reaching this objective are:

- The Board will make funding policy decisions independently from its stakeholder groups, and in accordance with California State law requiring that the Board’s duty to its participants and beneficiaries takes precedent over any other duty.
- Actuarial assumptions and methodologies should be reviewed periodically to ensure expected results align with actual results and anticipated future long-term experience.
- Funding targets must be set to ensure a high level of benefit security.
- Unfunded Actuarial Liability (UAL) amortization methods should avoid increasing the liability through negative amortization.
• Stress testing with stochastic modeling is a valuable tool in evaluating how changes in market conditions affect funding.

6. **Stable and Predictable Costs**: This objective is achieved through asset smoothing and periodic adjustments to amortization periods to minimize contribution volatility, including additional layering of previous balances. The guidelines to consider in reaching this objective are:

  • Contributions from employers and employees should be predictable to the extent possible while subject to short-term experience gains and losses.
  
  • Amortizing the UAL is a valuable tool to create a stable and predictable payment plan for the employer.
  
  • UAL amortization periods that create untenable contribution volatility should be avoided.
  
  • Asset Smoothing is a valuable tool to reduce the impact of annual investment volatility on contributions.

7. **Intergenerational Equity**: This objective applies primarily to open plans. The guidelines to consider in reaching this objective are:

  • Overall, the plan’s UAL amortization period should approximate the active members’ average years of service until retirement.
  
  • Payment of the normal cost as part of the annual contribution ensures an element of intergenerational equity.

8. **Cost Sustainability**: This objective is achieved through reduction of volatility of plan sponsor contributions, especially during challenging economic periods. Longer amortization periods help stabilize plan sponsor contributions. The guidelines to consider in reaching this objective are:

  • Economic and non-economic assumptions should be evaluated with a view toward long-term trends based upon historic actual experience and estimated future experience while avoiding a bias to current conditions.
  
  • Funding the plan, including actuarial assumptions and methods, should assume that the Plan and Plan Sponsors will continue to exist and fund their plans.
  
  • Stress testing with stochastic modeling is a valuable tool in evaluating the Plan’s ability to withstand volatile economic conditions by scrutinizing key economic assumptions about the future under different economic scenarios.
• Plan surplus is defined as a long-term measure and not based upon a single year’s results.

POLICY REVIEW & HISTORY

9. The Board shall review this Policy every three years to ensure that it remains relevant and appropriate.

Adopted September 14, 2018, and reviewed September 10, 2021.
INFORMATION TECHNOLOGY POLICY

PURPOSE

1. To establish rules governing the use of SDCERS’ information technology including but not limited to use of SDCERS’ computer hardware, software, cloud computing, electronic mail system (e-mail), and the Internet by SDCERS’ staff and Board and Independent Non-Board Members in order to:
   a. Maintain the integrity and security of SDCERS’ systems, data and equipment;
   b. Maximize and ensure the efficient and effective use of information technology assets; and
   c. Protect SDCERS from liability as a result of inappropriate use of data or information technology resources.

SCOPE

2. This Policy applies to all SDCERS staff who use SDCERS’ systems, data and equipment, including hardware and software, and/or who send or receive communications via SDCERS’ electronic mail system (e-mail) in the performance of their duties.

3. This Policy also applies to all other persons, including contractors, vendors, consultants, authorized volunteers, Board and Independent Non-Board Members, temporary employees, and other affiliates who have been granted access to SDCERS’ information systems through the use of an authorized account and/or who are authorized to use SDCERS’ systems in the performance of their SDCERS-related duties.

4. This Policy applies to the use of SDCERS systems and equipment and to non-SDCERS systems and equipment that may be used by SDCERS staff to remotely access SDCERS services in the course of telecommuting or for other work-related purposes.

POLICY

5. SDCERS owns and supplies computer hardware, software, cloud computing, and licensing (collectively, “Technology”) in order to enable employees to perform their jobs and duties. All Technology is the property of SDCERS, regardless of their physical location or the form in which they are maintained. This includes, but is not limited to, computer data files, documents, databases, spreadsheets, calendar entries, appointments, tasks, and notes which reside in part or in whole on any SDCERS Technology.
a. SDCERS reserves the right to access and disclose all information and data communicated via its Technology. SDCERS-related information or data created on remote access personal computers must be made accessible upon request. Board and Independent Non-Board Members and employees do not have an expectation of privacy when using or accessing SDCERS’ Technology except to the extent that a communication or computer file falls within a legal privilege from disclosure, such as the attorney-client or attorney-work product privileges.

b. SDCERS shall have the right to delete or retain any or all e-mail messages or computer files of an SDCERS’ staff once they are no longer employed by SDCERS, subject to all applicable laws. It is the responsibility of the applicable SDCERS’ Division Director to ensure that access to SDCERS’ systems is terminated and all computer files are retained by SDCERS when an employee leaves SDCERS employment.

c. All copyrights and other intellectual property rights which are in any way related to SDCERS activities and which are created by SDCERS’ staff while they are employed by SDCERS are the exclusive property of SDCERS.

6. The Chief Information Officer/Chief Information Security Officer (“CIO/CISO”) shall be responsible for establishing, maintaining, and enforcing Internal Information Technology Policies and Procedures (“Internal IT Policies and Procedures”) under the direction of the Chief Executive Officer.

7. The Internal IT Policies and Procedures shall contain policies and guidelines addressing the following areas:

a. Responsibility;

b. General Computer Usage;

c. Online Network File System;

d. USB/Flash drives (External storage media);

e. Document Storage;

f. Disposal of Equipment;

g. Information Privacy, Access, and Disclosure;

h. Acceptable Use of SDCERS’ Systems and Devices;

i. Licensing and Unauthorized Software Usage;
j. Acceptable Use of SDCERS Electronic Mail (E-Mail) and Calendar System;

k. SDCERS’ Response to Security and Abuse Incidents; and

l. Passwords and Identity Management;

m. Patch Management.

8. The CIO/CISO shall ensure that each Board and Independent Non-Board Member and SDCERS’ staff, consultants and any other persons subject to this Policy is provided with a copy of the Internal IT Policies and Procedures. All persons subject to this Policy are responsible for reading and ensuring that they understand these Internal IT Policies and Procedures and shall sign a statement acknowledging their receipt and understanding at the beginning of their term or employment.

POLICY REVIEW & HISTORY

9. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

INSIDER AND PERSONAL TRADING POLICY

PURPOSE

1. The purpose of this policy is to educate and regulate the Board and Independent Non-Board Members, Staff, and contractors on the anti-fraud provisions of federal securities laws, including section 10(b) of the Securities Exchange Act of 1934 and the purchase or sale of Securities on the basis of material, nonpublic information in breach of a duty of trust or confidence. The Board adopts this policy to ensure compliance with these federal laws, to meet its fiduciary responsibilities, and to preserve the integrity of the system.

SCOPE

2. This policy pertains to Board and Independent Non-Board Members, Staff, and Investment Contractors.

DEFINITIONS

3. “Derivative” means a security or other financial product whose value, return or price is dependent upon, derived from, or linked to the value of a reference rate, exchange rate, interest rate, index, currency, or an underlying security or other asset, or any combination of the foregoing.

4. “Investment Contractor” means an investment manager, investment consultant, general partner, managing members or other investment professional paid to provide investment services to SDCERS.

5. “Security” means 1) all publicly traded equity and debt securities of companies listed on a domestic or international securities exchange, including without limitation common stocks, preferred stocks, bonds convertible into equity, rights, warrants, units, depositary receipts, and 2) their Derivatives including without limitation swaps, futures, options, and the functional equivalents of these securities. The term “Security” does not include the following: a) open-ended mutual fund investment companies registered under the Investment Company Act of 1940, (b) United States government securities, (c) municipal debt securities, (d) trades that result from issuer actions without any voluntary action on the part of the person holding the security, and (e) index products (exchange traded fund securities, options, or other Derivatives that track published indices).

6. “Staff” means a person employed by the City and assigned to work for SDCERS in an employer-employee relationship and not in an independent contractor capacity.

7. “Watch List” means a list, maintained by the CCO, of Securities of public companies about which Staff or a Board or Independent Non-Board Member of SDCERS has material, nonpublic information.
8. SDCERS is a retirement trust fund and the Board has a fiduciary responsibility to manage the fund on behalf of its Members. SDCERS, its Board and Independent Non-Board Members, Staff, and contractors are also subject to the anti-fraud provisions of the federal securities laws, including section 10(b) of the Securities Exchange Act of 1934. These rules prohibit the purchase or sale of Securities on the basis of material, nonpublic information in breach of a duty of trust or confidence. This prohibition covers those who acquire information in the context of a relationship of trust or confidence, those who have misappropriated this information, and those who are “tippees” of either type of person.

9. SDCERS’ Board and Independent Non-Board Members and Staff may come into possession of material non-public information that concerns publicly traded Securities (“MNPI”). As set forth in this policy, all Board and Independent Non-Board Members and Staff are required to take proactive steps to preserve the confidentiality of this information and are precluded from personally trading on the basis of this information. SDCERS Investment Contractors are also expected to handle MNPI appropriately and to maintain operational controls that ensure compliance with federal securities laws. SDCERS Board and Independent Non-Board Members, Staff, and Investment Contractors may also learn of SDCERS’ confidential trading strategies or trades. These persons are also precluded from Front Running -- buying or selling Securities on the basis of this knowledge.

10. It is the responsibility of every Board and Independent Non-Board Member, Staff, and Investment Contractor of SDCERS to understand and abide by the terms of this policy. This policy does not, however, address every conceivable situation that might confront SDCERS Board and Independent Non-Board Members, Staff, or Investment Contractors who are managing SDCERS investments or their own personal assets. Such persons are expected to perform their duties in a manner that minimizes even the appearance of impropriety or conflict of interest. These persons are therefore encouraged to seek the guidance of the SDCERS Chief Compliance Officer (“CCO”) or General Counsel if they have any questions regarding this Policy or the issues addressed by the policy. Board and Independent Non-Board Members and Staff are also free to seek advice from their personal counsel regarding the matters addressed by this policy.

11. Material Non-Public Information:

   a. Information is “material” if there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to buy or sell the Security or if the information would, upon disclosure, likely have a significant impact on the market price of a Security. The following is an incomplete list of information that is generally considered material:

   - Earnings or other financial results;
   - Changes in earnings or financial estimates, guidance or projections;
• Dividend declarations or changes;
• Stock split declarations;
• Acquisition or loss of a major contract;
• Mergers, acquisitions, tender offers, or joint ventures;
• Proposed issuance of new Securities;
• Existence of unregistered (e.g., “PIPE”) company Securities;
• Stock repurchase programs;
• New innovative licenses, patents, or other intellectual property rights;
• Regulatory approval or rejection of a product;
• Significant new product development or new mineral discoveries (e.g., oil, gas, or uranium);
• Significant management or operational changes;
• Purchase or sale of substantial assets;
• Substantial liquidity problems;
• Substantial legal disputes;
• Regulatory or law enforcement proceedings; and
• Criminal or other government investigations.

This list is illustrative only and there are other types of material information. If there is doubt as to whether or not information is material, the information should be treated as material.

b. Information is “non-public” when it has not been broadly disseminated to the investing public through, for example, a press release or a filing with the Securities and Exchange Commission. Information may be considered non-public despite disclosure to certain Staff, contractors, investors, or financial analysts. Material information received pursuant to a non-disclosure or confidentiality agreement and information provided to SDCERS as “confidential” should be considered MNPI.

12. Prohibition on Insider Trading:

a. SDCERS’ Board and Independent Non-Board Members, Staff, and Investment Contractors who have knowledge of MNPI regarding a Security are prohibited from participating, either directly or indirectly, in an SDCERS’ decision to purchase, hold, or sell the Security. SDCERS’ Board and Independent Non-Board Members and Staff with MNPI regarding a Security are also prohibited from purchasing or selling the Security on their own account.

b. No SDCERS’ Board or Independent Non-Board Member, Staff, or Investment Contractor may, directly or indirectly, pass along or “tip” any MNPI about a Security or Security issuer.

c. Investment Contractors must also comply with the anti-fraud insider trading rules. They are expected to adopt and maintain appropriate compliance
policies, internal procedures, and monitoring processes to ensure that neither the firm nor its officers or Staff violates these rules.

13. Protection of Material Non-Public Information:

a. SDCERS’ Board and Independent Non-Board Members, Staff, and Investment Contractors in possession of MNPI must safeguard this information and may not in any way, whether intentionally or negligently, communicate it to any person (including SDCERS’ contractors, family members, other relatives, and friends) unless the recipient person has a need to know the information for reasons directly related to their duties as a SDCERS’ Board or Independent Non-Board Member or Staff.

b. SDCERS’ Board or Independent Non-Board Members and Staff must immediately inform the CCO of their receipt of MNPI. The CCO shall document the receipt of MNPI and maintain a confidential Watch List identifying the Securities that correspond to the MNPI received by SDCERS personnel. The Watch List shall contain the name and ticker symbol of the Security, its issuer, the name(s) of the SDCERS personnel who possess such information (“Insider Persons”), and the date that the person received the information. The CCO shall keep the Watch List in a secured location and may disclose its contents only to the CEO, Deputy CEO, Chief Investment Officer, Internal Auditor, the Board President, and/or their designees.

c. The CCO shall promptly inform all Insider Persons of the following: 1) they may not participate, directly or indirectly, in SDCERS’ investment decisions regarding the Security; 2) neither they nor their spouse may not personally trade the Security; 3) they may not disclose the MNPI to any other person except SDCERS’ personnel for reasons directly related to the person’s duties as a Board or Independent Non-Board Member or Staff or except as required by law; 4) they must notify the CCO of any disclosure to other persons; and 5) they should take strict precautions to protect the confidentiality of the MNPI.

d. SDCERS’ personnel who intentionally or negligently communicate MNPI to a person not currently on the Watch List must promptly notify the CCO of this communication and the CCO shall document this communication on the Watch List. The CCO shall promptly advise the recipient in the same manner as an Insider Person (as described above) and shall add the person’s name to the Watch List.

e. The CCO may remove a Security from the Watch List when they determine that the MNPI has been broadly disseminated to the public or that removal is otherwise appropriate. The CCO may confer with the Insider Persons, the Chief Investment Officer, CEO, and/or the Deputy CCEO in making this determination. When the CCO removes a Security from the Watch List, they
shall document the date and reason for removal. The CCO shall subsequently inform the Insider Persons that the Security has been removed from the list and that the Insider Persons are no longer precluded from participating in SDCERS’ investment decisions regarding the Security and are no longer precluded from trading the Security on their own account.

14. Prohibition on Front Running:

“Front Running” is the purchase or sale of a Security by a SDCERS’ Board or Independent Non-Board Member, Staff, or Investment Contractor with knowledge of a pending SDCERS’ decision or trade order to buy or sell the same Security. Front Running may violate the insider trading rules and may constitute a misappropriation of SDCERS’ proprietary information for personal gain. All SDCERS’ Board and Independent Non-Board Members, Staff, and Investment Contractors are prohibited from Front Running. In addition, such persons may not knowingly delay, hinder, modify, or cancel any buy or sell recommendation, decision, or trading order for the purpose of facilitating a personal trade that would otherwise constitute Front Running or a violation of state or federal laws.

15. Certification Form:

To ensure compliance with this policy, at the time they begin their service or as soon as practicable, all SDCERS Board and Independent Non-Board Members, Committee members, the CEO, Deputy CEO, Chief Investment Officer, General Counsel, Associate General Counsel, and SDCERS Investment Officers and analysts shall complete a form that certifies they have read the policy, have agreed to abide by its terms, and will not violate the policy. The form shall also require the signatory to acknowledge that policy violations will result in serious consequences, including potential termination from employment or termination of contract with SDCERS. Failure to execute this certification form shall be the basis of discipline of the Staff or Board or Independent Non-Board Member.

16. Responsibilities:

a. CEO. SDCERS’ CEO is responsible for implementing controls and procedures to enforce and monitor compliance with this policy. The CEO may interpret this policy and may supplement the procedures described in this policy as they deem appropriate to fulfill the purposes of this policy. In compliance with all applicable employment rules and agreements, the CEO shall determine and implement any sanctions for violations of this policy. The CEO may delegate the responsibilities herein to the Deputy CEO.

b. Chief Investment Officer. SDCERS’ Chief Investment Officer is responsible for developing controls and procedures to enforce and monitor internal compliance with this policy and for overseeing the compliance of Investment Contractors. The Chief Investment Officer is also responsible
for consulting with the CEO, Deputy CEO, and the CCO as set forth in this policy.

c. CCO. The CCO is responsible for the administration of this policy as set forth herein. This responsibility includes preparation, distribution, and review of the Certification forms and management of the Certification process. The CCO is also responsible for reporting violations by SDCERS’ Board and Independent Non-Board Members, Staff, or Investment Contractors to the CEO. If violations involve the CEO, the CCO shall report to Board President. If violations involve a Board or Independent Non-Board Member other than the Board President, the CCO shall report to the Board President as well as the CEO. If violations involve the Board President, the CCO shall report to the Vice President of the Board as well as the CEO.

d. In consultation with the Board President and the CEO or Deputy CEO if designated, the CCO is also responsible for providing training on this policy to all Board and Independent Non-Board Members and Staff at the time they commence their positions at SDCERS and to all personnel on a periodic basis.

e. Board and Independent Non-Board Members, Staff, and Investment Contractors. Board and Independent Non-Board Members, Staff, and Investment Contractors have the responsibility to read and understand this policy, adhere to its requirements, and attend training sessions. Board and Independent Non-Board Members, Staff, and Investment Contractors also have the responsibility of reporting any violations to the CCO and the CEO.

POLICY REVIEW & HISTORY

17. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

   Adopted May 12, 2017; amended November 9, 2018, and November 5, 2021.
INVESTMENT POLICY STATEMENT

MISSION STATEMENT

The mission of the San Diego City Employees’ Retirement System is to deliver accurate and timely benefits to its participants and ensure the Trust Fund’s safety, integrity and growth.

November 2022
I. INTRODUCTION

The San Diego City Employees’ Retirement System (SDCERS) Trust Fund (Fund) exists for the purpose of providing retirement income, disability income, and death benefits for the employees (and their beneficiaries) of The City of San Diego, The San Diego Unified Port District, and The San Diego County Regional Airport Authority.

This Investment Policy Statement (IPS) encompasses the investment goals, objectives, and policies of the Fund. The purpose of the IPS is to declare the goals and structure of the SDCERS investment portfolio and to guide the Board of Administration (Board), the Investment Committee, and Staff in effectively supervising and monitoring SDCERS’ Investment Program consistent with the Board’s constitutional fiduciary duties. This IPS addresses the following topics:

- The goals of SDCERS’ Investment Program;
- Specific asset allocation, rebalancing policy, and investment policies;
- Performance objectives; and,
- The roles and responsibilities of the parties involved with the oversight and management of the Fund’s assets.

The Board establishes this investment policy in accordance with applicable local, state, and federal laws. The Board has been and will continue to be guided by the Prudent Expert standard.

The IPS is designed to provide sufficient flexibility in the management and oversight process recognizing the dynamic nature of the investment environment, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program in order to assure the competency of the assets of the Fund to timely provide retirement and related benefits to members and their beneficiaries, both now and into the future. The IPS provides broad guidance relating to the oversight and management of SDCERS’ assets. Additionally, separate policies and procedures are defined with respect to individual asset classes (for instance, private equity, real estate) and investment-related functions (such as proxy voting, securities lending, etc.).

II. STATEMENT OF INVESTMENT PHILOSOPHY

The Board believes that investment policies, in aggregate, are the most important determinants of investment success. Compliance with investment policies should,
therefore, be monitored diligently. The Board also believes that performance of the total portfolio, individual asset classes, and investment managers should be monitored and compared to appropriate, predetermined benchmarks.

The Board believes that prudent management of risk is a central element of the investment function and that diversification among asset classes will reduce risk and enhance returns of the overall investment portfolio in the long-term. The Board focuses on a 20-30 year time horizon to manage the investment portfolio. Furthermore, while SDCERS recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.

The Board oversees and guides the Fund and its policies subject to the following basic fiduciary principles:

1. To act solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries. The Board’s duty to its participants and their beneficiaries shall take precedence over any other duty;

2. To act with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims;

3. To diversify the investments of the Fund so as to achieve a fair risk-adjusted rate of return that will support the long-term soundness of the Fund;

4. To diversify the Fund's investments so as to minimize the risk of loss associated with any single security, asset class, economic sector, and country/region;

5. To minimize the cost of funding benefits for participating employers and the individual participants of SDCERS through prudent investments; and,

6. To incur only reasonable costs of administration.

Further, the Board has assumed the following investment beliefs that provide a foundation for implementation of the strategic investment policy. These investment beliefs are intended to help convey SDCERS’ perspective on several foundational investment areas.

• Gain exposure to the broad opportunity set across each asset class
  o Eliminate unintended structural biases
  o Recognize risks associated with structural biases and be comfortable with such risks

• Pay little for beta – use active management for alpha, not diversification
• Eliminate style-box approach to portfolio construction; style boxes are a rigid and artificial construct
• Focus manager selection efforts on skill and not style
  o Hire active managers that can add value regardless of their style and capitalization orientation
  o Allow managers with identifiable skill broad latitude to add value
• Utilize active risk budgeting as a risk control and allocation tool
• Seek to keep fees low – higher fees do not always translate to higher value added

In order to achieve these goals, SDCERS recognizes the importance of human capital and must invest the necessary resources to build and maintain an appropriate organizational infrastructure.

Furthermore, the Board acknowledges the importance of including Environmental, Social, and Governance (ESG) considerations in the investment to the extent they serve to mitigate risk or improve investment returns over the long term. As all of SDCERS’ investments are externally managed, the Board relies on its investment managers to incorporate ESG considerations into their investment processes to the extent they are material to SDCERS’ investment performance. These activities are monitored by SDCERS’ investment staff, consultants, and advisors for consistency with the Board’s fiduciary duties and reported to the Board each quarter.

Given the dynamic nature of investment markets and risks, evolution of products, institutional investment standards, and risk management practices, the Fund’s IPS and associated elements, such as asset allocation, active risk profile, etc. shall be reviewed on a regular basis and updated, as needed, to ensure that the Fund’s strategy remains consistent with SDCERS’ objectives and circumstances and the overall investment and economic environment.

III. INVESTMENT GOALS

In accordance with SDCERS’ Mission Statement, the goal of SDCERS’ investment program is to generate adequate long-term returns which, combined with employer and employee contributions, will result in sufficient assets to pay the present and future obligations of SDCERS. The following objectives are intended to assist in achieving this goal:

• Generate returns that support the long-term soundness of the Fund.
• Seek to earn a net-of-fee return in excess of the policy benchmark over the long-term.
• Manage SDCERS’ assets on a total return basis, which takes into consideration both investment income and capital appreciation.
• Seek to avoid taking undue risk where there is not a reasonable belief that such risk will be appropriately rewarded.
To achieve these objectives, SDCERS allocates its assets (asset allocation) with a strategic, long-term perspective of the capital markets.

IV. GOVERNANCE

Core Principles

The Board has plenary authority and fiduciary responsibility for investment of monies and administration of SDCERS. The Board will always operate with the highest fiduciary standards with integrity and transparency. Where appropriate, the Board will seek expert advice and may delegate functions to internal subcommittees and Staff, who will serve as fiduciaries to SDCERS.

Delegation

The Board may delegate investment responsibility of Fund assets to multiple investment managers, who shall serve as fiduciaries to SDCERS, subject to these guidelines and the provisions of Article IX, Section 144 of the City of San Diego Charter. The Board may delegate to the Investment Committee responsibility for appointing and supervising investment managers and consultants, including, but not limited to, general investment consultant, real estate consultant, private markets advisors, and/or other asset class consultants or specialists (broadly referred to as Consultant(s) going forward). The Investment Committee is required to report to the Board at least quarterly or as directed. External consultants and advisers retained by the Board to assist with the oversight and management of the investment program shall serve as fiduciaries to SDCERS.

Manager Retention and Termination

The Investment Committee delegates to Staff, with assistance from its Consultant(s), the process of identifying and recommending managers for retention or termination. Staff, working with Consultant(s), will conduct comprehensive due diligence to provide the Investment Committee with necessary and sufficient information in support of recommendations to retain or terminate external investment managers. The specific elements of due diligence will vary based on the asset class and the characteristics of the individual manager(s) and/or strategies under consideration. The due diligence with respect to underlying investment managers shall include, but is not limited to, an assessment of the merits of investment process and philosophy, resources and talent available to the organization, the likelihood that key resources will remain, risk management processes, internal control and compliance processes and procedures, and other organizational considerations.

A recommendation to the Investment Committee to retain a manager shall be supported by evidence of the comprehensive due diligence by Staff and Consultant(s) and a description/analysis of the fit of the manager’s strategy/portfolio in the context of the overall portfolio and its objectives.

For private markets investments, SDCERS shall not invest with any direct investment manager or any consultant who has discretion to invest on SDCERS’
behalf who elects to waive their fiduciary duty to SDCERS or who has any discretion in calculating their performance fee.

Reasons to terminate a manager may include, but are not limited to: turnover of investment management or other professionals that is likely to have an adverse impact on the performance of the strategy, divergence of strategy from stated objectives, violation of guidelines, legal action or action by any regulatory organization on the investment management firm, a change in the organizational structure that is likely to have an adverse impact on the performance of the strategy, availability of/access to more compelling investment strategies, and poor performance.

The Board and Investment Committee may, at their discretion, delegate authority to Staff to retain investment managers if in their opinion it is prudent to do so. Such retentions shall be presented to and ratified by the Investment Committee at the meeting subsequent to the managers’ retention. Any delegation of authority to Staff shall define constraints, such as asset class, size of allocation, etc. within which Staff can retain managers.

Occasionally, it may become necessary to terminate an investment manager and/or limit/freeze an investment manager’s trading discretion on an expeditious basis in order to protect the assets of the Fund. In circumstances where it is deemed prudent to terminate an investment manager on an expeditious basis (prior to when such action can be brought forward at an Investment Committee meeting), the Chief Investment Officer (CIO) shall have the discretion, with the approval of the Chief Executive Officer (CEO), to initiate such action as is necessary to protect the interests of SDCERS and its assets. Any action taken in this regard shall be reported to the Investment Committee at its meeting subsequent to when such action is taken, with detailed information on the rationale for termination or limiting/freezing a manager’s trading discretion.

Investment Policy Statement Review

This IPS shall be reviewed, at a minimum, every three years or as directed by the Board. Such reviews will focus on the continuing feasibility of achieving the investment objectives and the continued appropriateness of the investment policy relative to SDCERS’ circumstances. It is not expected that the investment policy will change frequently; in particular, short-term changes in the financial markets generally should not require an adjustment in the investment policy. However, specific policy issues may be visited whenever the Board deems necessary. Specific occurrences which might suggest to the Board an earlier review include, but are not limited to, a change in the Fund’s circumstances and/or a material change in the capital market environment.

V. ASSET ALLOCATION POLICY

The policies of SDCERS’ investment program are designed to maximize the probability that the investment goals will be fulfilled. SDCERS recognizes that strategic asset allocation is the dominant determinant of portfolio risk and return. Expected and actual investment returns of the Fund will depend on the asset
allocation targets, the mix of investment styles within asset classes, and, to a lesser extent, individual manager performance.

SDCERS adopts and implements an asset allocation policy that is predicated on a number of factors, including:

1. A projection of actuarial assets, liabilities, and benefit payments and the cost of contributions;
2. Historical and expected long-term capital market risk and return behavior;
3. Expected correlations of returns between various asset classes;
4. An assessment of future economic conditions, including inflation and interest rate levels;
5. The current and projected funding status of the Fund;
6. Various risk/return scenarios; and
7. Liquidity requirements.

The Board shall review the overall asset allocation annually to provide a sound fiduciary oversight to the investment process. The implementation of the asset allocation will be conducted annually in the form of a Portfolio Structure Review. Additionally, at least every five years, the Board shall undertake an Asset/Liability study that evaluates the Asset Allocation policy in the context of projected actuarial liabilities and funding (contribution) practices. This is performed to assess the impact of changes in capital market behavior on the risk and return structure of the asset allocation strategy and the ultimate net cost of funding the benefits owed to participants and retirees.

**Permissible Investments**

An investment type or strategy may be considered an asset class if the risk, return, and correlation exhibited is sufficiently different from other standard asset categories such as equity, fixed income, real estate, and private markets, which include private equity and infrastructure.

The following asset classes/strategies are appropriate candidates for consideration of inclusion in the portfolio:

- U.S. equity;
- Non-U.S. equity, including emerging markets;
- Global equity, including equities listed above;
- Domestic fixed income, including high yield fixed income, floating rate debt, and preferred stock;
- International fixed income, including high yield and emerging markets;
- Real estate, including private and public real estate;
- Private markets, including private equity and infrastructure;
• Commodities;
• Strategies that utilize public and private market securities typically offered in a hedge fund structure; and
• Other alternative investments (currencies, timber, etc.).

Criteria for Inclusion of Asset Classes
The following criteria will be used in assessing an asset class for inclusion in the Fund:
• Sufficient size and liquidity to permit an investment by the Fund.
• Staff and Consultant expertise to ensure prudent due diligence and a cost-effective implementation.
• The incorporation of the asset class contributes to the return enhancement and/or further diversification of the Fund’s assets.
• Ability to measure performance and risk against readily available indices.

Following is SDCERS’ target asset allocation, approved by the Board on May 13, 2022.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
<th>Target Weighting %</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equity</td>
<td>Dow Jones U.S. Total Stock Market Index</td>
<td>19.0</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>MSCI All Country World ex-U.S. Investable Market Index</td>
<td>12.0</td>
</tr>
<tr>
<td>Global Equity</td>
<td>MSCI All Country World Index</td>
<td>8.0</td>
</tr>
<tr>
<td>Return-Seeking</td>
<td>33.3% ICE BofAML US High Yield Master II Constrained Index/</td>
<td>5.0</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>33.3% S&amp;P/LSTA Leveraged Loan Index/33.3% Emerging Market Debt Blend*</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>NCREIF Fund Index – Open End Diversified Core Equity Index (NFI-ODCE) + 50 bps</td>
<td>14.0</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Primary: CPI + 500 bps</td>
<td>11.0</td>
</tr>
<tr>
<td></td>
<td>Secondary: FTSE Developed Core Infrastructure 50/50 Index + 200 bps</td>
<td>3.0</td>
</tr>
<tr>
<td>Private Equity</td>
<td>Primary: Top 50th Percentile of the Burgiss Database (per SDCERS’ Private Markets Program Policies)**</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Secondary: 67% Dow Jones U.S. Total Stock Market Index/33%
MSCI All Country World Index ex-U.S. + 300 bps
Opportunity Fund

Primary 78% MSCI All Country World Investable Market Index/
22% Barclays Intermediate Aggregate Bond Index
Secondary: Weighted average of underlying strategy benchmarks

U.S. Fixed Income Barclays Intermediate Aggregate Bond Index

Total

100.0

*Any uninvested portion of the Private Equity/Infrastructure allocation will be invested in a proportion equal to 78% return-seeking assets and 22% risk-reducing assets.

**Given the need for a time-weighted return, the Burgiss Quarterly Pooled Return (rather than the 50th percentile return) is used to roll up into the Total Fund Policy Benchmark.

***Comprised of 40.0% JPM GBI-EM Global Diversified, 30.0% JPM EMBI Global Diversified, and 30.0% JPM CEMBI Broad Diversified.

*****The Opportunity Fund has a maximum allocation of 10%. Any uninvested portion of this allocation is prorated across public equities and U.S. fixed income in SDCERS’ 78%/22% ratio of return-seeking (non-Fixed Income) to risk-reducing (Fixed Income) assets.

The Total Fund Benchmark shall represent a weighted average of the individual asset class benchmarks based on strategic target weights to each asset class.

**Private Equity Benchmarks:** The primary benchmark for private equity is the 50th percentile of the Burgiss Database and is used by SDCERS’ Private Markets Advisors to evaluate since inception internal rates of return (IRRs). For purposes of including private equity in Total Fund performance evaluation, a time-weighted return series is needed. The peer-based benchmark of the 50th percentile does not allow for such a calculation, and therefore, the Burgiss Pooled Return series is used as the private equity peer-based benchmark that is rolled into the Total Fund Policy benchmark. Private equity is also evaluated over the long-term against a secondary benchmark of 67% Dow Jones U.S. Total Stock Market Index/33% MSCI All Country World Index ex-U.S. plus a 3% annual premium.

The Benchmarks for each of the asset classes shall be reviewed regularly, but no less frequently than once every three years, to ensure that they remain appropriate. Staff and Consultant(s) shall recommend changes to asset class benchmarks as appropriate. In the event that any of the benchmarks defined above are discontinued or their composition changes, the Investment Committee may in its sole discretion substitute other benchmarks upon the recommendation of the Staff and Consultant(s).

** Opportunistic Investments**

Opportunistic investments encompass a broad range of alternative strategies that do not fit within traditional asset classes or share characteristics of more than one asset class. Such investments may also be truly opportunistic in the sense that they may be available for investment only during certain market environments. The Board, therefore, adopts a policy allocation of up to 10% of total assets to such investments.
that have acceptable risk/return characteristics, and which can further the diversification of the investment program. Such investments may include, but are not limited to, bank loan funds, distressed mortgage debt, niche private investments, certain types of hedge funds, and commodities.

**Liquidity**

SDCERS recognizes that certain investments that entail a greater degree of illiquidity, such as private equity, real estate, and infrastructure, offer the potential for greater return and/or enhanced diversification. As a long-term investor, SDCERS has the ability to bear illiquid investments. In recommending allocations to illiquid asset classes, Staff and the General Investment Consultant shall consider projections of the net annual cash flows of SDCERS and identify a prudent level of assets that can be committed to such illiquid asset classes. The General Investment Consultant will undertake a liquidity analysis on an annual basis in conjunction with the Asset Allocation Review. Consideration should also be given to the size that such allocations may comprise in times of market stress to ensure that the overall allocation to such categories does not exceed the intent of policy and negatively impact the Fund’s ability to meet ongoing cash flow needs.

**Leverage**

Leverage is a condition where the net potential monetary exposure of an obligation exceeds the value of the underlying assets. Leverage is not permitted at the Total Fund level. Underlying portfolio managers may use leverage so long as it is used in a manner consistent with the discipline for which the Board hired the investment manager and does not introduce material leverage at the Total Fund level. Use of leverage will be controlled by the investment manager’s guidelines and will be subject to review by Staff, Consultants, and/or the Investment Committee.

**Derivatives**

For the purposes of this policy, derivatives include, without limitation: futures contracts; options; options on futures contracts; forward contracts; swap agreements, including swap contracts with embedded options; any instrument or contract intended to manage transaction or currency exchange risk in purchasing, selling, or holding investments; and any other instrument commonly used by institutional investors to manage institutional investment portfolios.

At the Total Fund level, derivatives may be used to maintain the program’s strategic asset allocation. External managers retained by the Board may be permitted to utilize derivatives to implement their investment strategies. Each individual manager’s guidelines shall specify guidelines regarding derivatives usage. Derivative usage by investment managers should not introduce leverage to the Total Fund.

Under no circumstances may derivatives or leverage be used to circumvent the intent or limits otherwise prescribed by this policy.

**VI. REBALANCING POLICY**

The purpose of rebalancing is to minimize unintended drift from SDCERS’ strategic asset allocation, thus ensuring compliance with policy and reducing portfolio tracking.
error relative to the policy benchmark. Systematic rebalancing should reduce volatility and increase portfolio returns over the long-term.

SDCERS maintains a defined and disciplined rebalancing process, whereby target allocations to asset classes will not exceed certain rebalancing ranges as outlined in the following chart.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Long Term Target Weight %</th>
<th>Minimum Weight</th>
<th>Maximum Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equity</td>
<td>19.0</td>
<td>16.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>12.0</td>
<td>9.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Global Equity</td>
<td>8.0</td>
<td>5.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Private Equity</td>
<td>10.0</td>
<td>5.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Return-Seeking Fixed Income</td>
<td>5.0</td>
<td>2.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Real Estate</td>
<td>11.0</td>
<td>6.0</td>
<td>16.0</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>3.0</td>
<td>0.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Opportunity Fund</td>
<td>10.0</td>
<td>0.0</td>
<td>10.0</td>
</tr>
<tr>
<td>U.S. Fixed Income</td>
<td>22.0</td>
<td>19.0</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The adopted rebalancing ranges take into consideration the trade-off between the portfolio tracking error relative to its strategic allocation and the transaction costs of rebalancing. The above ranges were approved by the Board on May 13, 2022.

The Board delegates to Staff the responsibility and authority to:

- Monitor market values against the target allocations.
- Determine whether or not the allocation to any asset class(es) and/or investment vehicle(s) are outside of rebalancing ranges.
- Instruct relevant investment managers to liquidate the appropriate dollar value of securities and reallocate cash in a manner so as to maintain allocations within rebalancing ranges.
- Evaluate and direct portfolio cash flows so as to maintain allocations within rebalancing ranges.
- Utilize low cost passive indices or exchange traded futures contracts, where appropriate, in lieu of existing portfolio managers, to maintain asset/sub-asset class exposure within rebalancing ranges.
- Report to the Board at each Board meeting the status of the Trust Fund asset allocation and any rebalancing activity.
- Evaluate SDCERS’ rebalancing process regularly, but no less frequently than every three years, and recommend any changes to the Board, as needed.

When the allocation to an asset/sub-asset class(es) falls outside the range specified in
the IPS, a rebalancing transaction shall be initiated to bring the asset class weight within the range, keeping in mind liquidity, costs, and risks. Public market asset classes will generally be rebalanced to the midpoint between target and the edge of the closest rebalancing range in an effort to reduce costs associated with rebalancing all the way back to target. There may be times when this does not hold true and Staff will report a deviation from this guideline to the Board.

Less liquid private assets such as real estate and private equity will not be managed within rebalancing ranges, but will instead be managed to target over time through distributions and strategic new investments. Any assets outside of rebalancing ranges will be reported to the Board.

VII. MONITORING AND REPORTING

**Purpose**

Performance and risk will be monitored to ensure compliance and progress toward stated goals and objectives.

**Performance Monitoring**

The Fund’s performance shall be measured against the actuarial assumed rate of return, inflation, a universe of other public funds, a custom performance benchmark/policy portfolio, or other appropriate measurements.

Investment managers will be measured against stated objectives, an appropriate market index, a broad universe of managed portfolios, and a smaller peer universe of portfolios managed by a similar investment style. Active managers should exceed their respective benchmark net of fees over a three- to five-year period.

**Reporting**

The Board believes timely reporting and communications concerning the status of investments and their performance is essential. In general, equity and fixed income managers shall provide monthly reports to Staff. Real estate, private equity and infrastructure managers or managers of other non-public market traded investments shall provide reports at least quarterly. These reports are to include:

- Composition of assets,
- Notice of the portfolio's largest industry or sector representations and holdings,
- Portfolio performance compared to the appropriate major index benchmark,
- Such other matters as investment managers feel are necessary.
- Reports from the Consultant(s) shall be provided quarterly to the Investment Committee or the Board. These reports are to include:
  - Performance of the Total Fund and Attribution,
  - Performance of the Individual Managers,
  - Equity Performance,
Staff shall report to the Board or the Investment Committee at regular Board meetings regarding the status of investments, including the asset allocation structure of the Fund and a list of managers on the Manager Monitoring Report. Staff shall report on an annual basis the status of securities lending activity and the cash overlay program, and a review of private markets fees and costs pursuant to California Government Code Section 7514.7.

**Annual Monitoring of the Asset Allocation**

Because the Board reviews and establishes the policy for investments annually in its asset allocation review, the Board shall exercise its fiduciary responsibility to be informed and to exercise oversight as to the general principles established and actions taken by the CEO and CIO in the implementation of the investment policy.

**Active Risk Budget**

Active Risk, commonly referred to as tracking error, is the risk associated with the differences in returns between the policy benchmark and the actual results of the portfolio. Active risk is only applicable to the publicly traded asset classes and may emanate from two primary sources: (1) differences between the securities held within a particular asset class composite and the asset class composite’s benchmark (security selection risk) and (2) the difference between the asset allocation weights of the overall policy and the actual weights across asset classes (asset allocation risk).

Active risk is measured as the standard deviation of the difference between the monthly returns of an active manager’s actual portfolio and their respective benchmark(s). The active risk of the Fund will be measured using the most recent five years (60 months). The budgeted amount of active risk will be 1.75% for the aggregated public market asset classes.

**Manager Monitoring**

Managers will be reviewed on a continuous basis by Staff and the Consultants based on custodial holding reports, quarterly performance reports, manager announcements, monthly performance and compliance reports as required by Staff, and other inputs. These reviews will be summarized in the quarterly report prepared by the Consultant(s) and Staff for Board consideration, who shall report on whether SDCERS’ expectations have been met. Managers meeting expectations will be categorized in Good Standing. Managers not meeting SDCERS’ expectations will be designated as Under Review. Managers designated as Under Review shall undergo a formal review by Staff and the Consultant(s) and a recommendation for action will be made.
VIII. SHAREHOLDER ACTIVITY

In recognition that proxy voting rights are considered assets of the Fund, the Board acknowledges its fiduciary responsibility to vote proxies in a timely manner and maintain accurate records of all proxy voting activity in compliance with all applicable laws.

To assist the Board in carrying out its fiduciary responsibilities in voting proxies, the Board, at the recommendation of the Investment Committee, has the authority to set proxy voting guidelines to be used in voting proxies on behalf of SDCERS. The Board delegates voting of all proxies to Staff who will then determine, for each applicable investment, whether it is prudent and feasible to delegate the voting to SDCERS’ third party Proxy Voting Agent or to direct the investment manager to retain the responsibility to vote proxies on behalf of the Plan. The Proxy Voting Agent will vote all proxies in accordance with SDCERS’ Proxy Voting Guidelines. It is expected that the investment manager will vote all proxies in the best interest of the Plan and its beneficiaries. Staff will monitor the voting activities and recordkeeping of the Proxy Voting Agent.

SDCERS’ Proxy Voting Guidelines will be evaluated and updated no less than annually.

IX. IDENTIFICATION OF ROLES & RESPONSIBILITIES

**Board of Administration**

It is the responsibility of the Board to formulate policy, and not the intent of the Board to become involved in either the active implementation of that policy or in the daily operations of SDCERS. It is the duty of the Board to review and monitor the implementation of the policy to assure that investment activities are being performed in a prudent manner consistent with the intent of the Board.

The assets of the Fund are to be managed and invested according to the provisions of the California State Constitution, Article 16, Sections 17(c) and 17(d). These state:

1. The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

2. The Board shall seek to diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

**Investment Committee**

The Investment Committee’s responsibilities include, but are not limited to:
• Annually review and recommend the long-term asset allocation strategy and portfolio structure of SDCERS.

• Conduct an asset/liability study every three to five years (or more frequently if circumstances warrant) as a basis to establish asset allocation goals and objectives.

• Review, quarterly, the investment performance of SDCERS total fund and underlying portfolios with the assistance of the General Investment Consultant.

• Review, quarterly, real estate performance reports from SDCERS’ Real Estate Consultant.

• Review, quarterly, private equity and infrastructure performance reports from SDCERS’ Private Markets Advisors.

• Retain a General Investment Consultant to assist with performance measurement, asset allocation, manager reviews, investment research, manager searches, and other projects as needed.

• Retain a Real Estate Consultant to assist with performance measurement, structure of the program, investment research and recommendations, and development of the strategic policy and annual investment plan.

• Retain a Private Markets Advisor to assist with performance measurement, structure of the program, investment research and recommendations, and development of the strategic policy and annual investment plan.

• Retain a qualified custodian to safeguard SDCERS’ assets.

• Monitor SDCERS’ investment managers to ensure they adhere to policies set forth in this document and recommend changes to the Board as needed. The Board has the authority to initiate or terminate contractual relationships with SDCERS’ investment managers.

• Monitor Staff to ensure the administration of SDCERS’ investments in a responsible, cost-effective, risk-minimizing manner.

• Avoid any conflicts of interest.

**Investment Staff**

The Investment Staff is responsible for the following tasks:

• Maintain the target asset allocations of the Fund in accordance with Board policy. This requires an annual review of the asset allocation policy and an Asset/Liability study to be done every three to five years.

• Rebalance investment portfolios, as necessary, in order to maintain the asset allocation or to make cash available for the payment of benefits or funding of investments.
• Initiate and monitor all wire transfers or movement of monies to or from all investment accounts to external sources.

• Monitor public market, real estate, private equity, and infrastructure managers for adherence to appropriate policies, guidelines, and Investment Management Agreement specifications. Report to the Board any significant violations discovered.

• Maintain relationship with and monitor master custodian to ensure compliance with contract and all commitments.

• Maintain relationships with consultants (general investment, real estate, private markets advisors, and other asset class specialists) in order to obtain necessary assistance with assignments from Staff, the Investment Committee, and the Board in accordance with the contract requirements.

• Conduct manager searches, including the presentation of hiring recommendations, or monitor the General Investment Consultant in investment manager searches as assigned by the Board and Investment Committee.

• Review the public markets Manager Monitoring Report and related private markets monitoring reports for real estate, private equity, and infrastructure; explain any changes; and recommend action to the Investment Committee and Board, if necessary.

• Evaluate any changes in ownership structure of an investment management firm and with the concurrence of the Consultant(s) (general investment, real estate, private markets advisors, and other asset class specialists); authorize the assignment of the firm’s Investment Management Agreement with SDCERS to the new ownership entity.

• Manage portfolio restructurings resulting from investment manager terminations with the assistance of consultants, investment and transition managers, and SDCERS’ custodian, as needed.

• Conduct special research required to manage the Fund more effectively, as directed by the Investment Committee and Board.

• Assist the Investment Committee in the development, implementation, and revision of the Investment Policy Statement, as approved by the Board.

• Report on investment activity and matters of significance at each Investment Committee and/or Board meeting.

• Monitor the Securities Lending Program in accordance with the Securities Lending Guidelines.

• Conduct research and vote proxies in accordance with SDCERS’ Proxy Voting Policy and Guidelines.
• Collect information from SDCERS’ investment managers regarding investment decisions made involving Environmental, Social, and Governance (ESG) considerations that may materially impact the Fund’s long-term investment returns and provide an annual summary of that information to the Board on a fiscal year basis.

• Manage liquidity requirements to meet the Fund’s needs without generating excessive trading costs.

• Avoid any conflicts of interest.

**External Investment Consultants**

**General Investment Consultant**

The General Investment Consultant shall be responsible for the following:

• Report to the Investment Committee and Board on the evaluation of the Fund’s performance and compliance as defined in this IPS.

• Assist Staff in making recommendations to the Board regarding: investment policy, strategic asset allocation, asset liability modeling, and asset class and manager structure strategies.

• Prepare a quarterly performance report including attribution of Total Fund, public market asset class and manager performance and one-quarter lagged performance reporting for Real Estate and Private Markets.

• Assist SDCERS in the selection of qualified investment managers, and assist in the oversight of existing managers, including monitoring changes in personnel, ownership, and the investment process.

• Collect information from SDCERS’ public market investment managers regarding investment decisions made involving ESG considerations that may materially impact the Fund’s long-term returns, and provide a summary of that information to the Board on a quarterly basis.

• Assist in the selection of a qualified custodian (including a securities lending agent and/or a cash manager) if necessary.

• Provide topical research and education on investment subjects that are relevant to SDCERS.

• Comply with SDCERS’ Conflict of Interest Policy.

**Real Estate Consultant**

A detailed set of guidelines and responsibilities are contained in a separate Real Estate Program Policy. Provided below is a list covering the broad responsibilities of the Real Estate Consultant.

• Report directly to the Board, Investment Committee, and Staff on matters of policy.
• Bring any non-conforming items or significant issues to the attention of Staff and/or the Board.

• Monitor the performance of the real estate portfolio and comply with approved policy. Provide information to the General Investment Consultant as requested.

• Prepare the Real Estate Program Policy and Real Estate Investment Plan and, in conjunction with Staff, present the Policy and Plan to the Investment Committee annually for review.

• Prepare a quarterly Performance Measurement Report and present the report to the Investment Committee.

• Collect information from SDCERS’ real estate investment managers regarding investment decisions made involving ESG considerations that may materially impact the Fund’s long-term returns, and provide a summary of that information to the Board on a quarterly basis.

• Provide Staff and/or the Board with topical research and education on investment subjects that are relevant.

• Comply with SDCERS’ Conflict of Interest Policy.

• Monitor all elements of cost of the real estate portfolio and legal structure in order to avoid excess cost.

**Private Markets Advisors**

A detailed set of guidelines and responsibilities are contained in a separate Private Markets Program Policies. Provided below is a list covering the broad responsibilities of the Private Markets Advisors.

• Report directly to the Board, Investment Committee, and Staff on matters of policy.

• Prepare the Private Markets Program Policies and Investment Plan for Private Equity and Infrastructure and, in conjunction with Staff, present the Policies and Plans to the Investment Committee annually for review.

• Manage the Private Equity and Infrastructure investment portfolio and legal structure.

• Monitor all elements of cost of the Private Equity and Infrastructure portfolio and legal structure in order to avoid excess cost.

• Identify, perform due diligence, negotiate, execute, and manage commitments and investments through the Private Equity and Infrastructure portfolio.

• Oversee the creation of the appropriate legal documentation for each investment.
• Monitor investments and report quarterly to the Board and Staff on investment performance. Provide information to the General Investment Consultant as requested.

• Manage all aspects of investments made on behalf of SDCERS through their lifecycle, including the disposition of those assets.

• Collect information from SDCERS’ private market managers regarding investment decisions made involving ESG considerations that may materially impact the Fund’s long-term returns, and provide a summary of that information to the Board on a quarterly basis.

• Review relevant issues in Private Equity and Infrastructure through periodic workshops, discussions, and distribution of research material.

• Comply with SDCERS’ Conflict of Interest Policy.

**Proxy Voting Agent**

The Proxy Voting Agent shall be responsible for the following:

• Vote proxies in a timely manner per SDCERS’ Proxy Voting Guidelines or per Staff direction in the case of exceptions to the policy.

• Provide Staff with on-going proxy voting research and analyses consistent with SDCERS’ investment goals.

• Provide Staff with company-specific corporate governance profiles, pertinent statistical reporting, and yearly review of the results of corporate annual meetings.

• Comply with SDCERS’ Conflict of Interest Policy.

**Investment Managers**

reinvestment of assets allocated to their accounts in accordance with this document; applicable local, state, and federal statutes and regulations; and the individual specific investment guidelines in their contracts. The Investment Managers shall be responsible for the following:

• Execute a contractual agreement to invest within the guidelines established in the Investment Policy Statement.

• Provide SDCERS with proof of liability and fiduciary insurance coverage as requested.

• Comply with SDCERS’ Conflict of Interest Policy.

• Be a SEC-Registered Investment Advisor under the 1940 Act, an insurance company or a bank and be recognized as providing demonstrated expertise over a number of years in the management of institutional, tax-exempt assets within a defined investment specialty.
• Adhere to the investment management style concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy; performing research; developing buy, hold, and sell lists; and purchasing and selling securities.

• Execute all transactions for the benefit of SDCERS with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to SDCERS and, where appropriate, facilitate the recapture of commissions on behalf of SDCERS.

• Reconcile monthly accounting, transaction, and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian (excludes real estate, private equity, and some alternative assets).

• Maintain frequent and open communication with Staff on all significant matters pertaining to the management of SDCERS assets, including, but not limited to, the following:
  o Major changes in the Investment Manager’s outlook, investment strategy, and portfolio structure;
  o Significant changes in ownership, organizational structure, financial condition, or senior personnel;
  o Any changes in the Portfolio Manager or other key personnel assigned to the SDCERS account;
  o Each significant client which terminates its relationship with the Investment Manager, within 30 days of such termination;
  o All pertinent issues which the Investment Manager deems to be of significant interest or material importance; and

• Meet with the Board or its designee(s) as needed.

**Custodian Bank**

The Custodian shall be responsible for the following:

• Provide complete global custody and depository services for the designated accounts.

• Manage the cash and enhanced cash funds not invested by managers and ensure that all available cash is invested. If SDCERS elects to manage cash externally full cooperation must be provided to the external manager.

• Provide the General Investment Consultant with portfolio information for performance measurement in a timely manner.

• Provide, in a timely and effective manner, a monthly report of the investment activities implemented by the investment managers.

• Calculate all income and principal realized and properly report the results in periodic statements.
• Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions; these should be based on accurate security values for both cost and market. These reports should be provided within acceptable time frames.

• Report to SDCERS situations where accurate security pricing, valuation, and accrued income is either not possible or subject to considerable uncertainty.

• Provide assistance to SDCERS to complete such activities as the annual audit, transaction verification, or unique issues as required by the Board.

• Provide appropriate information and assistance to SDCERS in connection with foreign tax issues, including claims for exemptions and refunds.

• Manage a securities lending program to enhance income if directed by the Board. If the securities lending program is managed externally, full cooperation must be provided.

• Deliver all domestic and international proxy voting materials to SDCERS or its designated proxy voting agent, including meeting notices, voting instruction forms, proxy statements, quarterly and annual shareholder reports, and miscellaneous proxy voting materials.

**Securities Lending Agent**

SDCERS’ policies and guidelines governing securities lending shall be implemented through the Custodian (or third party lending institution other than the custodian or a combination of securities lending providers). The provider will be governed by a separate contract, distinct from a custody relationship, detailing the type of securities lending relationship and program. This is both mandatory and essential in the treatment of securities lending as an investment function with the associated risks and return implications and fiduciary responsibility.

The securities lending agent must exercise investment discretion within the overall objective of: preserving principal, providing a liquidity level consistent with market conditions and the lending and trading activities of the Funds’ assets, and maintaining full compliance with stated objectives and statutory provisions. The securities lending provider shall exercise prudence and expertise in managing the cash collateral reinvestment function.

**Other External Providers**

All other external providers will fulfill their responsibilities in accordance with prevailing contracts and act in the best interest of plan participants.
APPENDIX: Asset Class Descriptions

**U.S. Equity** – U.S. equity, as measured by the Dow Jones U.S. Total Stock Market Index, provides exposure to all segments of the U.S. equity market, including, but not limited to, growth and value stocks of large-, mid-, and small-capitalization U.S. companies. The Index is the broadest measure of performance of the aggregate domestic stock market.

**Non-U.S. Equity** – Non-U.S. equity markets encompass those of developed and emerging economies, as measured by the MSCI All Country World (ACW) ex-U.S. Investable Market Index (IMI). The MSCI ACW ex-U.S. IMI covers large-, mid-, and small-capitalization companies across 23 developed (excluding the U.S.) and 21 emerging market countries and covers approximately 99% of the international equity investment opportunity set. Emerging markets are classified as countries in the process of rapid business or social growth.

**Emerging Markets Equity** – Emerging markets represent countries in the process of rapid economic growth and that are progressing towards becoming advanced, as measured by the MSCI Emerging Markets (EM) Index. The MSCI EM Index captures large and mid-cap companies across 21 Emerging Markets countries and covers approximately 85% of the free float-adjusted market capitalization in each country.

**Global Equity** – Global equity is classified as U.S., non-U.S. developed, and emerging market securities, as measured by the MSCI All Country World Index. The factors that have made U.S. and non-U.S. equity markets distinct enough to be viewed as separate asset classes have receded in recent years. Increasing similarities among countries and markets suggest that a global approach to investing in the world’s equity markets may be optimal.

**Domestic Fixed Income** – As defined by the Barclays Intermediate Aggregate Bond Index, domestic fixed income consists of investment grade, U.S. dollar-denominated, fixed rate, taxable bonds, including Treasuries, government-related and corporate securities, MBS, ABS, and CMBS. Domestic fixed income may also include high yield securities.

**Return-Seeking Fixed Income** – Return-seeking fixed income consists of non-core fixed income instruments such as high yield debt, emerging market debt, bank loans or other non-investment grade and investment grade Investment Policy Statement – July 2021

Page 25 securities. Given the vast array of potential investment strategies, the primary benchmark for this asset class will be an equal weighting of a bank loan market benchmark (S&P/LSTA Leveraged Loan Index or similar benchmark), a high yield market benchmark (ICE BofAML US High Yield Master II Constrained Index or similar benchmark), and an emerging markets blended debt benchmark (40% JPM GBI-EM Global Diversified, 30% JPM EMBI Global Diversified, and 30% JPM CEMBI Broad Diversified or similar benchmark).

**Real Estate** – Real estate includes investments in real property including office buildings, shopping centers, industrial property, hotels, warehouses, and apartments. Investment vehicles may include direct investments, public real estate investment trusts (REITs), and
private partnerships. The real estate performance benchmark is comprised of the NFI-ODCE Index + 50 bps.

**Private Equity** – Private equity is equity capital that is not quoted on a public exchange. Strategies include leveraged buyouts, venture capital, mezzanine, distressed investments, and special situations. The primary benchmark for private equity is a peer-based benchmark, representing the 50th percentile of the Burgiss Database and is used by SDCERS’ Private Markets Advisors when evaluating since inception internal rates of return (IRRs). For purposes of including private equity in Total Fund performance evaluation, a time-weighted return series is needed. The peer-based benchmark of the 50th percentile does not allow for such a calculation and therefore, the Burgiss Pooled Return series is used as the private equity peer-based benchmark that is rolled into the Total Fund benchmark. Private equity is also evaluated over the long-term against a secondary benchmark of 67% Dow Jones U.S. Total Stock Market Index/33% MSCI All Country World Index ex-U.S. plus a 3% annual premium.

**Infrastructure** - Infrastructure is broadly defined as the essential assets a society requires to facilitate the orderly operation of its economy and can be broken out into three broad categories: transportation, utility, and social. Typically they are long-lived assets with low growth, similar volatility to real estate, and have an income stream tied to GDP/inflation that is greater than bonds or core real estate. The performance benchmark is the Consumer Price Index (CPI) plus a 5% annual premium. The secondary benchmark is the FTSE Developed Core Infrastructure 50/50 Index plus a 2% premium.

**Real Assets** - Real assets are broadly defined as investments in physical or tangible assets that have an intrinsic value due to their physical properties. Investments that fall under Real Assets often include, but are not limited to, real estate, infrastructure, commodities, precious metals, timber, agriculture, and other natural resources. Real assets can include both equity and debt investments and can be liquid or illiquid. Broadly, Real Assets offer diversification benefits as they typically have low correlation to public equity and bonds and often offer an inflation hedge and a stable income component. Returns can vary based on risk profile, but over the long-term can roughly be expected to be between core real estate and public equity. Currently, SDCERS’ Real Assets portfolio is comprised of real estate equity and debt, and infrastructure. The performance benchmark is the weighted average of the Real Estate Policy Benchmark (NFI-ODCE + 50bps) and the Infrastructure Policy Benchmark (Consumer Price Index (CPI) plus a 5% annual premium).

**Opportunity Fund** – Opportunity fund investments should generally be truly opportunistic in the sense that they may be available for investment only during certain market environments. The Opportunity Fund can also encompass a broad range of strategies that do not fit into traditional asset classes or share characteristics of more than one asset class. Such investments may include, but are not limited to, bank loan funds, distressed or high yield debt, niche private investments, and certain types of hedge funds. The primary benchmark for this asset class shall be 78% equities, as measured by the MSCI All-Country World Investable Market Index, and 22% bonds, as measured by the Barclays Intermediate Aggregate Bond Index. The secondary benchmark shall be the weighted average of the underlying strategy benchmarks.
SAN DIEGO CITY EMPLOYEES’ RETIREMENT SYSTEM
REAL ESTATE INVESTMENT POLICY

I. INTRODUCTION

The San Diego City Employees’ Retirement System (the "Retirement System" or “SDCERS”) has determined that, over the long term, inclusion of real estate investments will enhance the risk/return characteristics of the Retirement System's portfolio investment.

This document establishes the specific objectives, policies and procedures involved in the design, implementation, and oversight of the Retirement System’s real estate program. The objectives define the specific risk tolerance and return expectations for the program. The policies provide specifications for acceptable investment structures and management of the various risks associated with the asset class. The procedures provide guidelines for the implementation and oversight of said policies.

II. INVESTMENT OBJECTIVES

A. Asset Allocation

SDCERS has approved a long-term asset allocation target of eleven percent (11%) for investment in real estate and real estate related investments. Given the illiquid and episodic nature of funding private real estate commitments, there will be periods when this long-term target will be approached above or below but not precisely achieved.

B. Return Objectives

The Role of Real Estate (Portfolio Objectives)
Real estate is an asset class that institutional investors typically include in their investment asset mix. The Board of San Diego City Employees’ Retirement System (“Board”) has determined that the objectives of the Retirement System’s Real Estate Portfolio are to generate income and provide diversification benefits to the Total Portfolio, while providing competitive returns relative to the benchmark.

Performance Measurement (Long Term Portfolio Benchmarks)
Active management, value creation strategies and the prudent use of third-party debt are approved methods for generating the expected excess return. The following benchmarks have been established for the Real Estate Portfolio:

SDCERS Total Real Estate Portfolio. On a blended basis, the net return for the SDCERS Private Portfolio is expected to meet or exceed the Private Benchmark. The Total Real Estate Portfolio Benchmark over a five-year rolling period is the net NCREIF Fund Index Open-end Diversified Core Equity Index (“NFI-ODCE”) + 50 basis points (“bps”). There are no stated return objectives for either the Core or Non-Core Portfolios. The Total Real Estate Portfolio Benchmark includes the use of public real estate securities benchmarks to account for historical positions where SDCERS had significant exposure to publicly traded real estate securities from the first quarter of 1997 through
the third quarter of 2016. The respective publicly traded real estate benchmarks are included in the Total Real Estate Portfolio benchmark and detailed below.

**Benchmark**
- SDCERS Total Real Estate Portfolio (Net Total Return)
  - Q4 2016 – Present: NFI-ODCE + 50 bps
  - Q3 2008 – Q3 2016: NFI-ODCE + 50 bps & EPRA/NAREIT Global Index
  - Q1 1997 – Q2 2008: NFI-ODCE + 50 bps & Wilshire REIT

**Ancillary Performance Measurement Tools**

Though there are no stated return objectives for either the Core or Non-Core Portfolio, shorter term performance and risk assessment may also be evaluated on a risk adjusted basis using the NCREIF indices in a customized index to reflect the actual composition of the portfolio.

Given the current and anticipated composition of the Real Estate Portfolio, the following methodologies can provide a more detailed and relative measurement of the risk/return profile within segments of the Portfolio. The Core Portfolio will be evaluated compared to the NFI-ODCE. The Non-Core Portfolio will be evaluated using a Private Market Equivalent (“PME”) analysis. Due to the Internal Rate of Return (“IRR”) nature of real estate performance measurement, especially within the Non-Core segment, a PME analysis examines how the addition of such investments are accretive to the Total Real Estate Portfolio when compared to the NFI-ODCE, a Time Weighted Return (“TWR”) Core real estate benchmark. The NFI-ODCE TWR measures are essentially a proxy for IRRs which will then be compared to the Non-Core IRRs which are expected to provide a premium over a long-term horizon given the additional risks undertaken by Non-Core investors compared to Core investors.

**III. INVESTMENT POLICIES**

**A. Portfolio Composition**

The Retirement System divides the universe of real estate investments into two primary risk profiles: (1) Core and (2) Non-Core.

**Core Characteristics**

- Operating and substantially leased properties (75%);
- Modest use of asset level leverage to enhance returns (0% to 50%); on average 20-30% for the overall Core Portfolio;
- Property types include, but are not limited to, office, apartment, retail, industrial, hotel. These asset types comprise the bulk of the assets in the Benchmark;
• Total return is primarily attributable to income (40% to 65%). The Core Portfolio primarily consists of funds that hold equity investments in real property.

The Core Portfolio may also include funds that invest in debt secured by real property.

**Non-Core Characteristics**

• Non-Core investments include:

  o investment in properties requiring lease-up, rehabilitation, repositioning, expansion or those acquired through forward purchase commitments, and may also include development projects and investments in operating companies with significant underlying or affiliated real estate assets;

  • No property types are excluded (may include office, apartment, retail, industrial, hotel or niche property types like student housing, senior housing, or public storage, data centers, life science properties, etc.);

  • Total return is attributable to a combination of income and appreciation, often with the expectation that appreciation will comprise more than 50% of the total return.

  • Investments may include both equity and debt vehicles.

  • Increased levels of leverage are generally used to enhance returns (<75%), which increases the risk profile of this category

The Retirement System has established the following composition targets for the fully funded Real Estate Portfolio. As noted above, the tactical ranges identified for each risk profile may be out of compliance as the Real Estate Portfolio rebalances or works towards the fully funded target allocations:

<table>
<thead>
<tr>
<th>SDCERS Real Estate Portfolio</th>
<th>Target Allocation</th>
<th>Tactical Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core</td>
<td>70%</td>
<td>60% to 80%</td>
</tr>
<tr>
<td>Non-Core</td>
<td>30%</td>
<td>20% to 40%</td>
</tr>
</tbody>
</table>
B. Risk Management

The primary risks associated with real estate investments are investment manager risk, property market risk, asset and portfolio management risk, leverage, climate and liquidity risks, which could result in the loss of principal.

The Retirement System will mitigate risk in a prudent manner. The following policies have been established to manage the risks involved in investing in real estate.

1. Defined Roles for Participants

   The real estate program shall be planned, implemented, and monitored through the coordinated efforts of the Board, Investment Committee, Staff, Real Estate Consultant (“Consultant”) and Investment Managers (“Manager” or “Managers”). The major responsibilities of each participant are outlined in Appendix A.

2. Permissible Investments

   The Real Estate Portfolio will consist of primarily private investments in instruments that indirectly hold real estate and real estate related assets.

   Private Markets. The private markets Real Estate Portfolio should consist of a majority of equity ownership of privately held institutional real estate investments. A portion of the Retirement System's private markets real estate assets may also consist of debt investments (e.g., first mortgages, B¬note loans, mezzanine financing, preferred equity), not to exceed 30% of the overall real estate portfolio. Compliance with this risk parameter shall be based on a percentage of the private markets Real Estate Portfolio's Net Asset Value at Fair Value as of each quarter end. Real Estate debt investments are to provide additional layers of diversification and offer a level of downside protection.

   Public Markets. Public market real estate securities may be considered from time to time for inclusion in the Total Real Estate Portfolio; but in no case to exceed 15% of the total allocation. Inclusion will generally be considered if a significant discrepancy is present between private and public market pricing. It is anticipated that Public market real estate will be used tactically; and not as a long-term structural investment unless Total Plan liquidity considerations change.
3. **Investment Structures**

The Retirement System recognizes that, regardless of investment structure, real estate is an illiquid asset class. The Retirement System recognizes that Non-Core investments require the assumption of additional risks including diminished investor control and liquidity compared to Core funds and directly held ownership.

The Retirement System may utilize the following investment structures:

a) **Individually Managed Accounts (“IMA”)**

The use of IMA investment structures is not currently permitted, and would require an amendment to this Policy by the Board to be reinstated. The Retirement System is currently in the process of liquidating the existing DWS IMA Portfolio. Details regarding process and duties as the IMA unwinds can be found in Section IV-A: Individually Managed Accounts.

b) **Commingled Funds**

For the Core component, the Retirement System may consider Open-End Commingled Funds (“OECFs”). OECFs are an infinite life pool of assets, generally organized as trusts, partnerships or private REITs that are generally, but not always, diversified by geography. Individual OECFs may be diversified by property sector or invest in a single property sector.

c) **Co-Investments**

The Retirement System may consider Co-investments. Co-investments are typically structured as limited partnerships that invest alongside a CF. Co-investments generally have the same limited level of control as CFs, and are typically governed by partnership agreements that are based on the partnership agreement of the related CF.

For the Non-Core components, the Retirement System will generally purchase assets through the ownership of partnership units or shares of Closed-End Commingled Funds. Any legally permissible vehicle will be
allowed including, but not limited to, joint ventures, limited partnerships, real estate investment trusts (private), publicly traded real estate securities, and limited liability corporations. OECFs that target Non-Core investments may also be considered.

4. **Diversification**

The Retirement System will seek to reduce concentration risk by diversifying its Real Estate Portfolio by manager, vintage year, property type, geography and risk profile.

It is expected that at various points in time, the Real Estate Portfolio may be more heavily exposed to a single manager, single property type or location by virtue of opportunities available in the market, which are projected to generate the returns targeted by the Retirement System. Exposure to any single manager, property type (i.e. office, retail, apartment, industrial or other) or geography should be subject to the following guidelines. Exposures outside these guidelines should be brought to the attention, and reviewed by the Investment Committee for exception qualification or risk mitigation. Consultant will provide estimates of when the Retirement System will be in compliance with the below guidelines.

**Diversification Guidelines:**

**Single Manager** – The Retirement System should not allocate more than 30% of the Real Estate Portfolio to a single commingled fund manager. Exposure is measured by NAV plus unfunded commitments.

**Property Type** - The Retirement System seeks to minimize the risk of its Real Estate Portfolio by allocating its assets across the spectrum of property types. The Real Estate Portfolio shall be diversified, with the majority of investments comprised of the four traditional property types: office, industrial, retail, and multifamily (apartment). Allowable property type exposures will be within the range of +/- 15% of the NFI-ODCE weight in each property type. Property types outside of those represented in the NFIODCE Index are allowable up to 15% of the total fund exposure.

**Geographic** - The Retirement System seeks to minimize the risk of its Real Estate Portfolio by allocating its investments across the geographic spectrum.
•Within the United States, allowable geographic exposures will be within the range of +/- 15% of the NFI-ODCE weight in each geographic region.

•The development of overseas markets and investment opportunities provide investors with alternatives to further diversify their programs. However, international investments will be limited to no more than 15% of the total targeted Real Estate Portfolio and may include Core, Value Added and Opportunistic investments. International real estate investments will be held in commingled fund structures with aggregate exposure to multiple property types, regions and operators in order to reduce specific asset risk.

**Commingled Funds**

Diversification by vintage year, strategy and manager will be used to minimize sponsor, market, or strategy concentration. The Commingled Funds will provide reporting which will allow the Retirement System to monitor its geographic and property type diversification. Any single exposure to an Open-ended core commingled fund should be limited to 30%. The risk associated with reduced investor control and illiquidity in Non-Core strategies will be mitigated by limiting exposure to any single Non-Core manager to 20% and any single Non-Core commingled fund to 10%.

5. **Leverage**

The use of leverage is a prudent tool for enhancing returns and diversifying equity investments, though it does raise the risk profile of investments. As such, the Retirement System has approved leverage targets and limits in order to enhance returns and manage risk levels. The availability and cost of leverage will be factors considered in determining its use. For the Total Real Estate Portfolio, the Retirement System has established a leverage maximum of fifty percent (50%), with a target range of 35-45%. Wherever possible, third party debt should be non-recourse and should not be subject to cross collateralization. At no time shall the origination of new leverage cause the Portfolio to exceed the established limits on a loan-to-value basis. In the event that any leverage constraint is breached due to a contraction in market values, the Staff and Consultant will notify the Board and make a recommendation for action or exception. This also applies to the constraints set forth below.
a) **Core**

Core assets generally provide an established stream of rental revenue. Because of the predictability of the income stream, third-party debt can be used at relatively low risk to enhance return. For the Core Real Estate Portfolio, target average leverage is 20-30%. The Retirement System has established a forty percent (45%) leverage maximum for the Core Real Estate Portfolio to allow for market dislocation periods.

b) **Non-Core**

Investments classified as Non-Core generally provide returns with a higher proportion of appreciation, as compared to income, than do Core investments. Such investments will be made through commingled funds and will therefore have specified leverage maximums stated in the offering documents. The offering documents should reflect leverage limitations of no more than 75% upon expiration of the investment period. Exposures outside these limits should be reviewed and approved by the Investment Committee for exception prior to investment.

6. **Valuations**

Investments held in Commingled Funds will generally be marked to market quarterly but in no case valued less than annually, using the valuation methodology approved with the selection of the particular investment.

7. **Monitoring of Investments**

Real estate is an illiquid asset class that requires a long-term investment horizon. The Consultant and Staff recommend that SDCERS monitor each investment relative to a manager’s performance, organizational stability, key personnel changes and other firm and fund level issues.

As outlined in Section IV.C., the Consultant prepares a Performance Measurement Report quarterly that provides detailed information concerning performance, diversification, and cash flows.

The Consultant will also provide an annual supplemental report at the end of each calendar year. The report will be a risk-based analysis providing relative and absolute assessments of the aforementioned items (e.g., performance compared to Ancillary Indices, organizational stability, key personnel changes and other firm level issues). The analysis will also review compliance with stated strategy and the impact
of current market dynamics. The following categories will be used to classify SDCERS’ investments:

Exceptional: These investments are expected to achieve returns that exceed those originally targeted and/or expected from an investment of a similar structure and risk profile.

Satisfactory: These investments are expected to achieve returns approximately equal to those originally targeted and/or expected from an investment of a similar structure and risk profile and have similar performance to their peer group.

Monitor: These investments may not be expected to achieve their originally targeted returns and may risk the loss of capital. These investments may be expected to underperform their peer group. Additionally, funds may have experienced recent organizational issues.

The Consultant and Staff will report to the Investment Committee and Board annually the category ranking for each investment. Investments categorized as “Monitor” will receive additional oversight and evaluation. Commingled funds typically have language allowing for the removal of the General Partner with the approval of a set percentage of Limited Partners. Commingled fund interests may be sold on the secondary market, typically at a discount to current value, which should only be done when proceeds from a sale can be reinvested more effectively, or the outlook for a fund or manager is significantly negative.

C. Discretionary Authority

The Board controls the delegation of discretion. The Policies and Procedures described herein are structured to control investment risk as well as to enhance the Retirement System’s ability to execute transactions.

1. Commingled Funds (“CF”)

CFs, which includes both open and closed-end vehicles, are structured to give the highest level of discretion to the Manager. The limited investor control of management decisions inherent in CF investments is appropriate given the flexibility required to achieve higher expected returns. Nonetheless, preference will be given to those CF vehicles extending greater investor transparency and control. Investments made in CFs are monitored for compliance with vehicle documents through quarterly performance measurement procedures and through documentation provided with capital calls and income distributions.
2. **Co-Investments**

   Co-investments are typically structured as limited partnerships that invest alongside a CF. Co-investments generally have the same limited level of control as CFs, but offer investors a more favorable fee and carried interest structure than through the main CF. Individual co-investments are monitored in the same manner as CFs, with respect to the Retirement System’s Real Estate Portfolio and individual investment guidelines.

**IV. INVESTMENT PROCEDURES**

The Annual Investment Plan (“AIP”) identifies the investment needs of the Portfolio and establishes the parameters for the selection of appropriate investments. The AIP will be presented to the Investment Committee/Board annually for approval. The particular needs for each AIP will be established in light of the structure, objectives and performance of the existing Portfolio as well as current market opportunities. All AIPs will be consistent with the policies detailed in Section III.A-C.

**A. Individually Managed Accounts (“IMA”)**

The existing IMA is in the process of liquidation. The IMA Manager in its role as a fiduciary will continue to retain control over investment sales timelines and recommendations. The IMA Manager will continue to provide the Retirement System with all necessary and required reporting materials and annual asset management plans related to the Retirement System’s investments until such time as the account is fully liquidated and closed.

**B. Commingled Funds**

The following procedures will be utilized in the selection, closing and monitoring of specific Commingled Fund (CF) investments.

1. **CF Selection Process**

   a) The Consultant will maintain an ongoing review of offerings within the institutional marketplace and, based on due diligence findings, refer appropriate CF investments to Staff.

   b) Staff shall review the Consultant recommendations for compliance with agreed upon due diligence procedures for each fund recommendation.
c) Staff shall verify the compliance of each recommended fund with the approved Real Estate Investment Policy and Annual Investment Plans.

d) Staff, with Consultant assistance, shall select appropriate CF investments in line with SDCERS Real Estate Investment Policy and Annual Investment Plan for presentation to the Investment Committee/Board.

2. **CF Control and Monitoring**

CF investments will be monitored quarterly by Staff, with Consultant’s assistance, to evaluate investment performance and to ensure compliance with vehicle documents.

C. **Co-investments**

The following procedures will be utilized in the selection, closing and monitoring of specific co-investments.

3. **Co-investment Selection Process**

a) Manager will notify the Consultant and/or Staff of any available co-investment opportunity. Staff and the Consultant will confirm receipt of the notification with one another.

b) Staff shall verify the compliance of the co-investment opportunity with the approved Real Estate Investment Policy and Annual Investment Plans.

c) Staff, with Consultant assistance, shall evaluate the prospective co-investment.

d) Upon a favorable evaluation, Staff, with Consultant assistance, shall present to the Investment Committee/Board or, if the investment meets the criteria set forth below, Staff is granted discretion to proceed with the investment process.

- No more than 2% of the Total Real Estate Portfolio;
- Sponsored by an existing SDCERS real estate fund manager;
- No ground-up development;
- Reasonableness opinion from the Consultant
e) Staff and Consultant will report to the Investment Committee/Board at the next Investment Committee/Board meeting to disclose any co-investment that was made with staff discretion. Staff and Consultant shall report pertinent information regarding the co-investment.

4. **Co-investment Control and Monitoring**

Co-investments will be monitored quarterly by Staff, with Consultant’s assistance, to evaluate investment performance and to ensure compliance with vehicle documents.

**D. Performance Measurement Report**

On a quarterly basis, the Consultant will prepare a comprehensive reporting and evaluation system addressing each investment and Manager. The evaluation system shall provide such information as may be required by the Retirement System to understand and administer its investments and Managers.

The content of the report shall include attributes for the investment managers and the Total Portfolio including, but not limited to: income, appreciation, gross and net returns, cash-flow, internal rate of return, diversification, comparisons to relevant industry performance indices and information reporting standards, and Real Estate Investment Policy and Annual Investment Plan compliance. Each investment will be reviewed for significant events and projected performance and an opinion provided with respect to Manager performance. Budget and Management Plan variances, as reported by IMA Managers, will also be provided upon request.

The Consultant shall prepare and forward to the Retirement System a Performance Measurement Report within ninety (90) days following the last day of each quarter, except for year-end reporting which will be prepared and forwarded to the Retirement System within 180 days. The Year-End Report will also include an annual risk-based analysis that will allow the Consultant and Staff to rank investments according to the Consultant’s category ranking system (as described above in section B.7).
Duties of the SDCERS Board

- Establishes the role of the real estate investment program in light of the Total Portfolio objectives.

- Approves the allocation to real estate and approves any adjustments to the allocation which may be necessary from time to time.

- Approves the Real Estate Investment Policy and the Annual Investment Plan for the real estate program.

- Controls the delegation of discretion regarding matters of investment selection, manager retention, manager termination, and management of investments.

- Reviews the Real Estate Portfolio on a quarterly basis to evaluate the investment performance and to ensure compliance with policy guidelines and approved Annual Investment Plans.

Duties of the Investment Committee or the Full Board in the absence of an Investment Committee

- Reviews the Real Estate Investment Policy and the Annual Investment Plan for the real estate program. Presents and recommends the Plans to the Board for approval.

- Reviews the Staff’s selection of Managers, Investment Partners or Ventures, and Commingled Fund Sponsors and reports selections to the Board.

- Reviews Staff and Consultant recommendations for removal of Managers and make recommendations to the Board.

- Reviews the Real Estate Portfolio on a quarterly basis to evaluate the investment performance and to ensure compliance with policy guidelines and approved Annual Investment Plans, and reports to the Board.
Duties of the SDCERS Staff

▪ Reports to the Investment Committee and Board on matters of policy.

▪ Oversees Consultant’s preparation/review of the Real Estate Investment Policy and Annual Investment Plan.

▪ Staff, with Consultant assistance, is responsible for the recommendation for selection, retention, and termination of managers and real estate investments that are in line with the Real Estate Investment Policy, Annual Investment Plan, and/or Board approved tactical plans that may arise from time to time.

▪ Participates with the Consultant in the Annual Real Estate Portfolio Review, including Budget and Management Plans and Manager Investment Plans. Reports completion to the Investment Committee.

▪ Brings any non-conforming items or significant issues to the attention of the Investment Committee.

▪ Documents and monitors funding procedures.

▪ Completes any other activity as directed by the Committee and/or Board.

SDCERS Staff- Individually Managed Account (“IMA”) Duties (For Liquidation of IMA Account):

▪ Oversees preparation of annual Manager Investment Plans and reports completion to the Investment Committee.

▪ Reviews the Budget and Management Plans prepared by IMA Managers and reports completion to the Investment Committee.

▪ Reviews fees for compliance and insures that Incentive Fees are processed appropriately.

▪ Performs other duties required to execute the IMA Investment Procedures.

▪ Monitors the closing process, and with legal counsel, reviews and executes any required documentation for re-financings and other capital transactions between IMA Managers and the Retirement System.

SDCERS Staff- Commingled Fund (“CF”) Duties

▪ With the assistance of the Consultant, conducts screening, review, and selection of CF offerings.
- Oversees the commitment process, and with legal counsel, reviews and executes any required documentation.

**SDCERS Staff- Co-investment Duties**

- With the assistance of the Consultant, conducts screening, review, and selection of Co-investment offerings.

- Oversees the commitment process, and with legal counsel, reviews and executes any required documentation.

**Duties of the Consultant**

- Reports directly to the Board, Investment Committee and Staff on matters of policy.

- Brings any non-conforming items or significant issues to the attention of the Staff and/or Board.

- Monitors the performance of the Real Estate Portfolio and compliance with approved policy.

- Prepares/Reviews the Real Estate Investment Policy and Annual Investment Plan and, in conjunction with Staff, presents the Plans to the Investment Committee for review.

- Prepares a quarterly Performance Measurement Report (PMR) to evaluate investment performance and to ensure compliance with policy guidelines and approved Investment Plans. Presents Portfolio PMR to the Investment Committee quarterly.

- Assists Staff in the Annual Real Estate Portfolio Review

- Provides Staff and/or Board with topical research and education on investment subjects that are relevant to SDCERS.

- Screen database to identify Manager candidates that exhibit qualities consistent with the qualification criteria and work jointly with Staff to determine portfolio fit.

- Accept and evaluate recommendations made by Staff for portfolio consideration.

**Consultant- Individually Managed Account(“IMA”) Duties**

- Assists Staff in overseeing the liquidation of the existing IMA.
▪ Oversees Manager preparation of annual Manager Investment Plans and, in conjunction with Staff, and reports completion to the Investment Committee.

▪ Reviews the Budget and Management Plans prepared by IMA Managers and, in conjunction with Staff, reports completion to the Investment Committee.

▪ Performs other duties required to execute the liquidation of the IMA.

Consultant- Commingled Fund Duties

▪ Conducts, or assists Staff in conducting analysis of Commingled Fund offerings in accordance with the Commingled Fund selection process.

▪ Provides written analysis of Commingled Funds as requested by Staff.

Consultant- Co-Investment Duties

▪ Conducts, or assists Staff in conducting analysis of Co-investment offerings in accordance with the Co-investment selection process.

▪ Provides written reasonableness opinion of Co-investment opportunities as requested by Staff.

Duties of the Manager

▪ Provides performance measurement data in form and substance as requested by the Retirement System.

Individually Managed Account Managers:

▪ Disposes of assets on behalf of the Retirement System.

▪ Adheres to the most recent version of the Reporting Standards established jointly by the National Council of Real Estate Investment Fiduciaries (‘‘NCREIF’’) and the Pension Real Estate Association (‘‘PREA’’) (‘‘Reporting Standards’’).

▪ Prepares Budget and Management Plans to be submitted to the Staff and Consultant.

▪ Meets with Staff and Consultant for the Annual Real Estate Portfolio Review.

▪ Provides Consultant, when requested, Annual Review information.

▪ Assists the Staff in preparing funding or disposition procedures.
Commingled Fund and Co-investment Managers:

- Adheres to reporting standards established by the CFA Institute and ILPA and complies with generally accepted accounting principles ("GAAP").
- Executes and performs its duties under the terms of the investment vehicle documents.
- Provides timely requests for capital contributions.
- Provides quarterly financial statements and annual reports.
- Conducts no less frequently than annually meetings with Staff and Consultant to discuss important developments regarding portfolio, investment and management issues.

Duties of Legal Counsel

- Outside legal counsel, selected by the Retirement System as a representative for the Plan, will review upon request, all real estate related documents and/or provide advice for special investment situations as needed.
PRIVATE MARKETS PROGRAM POLICY
November 2022

Introduction

The purpose of this Policy Document (the “Policy”) for the San Diego City Employees’ Retirement System (“SDCERS” or the “System”) is to establish the parameters by which the System may invest through its Private Markets Program (the “Program”). This Program consists of allocations to private equity (“PE”) and infrastructure. Private Markets (“PM”) will refer to the asset classes of PE and infrastructure.

This Policy will ensure that the managers, advisors and other external resources retained by the System adhere to the investment principles and guidelines of the SDCERS Board of Administration (the “Board”), while:

1. Preserving the flexibility necessary to accomplish its objectives;
2. Minimizing risk and correlation to the System’s overall portfolio;
3. Optimizing diversification as appropriate; and
4. Maximizing risk-adjusted returns for the Program.

Program Objectives

SDCERS created an allocation for investments in PM in order to:

1. Increase the risk-adjusted returns of the overall portfolio of the System;
2. Increase the diversification of total System assets; and
3. Take advantage of the illiquidity premium of this asset class, given the System’s long-term nature of Liabilities.
In order to meet the above Investment Objectives, the Board approved the following targets in Asset Allocation and Return:

**Asset Allocation Targets**

The allocation targets are: **ten percent (10%)** market value exposure of the System’s total portfolio to **private equity**, and **three percent (3%)** to **infrastructure**.

Actual market value exposure will take time to achieve and that can vary significantly. As commitments (not market value) to PM partnerships are drawn over time, these commitments must exceed the target market value exposure in a mature portfolio. The proper level of commitments in order to achieve the desired market value exposure shall be reviewed on an annual basis.

**Return Targets**

New PM programs will experience a J Curve: the tendency to deliver negative returns in early years before investment gains are realized in the outlying years. Therefore, SDCERS will focus on the long-term performance of the Program, net of all fees.

**Private Equity**

The role of private equity is to provide higher absolute returns over equities while improving the portfolio’s diversification. Given the illiquid and unique characteristics of private equity, there are no perfect or universally accepted benchmarks. However, the two most common ways of benchmarking private equity investment performance are as follows:

- **Peer Benchmark**: Represents performance of actual private equity investments (compiled by a suitable provider of benchmark universe data) with similar style, geography, and vintages and has the potential to better reflect a comparison relative to a similar private equity composite portfolio;

- **Public Market Index plus Premium**: Acts as a long-term, theoretical benchmark as private equity seeks to provide a premium over public market equity over the long term and can provide an estimated measure of the opportunity cost of the decision to invest in private equity.

As such, the Private Equity portion of the portfolio shall be measured against the following two benchmarks:

1. **Policy Benchmark (relative performance / peer benchmark)**: To assess the performance of the PE portfolio relative to other PE portfolios, the performance of individual investments made in SDCERS’ PE
portfolio shall be measured against the upper half performance (top 50th percentile) as stated in Burgiss' Private IQ¹ database.

2. **Secondary Benchmark (opportunity cost / public market index plus premium):** To assess the performance of the PE portfolio relative to other investments the System might pursue, the long-term performance of investments made in the PE portfolio shall be measured against the weighted composite performance of the Dow Jones U.S. Total Stock Market Index² (67% weight) and the MSCI ACWI ex USA Index (33% weight)³ measured since inception of the private equity portfolio plus 300 basis points. The private equity benchmarks included above reflect revisions to conform to the recommendations included in the Asset Allocation Review and approved by the SDCERS’ Board into policy in March 2018.

The private equity benchmarks included above reflect revisions to conform to the recommendations included in the Asset Allocation Review and approved by the SDCERS’ Board into policy in March 2018.

**Infrastructure**

The role of infrastructure in the portfolio is to provide SDCERS with exposure to investments with lower volatility returns, recession resilient characteristics, lower correlation with other asset classes, inelasticity of demand, yield generating capabilities, and inflation hedging abilities.

Infrastructure shall be measured against the following two benchmarks:

1. **Primary Benchmark (inflation hedge):** To assess the performance of the infrastructure portfolio and its role in the total portfolio as an inflation hedge, the long-term performance of investments made in infrastructure shall be measured against the performance of the Consumer Price Index ("CPI") plus 500 basis points since inception of the infrastructure portfolio.

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¹ Private iQ is database managed by Burgiss, a global provider of investment decision support tools for private capital, that includes the complete transactional history of 8,250 private capital funds representing more than $5.9 trillion in committed capital across the full spectrum of private capital strategies, including private equity, private debt, and real assets.

² The Dow Jones U.S. Total Stock Market Index (Ticker: DWCF), a member of the Dow Jones Total Stock Market Indices family, is designed to measure all U.S. equity issues with readily available prices. The index was launched on January 1, 1987 and had 3,766 constituents as of July 31, 2018.

³ The MSCI ACWI ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 2,154 constituents as of July 31, 2018, the index covers approximately 85% of the global equity opportunity set outside the US. DM countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK. EM countries include: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. The index was launched on January 1, 2001.
2. Secondary benchmark (Public Market equivalent (PME) plus premium): To assess the performance of the infrastructure portfolio relative to other infrastructure investments the System might pursue, the long-term performance of investments made in the infrastructure portfolio shall be measured against the performance of the FTSE Global Core Infrastructure 50/50 Index measured since inception of the infrastructure portfolio plus 200 basis points.

This infrastructure benchmarks included above reflect revisions to conform to the recommendation approved by the SDCERS’ Board into policy in November 2022.

Program Policies

SDCERS’ Private Markets Program has 4 general policies:

1. Private Markets Investments: The Program will invest in PM assets and strategies (i.e. PE and infrastructure) globally, and diversify away from assets and strategies that SDCERS already employs (i.e. not invest in: real estate, general stocks and bonds, etc.).

2. Discretionary Authority: The Program will use discretionary advisors. These are fiduciaries approved by the Board who shall acquire and manage, on a discretionary basis, PM investments on behalf of SDCERS in accordance with Program policies.

3. Risk Minimization: The Program will minimize all risks in a prudent manner. These risks include not only the investment risks of PM, but also risks associated with Program operation.

4. Ethical Standards: The Program will adhere at all times to the highest ethical standards and principles.

Additional details for these policies are:

1. **Private Markets Investments** (Eligible Investments)

   The Program will invest in PM assets and strategies globally. PM assets are generally defined as direct investments in projects or companies that are privately negotiated and typically do not trade in a capital market. These investments are usually equity interests that are generally illiquid and therefore long-term in nature. Infrastructure is a subset of private equity, defined as permanent “essential” assets society requires to facilitate the orderly operation of its economy, such as roads, water supply, sewers, power and telecommunications.

   PM investments can be made directly or more commonly through investments in limited partnerships and other types of investment
vehicles that offer limited liability to investors. While the Program can
invest directly, its initial focus will be on these limited partnerships and
allow the General Partner to select and manage the direct investments.

Examples of PM strategies are:

- **Corporate Finance**: Buyouts, Acquisitions, Takeovers, Industry-Focused, Specialized Strategies, Non-controlling Interests, Development Capital, Equity Expansion

- **Other Private Investments**: Secondary Interests, Venture Leasing, Project Financing, Special Situations, Oil and Gas (Energy) Exploration or Production, Clean Technology, Intellectual Property, Co-Investments, Infrastructure

- **Mezzanine Financing**: Structured Equity, Subordinated Debt, Captive Mezzanine Funds, Third Party Mezzanine Financing

- **Venture Capital**: Seed Stage, Early Stage, Middle Stage, Late Stage, Balanced Venture Capital Funds, Growth

- **Distressed/Restructuring**: Turnaround Situations, Restructurings, Distressed Debt

The Program will avoid assets and strategies that SDCERS already employs (i.e. not invest in: real estate, general stocks and bonds, etc.).

2. **Discretionary Authority**

The Program will use discretionary advisors (the “Advisors”). These are fiduciaries that shall acquire and manage, on a discretionary basis, PM investments on behalf of SDCERS in accordance with these Policies and fiduciary standards of the “prudent expert” rule.

The Board controls the delegation of discretion. However, using such advisors, who specialize in PM and can perform extensive due diligence / selection, is expected to minimize risk. Staff will evaluate and recommend advisors as appropriate. All engagements of advisors will require the approval of the Board.

With each engagement, Advisors will provide:

A. **Their Investment Plan**: This is a document for Board approval that provides guidance as to the management, operations and investments of the Program. Its components are:

- **Pacing Analysis**: This is an identification of an optimal average commitment size as well as a total target commitment level to reach the
System’s long-term target market value allocation. The Pacing Analysis shall take into account the System’s overall allocation to and investments in PM, within each strategy, and across industries and geography. It will endeavor to maintain even vintage year diversification despite short term market fluctuations and the denominator effect.

- **Investment Approach**: Advisors shall review and manage investments using a disciplined but opportunistic management strategy. Given the “blind pool” nature of this asset class, a primary objective will be **access to the best managers**. Advisors shall seek to identify the best managers and opportunities available and highlight this in their Plan.

- Risk Minimization: Advisors will also explain how they intend to minimize the risks associated with this asset class. After manager selection, a secondary goal is to be diversified appropriately across strategies, industries, partnerships and geography.

B. **Annual Review of their Investment Plan**: The Advisors will perform an annual review of their Plan for Board approval. This will consist of a comprehensive analysis of what happened in the past year, and any revisions to the Plan moving forward.

C. **Portfolio Monitoring and Reporting**: The Advisors will provide quarterly monitoring reports and a greater level of detail on the annual reports. There will typically be a one quarter valuation delay. These reports are meant to alert Staff to possible adverse developments as well as provide timely updates on the performance and analysis of investments. The reports shall include, but not be limited to, the following:

- The general investment environment and perceived opportunities coming to the PM
- Allocations made across different industries and subclasses of PE
- An assessment of future outcomes of the investments held
- Summary of investment portfolio performance, along with an update on overall market performance
- New commitments made since the last report
- Summary of draw-downs and distributions

In addition to the above, Advisors will adhere to the following:
a. **Valuations**: Investments in the Program shall be valued on a quarterly basis according to the standards of the Financial Accounting Standards Board.

b. **Audits**: The advisors’ investment vehicles shall be audited annually by an independent third party.

### 3. Risk Minimization

The Program will minimize all risks in a prudent manner. There are 2 categories of risk: Asset Class risk and Program risk.

#### Asset Class Risk

Asset Class risks are the risks associated with PM investments. In general, those risks are:

- Manager risk
- Underlying company risk
- Market risk
- Portfolio management risk
- Liquidity risk

There are several ways to minimize Asset Class Risk, which may include:

- **Diversification**: The portfolio shall be diversified appropriately across strategies, industries, partnerships and geography as explained above. Diversification reduces the impact of any one investment or style affecting a disproportionate share of the total portfolio.

- **Minimum Requirements**: Advisors will have a high threshold of minimum requirements to ensure investments are with managers of institutional quality that exhibit a high degree of fiduciary responsibility. Some examples are:
  
  - Managers must have annual audits by independent third parties
  
  - The Program will not invest in funds that charge sales / marketing fees
  
  - All investment structures must provide limited liability to the System

#### Program Risk

The Program shall be planned, implemented, and monitored through the combined efforts of the Board, Staff and Advisors. To ensure smooth coordination between all parties, it is important to have clearly defined roles for each group.
To minimize Program Risk, the delegation of the major responsibilities of each participant are outlined below:

The **Board**’s duties include:

- Approve the retention of external resources such as PM advisors and / or back office, monitoring firms
- Perform annual comprehensive reviews of the Program to ensure compliance with the Policy and the achievement of the Objectives of the Program
- Approve the Advisors’ Investment Plans and annual updates to their Plans (as prepared by the Advisors in their Annual Reviews)
- Delegate investment approval authority to the Advisors by entering into an investment vehicle with each Advisor to be managed at the discretion of the Advisors, subject to the parameters and limitations of this Policy

The **Staff**’s duties include:

- Recommend changes in the Policy to the Board
- Propose, issue and evaluate responses to RFPs for the selection of advisors and make selection recommendations to the Board
- Manage the System’s relationships with advisors and other external resources, to ensure that the System obtains the maximum value from those relationships
- Coordinate the activities of, and communications among, advisors
- Understand the attributes of each recommended investment
- Collaborate with the advisors on the selection of investments for the Program and the monitoring of such investments
- Process capital calls issued by Advisors
- Oversee risk management functions performed by Advisors and through portfolio monitoring
- Analyze the results of portfolio monitoring reports and make recommendations with respect to Investment Plans and Pacing
- Monitor Advisor compliance with terms and conditions of all agreements
The Advisors’ duties include:

• Develop and implement the strategy for the Program

• Manage the Investment Vehicle, subject to the limitations set forth in such vehicle which should include reference to this Policy

• Monitor all the elements of cost of the Investment Vehicle in order to avoid excess costs at all times

• Identify, due diligence, negotiate, execute, and manage commitments and investments through the Investment Vehicle, subject to Policy and Plan

• Oversee the creation of appropriate legal documentation for each commitment

• Monitor investments in the Investment Vehicle and report quarterly to the Board and the Staff on investment performance

• Manage all aspects of investments made by the Investment Vehicle through their lifecycle, including the disposition of those investments

• Review relevant issues in PM through periodic workshops, discussions and distribution of research materials

4. Ethical Standards

The Board, Staff, Advisors and all other participants in the Program will adhere at all times to the highest ethical standards and principles. Items of note are:

• Disclosure: The Board, Staff, Advisors and all other participants in the Program shall strive for transparency on all activities while preserving the confidentiality of trade secrets pursuant to California law. Disclosure of any payments made by an investment manager or advisor to obtain a commitment from SDCERS shall be disclosed to SDCERS prior to an investment.

• Conflicts of Interest: The Board, Staff, Advisors and all other participants in the Program shall avoid all conflicts of interest that may arise. In the event that conflicts of interest are identified, the identifying party shall disclose such conflicts to the Chief Compliance Officer of SDCERS.
OUTSIDE COUNSEL/CONSULTANTS OPINIONS POLICY

PURPOSE

1. To ensure that requests for outside counsel or consultant opinions are necessary, that they are performed in an efficient and cost-effective manner, and that the resulting product is provided to the entire Board, where appropriate.

SCOPE

2. This policy covers requests by individual Board and Independent Non-Board Members for compensable work to be performed by outside counsel/consultants and does not cover hiring of consultants or other vendors by the Board or staff for the day-to-day operations of SDCERS. This policy includes Board and Independent Non-Board Members’ requests for work to be performed by SDCERS’ outside fiduciary counsel/consultants.

POLICY

3. Request Through CEO: Any Board or Independent Non-Board Member who wishes to request that compensable work be performed by outside counsel/consultants shall make such request to the CEO. Except for Board Member communication with fiduciary counsel with regard to the discharge of their fiduciary duty, or in other exigent circumstances, the Board or Independent Non-Board Member should refrain from contacting outside counsel or the consultant directly.

4. CEO’s Responsibilities: Upon receipt of a request for an outside counsel/consultant’s opinion, the CEO shall:
   a. Review the request with the Board or Independent Non-Board Member who originated it to ensure complete understanding and that the submitted questions and/or concerns are completely and adequately answered;
   b. Review existing files to determine if the request has been addressed at any time in the past and, if it has been, confirm that the prior work product is still current and accurate. If so, they shall communicate this to the Board or Independent Non-Board Member;
   c. Review the request with the appropriate outside counsel/consultant to ensure complete understanding of the request and determine the appropriate cost of responding to the request. If the request is for a legal opinion from fiduciary counsel or other outside counsel, the CEO shall work with the General Counsel consistent with the General Counsel Charter and the Fiduciary Counsel Policy; and
d. After submission of the request to the appropriate outside counsel/consultant, report its submission at the next Board meeting. This report shall include the nature of the request, the approximate cost, and the approximate time for anticipated completion. This report shall be in writing and included in the Board materials unless, in the opinion of General Counsel, the report should be provided in a closed session consistent with the Brown Act.

5. **Expenditure Authorization Guidelines:**

   a. **Requests for Opinions from Fiduciary Counsel**
      
      i. The Board, the Board President, CEO or General Counsel is authorized to approve necessary and reasonable expenditures for requests for opinion from outside fiduciary counsel.

   b. **Requests Other Than Fiduciary Counsel**
      
      i. The CEO is authorized to approve all expenditures up to $50,000. If, for any reason, including but not limited to a conflict of interest, the CEO is unavailable or unable to authorize the request, then:
         
         1) If the request is for an opinion from outside counsel other than fiduciary counsel, SDCERS’ General Counsel may act in place of the CEO.
         
         2) If the request is for an opinion from any non-legal consultant, the Deputy CEO may act in place of the CEO.

      ii. Expenditures over $50,000 must be submitted to the Board through its Business and Governance Committee for approval.

POLSICY REVIEW & HISTORY

6. The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

OVERPAYMENT AND UNDERPAYMENT OF BENEFITS POLICY

PURPOSE

In order to preserve the financial integrity of SDCERS and comply with the Board’s fiduciary responsibilities and IRS rules and regulations governing overpayment and underpayment of benefits, it is the Board’s Policy to investigate any overpayment or underpayment promptly and diligently and to recover the overpayment or pay the underpayment in a timely manner. The purpose of this Policy is to provide guidelines and a process for evaluation and collection or payment of overpaid and underpaid benefits made to Members, beneficiaries, and payees (collectively “Members,” for purposes of this Policy).

The CEO may delegate to staff any reporting or investigative responsibilities assigned to the CEO in this Policy. Therefore, the term "CEO" as used in this policy refers to the CEO and their delegate.

SCOPE

This Policy covers the notification, investigation, collection, and due process considerations of any overpayment and/or underpayment of benefits to SDCERS Members.

OVERPAYMENT OF BENEFITS PROCEDURE

When an overpayment of benefits has been identified, the following guidelines and procedures shall be followed:

1. NOTIFICATION
   a. The CEO shall report any overpayments in excess of $10,000 to the Board at the next regularly scheduled Board meeting. The CEO shall report back to the Board on the progress of the investigation and collection of the overpayment.
   b. The CEO shall provide an annual report to the Board setting forth the final resolution of any overpayment of benefits of $1,000 or more.

2. INVESTIGATION
   a. When an overpayment of benefits is identified, the CEO shall immediately conduct an investigation into the facts and circumstances surrounding the overpayment.

3. COLLECTION
a. Overpayment of Benefits Exceeding $10,000 – Approval by the Board:

i. Resolution of an overpayment of benefits that exceeds $10,000 should result in immediate full payment of the entire amount, plus interest, whenever feasible. For purposes of this Policy, full repayment may include an installment repayment plan for the full amount owed, including interest at the actuarially assumed rate. A resolution on these terms does not need Board approval.

ii. Any resolution of an overpayment of benefits exceeding $10,000 that does not result in full payment of the entire amount, plus interest, must be approved by the Board.

b. Overpayment of Benefits of $10,000 or Less – Approval by the CEO:

i. Resolution of an overpayment of benefits of $10,000 or less should result in immediate full payment of the entire amount, plus interest, whenever feasible. For purposes of this Policy, full repayment may include an installment repayment plan for the full amount owed, including interest at the actuarially assumed rate.

ii. Subject to the procedures in this Policy, the CEO shall have sole discretion to resolve any overpayment of benefits of $10,000 or less.

c. The Board and CEO shall use reasonable efforts to resolve an overpayment of benefits. Reasonable efforts include consideration of the facts and circumstances surrounding the overpayment, IRS guidelines for correction of Plan errors, and input from the plan sponsor.

d. Interest:

i. SDCERS shall charge the Member interest only if the overpayment of benefits is not resolved within the same fiscal year in which the error was made. “Resolved,” for purposes of charging interest, means the date when the Member pays SDCERS the amount owed.

ii. Interest shall be calculated using the actuarially assumed rate in effect when the overpayment of benefits is resolved.

iii. Interest on repayment plan: If the Member chooses to repay the overpayment of benefits in installments over time, SDCERS shall calculate interest on the repayment plan using the actuarially assumed rate in effect on the date the Member signs the repayment plan.

e. Offset: The collection of an overpaid benefit does not constitute “execution, garnishment, attachment or any other process of any court” under Municipal
Code section 24.1008. SDCERS may collect an overpayment of benefits as an offset from future benefits SDCERS owes to the Member or, where legally permissible, the Member’s beneficiaries, whether or not the Member consents to the offset.

4. DUE PROCESS

a. Before collecting an overpayment of benefits from the future benefits of a Member without consent, SDCERS shall notify the affected party of its intent to do so and provide an opportunity for the affected party to request a hearing on the matter if the affected party disputes the fact that an overpayment has occurred or the amount of the overpayment.

b. No overpayment of benefits shall be collected from the future benefits of a Member unless that person has been given at least 30 days’ notice of SDCERS’ intent to do so. The notice shall include an explanation as to the reason for the offset, the basis for calculation of the amount of the overpayment, and an explanation of the Member’s right to request a hearing on the matter. The notice shall be mailed to the Member’s last known address. Service by regular mail shall constitute sufficient notice.

c. If a Member disagrees with staff’s decision regarding resolution of the overpayment of benefits, the Member shall be advised of their right to appeal the decision according to the Appeal of Staff Decisions Regarding Benefits Policy and Division 10 of the Board Rules.

UNDERPAYMENT OF BENEFITS PROCEDURE

When a wrongful underpayment of benefits has been identified, the following guidelines and procedures shall be followed:

5. NOTIFICATION

a. The CEO shall report any underpayment in excess of $10,000 to the Board at the next regularly scheduled Board meeting.

b. The CEO shall provide an annual report to the Board setting forth the final resolution of any withholding or underpayment of benefits of $1,000 or more.

6. INVESTIGATION

a. When an underpayment of benefits is identified, the CEO shall immediately conduct an investigation into the facts and circumstances surrounding the underpayment.
b. The CEO shall establish internal procedures to investigate and resolve underpayment of benefits.

7. RESOLUTION

a. Staff shall notify the affected Member of the underpaid benefit in writing and SDCERS shall repay any underpaid benefits as soon as reasonably possible.

b. Interest:

i. SDCERS shall include interest in its repayment only if the underpayment of benefits is not resolved within the same fiscal year in which the error was made. “Resolved,” for purposes of including interest, means the date when SDCERS pays the Member the amount owed.

ii. Interest shall be calculated using the actuarially assumed rate in effect when the withholding or underpayment of benefits is resolved.

8. DUE PROCESS

a. If a Member disagrees with staff’s decision regarding resolution of the underpayment of benefits, the Member shall be advised of their right to appeal the decision according to the Appeal of Staff Decisions Regarding Benefits Policy and Division 10 of the Board Rules.

POLICY REVIEW & HISTORY

9. The Board shall review this Policy at least once every three years to ensure that it remains relevant and appropriate.

PLACEMENT AGENT PAYMENT DISCLOSURE POLICY

POLICY

1. This Policy establishes general guidelines for disclosure of payments to Placement Agents made in connection with SDCERS investments in or through External Managers. This Policy provides a systematic and consistent process for the Investment Division, the General Consultant to SDCERS, and SDCERS’ External Managers to employ when using Placement Agents.

DEFINITIONS

2. “Placement Agent,” and “External Manager,” as used in this Policy, are defined in California Government Code section 7513.8.

SCOPE

3. This Policy applies to all agreements with External Managers that are entered into after the date this Policy is first adopted. This Policy also applies to then-existing agreements with External Managers if, after the date this Policy is first adopted, the original agreement is amended to continue or extend the term of the agreement or the investment period, increase the commitment of funds by SDCERS or increase or accelerate the fees or compensation payable to the External Manager.

PROCEDURE

4. Prior to SDCERS investing with any External Manager or any event contemplated in paragraph three, SDCERS’ Investment Division shall provide such External Managers with a copy of this Policy and, in response, the potential External Manager must provide a written representation in a form acceptable to SDCERS’ legal counsel stating that (1) the potential Manager agrees with the disclosure and penalty provisions set forth in this Policy and (2) it has not used a Placement Agent in connection with SDCERS’ investment, or if the manager has used a Placement Agent in connection with SDCERS’ investment, it shall disclose the following:

a. The name of the Placement Agent and the relationship between the External Manager and Placement Agent;

b. A resume for each officer, partner, or principal of the Placement Agent detailing the person’s education, professional designations, regulatory licenses, and investment and work experience;

c. A description of any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent, including the nature, timing and value thereof;
d. A representation that the compensation provided is the sole obligation of the External Manager and not of SDCERS or the investment fund, as defined in California Government Code section 7513.8;

e. A description of the services performed, and to be performed, by the Placement Agent;

f. A statement providing whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission, the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required;

g. A statement informing whether any regulatory agency has imposed any fines or penalties on, or has taken any action or made any findings against, the Placement Agent.

h. A statement informing whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government, or the City of San Diego;

i. All campaign contributions made by the Placement Agent to any elected member of the Board and/or to any current member of the San Diego City Council, during the prior 24-month period, which disclosure shall be amended if any campaign contributions are made during the time the Placement Agent is receiving compensation in connection with an SDCERS’ investment;

j. All gifts, as defined in Government Code section 82028, given by the Placement Agent to any member of the Board, or any SDCERS employees, or to the Board’s investment consultant, during the time the Placement Agent is receiving compensation in connection with a SDCERS’ investment;

k. All current or former SDCERS Board or Independent Non-Board Members, employees, consultants, or a member of the immediate family of any such person who are either employed or receiving compensation from the Placement Agent; and

l. The names of any current or former SDCERS Board or Independent Non-Board Members, employees, or consultants who suggested the retention of the Placement Agent.

5. SDCERS staff shall ensure that new contracts and amendments adopted subject to this Policy provide that the External Manager agrees to comply with this Policy, and agrees to the penalties provisions herein.
6. All Placement Agent disclosures referred to in this Policy shall be a public record subject to disclosure under the California Public Records Act.

PENALTIES

7. Any External Manager or Placement Agent that commits a material violation of this Policy shall not solicit new investments from SDCERS for five years after the violation is committed, unless the Board decides in open session to reduce the five year prohibition upon a showing of good cause.

8. The Board may, at its discretion, impose an additional penalty or fine on an External Manager who violates this Policy and does not establish good cause to the reasonable satisfaction of the Board.

CONTRACTS

9. SDCERS shall not enter into any contract with an External Manager that does not agree in writing to comply with the Policy.

10. All contracts between SDCERS and its External Managers shall contain the following terms:

   a. That the External Manager agrees to follow and be bound by the provisions of this Policy;

   b. That the External Manager shall provide the written representation identified in the Procedure section of this Policy, in a form acceptable to SDCERS’ General Counsel; and

   c. That the External Manager agrees to be bound by any reasonable penalty or fine imposed by the Board under this Policy.

POLICY REVIEW & HISTORY

11. The Board shall review this Policy at least every three years to ensure it remains relevant and appropriate.

PUBLIC RECORDS ACT POLICY

PURPOSE

1. The purpose of this Policy is to establish guidelines for responding to requests under the Public Records Act (“Act”), Government Code section 6250 et seq.

SCOPE

2. This Policy concerns all record requests to SDCERS that fall under the Act.

POLICY

3. It is SDCERS’ policy to comply with the Act, which includes responding to public requests for records appropriately and timely while protecting the confidentiality of information to the fullest extent permissible under California law.

4. All requests for records directed to SDCERS, an SDCERS Board or Independent Non-Board Member, or staff shall be forwarded immediately to SDCERS’ Legal Services Division for evaluation and response. The response shall be provided to the requestor by the Legal Services Division or the Communications Manager.

5. Legal staff shall respond to the request in compliance with the Public Records Act and, when appropriate, compile and produce the requested records. If Legal staff determines that an individual Board, Independent Non-Board, or staff member may possess documents that SDCERS is required to produce, Legal staff shall contact that person and request the responsive documents for review and possible production.

6. Before paper copies of requested records are provided, the requesting party must pay for the copies in advance at a rate of 25 cents per page if the number of copies will amount to 20 or more pages. If the request requires data compilation, extraction, or computer programming, the requesting party must pay in advance the estimated cost of the programming and computer services needed to produce the record. If staff believes the cost to the requesting party shall exceed $50, staff shall contact the requesting party before incurring these costs and shall obtain payment for the estimated cost before copying or computer services begin.

7. If records are kept in electronic format, staff shall provide the requested records to the requesting party in such format, if requested. The cost of producing records electronically shall be limited to the direct cost of producing the copy of the records plus the costs of data compilation, extraction, or programming needed to produce the record.

POLICY REVIEW & HISTORY

8. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.
RETURNING TO WORK AFTER RETIREMENT POLICY

PURPOSE

1. The purpose of this policy is to comply with relevant state and federal laws and the plan documents for retirees who wish to return to work for an SDCERS plan sponsor while receiving a retirement benefit from SDCERS.

2. This Policy also defines Normal Retirement Ages for SDCERS membership classifications to ensure compliance with IRS regulations.

SCOPE

3. This Policy applies to the retirement plans of the City, Port, and Airport, and all SDCERS retirees.

DEFINITIONS

4. “Work,” as used in this Policy, means to serve, be employed by, or be directly employed through a contract.

5. A “Bona Fide Separation from Service” means that before the Member retired and at the time of retirement, there was no prearranged agreement between the Member and the employer for the Member to return to work after retirement, and the Member’s employment relationship with their prior employer ceased for at least 60 consecutive days starting with the day after retirement.

POLICY

Members Retired from the Airport ("Airport Retirees")

6. Pursuant to section 0103.5 of the Airport’s retirement plan and Government Code section 7522.56, an Airport Retiree may work for the Airport, Port, or City on a temporary basis without suspending their retirement benefit if:

   a. The employer determines it is necessary to employ the Airport Retiree during an emergency to prevent disruption of public business; or

   b. The Airport Retiree has skills needed to perform work of limited duration.

7. If paragraph six 6 of this Policy is satisfied, then:

   a. The Airport Retiree may not work in excess of 960 hours per fiscal year for all employers in SDCERS;

   b. The Airport Retiree’s pay must be within the same range as other employees performing similar duties, consistent with Gov. Code section 7522.56(d);
c. The Airport Retiree must certify in writing to their prospective employer and SDCERS that they have not received any unemployment insurance compensation arising out of prior employment with a public employer within the past 12 months; and

d. The employment occurs no earlier than 180 days following the effective date of the Airport Retiree’s retirement from SDCERS. However, this 180-day requirement may be waived if the Airport Retiree did not accept a retirement incentive upon retirement and:

i. The employer certifies that the Airport Retiree is necessary to fill a critically needed position before 180 days have passed and the governing body of the employer has approved the appointment in a public meeting (not as part of the consent agenda), or

ii. The Airport Retiree is a public safety officer who is employed to perform regular public safety officer duties.

e. An Airport Retiree working for the Airport, Port, or City shall not be eligible to participate as an active Member in the Airport, Port, or City’s retirement plan.

f. If an Airport Retiree violates this Policy, SDCERS shall suspend their Airport retirement benefit until they comply with this Policy. Pursuant to section 0103.5(e) of the Airport’s retirement plan, retirement benefits suspended pursuant to this section are not subject to repayment when the benefit is reinstated.

Members Retired from the Port (“Port Retirees”)

8. Pursuant to section 0103 of the Port’s retirement plan and Government Code section 7522.56, a Port Retiree may work for the Airport, Port, or City on a temporary basis and continue receiving their retirement benefit if:

a. The employer determines it is necessary to employ the Port Retiree during an emergency to prevent disruption of public business; or

b. The Port Retiree has skills needed to perform work of limited duration.

9. If paragraph 8 of this Policy is satisfied, then:

a. The Port Retiree may not work in excess of 960 hours per fiscal year for all employers in SDCERS;

b. The Port Retiree’s pay must be within the same range as other employees performing similar duties, consistent with Gov. Code section 7522.56(d);
c. The Port Retiree must certify in writing to their prospective employer and SDCERS that they have not received any unemployment insurance compensation arising out of prior employment with a public employer within the past 12 months; and

d. The employment occurs no earlier than 180 days following the effective date of the Port Retiree's retirement from SDCERS. However, this 180-day requirement may be waived if the Port Retiree did not accept a retirement incentive upon retirement and:

i. The employer certifies that the Port Retiree is necessary to fill a critically needed position before 180 days have passed, and the governing body of the employer has approved the appointment in a public meeting (not as part of the consent agenda), or

ii. The Port Retiree is a public safety officer who is employed to perform regular public safety officer duties.

10. A Port Retiree working for the Airport, Port, or City shall not be eligible to participate as an active Member in the Airport, Port, or City’s retirement plan.

Members Retired from the City (“City Retirees”)

11. Pursuant to Government Code section 7522.56, a City Retiree may work for the Airport or Port on a temporary basis and continue receiving their retirement benefit if:

a. The employer determines it is necessary to employ the City Retiree during an emergency to prevent disruption of public business; or

b. The City Retiree has skills needed to perform work of limited duration.

12. If paragraph 11 of this Policy is satisfied, then:

a. The City Retiree may not work in excess of 960 hours per fiscal year for all employers in SDCERS;

b. The City Retiree’s pay must be within the same range as other employees performing similar duties, consistent with Gov. Code section 7522.56(d);

c. The City Retiree must certify in writing to their prospective employer and SDCERS that they have not received any unemployment insurance compensation arising out of prior employment with a public employer within the past 12 months; and

d. The employment occurs no earlier than 180 days following the effective date of the City Retiree’s retirement from the City. However, this 180-day
requirement may be waived if the City Retiree did not accept a retirement incentive upon retirement and:

i. The employer certifies that the City Retiree is necessary to fill a critically needed position before 180 days have passed, and the governing body of the employer has approved the appointment in a public meeting (not as part of the consent agenda), or

ii. The City Retiree is a public safety officer who is employed to perform regular public safety officer duties.

13. A City Retiree working for the Airport or Port shall not be eligible to participate as an active Member in the Airport or Port’s retirement plan.

14. Per San Diego Municipal Code section 24.1001, the City will not pay any City Retiree for any services rendered as an officer or employee of the City except under one of the following circumstances:

   a. If the City Retiree was granted a disability retirement and their disability retirement benefit is terminated, they may return to work for the City and accrue retirement benefits under the City’s retirement plan;

   b. If the City Retiree is voted-in as an Elected Officer of the City, they may continue receiving their City retirement benefit while simultaneously accruing additional retirement benefits under the City’s retirement plan; or

   c. If the appropriate appointing authority determines the City Retiree is needed to fill a position that requires special skills or knowledge, they may be rehired as a provisional employee subject to the working hours limitation set forth under San Diego Municipal Code section 24.1001(a)(3).

      i. In this situation, the City Retiree shall continue to receive their City retirement benefits but shall not be eligible to participate as an active Member in the City’s retirement plan or accrue additional retirement benefits under the City’s retirement plan.

      ii. However, a City Retiree may not be rehired by the City under this option if they received unemployment insurance compensation arising out of prior City employment as a provisional employee.

Applicable to All SDCERS Retirees

15. 10% Tax Penalty:

   a. If a retiree returns to work for the same employer from which they retired before age 59 ½ and without a Bona Fide Separation from Service, SDCERS shall report the payments to the IRS as early distributions. The
IRS may impose a 10% early distribution tax penalty on all retirement benefits received by the retiree until they either reach age 59 ½ or there has been a Bona Fide Separation from Service. (See, 26 U.S.C. §72(t)).

i. This 10% tax penalty does not apply to retirees who return to work when they are at least 59 ½ or to those who return to work after a Bona Fide Separation from Service.

16. Normal Retirement Age:

a. To comply with IRS regulations regarding in-service distributions and protect SDCERS’ tax-qualified status, a retiree who has not yet attained the applicable Normal Retirement Age, as defined herein, must have a Bona Fide Separation from Service before returning to work for the same employer from which they retired.

i. Regardless of whether or not they have reached Normal Retirement Age, all retirees who are not City Retirees returning to work for the City are subject to PEPRA’s 180-day separation from service requirement as described in paragraphs 7(d), 9(d), and 12(d) of this Policy.

b. The Normal Retirement Age for each class of membership has been determined by SDCERS’ Board of Administration as follows:

i. City General and Safety Members – according to the applicable age and service vesting requirements described in section 141 of the City of San Diego City Charter.

ii. City Elected Officer Members – the earlier of (1) age 62 or (2) age 60 with at least five years of creditable service.

iii. Port General/Executive Members – according to the age and service vesting requirements described in section 0300(a) of the Port’s retirement plan.

iv. Port Miscellaneous Members – according to the age and service vesting requirements described in section 0301(b) of the Port’s retirement plan.

v. Port Safety Members initially hired before January 1, 2013 – according to the applicable age and service vesting requirements described in section 0302(a) of the Port’s retirement plan.

vi. Port Safety Members initially hired on or after January 1, 2013 – according to the applicable age and service vesting requirements described in section 0302(a) of the Port’s retirement plan, except
that the earliest retirement is at age 50 with at least 30 years of Port service.

vii. Airport Members initially hired before January 1, 2013 – according to the applicable age and service vesting requirements described in section 0300(a) of the Airport’s retirement plan.

viii. Airport Members initially hired on or after January 1, 2013 – the earlier of (1) age 55 with at least 10 years of creditable service or (2) age 60 with at least five years of creditable service.

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<tr>
<th>Plan Sponsor</th>
<th>Classification*</th>
<th>Normal Retirement Age</th>
<th>Min. Service</th>
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<td>City (City Charter §141)</td>
<td>General</td>
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<td>62</td>
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<td></td>
<td></td>
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<td>5 years</td>
</tr>
<tr>
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<td></td>
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<td></td>
<td>Safety (hired on or after 1/1/10 and before 1/1/13)</td>
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<td>Safety (hired on or after 1/1/13)</td>
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<td>60</td>
<td>5 years</td>
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</table>

*Note: This table includes all tiers of the stated classifications.

17. This Policy does not create any “vested rights” under California or federal law, including but not limited to the contracts clause of the California Constitution.

18. To the extent that the applicable plan document, local law, state law, or federal law provides for additional restrictions or conflicts with this Policy, the plan document or law shall prevail.
POLICY REVIEW AND HISTORY

19. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

SECURITIES LITIGATION POLICY

PURPOSE

1. The Board adopts this Policy to fulfill its fiduciary duty of monitoring and participating in securities litigation matters when appropriate to protect SDCERS’ interests. This Policy establishes procedures and guidelines for monitoring and participating in securities litigation cases. The objectives of this Policy are to recover damages resulting from wrongful acts or omissions of others related to securities and to maximize those recoveries.

SCOPE

2. This Policy applies to any securities litigation matter related to wrongful acts or omissions of others.

POLICY

3. Monitoring Securities Matters:
   a. The CEO shall retain one or more law firms, selected by a Request for Information process, to assist in monitoring securities litigation matters. The law firm(s) shall inform the Legal Services Division (“Legal”) of all securities litigation matters that involve SDCERS’ assets, evaluate the matters, estimate SDCERS’ losses, monitor the Statute of Repose in each case and opine on whether or not SDCERS should actively participate in each matter.
   b. The Board prefers that these law firms provide the monitoring services free-of-charge to SDCERS. If the CEO cannot find an adequate law firm to provide these services free-of-charge, SDCERS shall contract with a law firm(s) pursuant to the Contracting Policy and Delegation of Authority to Execute Contracts and Other Documents.

4. Active Participation in Actions
   a. Active participation includes, but is not limited to, seeking lead plaintiff status, opting into an action, opting out of an action, filing a direct or derivative action, filing an objection to a request for attorneys’ fees or settlement, and filing an amicus brief. Legal shall review each securities matter to determine whether or not and to what extent SDCERS should actively participate in a matter. Legal shall make these determinations based upon the following factors:
   i. SDCERS’ estimated losses. A domestic securities action in which SDCERS’ losses are less than $5 million and a foreign securities action in which SDCERS’ losses are less than $2 million shall not
justify active participation absent circumstances to be determined at the discretion of SDCERS’ General Counsel;

ii. The merits of the matter;

iii. The ability to assist in identifying corporate governance issues and participate in developing corporate governance through litigation;

iv. The ability to increase recovery, reduce attorney’s fees and costs, and/or better protect SDCERS’ interests;

v. The opinions of SDCERS’ monitoring law firms;

vi. The consumption of staff time required to participate in the matter;

vii. Whether or not active participation will assure more efficient and effective prosecution of the matter;

viii. The potential risks and costs, including adverse attorneys’ fees and costs, of participating in the matter;

ix. The availability and adequacy of a law firm to represent SDCERS; and

x. Whether or not the overall benefits of participating in the matter outweigh the overall risks of participating in the matter.

b. If Legal determines that a securities litigation matter warrants SDCERS’ active participation, it shall seek the approval of the CEO. The CEO, with the concurrence of the General Counsel, has the authority to determine whether or not and to what extent SDCERS shall actively participate in any securities matter, except as stated in paragraph 4(d). If the CEO and General Counsel determine SDCERS should actively participate in a securities litigation action, the CEO, with the concurrence of General Counsel, shall have the authority to conduct and resolve the action, retain counsel on a contingency fee basis, and execute all contracts, certifications, authorizations, and/or other documents required to litigate and resolve the matter. The General Counsel shall oversee litigation counsel in the prosecution of securities litigation cases as provided in the General Counsel Charter.

c. During closed session, Legal shall inform the Board of the CEO’s decision to actively participate in any securities matter and keep the Board informed of significant developments in such matters. If the General Counsel and the CEO disagree on any decision to actively or passively participate in any securities matter, the CEO and General Counsel shall inform the Board and seek Board direction.
d. Legal shall seek Board approval of any decision that relates to a domestic securities litigation matter, in which the losses are $5 million or more, and of any decision that relates to a foreign securities matter, in which the losses are $2 million or more. However, where it is determined that immediate action is required in order to preserve SDCERS’ rights and/or interests and the matter cannot be timely presented to the Board for approval at a regularly-scheduled meeting, or where quorum cannot be reached at such meeting, the CEO, with the concurrence of General Counsel, is authorized to take action. In the event such authority is exercised, Legal shall seek the Board’s ratification of the action at the next regularly-scheduled meeting of the Board in closed session.

5. Retaining Outside Counsel:

a. Outside counsel shall be selected based upon a myriad of factors, including case analysis provided, representation of similarly situated parties, fee proposals, experience, and history of advice to SDCERS. Counsel must be evaluated on a case by case basis.

6. Claims Filings and Recovery:

a. In securities litigation matters, staff may utilize a vendor, such as SDCERS’ custodial bank or a claims submission vendor, to submit claims and collect any recovery on behalf of SDCERS. Currently, SDCERS’ custodial bank provides this service free-of-charge. If these services ever require a fee, SDCERS shall contract with a vendor(s) pursuant to the Contracting Policy for Goods and Services (Other than Asset Managers).

b. If a vendor is used to submit claims and collect recoveries on behalf of SDCERS, the vendor shall be responsible for filing all proofs of claims, including the necessary supporting documents and information, in every appropriate securities action in which SDCERS has an interest. The vendor shall ensure that timely claims are submitted on behalf of SDCERS in all appropriate securities matters and that SDCERS receives its proper recovery from those claims.

c. Legal, at the direction of General Counsel, shall have the authority to file proofs of claim, including the necessary supporting documents and information.

d. Legal shall monitor the class action claim filings and recoveries regularly and take appropriate action to ensure SDCERS maximizes its recoveries.

7. Reporting to the Board:

a. Legal shall provide the Investments Committee with an annual report regarding securities litigation matters. The report shall include the total
yearly recovery of securities litigation matters, a summary of SDCERS’ active participation in all securities litigation matters, a review of the securities litigation processes outlined in this Policy, and any recommendations to improve this Policy.

**PROCESS REVIEW & HISTORY**

8. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

Adopted September 12, 2014; reviewed July 10, 2015, July 8, 2016, and July 14, 2017; and amended July 13, 2018; and September 10, 2021.
SETTLEMENT OF CLAIMS OR LAWSUITS POLICY

PURPOSE

1. The purpose of this Policy is to preserve the financial integrity of SDCERS, recognize the Board of Administration’s (“Board”) fiduciary responsibilities, and provide an orderly and efficient procedure for handling claims and lawsuits against the Board, SDCERS, or its staff.

SCOPE

2. This Policy applies to any government claim or lawsuit brought against the Board, SDCERS, or its staff.

POLICY

3. Any claim or lawsuit against the Board, SDCERS, or its staff shall be forwarded immediately to SDCERS’ General Counsel. If the General Counsel has a conflict of interest involving the claim or lawsuit, the matter may be referred to SDCERS’ Fiduciary Counsel to assume the duties stated herein.

4. Upon receipt of the claim or lawsuit, the General Counsel shall immediately evaluate the claim or lawsuit, conduct an investigation into the facts, circumstances, and legal issues arising out of the claim or lawsuit, and report to the Board and the Chief Executive Officer (“CEO”).

5. After evaluating the claim or lawsuit, the General Counsel shall take any action necessary to defend against the action of lawsuit, including, but not limited to, asserting any defenses, representing, and arranging for representation of the Board, SDCERS, and/or its staff.

6. The CEO, with the concurrence of the General Counsel, may settle claims or lawsuits up to and including $10,000. Only the Board may approve a settlement for claims or lawsuits involving non-monetary relief or where the settlement amount exceeds the CEO’s authority.

7. The General Counsel shall provide a report at the next regularly scheduled Board meeting notifying the Board of any settlements.

POLICY REVIEW & HISTORY

8. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

STATEMENT OF POLICY UNDER
PROPOSITION 162 AND CITY CHARTER

PURPOSE

1. The purpose of this Policy is to affirm the Board’s independence from plan sponsors, its plenary authority regarding investment of monies and its administration of the system, and to delineate its fiduciary responsibilities under the California Constitution, Proposition 162, and the City of San Diego City Charter (“City Charter”).

SCOPE

2. This Policy applies to the Board’s investment of monies and administration of the system.

POLICY

3. The California Pension Protection Act of 1992, enacted by California’s voters as Proposition 162 in November of 1992, amended Article 16, Section 17 of the California Constitution to state that:

“Notwithstanding any other provisions of law or this constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system…”

4. Consistent with this constitutional authority, the Board shall: (1) retain plenary authority and fiduciary responsibility for investment of monies and administration of the system; (2) have exclusive control of the administration and investment of SDCERS funds; and (3) employ an actuary to determine the cost of establishing the retirement system for City employees. Also, the Court of Appeal has ruled that SDCERS is an independent entity (see, Bianchi v. City of San Diego (1989) 214 Cal. App. 3d 563, 571-572).

5. It is the Board’s policy to take all appropriate actions, consistent with its fiduciary responsibilities, to maintain its constitutional independence so that it may carry out its mission in the most effective manner. Consistent with this Policy, SDCERS’ practice provides for autonomy and/or flexibility in the following areas:

- Investments
- Budget
- Actuarial
• Fund Accounting and Payment Processing
• Legal Services
• Plan Interpretation and Administration
• Contracting
• Information Technology
• Human Resources

6. Specific policy in each of these areas is described in the following sections.

a. **Investments**

The Board has the sole authority to invest the SDCERS’ trust fund under the fiduciary authority conferred upon it by the California Pension Protection Act of 1992. SDCERS’ participants’ and beneficiaries’ interests shall take precedence over all other interests in the management of the investment program to ensure that sufficient assets are available to provide them with all benefits due as specified in the plan documents.

b. **Budget**

The Board shall prepare its annual budget of administrative costs for SDCERS and submit the annual budget to the City “for inclusion in the annual budget ordinance.” (Municipal Code section 24.0906) Consistent with both the constitutional and charter provisions regarding SDCERS’ independence, the City, Port, and Airport do not have the authority to alter SDCERS’ budget.

c. **Actuarial**

The Board shall exercise the sole and exclusive power to provide for actuarial services in order to ensure the competency of SDCERS’ assets under the fiduciary authority conferred upon it by the California Pension Protection Act of 1992.

d. **Fund Accounting and Payment Processing**

SDCERS shall maintain separate accounting and payment processing from the City, Port, and Airport consistent with its status as a legally independent entity under the fiduciary authority conferred upon it by the California Pension Protection Act of 1992. This shall include SDCERS’ accounts and systems to pay retirement benefits and accounts payable by checks drawn by SDCERS.
e. **Legal Services**

As an independent entity from the City, Port, and Airport, the Board shall continue to exercise the right to select internal and external legal counsel of its own choosing.

f. **Plan Interpretation and Administration**

Based upon the authority given to the Board by the California Pension Protection Act of 1992, the City Charter, Municipal Code, and San Diego Unified Port District and San Diego County Regional Airport Authority Retirement Plan and Trust, the Board has the sole authority to manage SDCERS and to administer benefits.

g. **Contracting**

SDCERS shall acquire goods and services in the best interest of SDCERS, its members, and beneficiaries in accordance with prudent business practices. In accordance with its status as an independent legal entity, SDCERS has established its own rules and procedures concerning the purchase of services and shall adopt such rules and procedures for the procurement of goods. Approval by the Mayor, City Council, Port, Airport, or their authorized representatives is not required for any procurement activity by SDCERS.

h. **Information Technology**

SDCERS shall undertake information technology projects and procurements related to such projects without the review of and/or approval by the City, Port, or Airport. SDCERS’ information technology projects and procurements shall be conducted in a manner that ensures that they meet business needs and that expenditures made in their support represent a prudent investment of SDCERS’ resources. Information technology projects shall be managed through appropriate project management techniques and in accordance with established best practice security and risk management protocols to ensure both the security of Member data and the integrity of SDCERS’ systems.

i. **Human Resources**

SDCERS shall manage its human resources program in a manner that ensures prompt delivery of benefits and related services to SDCERS’ participants. While it may be appropriate to conduct its human resources activities within the parameters of the civil service laws and rules, SDCERS shall continue to work with the City to seek solutions that meet SDCERS’ unique needs and, if necessary, shall explore other alternatives to ensure
that it can recruit and retain the necessary staff to enable it to exercise its fiduciary responsibility over SDCERS’ assets and to administer the system.

POLICY REVIEW & HISTORY

7. The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate.

Adopted March 21, 2008; amended April 15, 2011; reviewed November 13, 2015; and amended November 9, 2018, and July 9, 2021.
TRAVEL AND EXPENSE REIMBURSEMENT POLICY

PURPOSE

1. The purpose of this policy is to establish guidelines for approval of training; attendance at conferences, seminars, and institutes; and reimbursement of business-related expenses.

SCOPE

2. This policy applies to all Board Members, Independent Non-Board Members, and staff.

POLICY

3. Approval of Training Requests:
   a. In order to be reimbursed, a Board or Independent Non-Board Member’s attendance at a seminar, conference, other outside training, or travel must be approved by the Board. The Board may approve a request after the training or travel has taken place if:
      i. It was not possible to obtain Board approval before the date of the training or travel, and
      ii. The Board President approved the request in advance.
   b. In order to be reimbursed, the CEO’s travel/training requests must be approved by the Board President.
   c. Staff shall submit travel/training requests to their division director for approval and division directors shall submit travel/training requests to the CEO for approval.

4. Reimbursement of Expenses:
   a. Reimbursement for expenses must comply with current City Administrative Regulation No. 90.30, Travel Policy, and City Administrative Regulation No. 95.40, In-Town Reimbursable Expense Policy. These administrative regulations require that expenses do not exceed the U.S. General Services Administration (“GSA”) per diem rates, unless approved by the appropriate supervisor. Expenses in excess of the GSA maximums must be approved by the CEO, and in the case of expenses incurred by the CEO, by the Chief Compliance Officer (“CCO”).
b. Entertainment costs and other unnecessary expenses shall not be reimbursed (e.g., in-room movies, sightseeing tours, costs incurred by reason of a family member or other accompanying traveler).

c. Whenever prudent, travel arrangements shall be made at least six weeks in advance, be the most economical means of travel or accommodations - in the form of a coach/economy roundtrip ticket and preference shall not be given to any vendor because of the traveler’s desire to earn frequent flyer miles, points, or other personal benefits.

d. Reimbursement for business meals are for reasonable, actual costs, including tips (not to exceed 20%), that do not exceed GSA per diem rates.

i. “Business meals” shall be defined as meals between two or more people at which at least one staff or Board/Independent Non-Board Member is present for the purpose of conducting substantial and bona fide SDCERS business. This definition does not include meals at which only SDCERS staff members are present; such meals are not reimbursable.

ii. Exceptions allowing for reimbursement of a business meal expense that exceeds the GSA per diem rate must be approved by the CEO, or if the CEO is requesting the exception then by the CCO.

e. If a traveler wishes to rent a vehicle during a business trip, the CEO must approve this decision in advance. The CEO shall require evidence indicating that renting a vehicle will be less expensive than relying on taxis and/or ridesharing companies (e.g., Uber, Lyft) to commute during the trip.

i. If the traveler is the CEO, then the CCO must approve the decision.

f. Requests for reimbursement must be submitted within 60 days of the date the expense was incurred using either the Travel Expense Report (COM-1312) or Meeting and Promotional Expense Report (AC-1516) form. Requests for non-travel reimbursements (e.g., in-town meeting costs) must contain:

i. The date, location, and a brief description of the expense, including the purpose of the expense and how it was business-related;

ii. Detailed/itemized receipt(s);

iii. Signature(s) indicating approval of the expense, as required;

iv. The name(s) and title(s) of any attendee(s) and their business relationship to SDCERS, if applicable; and
v. An explanation and justification if the reimbursement claim exceeds the GSA per diem rate per number of meal attendees included in the claim.

5. CEO Duties and Reporting Requirements: The CEO or the CEO’s delegate shall:

a. Provide information regarding upcoming conferences and seminars to the Board and Independent Non-Board Members;

b. Coordinate registration and travel arrangements;

c. Process travel advance expense requests and reimbursement claims for Board and Independent Non-Board Members;

d. Provide budget recommendations to cover anticipated Board and Independent Non-Board Members travel expenses; and

e. Provide the Board with an annual expenditure report for Board and Independent Non-Board Members and staff travel for the past fiscal year.

POLICY REVIEW & HISTORY

6. The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

Replaces former Board Rules 7.10, 7.11, 7.12, 7.13, 7.14, 7.15, and 7.16; adopted September 19, 2008; reviewed and amended April 15, 2011; reviewed November 13, 2015; and amended November 9, 2018, and November 5, 2021.
UNDERPAYMENT AND OVERPAYMENT OF CONTRIBUTIONS POLICY

PURPOSE

In order to preserve the financial integrity of SDCERS and comply with the Board’s fiduciary responsibilities and IRS rules and regulations governing Members’ underpayments and overpayments of contributions, it is the Board’s Policy to investigate any underpayment or overpayment of contributions promptly and diligently and to recover the underpayment or reimburse the overpayment in a timely manner. The purpose of this Policy is to provide guidelines and a process for evaluating and recovering underpayments and reimbursing overpayments of Member contributions. For purposes of this Policy, Member contributions include amounts paid for purchases of service credit under the applicable provisions of the San Diego Municipal Code (“Municipal Code”), Port and Airport Plans, and the Board Rules. This Policy does not apply to the correction of affected PSC contracts set forth in Board Rule 4.90.

The CEO may delegate to a staff member any reporting or investigative responsibilities assigned to the CEO in this Policy. Therefore, the term "CEO" as used in this policy refers to the CEO and their delegate.

SCOPE

This Policy covers the notification, investigation, collection, and due process considerations of any overpayment and/or underpayment of contributions by SDCERS Members.

UNDERPAYMENT OF CONTRIBUTIONS PROCEDURE

When an underpayment of contributions has been identified, the following guidelines and procedures shall be followed:

1. NOTIFICATION
   a. The CEO shall report any underpayments in excess of $10,000 to the Board at the next regularly scheduled Board meeting. The CEO shall report back to the Board on the progress of the investigation and collection of the underpayment.
   b. The CEO shall provide an annual report to the Board setting forth the final resolution of any underpayment of contributions of $1,000 or more.

2. INVESTIGATION
a. When an underpayment of contributions is identified, the CEO shall immediately conduct an investigation into the facts and circumstances surrounding the underpayment.

b. The CEO shall establish internal procedures to investigate, collect, and resolve underpayments of contributions.

3. COLLECTION

a. Underpayment of Contributions Exceeding $10,000 – Approval by the Board:

   i. Resolution of an underpayment that exceeds $10,000 should result in immediate full payment of the entire amount, plus interest, whenever feasible. For purposes of this Policy, full repayment may include an installment repayment plan for the full amount owed, including interest at the actuarially assumed rate. A resolution under these terms does not need Board approval.

   ii. Any resolution of an underpayment exceeding $10,000 that does not result in full payment of the entire amount, plus interest, must be approved by the Board.

b. Underpayment of Contributions of $10,000 or Less – Approval by the CEO:

   i. Resolution of an underpayment of $10,000 or less should result in immediate full payment of the entire amount, plus interest, whenever feasible. For purposes of this Policy, full repayment may include an installment repayment plan for the full amount owed, including interest at the actuarially assumed rate.

   ii. Subject to the procedures in this Policy, the CEO shall have sole discretion to resolve any underpayment of $10,000 or less.

c. The Board and CEO shall use reasonable efforts to resolve an underpayment of contributions. Reasonable efforts include consideration of the facts and circumstances surrounding the underpayment, IRS guidelines for correction of Plan errors, and input from the plan sponsor.

d. Interest:

   i. SDCERS shall charge the Member interest only if the underpayment is not resolved within the same fiscal year in which the error was made. “Resolved” for purposes of charging interest means the date when the Member pays SDCERS the amount owed.
ii. Interest shall be calculated using the actuarially assumed rate in effect when the underpayment is resolved.

iii. Interest on Repayment Plan: If the Member chooses to repay the underpayment in installments over time, SDCERS shall calculate interest on the repayment plan using the actuarially assumed rate in effect on the date the Member signs the repayment plan. Repayment plans may only be made on a post-tax basis.

e. Procedure Where Full Amount for a Purchase of Service Credit Cannot Be Collected:

   i. In any case where an underpayment arising from a purchase of service credit cannot be collected in full from the Member, the Member’s service credit shall be reduced on a pro rata basis or the Member may elect to rescind their post-tax purchase of service credit and receive a refund of the funds paid for the purchase plus interest.

f. Offset: The collection of an underpayment does not constitute “execution, garnishment, attachment or any other process of any court” under Municipal Code section 24.1008. If the underpayment cannot be collected through any of the above means, SDCERS may collect an underpayment as an offset from any future benefits SDCERS owes to the Member or, where legally permissible, the Member’s beneficiaries, whether or not the Member consents to the offset.

4. DUE PROCESS

   a. Before collecting an underpayment from the future benefits of a Member without consent, SDCERS shall notify the affected party of its intent to do so and provide an opportunity for the affected party to request a hearing on the matter if the affected party disputes the fact that an underpayment has occurred or the amount of the underpayment.

   b. No underpayment shall be collected from the future benefits of a Member unless that person has been given 30 days’ notice of SDCERS’ intent to do so. The notice shall include an explanation as to the reason for the offset, the basis for calculation of the amount of the underpayment and an explanation of the Member’s right to request a hearing on the matter. The notice shall be mailed to the Member’s last known address. Service by regular mail shall constitute sufficient notice.

   c. If a Member disagrees with staff’s decision regarding resolution of the underpayment of contributions, the Member shall be advised of their right to appeal the decision according to the Appeal of Staff Decisions Regarding Benefits Policy and Division 10 of the Board Rules.
OVERPAYMENT OF CONTRIBUTIONS PROCEDURE

When an overpayment of contributions has been identified, the following guidelines and procedures shall be followed:

5. NOTIFICATION

a. The CEO shall report any overpayment in excess of $10,000 to the Board at the next regularly scheduled Board meeting.

b. The CEO shall provide an annual report to the Board setting forth the final resolution of any overpayment of contributions of $1,000 or more.

6. INVESTIGATION

a. When an overpayment of contributions is identified, the CEO shall immediately conduct an investigation into the facts and circumstances surrounding the overpayment.

b. If the CEO determines that an overpayment did not occur, or if the Member disagrees with staff’s decision regarding resolution of the overpayment, the Member shall be advised of their right to appeal the decision according to the Appeal of Staff Decisions Regarding Benefits Policy and Division 10 of the Board Rules.

7. REPAYMENT

a. Staff shall notify the affected Member of the overpaid contributions in writing.

b. SDCERS shall repay any overpaid contributions as soon as reasonably possible.

c. Interest:

   i. SDCERS shall include interest in its repayment only if the overpayment of employee contributions is not resolved within the same fiscal year in which the error was made. “Resolved,” for purposes of including interest, means the date when SDCERS pays the Member the amount owed.

   ii. Interest shall be calculated using the historic rate.

8. DUE PROCESS

a. If a Member disagrees with staff’s decision regarding resolution of the overpayment of contributions, the Member shall be advised of their right to
appeal the decision according to the Appeal of Staff Decisions Regarding Benefits Policy and Division 10 of the Board Rules.

POLICY REVIEW & HISTORY

9. The Board shall review this Policy at least once every three years to ensure that it remains relevant and appropriate.

WHISTLEBLOWER POLICY

PURPOSE

1. It is the public policy of the State of California and of the Board to encourage Board Members, Independent Non-Board Members, Staff Members, and any other persons to notify an appropriate government or law enforcement agency when they have reason to believe SDCERS or any agent of SDCERS is violating a local, state, or federal statute or regulation. Whistleblowers are protected from retaliation for engaging in valid whistleblowing activities under California Labor Code section 1102.5 and San Diego Municipal Code (“Municipal Code”) section 27.3573. The purpose of this Policy is to assure Board Members, Independent Non-Board Members, Staff Members, and the general public that they are provided with such protection in compliance with the law.

SCOPE

2. For purposes of this policy, “Staff Members” means City of San Diego employees assigned to SDCERS. This policy is separate from and does not replace existing grievance or complaint resolution procedures provided in an applicable Memorandum of Understanding or the City’s Personnel Rules and Regulations.

POLICY

3. Under the California Labor Code, a “whistleblower” is an employee who discloses information to a government or law enforcement agency where the employee has reasonable cause to believe that the information discloses:

a. A violation of a state or federal statute;

b. A violation or noncompliance with a state or federal rule or regulation; and/or

c. With reference to employee safety or health, unsafe working conditions or work practices.

4. Under the Municipal Code, a “whistleblower” is any person, including Board Member, Independent Non-Board Member, and Staff Member who discloses to the San Diego Ethics Commission, SDCERS, or other appropriate agency, office, or department, information which, if true, would be:

a. A work-related violation by a City Official of any law or regulation;

b. A gross waste of City funds;

c. A gross abuse of authority;
d. A conflict of interest of a City Official; or

e. A specific and substantial danger to public health or safety due to an act or omission of a City Official, use of a City office or position, or use of City resources for personal gain.

5. It is the Board’s policy that no Board Member, Independent Non-Board Member, or Staff Member may retaliate against any person or entity who complies with the whistleblower provisions of the Labor Code or the Municipal Code.

6. The CEO shall develop internal written procedures for review and investigation of any reports of retaliation in violation of this policy.

POLICY REVIEW & HISTORY

7. The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

Adopted November 17, 2007; and amended July 8, 2011, November 13, 2015, November 9, 2018; and May 14, 2021.
SECTION III - BOARD RULES
RULES OF THE RETIREMENT BOARD OF ADMINISTRATION

ARTICLE I - ORGANIZATION AND STRUCTURE

Division 1 - Purpose, Intent, and Definitions

Rule 1.00 Purpose and Intent of the Board Rules

These Board Rules are established under San Diego Municipal Code (“Municipal Code”) section 24.0901 et seq. and the City Charter of the City of San Diego (“City Charter”) section 144 to establish rules to administer benefits consistent with the Board Members’ fiduciary duties.

These Board Rules are subordinate to the City Charter, the Municipal Code, and any retirement plans established by contracting public agencies. To the extent that these Rules are inconsistent with or contradict any provisions contained within the City Charter, the Municipal Code, or the retirement plans established by a contracting public agency, the terms of the latter documents would control.

The Board shall review these Board Rules at least every three years to ensure they remain relevant and appropriate. The Board may amend these Board Rules, or may waive a Board Rule in a particular instance, provided the Board does not thereby violate any terms of the California Constitution, the City Charter, the Municipal Code, or an applicable retirement plan established by a public agency participating in SDCERS.


Rule 1.10 Rules Part of Plan Document

In accordance with Municipal Code section 24.0901 and the Participating Agreements, the Board shall identify those rules that are incorporated into Chapter 2, Article 4 of the Municipal Code and any retirement plan established by a contracting public agency participating in SDCERS as part of its plan documents. To ensure compliance with the definitely determinable rule and to maintain the qualified status of the plans, any Rule identified as part of a plan document may not be waived without a showing of administrative error, estoppel, or other sufficient grounds that satisfy the qualification requirements of Internal Revenue Code section 401.

Rule 1.15 Definitions

Unless otherwise defined, the following definitions shall apply to all Board charters, policies, and rules. Any defined terms not noted within the Board rules or herein are as stated within the relevant plan documents.

a. “Active Member” – A person currently employed by the City, Port, or Airport who actively participates in and contributes to SDCERS, and who will be entitled, when eligible, to receive benefits from SDCERS.

b. “Airport” – San Diego County Regional Airport Authority.

c. “Board” – The Board of Administration for SDCERS.

d. “Board Member(s)” – The 13 individuals who serve on the Board pursuant to the City of San Diego City Charter.


f. “CCO” – SDCERS’ Chief Compliance Officer.

g. “CEO” – SDCERS’ Chief Executive Officer.

h. “City” – City of San Diego.

i. “City Charter” – City of San Diego City Charter.


l. “Independent Non-Board Member” – A Committee Member that is not a Board Member.


n. “IRS” – United States Internal Revenue Service.


p. “Port” – San Diego Unified Port District.

q. “PSC” – Purchase of Service Credit.

r. “SDCERS” – San Diego City Employees’ Retirement System.

Adopted November 9, 2018 and renumbered from Rule 1.10 to Rule 1.15 on January 11, 2019; reviewed March 8, 2019; and amended January 14, 2022.

ARTICLE II – MEMBERSHIP

Division 2 – Contributions

Rule 2.00 Additional Contributions

San Diego Municipal Code (“Municipal Code”) sections 24.0205 and 24.0305 allow additional contributions. However, the Internal Revenue Code prohibits additional Member contributions. Accordingly, SDCERS will not allow Members to contribute additional contributions under these statutes.

This Board Rule is incorporated into Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document.


Rule 2.10 Retirement Contributions for Part-Time City Employees

Retirement contributions for eligible part-time City of San Diego (“City”) Members shall be calculated on their pensionable salary.

The amount of service credit that is accrued to a City Member’s account for periods of part-time employment shall also be prorated in proportion to the service credit earned for a period of full-time employment.

For purposes of this Rule, City employees are considered to be in a part-time status when they are officially assigned by their employer to a one-half time (ex. 40 hours on an 80 hour bi-weekly standard) or a three-quarters time (ex. 60 hours on an 80 hour bi-weekly standard) work schedule.

This Rule is incorporated into Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document.

Formerly Rule 8.10, renumbered and amended December 19, 2008; amended July
Rule 2.20  Transfer of Deceased Member's Contributions


Rule 2.30  Trust Accounting

SDCERS invests and administers the Group Trust as a common investment fund and shall account separately for the proportional interest of each participating trust in the Group Trust as follows:

a. SDCERS’ custodial bank prepares monthly plan accounting reports for each trust in the Group Trust.

b. Cash flow activity for each trust is recorded directly to that trust with investment activity and other cash flow activity not specific to any one trust being allocated based upon each trust’s respective share of the Group Trust’s total assets, with time-weighted adjustments for the trust-specific cash flows.

c. SDCERS shall allocate and apportion expenses of the Group Trust as provided in section 7.2 of the Group Trust Agreement.


Rule 2.40  Crediting Annual Interest to Accounts

In accordance with section 24.0904 of the Municipal Code and section 0901 of the Port and Airport Plans, on June 30th of each year, the Board shall credit the contribution accounts of all Members with interest compounded annually at a rate to be determined by the Board as stated in Board Rule 2.41.

All accounts shall be credited with interest on the balance of those accounts as of June 30th of the current year.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code; (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust; and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust of 2013 as part of the Plan document.

Rule 2.41  Amount of Interest Credited Annually to Accounts

a. The Board has adopted the following actuarially assumed investment returns per annum, compounded annually, for each of the following fiscal years for the City, the Port, and the Airport Plans. The Board shall credit the contribution accounts of all Members and their plan sponsor with interest compounded annually at the rates stated below. SDCERS shall continue to use the most recent interest rates specified below until this Rule is amended by further action of the Board.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Interest Crediting Rate</th>
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<tbody>
<tr>
<td></td>
<td>City</td>
</tr>
<tr>
<td>2020 - Present</td>
<td>6.50%</td>
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<tr>
<td>2019</td>
<td>6.75%</td>
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<tr>
<td>2018</td>
<td>7.00%</td>
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<tr>
<td>2017</td>
<td>7.125%</td>
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<tr>
<td>2015-2016</td>
<td>7.25%</td>
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<tr>
<td>2013-2014</td>
<td>7.50%</td>
</tr>
<tr>
<td>2009-2012</td>
<td>7.75%</td>
</tr>
<tr>
<td>1990-2008</td>
<td>8.00%</td>
</tr>
</tbody>
</table>

b. Notwithstanding subsection (a) of this Rule and pursuant to section 0901 of the Airport’s Plan, effective June 30, 2019, the Board shall credit the contribution accounts of Inactive Non-Vested Members of the Airport with interest compounded each June 30th at the rate used for DROP accounts in effect at that time, according to Board Rule 6.10(b).

1) Section 0102 of the Airport’s Plan defines “Inactive Non-Vested Member” as a Member who terminated Airport Authority employment, left their employee contributions on account with SDCERS, and does not have sufficient service credit to retire from SDCERS. In this definition, “service credit” includes reciprocal credit and service credit earned through employment with the Airport, City, and/or Port.

2) If an Inactive Non-Vested Member of the Airport earns service credit with a reciprocal agency, the City or Port after terminating employment with the Airport, or with the Airport upon returning to employment, such that they have reached the service credit vesting requirement under the Airport’s Plan, then SDCERS shall retroactively credit their contribution account according to
subsection (a) of this Rule prior to calculating their retirement benefit.

i. However, if a Member of the Airport no longer has the requisite service credit to satisfy the Airport Plan’s service vesting requirements (e.g., the Member breaks reciprocity), then SDCERS shall, retroactive to the later of June 30, 2019 or the date the Member separated service from the Airport, adjust their contribution account according to subsection (b) of this Rule prior to refunding their contributions.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code; (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust; and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust of 2013 as part of the plan document.


Rule 2.50   Contribution Rate Adjustments for Re-Activated Members and Members with Reciprocity

a. For purposes of this Division, an inactive Member of SDCERS shall be defined as a Member who has not withdrawn their retirement contributions, and

1) Whose employment with the City, the Port, or Airport has been terminated, other than by death or retirement; or

2) Who has become ineligible for membership in SDCERS because they have changed categories of employment, as defined in the respective Plan document for each plan sponsor.

b. When an inactive Member becomes active again through re-employment or reclassification to an employment category, making them again eligible for membership, the Member’s normal rate of contribution shall be based upon an adjusted age at entry, comprised of the Member's original age at entry in SDCERS, plus an age adjustment equal to the period of time the Member was inactive, and rounded to the nearest whole age.

c. If a Member completes a purchase of service credit for the period of time in which they were inactive, then SDCERS shall determine the contribution rate in accordance with Rule 4.70.
d. Concerning a Member with incoming reciprocity, SDCERS shall adjust the Member’s contribution age prospectively only at the beginning of the first full pay period after the date reciprocity is established with SDCERS, pursuant to Rule 3.20.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


**Rule 2.70 Forfeiture of Retirement Funds**

a. For purposes of this Rule, the following definitions apply:

1) “Accumulated Contributions” means the same as that term is defined in the plan document of the applicable plan sponsor.

2) “Other Legal Successor(s)” means persons to whom payments are due because of the death of a Member pursuant to Municipal Code section 24.0706(b) and/or section 0705(b) of the Port and Airport Plans.

3) “Participant” means any person(s) or entity(ies) in a position to receive benefit payments or a distribution from SDCERS. Participant includes a Member, surviving spouse, beneficiary, former spouse, or any Other Legal Successor(s) eligible to receive amounts due from SDCERS under Municipal Code section 24.0706 or section 0705 of the Port and Airport Plans.

b. For purposes of this Rule, the Board finds that “reasonable and good faith efforts” to locate a missing Participant have been satisfied when all of the following efforts have been made:

1) A certified letter has been sent by U.S. mail to the Participant’s last known address and/or, if distribution is due to the death of a Member, to the deceased Member’s last known address;

2) A certified letter has been sent by U.S. mail to the Participant’s designated beneficiary, if any;

3) An attempt has been made to locate the Participant through an internet search;
4) An attempt has been made to locate the Participant through contacting the Member’s plan sponsor;

5) An attempt has been made by letter and/or phone to locate and contact relatives of the Participant and/or designated beneficiary (if applicable) to determine the current whereabouts of the Participant or identities and whereabouts of any Other Legal Successor(s); and

6) If SDCERS is unable to locate the Participant by the above means within six months of the event triggering payment to the Participant, SDCERS shall list the Participant with the National Registry of Unclaimed Retirement Benefits.

c. The forfeiture of Accumulated Contributions in an inactive Member’s contribution account shall be determined by the Board on a case-by-case basis under the provisions of section 24.0905 of the Municipal Code and section 0902 of the Port and Airport Plans.

d. The forfeiture of a deceased Member’s Accumulated Contributions or any other amounts payable to any Participant because of the death of a Participant shall be processed pursuant to this Rule.

e. The forfeiture of amounts due to any Participant shall occur after one year of the event triggering payment of funds to the Participant if, after reasonable and good faith efforts, any of the following occurs:

1) The Participant to whom funds are due cannot be located with reasonable certainty;

2) The Participant refuses to accept a distribution of the funds;

3) The Participant fails to complete any form required by SDCERS to facilitate distribution of the funds; or

4) The Participant fails to make a necessary election relating to payment of funds. The one-year time period for making a necessary election shall be extended for a period of time equal to the duration of any period of time during which the Participant’s ability to make the election is dependent upon the outcome of a judicial process, such as appointment of a guardian for a minor or a legal dispute over beneficiary rights, except that any such extension of time shall not apply or prevent SDCERS from forfeiting funds if required to do so to maintain the tax qualification status of any Plan administered by SDCERS.

f. Funds forfeited under this Rule shall be credited to the Reserve Account of the Member’s plan sponsor.
g. Funds forfeited under this Rule may not be applied to increase the benefits of any Member.

h. A Participant whose funds were forfeited pursuant to section (e)(1) of this Rule shall be entitled to receive the forfeited funds upon being located, but shall not be entitled to payment of interest on the forfeited funds subsequent to the date of forfeiture.

i. A Participant who has had funds forfeited under sections (e)(2) through (e)(4) of this Rule shall have the right to appeal such forfeiture to the Board for possible redress. Appeals under this Rule shall follow the same process as provided in the Appeal of Staff Decisions Regarding Benefits Policy. If the appeal is granted, the Participant is not entitled to payment of any interest on the forfeited funds subsequent to the date of forfeiture.

This Rule is incorporated into Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


Rule 2.80 Member Contribution Rates

The Board adopts the member contribution rates for each of its plan sponsors for each fiscal year based upon the advice of SDCERS' actuary. The most current adopted member contribution rate schedules, set forth in Appendix A, shall remain in effect until such time as they are superseded by the Board’s adoption of new contributions rates from the actuary. Any new contribution rates contained in a valuation adopted by the Board shall automatically be incorporated into Appendix A without further Board action.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Rule 2.90  Applicable Mortality Tables and Assumptions for Determining Actuarial Equivalence and Other Benefits

The Board adopts the actuarial assumptions set forth in Appendix C to calculate the following City, Port, and Airport benefits:

- **Service & Disability Retirement Annuity** (Municipal Code §§24.0209, 24.0309, 24.0504(a) et seq.; Port Plan §§0300(c), 0502(b) et seq.; Airport Plan §0300(c)(2) et seq.)
- **Surviving Spouse Annuity** (Municipal Code §24.0601(e)(2), Port Plan §0600(d)(2); Airport Plan §0600(f)(2))
- **Reduced Monthly Benefit Caused By Selecting Options 1-4 or the Social Security Integration Option and Optional Continuance Settlements** (Municipal Code §§24.0603, 24.1108 et seq.; Port Plan §0602 et seq.; Airport Plan §0602 et seq.)
- **Reciprocity Related To Disability Retirement** (Municipal Code §24.1005(b)(5); Port and Airport Plans §0401(b)(5))
- **Cost of Living Annuity**: Municipal Code §24.1507(b); Port Plan §0300(e) et seq.; Airport Plan §0300(c)(3))
- **Death While Eligible Benefits (annuity & actuarial present value)** (Municipal Code §24.0704(b)(2) & (d); Port and Airport Plans §0703(e))
- **Industrial Death Benefit (annuity & actuarial present value)** (Municipal Code §24.0705(b)(2) & (d); Port and Airport Plans §0704(d))

SDCERS shall continue to use the most recent assumptions in Appendix C until such time as they are revised by the Board at the advice of the actuary. The Board shall review the assumptions set forth in Appendix C and consider revising them whenever the assumed rate of return or mortality tables for valuation purposes is changed.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


Rule 2.100  Calculation of Substantially Equal Requirement

The Board adopts contribution rates for the City and City employees each fiscal year based upon the advice of SDCERS’ actuary. The City of San Diego City Charter (“City Charter”), article IX, section 143 provides that the City “shall
contribute annually an amount substantially equal to that required of the employees for normal retirement allowances, as certified by the actuary, but shall not be required to contribute in excess of that amount.” In determining the amount of the City’s substantially equal requirement for each fiscal year, SDCERS’ actuary shall apply the following principles and factors:

a. Separate testing shall be performed for each Member category receiving a different benefit structure.

b. Benefits included in the substantially equal determination are the normal cost of any benefits provided as part of the normal retirement allowance of the Member.

1) Normal cost means the cost necessary to fund benefits that accrue in the current fiscal year.

2) Normal retirement allowance means:

   i. Only those benefits paid in the form of an “allowance” rather than as a lump sum at death or upon termination;

   ii. Retirement allowances based on accrued service, whether service or disability retirements, but excluding that portion of a disability retirement allowance that exceeds the Member’s accrued service allowance;

   iii. Retirement allowances paid for the life of a Member only and not for the life of survivors or beneficiaries; and

   iv. Retirement allowances paid at a level dollar amount, without enhancement, as computed at retirement.

c. Excluded from the substantially equal determination are:

1) The Unfunded Actuarial Liability (“UAL”);

2) Benefits where the City has assumed an obligation to pay greater than a substantially equal amount by providing for a set contribution rate by ordinance; and,

3) Any benefits that do not fall within the guidelines provided in subsection (b) above.

This Rule is incorporated into Chapter 2, Article 4 of the San Diego Municipal Code, as part of the Plan document.

Adopted May 28, 2010; amended March 2, 2012; reviewed January 9, 2015; amended
Rule 2.110  Actuarial Funding Methodologies and Assumptions

a. Detailed descriptions of actuarial methodologies and assumptions are contained in the annual valuations prepared by the SDCERS actuary. The Board has adopted and shall continue to use the actuarial funding methodologies and assumptions specified below until the Board adopts a different methodology.

b. Methodologies. The Board has adopted the following methodologies to be used by the SDCERS actuary when calculating the actuarially determined contribution (“ADC”) for each participating Plan in the SDCERS Group Trust. The ADC shall consist of a Normal Cost for active Members, a payment toward the UAL, and a payment to cover the Plan’s expected administrative expenses.

1) Actuarial Cost Method: The actuary shall apply the Entry Age Normal (“EAN”) actuarial cost method with the Normal Cost calculated as a level percentage of pay for each active Member.

2) Asset Smoothing Method: The actuary shall apply the expected value method with 25% smoothing each year. The resulting actuarial value of assets shall be limited to within an 80% to 120% corridor around the market value of assets.

3) Amortization Periods and Methods: The actuary shall use the following amortization periods and methods to determine the payment toward the UAL for each Plan. All amortization periods are closed periods.

   i. Outstanding balance of 2007 UAL for the City Plan: to be amortized by 2027 (20 years from 2007);

   ii. Outstanding balance of 2007 UAL for the Airport and Port Plans: to be amortized by 2021 (14 years from 2007);

   iii. Experience Gains and Losses: 15 years;

   iv. Benefit Changes: 5 years for the City Plan; 20 years for the Airport and Port Plans;

   v. Assumption and Method Changes: 20 years;

   vi. Funding Surplus: 30 years;
vii. Payments shall be determined as a level percentage of pay for open Plans and in level dollar amounts for closed Plans;

viii. The UAL payment shall be adjusted, if necessary, to prevent negative amortization; and

ix. The UAL payment for the City and Port Plans will be no less than the UAL payment as identified in the June 30, 2018 Actuarial Valuation until such time as the fund achieves a 100% funding ratio.

c. Assumptions. Actuarial assumptions shall be adopted by the Board upon the advice of the actuary based on periodic studies conducted by the actuary. Demographic and economic actuarial assumptions shall be reviewed as determined necessary by the actuary, but at least every three years following a formal experience study. Commencing with the adoption of this Rule, actuarial assumptions adopted by the Board shall be contained in Appendix B and are incorporated into this Rule as though fully set forth herein.

d. Notwithstanding the above or any other Board Rules, the Board may vote to change methodologies or assumptions at any time.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


Rule 2.120 Contributions and Service Credit

a. Any City Member who renders service for compensation at any time during a biweekly pay period shall make full contributions based on that Member’s Base Compensation as defined in the City Plan.

b. Any City Member who makes a full biweekly contribution, as provided in subsection (a) of this Rule, shall receive full service credit for that biweekly pay period.

c. Any City Member who is absent from City service without compensation during the entirety of a biweekly pay period shall make no contribution and receive no service credit for that pay period.
d. Notwithstanding anything to the contrary in this Board Rule, any City Member who experiences a change in employment status for any of the reasons listed below that results in less than a full pay period of pensionable salary shall have pensionable pay, employee contributions, and service credit reported on a pro-rated basis based on their actual service rendered for pay during that biweekly pay period:

1) Commences membership; or
2) Terminates membership.

e. This Rule is adopted to implement Board Resolution 2015-01.

f. Contributions and service credit for Airport Members shall be governed by the Airport Plan, including section 0203. Contributions and service credit for Port Members shall be governed by the Port Plan, including section 0102’s definition of “Service Credit.”

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code; (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust, as part of the plan document.


Rule 2.130 Non-Pensionable Compensation for PEPRA Members of the Port and Airport

a. This Rule applies to all PEPRA Members of the Port and Airport, as defined by Government Code section 7522.04(e). “Pensionable compensation” is defined by Government Code section 7522.34(a), and subsections (c)(11) and (c)(12) direct the Board to determine what types of pay are not pensionable compensation.

b. Port: Below is a list of the Port’s pay codes. The Board finds the classifications of the below pay codes do not violate PEPRA’s definition of pensionable compensation:

<table>
<thead>
<tr>
<th>Pensionable Port Pay Codes</th>
<th>Non-Pensionable Port Pay Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Leave</td>
<td>Accident Reconstructionist</td>
</tr>
<tr>
<td>Bereavement Leave</td>
<td>Annual Leave Payout</td>
</tr>
<tr>
<td>Bilingual</td>
<td>Backflow Repair</td>
</tr>
<tr>
<td>Canine Team</td>
<td>Boat Operator</td>
</tr>
<tr>
<td>Catastrophic Leave</td>
<td>Callback</td>
</tr>
<tr>
<td>Educational Incentive (Harbor Police)</td>
<td>Car Allowance</td>
</tr>
<tr>
<td>Pensionable Port Pay Codes</td>
<td>Non-Pensionable Port Pay Codes</td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
<td>------------------------------------------------------------------</td>
</tr>
<tr>
<td>Evening Premium Pay (Harbor Police)</td>
<td>Commuter Pass Reimbursement</td>
</tr>
<tr>
<td>Emergency Paid Sick Leave (Families First Coronavirus Response Act)</td>
<td>Court Time – Off Duty</td>
</tr>
<tr>
<td>Fire Extinguisher</td>
<td>Dispatch Educational Achievement</td>
</tr>
<tr>
<td>Harbor Police Administrative Assignment</td>
<td>Dispatch Training</td>
</tr>
<tr>
<td>Holiday Pay *</td>
<td>Dive Team or Operations</td>
</tr>
<tr>
<td>Jury Duty</td>
<td>Field Training Officer (Harbor Police)</td>
</tr>
<tr>
<td>Military Leave Pay</td>
<td>Harbor Police Teaching Assignment</td>
</tr>
<tr>
<td>Night Premium Pay (Harbor Police)</td>
<td>Holiday Pay – Day Off</td>
</tr>
<tr>
<td>Pest Control Applicator</td>
<td>Holiday Pay (Harbor Police)</td>
</tr>
<tr>
<td>Public Health Emergency Leave (Families First Coronavirus Response Act)</td>
<td>Holiday Premium</td>
</tr>
<tr>
<td>Railroad Repair</td>
<td>Lead Differential</td>
</tr>
<tr>
<td>Regular Time</td>
<td>Lead Diver (General Services)</td>
</tr>
<tr>
<td>Unclassified Leave</td>
<td>Maritime Tactical Team</td>
</tr>
<tr>
<td>Workers’ Compensation Injury Pay</td>
<td>Mileage Reimbursement</td>
</tr>
<tr>
<td></td>
<td>Night Special Project</td>
</tr>
<tr>
<td></td>
<td>Out of Class/Acting Assignment</td>
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<tr>
<td></td>
<td>Overtime</td>
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<td></td>
<td>Relocation Expenses</td>
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<td></td>
<td>Safety Shoe Reimbursement</td>
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<td></td>
<td>Severance Pay</td>
</tr>
<tr>
<td></td>
<td>Shift Premium (Intermittent)</td>
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<tr>
<td></td>
<td>Special Training Pay (GS or Maritime)</td>
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<td></td>
<td>Standby</td>
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<td></td>
<td>Stipend-Lump Sum</td>
</tr>
<tr>
<td></td>
<td>Tuition Reimbursement</td>
</tr>
<tr>
<td></td>
<td>Unclassified Leave Payout</td>
</tr>
<tr>
<td></td>
<td>Uniform Allowance</td>
</tr>
<tr>
<td></td>
<td>Vessel Accident Reconstructionist</td>
</tr>
<tr>
<td></td>
<td>Watch Commander</td>
</tr>
<tr>
<td></td>
<td>Wellness Reimbursement</td>
</tr>
<tr>
<td></td>
<td>Workers’ Compensation Appointment – Off Duty</td>
</tr>
</tbody>
</table>

* Holiday Pay for New Members as defined by PEPRA is not considered pensionable when an employee works on the holiday and receives both paid worked time and Holiday Pay.

c. **Airport:** Below is a list of the Airport’s pay codes. The Board finds the classifications of the below pay codes do not violate PEPRA’s definition of pensionable compensation:

<table>
<thead>
<tr>
<th>Pensionable Airport Pay Codes</th>
<th>Non-Pensionable Airport Pay Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Leave</td>
<td>Acting Lead</td>
</tr>
<tr>
<td>Pensionable Airport Pay Codes</td>
<td>Non-Pensionable Airport Pay Codes</td>
</tr>
<tr>
<td>-------------------------------</td>
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</tr>
<tr>
<td>Bereavement</td>
<td>Acting Lead and Bilingual ATO</td>
</tr>
<tr>
<td>Catastrophic (PTO)</td>
<td>Acting Pay</td>
</tr>
<tr>
<td>Families First Coronavirus Response Act – FFCRA – Self (Effective November 5, 2020)</td>
<td>Backflow Repair</td>
</tr>
<tr>
<td>Families First Coronavirus Response Act – FFCRA – Caregiver (Effective November 5, 2020)</td>
<td>Bilingual ATO</td>
</tr>
<tr>
<td>Orga...</td>
<td>Bonus/Performance Pay</td>
</tr>
<tr>
<td>Families First Coronavirus Response Act – FFCRA – Childcare (Effective November 5, 2020)</td>
<td>Business Performance Incentive (BPI)</td>
</tr>
<tr>
<td>Families First Coronavirus Response Act – FFCRA – Extended Leave (Effective November 5, 2020)</td>
<td>Call Back (Premium)</td>
</tr>
<tr>
<td>Holiday</td>
<td>Car Allowance</td>
</tr>
<tr>
<td>Injury Leave</td>
<td>Executive Physical</td>
</tr>
<tr>
<td>Jury Duty</td>
<td>Fire Extinguisher</td>
</tr>
<tr>
<td>Military Leave</td>
<td>Holiday Worked</td>
</tr>
<tr>
<td>Other Leave</td>
<td>Locksmith</td>
</tr>
<tr>
<td>Paid Time Off (PTO)</td>
<td>Night Shift</td>
</tr>
<tr>
<td>Regular</td>
<td>OT Straight Pay</td>
</tr>
<tr>
<td>Retro Pay</td>
<td>Out of class assignment</td>
</tr>
<tr>
<td>Year End Other Leave</td>
<td>Overtime</td>
</tr>
<tr>
<td>Supplemental Paid Sick Leave</td>
<td>PTO Cashout</td>
</tr>
<tr>
<td></td>
<td>PTO Payout</td>
</tr>
<tr>
<td></td>
<td>PTO Term</td>
</tr>
<tr>
<td></td>
<td>Recognition Award</td>
</tr>
<tr>
<td></td>
<td>Relocation</td>
</tr>
<tr>
<td></td>
<td>Retro Pay – DROP</td>
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<tr>
<td></td>
<td>Retro Pay – Shift</td>
</tr>
<tr>
<td></td>
<td>Severance</td>
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<tr>
<td></td>
<td>Sign on Bonus</td>
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<tr>
<td></td>
<td>Spec Skill and Out of Class</td>
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<tr>
<td></td>
<td>Stand By</td>
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<td>Welder</td>
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</tbody>
</table>

This Rule is incorporated into (1) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (2) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the plan document.


III-17
Division 3 – Membership and Reciprocity

Rule 3.00 Enrollment Procedures

a. Mandatory enrollment in SDCERS shall be effective when a Member is hired into a position eligible for membership.

b. Voluntary enrollments in SDCERS’ Elected Officers Plan for elected officials of the City of San Diego (“City”) may only be made by filing a written election to enroll with SDCERS within the first 30 days following commencement of employment. Membership shall be effective when they assumed office. Failure to file a timely written election shall result in an irrevocable waiver of the right to enroll in the Elected Officers Plan at SDCERS. A voluntary enrollment in SDCERS is irrevocable.

c. Voluntary enrollments in SDCERS Elected Officers Plan for elected officials of the City who initially assume office on or after July 20, 2012 but before July 10, 2021 may only be made by filing a written election to enroll with SDCERS by June 30, 2022. Membership shall be effective July 9, 2022 unless they opt to purchase service credit under Board Rule 4.05(c). Failure to file a timely written election shall result in an irrevocable waiver of the right to enroll in the Elected Officers Plan at SDCERS. A voluntary enrollment in SDCERS is irrevocable.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Formerly Rule 20; renumbered and amended April 17, 2009; amended May 20, 2011; Formerly Rule 3.20; renumbered and amended January 9, 2015; amended July 13, 2018; reviewed November 5, 2021; and amended July 8, 2022.

Rule 3.10 General Rules Applicable to Change in Membership Category

Repealed.

Formerly Rule 9.00, renumbered and amended January 23, 2009; reviewed and amended May 20, 2011; Formerly Rule 3.00; renumbered and amended January 9, 2015; and repealed on July 13, 2018.

Rule 3.20 Establishing Reciprocity

a. Movement Between an SDCERS-Administered Plan and a Reciprocal Plan: Reciprocity is established only where a Member moves between an
SDCERS-administered Plan and a reciprocal retirement plan. A Member’s movement between SDCERS-administered Plans does not establish reciprocity between the two Plans.

b. Movement Between Employers Must Occur Within Six Months and Lead to Membership in the Reciprocal Retirement System: Reciprocity is established only where all of the following occur:

1) A Member files with SDCERS or a reciprocal agency a request to establish reciprocity with each movement between reciprocal systems.

2) A Member enters into employment with the plan sponsor of the second retirement system within 180 days of separating active membership with the plan sponsor of the first retirement system;

3) The Member’s termination of active membership with the first plan sponsor occurs prior to commencing active membership with the second plan sponsor, with no overlapping service credit between the two plan sponsors;

4) The change in employment between the two plan sponsors eventually leads to membership in the second reciprocal retirement system; and

5) The Member received written confirmation from both reciprocal retirement systems that reciprocity has been established.

c. Once reciprocity has been established pursuant to subsections (a) and (b), SDCERS shall accept all service credit from that reciprocal agency and implement any applicable age rate contribution adjustments pursuant to Rule 2.50(d). SDCERS shall also accept and use the highest pensionable salary from a reciprocal agency when calculating the member’s pension benefit, if consistent under the relevant plan. Also, a Member cannot lose or break reciprocity except as stated under Rule 3.60.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Rule 3.30 No Overlapping Service Credit

Movement Between SDCERS-Administered Plans: A Member cannot receive service credit under more than one SDCERS-administered retirement plan at one time. When a Member moves between SDCERS-administered retirement plans and has paid member contributions into more than one SDCERS-administered Plan during the same time period, SDCERS shall refund the Member’s overlapping contributions from the first Plan and remove the associated service credit from the Member’s account.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


Rule 3.40 PEPRA Members

For incoming reciprocal Members initially hired by the Airport or the Port on or after January 1, 2013 (i.e., the effective date of the CA Public Employees' Pension Reform Act of 2013), SDCERS shall initially place the Member into the appropriate PEPRA tier. Once the Member establishes reciprocity with SDCERS pursuant to Board Rule 3.20, SDCERS shall then place the Member into the appropriate membership tier retroactive to the date of hire with the Airport or Port; SDCERS shall also adjust the Member’s age-based contribution rate prospectively from the date reciprocity was established with SDCERS.

This Rule is incorporated into (1) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (2) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


Rule 3.50 Definition of “Employed” and “Terminated” for Purposes of Reciprocity and Processing Purchases of Service Credit

Repealed

Adopted January 12, 2018; amended July 13, 2018; and repealed November 5, 2021.
**Rule 3.60  Maintaining and Retiring with Reciprocity; Breaking Reciprocity**

a. Once reciprocity has been established pursuant to Rule 3.20, a Member shall maintain reciprocity if the Member:

1) Keeps their employee contributions on deposit at SDCERS and the reciprocal system;

2) The Member does not have an overlap of Service Credit between the reciprocal systems; and

3) Retires concurrently from all systems. For purposes of this rule, “retires concurrently” means the Member service retires or retires from DROP on the same date for all reciprocal systems.

4) A Member who fails to satisfy subsection (a)(1), (2) or (3) shall lose their SDCERS reciprocity with the affected reciprocal system as of the date the Member either withdrew contributions, begins an overlap of Service Credit, or retires from the reciprocal agency or SDCERS without concurrent retirement from all systems.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Adopted November 5, 2021.

**Rule 3.70  Use of Pensionable Salary for Reciprocity**

a. SDCERS shall accept pensionable salary from a reciprocal agency to determine a Member’s Final Compensation for calculation of benefits from SDCERS only if the Member received service credit during the compensation period at issue and if the compensation is pensionable salary under the relevant SDCERS administered plan.

b. SDCERS shall provide a Member’s pensionable salary information to a reciprocal agency only if the Member received service credit from SDCERS during the compensation period at issue. SDCERS shall not provide to a reciprocal agency a Member’s pensionable salary information associated with the Member’s participation period in DROP.

c. The intent of this rule is to comply with SDMC section 24.1005(b)(3) and Port and Airport Plans sections 0400 and 400, respectively, and Stillman v.
This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Adopted November 5, 2021

Division 4 - Purchase of Service Credit

Rule 4.00 Service-Connected Purchase of Service Credit

a. An Active Member of SDCERS may apply for and purchase service credit for any prior period during which the Active Member did not receive service credit and was also:

1) On an unpaid leave of absence and receiving long term disability benefits under a program sponsored by the City, Port, or Airport, but only if the Member left their contributions with SDCERS;

2) On an unpaid leave of absence under the Family Medical Leave Act (“FMLA”), California Family Rights Act (“CFRA”), and/or Pregnancy Disability Leave (“PDL” pursuant to Government Code §12945 and Code of Regulations §11044) that was approved by the City, Port, or Airport;

3) On any unpaid military leave from the City, or any unpaid military leave under the Uniformed Services and Reemployment Rights Act (“USERRA”) from the Port or Airport;

4) On an unpaid approved leave of absence not covered by subsections (1), (2), or (3) that began before January 2, 1997;

5) In a position with the City that was not previously eligible for membership in SDCERS, but has since been granted membership eligibility;

6) In a position with the City for which membership in SDCERS was optional (not including Elected Officer positions) and the Member was not participating in SDCERS;

7) Previously a Member of the 1981 Pension Plan and did not purchase service credit for the 1981 waiting period;

8) Serving a probationary period of employment with the City;
9) On a break in service, if the Member:

i. Terminated City, Port, or Airport service without fault,

ii. Left their contributions with SDCERS or repaid these contributions under Board Rule 4.40, and

iii. Was re-employed by the City, Port, or Airport on or before January 1, 1997; or

10) In a position with the City that was part-time or hourly and was ineligible for SDCERS membership, but only to the extent the period of employment was before January 2, 1997. The Member must have accrued at least 10 years of service credit, including service credit earned at the Port and/or Airport, reciprocal service credit, and purchased service credit, before applying for the purchase.

b. A Member eligible to purchase service credit for hourly or part-time employment may purchase full-time service credit for the period during which they worked only part-time.

c. Eligibility to purchase service credit for USERRA military leave time is subject to the laws under USERRA;

d. A City Member may not purchase service credit for approved leave of absence time until the Member has returned to active City Service. A City Member who participates in a long term disability program sponsored by the City is considered “Active” and may purchase service credit for approved leave of absence time if the Member would otherwise be entitled to purchase that time.

e. An Active City Member who is transferred or otherwise placed into a position not eligible for membership (e.g. hourly time) may not request or sign a purchase of service credit (“PSC”) contract until that Member is returned to a position eligible for membership.

f. Cross-Plan Purchases Not Permissible for Port or City Members: A Port or City Member who has been employed with more than one plan sponsor participating in the SDCERS Group Trust (i.e., City, Port, and/or Airport) may only purchase service credit as allowed under the Plan provisions for the plan sponsor with which the Member is employed at the time of the purchase. An Airport Member may purchase service credit for any period during which the Member was employed by the Port, City, or Airport pursuant to Airport Plan section 1100(b) – (e).
g. Only Members actively employed with their plan sponsor may request and sign a PSC contract.

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


**Rule 4.05 Service-Connected Purchase of Service Credit for City Members Initially Hired on or after July 20, 2012 but before July 10, 2021**

a. A City Member who purchases service credit under this rule shall have their membership date adjusted to the date of the first period of purchased service credit.

b. A City Member initially hired on or after July 20, 2012 but before July 10, 2021 must purchase service credit for periods working in a standard hour position as stated in Municipal Code §24.1313.

c. A City Member initially hired on or after July 20, 2012 but before July 10, 2021 may purchase service credit for periods working in a standard hour position as stated in Municipal Code §24.1314.

d. A City Member initially hired or elected on or after July 20, 2012 but before July 10, 2021 may purchase service credit for any prior period:

1) While in a position with the City that was not previously eligible for membership in SDCERS, but has since been granted membership eligibility, and

2) For which the City Member was not required to purchase that service credit under Municipal Code §24.1313, and

3) For which the City Member was not eligible to purchase that service credit under Municipal Code §24.1314.

This Rule is incorporated into Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document.
Adopted July 8, 2022.

Rule 4.10 Five-Year Purchase of Service Credit

a. A City Member who has at least five years of earned, not purchased, service credit may purchase up to five years of service credit in addition to any service credit the Member is eligible to purchase under Board Rule 4.00, except as stated in Municipal Code section 24.1312.1.

b. Effective January 1, 2013, Port and Airport Members are ineligible to purchase the five-year PSC under this section.

c. Service purchased under this section counts toward the City’s 10 year vesting requirement.

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


Rule 4.20 General Policies for All Purchases of Service Credit

a. A Member purchasing service credit shall receive credit for the full amount of service purchased when the purchase is complete. However, if the Member retires, dies, becomes disabled, or terminates City or participating public agency service, the Member shall receive credit for the service or portion of service as provided in these Rules.

b. The annual payments made by a Member purchasing service credit must not exceed the limitations imposed by section 415 of the Internal Revenue Code, or any other applicable federal statute or regulation. SDCERS may adjust the Member’s payments as necessary to ensure compliance with applicable federal statutes and regulations.

c. A Member purchasing service credit may purchase all or part of any category of service credit that the Member is eligible to purchase except for purchases under Board Rule 4.05 and Board Rule 4.40 which must be purchased in full.
This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Formerly Rule 10.20, renumbered and amended February 20, 2009; amended March 13, 2015 and March 9, 2018; reviewed July 12, 2019; and amended July 8, 2022.

**Rule 4.30 Cost of Service Credit**

a. The purchase of service credit program is intended to be cost neutral to SDCERS, unless otherwise provided in the Municipal Code, by a participating agency’s Plan document, or required by applicable state or federal law.

b. “Proposed PSC Contract” means a contract containing a cost quote with a 60-day period within which to accept the quoted price.

c. **USERRA-Covered Military Leave:** The cost of service credit for USERRA covered military leave is the amount of employee contributions the Member would have paid if the Member had continued to work for the City, Port, or Airport throughout their military leave. If the Member elects to purchase their military leave, the Member’s employer must pay SDCERS the employer contributions it would have paid if the Member had continued working for the employer during their period of military service.

d. **Cost of Service Credit for City Members:** The cost of service credit for City Members for purchases of service other than USERRA-covered military leave is the cost determined by the Board based upon the provisions of the Municipal Code, as follows:

1) Approved Unpaid Leaves of Absence (long term disability, FMLA, CFRA, PDL, Leave of Absence Without Pay approved by Civil Service Commission with job to be saved, any absence period preceding reinstatement by the Civil Service Commission following a termination, and any Leave of Absence Without Pay that began before January 2, 1997)

   i. **One Year or Less:** The cost of service credit for an approved leave of absence of one year or less is the amount the Board determines to be the employee-only cost of that service credit as of the date SDCERS provides the Member with a Proposed PSC Contract.

   ii. **More than One Year:** For an approved leave of absence of over one year, the cost for the first year of service credit is
the amount the Board determines to be the employee-only cost of that service credit as of the date SDCERS provides the Member with a Proposed PSC Contract. The cost of service credit for the period after the first year is the cost the Board determines to be the employee and employer cost of that service credit as of the date SDCERS provides the Member with a Proposed PSC Contract.

2) **Probationary Period:** The cost of service credit for a probationary period is calculated by multiplying the average contribution rate of a General or Safety Member by the base compensation the employee received during their probationary period, and then by rounding that monthly salary to the nearest $100 and adding an average interest rate of 4.5% per year from the date the Member joined SDCERS to the date the service credit is purchased.

3) **Military Leave Not Subject to USERRA:** The cost of service credit for military leave not subject to USERRA is the amount of employee contributions the member would have paid if the member had continued to work for the City plus interest at the actuarially assumed interest rate in effect on the date of the Proposed PSC Contract.

4) **Service Credit under Board Rule 4.05(b):** The cost of service credit is the Actuarial Liability - EAN as calculated by the SDCERS actuary.

5) **Service Credit under Board Rule 4.05(c):** The cost of service credit under a contract issued within 60 days of joining SDCERS is the Actuarial Liability - EAN as calculated by the SDCERS actuary.

6) **All Other Types of Service Credit (optional membership, position not previously eligible, part time or hourly service, five-year PSC, service credit contracts under Board Rule 4.05(c) issued more than 60 days after joining SDCERS, and service credit purchased under Board Rule 4.05(d)):** The cost of any type of service credit purchased under this Division, not covered by subsections (1) through (35), is the amount determined by the Board to be the employee and employer cost of that service credit as of the date SDCERS provides the Member with a Proposed PSC Contract.

**e. Cost of Service Credit for Port Members:** The cost of service credit for Port Members for purchases of service other than USERRA-covered military leave is the cost determined by the Board based upon the provisions of the Port’s Plan, as follows:

1) **FMLA, CFRA, and/or PDL Leaves of Absence:** The cost of service credit for FMLA, CFRA, and/or PDL leaves of absence is the
amount the Board determines to be the employee-only cost of that service credit.

2) All Other Leaves of Absence: The cost of service credit for leaves of absence other than FMLA, CFRA, or PDL is the amount the Board determines to be the employee and employer cost of that service credit as of the date SDCERS provides the “Member” with a Proposed PSC Contract. A “Member”, as it pertains to this subsection, is any General Member who was hired before January 1, 2009 and any Safety Member who is actively participating in and contributing to the Port Plan, and who will be entitled to receive benefits from the Plan when eligible. Except as otherwise provided by state or federal law, a Member may purchase Service Credit for any prior period during which the Member was employed by the UPD, but not making any contributions to the Port Plan, including any approved leave of absence before January 2, 1997. The cost of any type of service credit purchased under this subsection is the amount the Board determines to be the employee and employer cost of that service credit as of the date SDCERS provides the Member with a Proposed PSC Contract.

g. The Board determines the “employee-only” and “employee and employer” costs of service credit based upon the recommendation of the Board’s
actuary. The Board may change these costs at any time, as recommended by the actuary. As part of this process, when necessary the actuary shall develop separate costs for participating public agencies.

h. Unless otherwise specified in this Division, the method of calculating PSC cost is based upon the Member’s age, years of service, and Final Compensation at the time the PSC contract is calculated.

i. Except for quotes provided in contracts pursuant to Board Rule 4.90 (PSC Corrections), the quote provided in a Proposed PSC Contract will be guaranteed for a period no longer than 60 days from the date of the Proposed PSC Contract and only so long as payments of the contract are paid timely, as follows:

1) **Installment Payments:** If the Member elects to make installment payments pursuant to Board Rule 4.50, payment must commence within 60 days of the date that SDCERS receives the Proposed PSC Contract.

2) **Payments Other Than Installment Payments:** If the Member elects to make payment by any method described in Board Rule 4.50 other than installment payments, payment must be received within 60 days of the date that SDCERS receives the Proposed PSC Contract.

3) The CEO has the discretion to direct staff to accept a rollover from a qualified plan or individual retirement account not received within 60 days based on evidence showing there were consistent, timely efforts by the Member to transfer the funds.

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


**Rule 4.40 Repayment of Previously Refunded Member Contributions**

a. A Member who is re-employed by the City or the Airport may repay the contributions that SDCERS previously refunded to the Member, plus interest at actuarially assumed interest rate in effect on the date of the
Proposed PSC Contract. If the Member does so, SDCERS shall restore the Member’s service credit for the prior period of membership.

b. Notwithstanding Rule 4.20(c), a Member must repay all previously withdrawn contributions, plus interest, and may not make a partial repayment of withdrawn contributions.

c. Effective December 1, 2009, Port Members may not repay contributions that were previously refunded.

d. Repaid contributions will be allocated to a Member's account based on the current contribution allocation percentages.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Formerly Rule 10.40, renumbered and amended February 20, 2009; amended April 13, 2012, and November 2, 2012; reviewed March 13, 2015; amended on March 9, 2018; and reviewed July 12, 2019 and July 8, 2022.

Rule 4.41 General Policies for Employees Rehired by the City Who Left Contributions on Deposit at Termination or Redeposit Upon Rehire

a. This Rule applies to all City Members who, after terminating employment with the City, satisfy one of the conditions set forth in (b) below.

b. A rehired City Member is entitled to all retirement benefits for which the rehired City Member was eligible on the date the rehired City Member terminated City service if:

1) The rehired City Member’s continuity of service is unbroken under Municipal Code section 24.1003(d) because the rehired City Member left their contributions on deposit and did not withdraw them before being rehired; or

2) The rehired City Member’s Service Credit has been restored under Municipal Code section 24.1306 and Board Rule 4.40 because the rehired City Member redeposited all previously refunded contributions, plus interest, upon reemployment. A rehired City Member is not entitled to benefits under this section until the rehired City Member has completed the redeposit of all contributions with interest and the payment of any underpaid contributions, as provided in subsection (e) below.
c. If the rehired City Member satisfies either subsection (b)(1) or (b)(2), their membership shall be considered as if it had been unbroken.

d. Notwithstanding subsection (b), a rehired City Member who meets the conditions of subsection (b) is not entitled to any enhanced retirement benefits that are conditioned upon active employment status at the time the benefit became effective, unless the rehired City Member was actively employed on the date the enhanced retirement benefit became effective.

e. Notwithstanding subsection (b), the rate of contribution of an rehired City Member who meets the conditions of subsection (b) shall be determined in accordance with Board Rule 2.50 or Board Rule 4.70, whichever is applicable, except that the rehired City Member’s contribution rate shall be adjusted retroactively to the first full pay period following the Member’s rehire using the contribution rate applicable to the tier of benefits for which the rehired City Member is eligible based on their repayment of refunded contributions as provided in this Rule. If the retroactive adjustment results in an underpayment of contributions by the rehired City Member for the period between the Member’s rehire and the completion of their repayment of refunded contributions, the rehired City Member must pay the amount of underpaid contributions owed as a result of the retroactive adjustment, plus interest, at the actuarially assumed interest rate in effect on the date repayment is completed.

f. A rehired City Member who meets the conditions of subsection (b) will receive service credit only for periods for which all the required contributions have been made.

This Rule is incorporated into Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document.

Formerly Board Rule 10.41, renumbered and amended March 20, 2009; amended September 18, 2009 and November 2, 2012; reviewed March 13, 2015; amended March 9, 2018; and reviewed July 12, 2019 and July 8, 2022.

Rule 4.50 Methods of Payment

a. Definitions:

For purposes of this Rule, the following terms will be defined as follows:

1) Member means any employee of the City or a participating agency who is eligible for membership and participation in SDCERS.
2) **Grandfathered Member** means any Member participating in SDCERS before July 1, 1998.

3) **Permissive Service Credit** means, consistent with Internal Revenue Code section 415(n)(3)(A), service credit recognized by SDCERS in calculating a Member’s benefit for service that is not received under the Plan unless the Member makes an additional voluntary contribution to the Plan that does not exceed the amount necessary to fund the service purchased. Permissive Service Credit includes any service credit available for purchase under any of SDCERS’ participating Plans, but does not include collection of missed contributions for periods of service where contributions are or were mandatory.

4) **Grandfathered Permissive Service Credit** means the following types of service credit allowed under the City of San Diego or Airport’s Plans:

   i. Probation Periods (Municipal Code §24.1302) not to exceed six months;

   ii. Periods of optional membership (Municipal Code §24.1303);


   iv. Part-Time or hourly service before January 2, 1997 (Municipal Code §24.1304);

   v. Reinstatement before January 2, 1997 (Municipal Code §24.1305);

   vi. Approved leaves of absence from the City or Airport before January 2, 1997 (Municipal Code §24.1307(a) and (b), Airport Plan §1100(e) renumbered to §1100(d));

   vii. Leaves of absence for long term disability, FMLA, CFRA, PDL, and leave without pay with job to be saved (Municipal Code §24.1307(c));

   viii. Service credit for service not previously included within field of membership (Municipal Code §24.1308); or

b. Subject to any limitations or conditions imposed by applicable tax laws and regulations, and except as otherwise stated in this Rule, a *Grandfathered Member* may pay for *Grandfathered Permissive Service Credit* by:

1) Lump sum (post-tax), rollover from a qualified plan or individual retirement account, or any other source allowable under federal law; or

2) Installment payments through post-tax payroll deductions from the Member’s current plan sponsor.

c. A *Member* or *Grandfathered Member* may only pay for *Permissive Service Credit* (other than *Grandfathered Permissive Service Credit*) by:

1) A direct transfer of pre-tax monies to SDCERS from any tax-qualified defined contribution plan maintained by the City or participating public agency with whom the Member is employed; or

2) A rollover of pre-tax monies to SDCERS from an eligible employer retirement plan or individual retirement account.

d. A *Member* may pay for *Permissive Service Credit* under Board Rule 4.05(b) by:

1) A direct transfer of pre-tax and post-tax monies to SDCERS to be credited to the Member’s account from the Member’s City SPSP-H plan as determined in Municipal Code §24.1313; and

2) To the extent the cost for *Permissive Service credit* is allocated to the City pursuant to Municipal Code §24.1313, the City’s share of the liability shall be paid by a City contribution to the Trust Fund as determined in Municipal Code §24.1313.

e. A *Member* may pay for *Permissive Service Credit* under Board Rule 4.05(c) by:

1) *Member’s Share* as determined in Municipal Code §24.1314:

   i. Lump sum (post-tax), rollover from a qualified plan or individual retirement account, or any other source allowable under federal law; or

   ii. Installment payments through post-tax payroll deductions.

2) *City’s Share* as determined in Municipal Code §24.1314 - A City contribution to the Trust Fund as determined by the SDCERS Board.
f. A Member may pay for Permissive Service Credit under Board Rule 4.05(d) by:

1) Lump sum (post-tax), rollover from a qualified plan or individual retirement account, or any other source allowable under federal law; or
2) Installment payments through post-tax payroll deductions

g. SDCERS shall not initiate any pre-tax installment contracts after October 8, 2009.

h. Notwithstanding any other provision of this Board Rule, effective September 21, 2012 an eligible Member or Grandfathered Member who repays previously withdrawn contributions pursuant to Rule 4.40 may not repay the contributions and interest owed thereon by installment payments. A Member or Grandfathered Member may pay for repayment of previously withdrawn contributions by lump sum (post-tax), rollover from a qualified plan or individual retirement account, or any other source allowable under federal law.

i. SDCERS shall treat all amounts paid by Members under this Rule as Member contributions.

j. Except as provided in Board Rule 4.60(a) or (b), the Member must complete, and SDCERS must receive, all payments to purchase service credit before the Member’s effective date of retirement or entry into Deferred Retirement Option Plan.

k. If a Member elects to make installment payments under any provision of this Rule:

1) The Member must agree to an installment contract with a payment plan that includes the purchase cost plus installment interest;

2) The payments must be made through post-tax payroll deductions;

3) The payments must be at least $20 per pay period;

4) The length of the payment plan may not exceed the Member’s life expectancy at the time the contract is issued, and

5) SDCERS shall charge installment interest using the actuarially assumed interest rate in effect at the time the proposed PSC Contract is issued.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

**Rule 4.60  Termination of Installment Contract**

a. **Termination of Employment:** If a Member is unable to complete a PSC installment contract due to termination of employment with the City or a participating public agency, the contract terminates and the Member must select within 60 days of termination one of the following options:

1) Receive a refund of the amount paid, plus interest, on the purchase of service contract as of the date of termination;

2) Receive credit for the service credit purchased as of the Member’s termination date. Interest paid on a purchase of service installment contract may not be applied toward the balance owed on the purchase of service credit;

3) Request a refund of the Member’s accumulated employee contributions, including the amounts paid on the purchase of service contract as of the date of termination, plus interest posted to the Member’s account as of the date of the request; or

4) Pay the balance of the installment contract within 60 days after SDCERS receives written notice of the election.

5) If the balance of the installment contract is not paid in full within 60 days after SDCERS receives written notice of the election or if SDCERS is not informed of the election within 60 days after termination then SDCERS shall implement option (a)(2) above.

b. **Retirement:** No retirement benefits will be calculated or paid until the status of all active contracts is completed or resolved. The payment of the installment contract balance must be received by SDCERS no later than 60 days after the effective date of retirement. If a Member is unable to complete a purchase of service installment contract due to retirement, the contract terminates and the Member may elect one of the following options:

1) Receive a refund of the amount paid to date, plus interest posted to the Member’s account as of the date of the request; or
2) Receive credit for the service credit purchased as of the Member’s retirement date. Interest paid on a purchase of service installment contract may not be applied toward the balance owed on the purchase of service credit.

c. **Death of Member:** If a Member dies before completing a purchase of service installment contract, the contract terminates and the Member’s beneficiary must make an election within 60 days from notification by SDCERS to:

   1) Receive a refund of the amount paid to date, plus interest posted to the Member’s account as of the date of the request;

   2) Receive credit for the service credit purchased as of the Member’s death. Interest credited to a Member’s account may not be applied toward the purchase of service credit; or

   3) If an election under (c)(1) or (c)(2) of this section is not made within 60 days of notification by SDCERS then SDCERS shall implement option (c)(2) above.

d. **Termination of Contract Before Completion:**

   1) **Post-Tax Installment Contract:**

      i. **Terminate and Refund:** An Active Member who requests to terminate and receive a refund of a post-tax purchase of service contract before it is fully paid shall receive a refund of all monies paid under the contract, including interest posted to the Member’s account as of the date of the request.

      ii. **Terminate and Accelerate Payments:** An Active Member who elects to terminate a post-tax purchase of service contract before it is fully paid and pay the balance of the contract must complete payment of the balance within 60 days of termination of the contract. Failure to pay the balance of the contract, including interest due thereon, within 60 days shall result in termination and refund of all monies paid under the contract pursuant to the provisions set forth in paragraph (d)(1)(i) of this Rule. A Member may elect to terminate and accelerate payments only if this election does not violate Internal Revenue Code section 415(n).

   2) **Election Irrevocable:** An election to terminate a PSC contract is irrevocable.
3) **Pre-Tax Installment Contract**: A pre–tax purchase of a service installment contract cannot be terminated unless the Member dies, retires, or terminates employment with the City or participating public agency.

4) **Completed Contracts (Pre-Tax and Post-Tax)**: A Member may not rescind a completed and fully paid purchase of service contract.

e. **Termination of Contract under Board Rule 4.50(e) or (f) Before Completion**:

1) A contract issued under Board Rule 4.50(e) or (f) terminated for any reason, including termination of employment with the City, retirement, or death of the Member may only be resolved by:

   i. **Terminate and Refund**: Receive a refund of all monies paid under the contract, including interest posted to the Member’s account as of the date of the request.

   ii. **Terminate and Accelerate Payments**: Pay the balance of the contract within 60 days of termination of the contract. Failure to pay the balance of the contract, including interest due thereon, within 60 days shall result in termination and refund of all monies paid under the contract pursuant to the provisions set forth in paragraph (e)(1)(i) of this Rule. A Member may elect to terminate and accelerate payments only if this election does not violate Internal Revenue Code section 415(n).

2) **Election Irrevocable**: An election to terminate a PSC contract is irrevocable.

3) **Completed Contracts**: A Member may not rescind a completed and fully paid purchase of service contract.

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Rule 4.70 Contribution Age Adjustments

a. A City or Port Member's current contribution age shall be adjusted when the Member completes a repayment of refunded contributions, or completes a purchase of service credit for optional membership, 1981 Plan Waiting Period, and/or mandatory waiting periods. An Airport Member's current contribution age shall be adjusted when the Member completes a repayment of refunded contributions. The contribution age shall be adjusted as follows:

1) Where the Member has not had a break in service with the City or participating public agency: To the age at the Member’s original date of employment in a position eligible for membership.

2) Where the Member has had a break in service with the City or participating public agency: The Member’s contribution age shall be based upon an adjusted age at entry, comprised of the Member’s original age at entry in SDCERS, plus an age adjustment equal to the period of time the Member was inactive.

3) Except as provided in Board Rule 4.41(e), SDCERS shall adjust the Member’s contribution age at the beginning of the first full pay period after the Member completes their PSC contract.

b. A Member's contribution age shall be adjusted when a Member purchases service credit under Board Rule 4.05. The contribution age shall be adjusted as follows:

1) Contracts requested within 60 days of the Member’s first contribution to SDCERS – the contribution rate shall be adjusted retroactive to the first contribution date as if the purchase had been completed.

2) Contracts requested more than 60 days after the Member’s first contribution to SDCERS – the contribution rate shall be adjusted prospectively from the date the contract is signed as if the purchase had been completed.

3) If a contract terminated under Board Rule 4.60(e) results in a refund of all monies paid under the contract, the contribution age shall be retroactively adjusted to the first contribution date. Contributions owed to SDCERS will be collected and refunds due to the Member will be paid.

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.
Rule 4.80  Interruption of Installment Contract Due to Unpaid Leave of Absence

a. Members who miss payments toward their PSC installment contracts due to an unpaid leave of absence must, within 60 days of their return to active service in a position eligible for Membership in SDCERS, elect one of the options described in this section.

b. Post-Tax Installment Contract: When a Member with a post-tax installment contract returns to work after an unpaid leave of absence, the Member must:

   1) Resume the PSC installment contract and make up any missed payroll deductions by extending the payment period as necessary to complete the purchase without increasing the individual payments;

   2) Terminate the contract pursuant to Board Rule 4.60(d)(1) or 4.60(e); or

   3) Terminate the contract and receive credit for service credit purchased as of the last installment payment made prior to the leave of absence unless the contract was issued under Board Rule 4.05. Interest paid on a PSC installment contract may not be applied towards the balanced owed on the purchase of service credit.

   4) Default if No Election Made: If an election is not made within 60 days after the Member returns to work after an unpaid leave of absence then SDCERS shall implement the option under Board Rule 4.80(b)(1).

c. Pre-Tax Installment Contract (initiated on or before October 8, 2009): When a Member with a pre-tax installment contract returns to work after an unpaid leave of absence, the Member must resume the installment contract and make up the missed payroll deductions by extending the payment period as necessary to complete the purchase without increasing the individual payments.

d. Recalculated Interest: If the Member’s payment period is extended beyond the original payment period set forth in their purchase of service installment contract, the interest on the contract shall be recalculated to take into account the longer repayment period, unless the Member’s leave of absence

was military leave covered by USERRA. If the Member’s leave was covered by USERRA, the Member shall not be required to pay more than the amount they would have paid on the contract had the Member remained continuously employed and covered by SDCERS during their period of military service.

e. A Member may not complete an installment contract for purchase of service upon return from unpaid leave of absence if the Member returns to employment in a position not eligible for membership in SDCERS.

f. In the event a Member returns to employment from unpaid leave of absence in a position not eligible for membership in SDCERS, the installment contract shall remain in abeyance until the Member is once again placed in a position eligible for membership, at which time the Member may complete the purchase under the above options. Should the Member die, retire, or terminate employment before the Member again becomes eligible for membership, the Member, or the Member’s beneficiary in the case of a deceased Member, may then complete the purchase as outlined in Board Rule 4.60. Notwithstanding the foregoing, a Member may terminate a post-tax installment contract at any time, including while the Member is employed with the City in a position not eligible for membership. If the Member elects to terminate a post-tax installment contract, the contract may be terminated as provided in Board Rule 4.60(d) or 4.60(e).

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust.

Adopted March 5, 2010; amended March 4, 2011 and April 13, 2012; reviewed March 13, 2015; amended March 9, 2018; reviewed July 12, 2019; and amended July 8, 2022.

Rule 4.90  PSC Corrections

This Board rule implements the Court’s decision in City of San Diego vs. SDCERS 186 Cal.App.4th 69 (2010) (the “PSC Decision”) in which the court determined that SDCERS did not have the right to charge the City of San Diego (“City”) for SDCERS’ underfunding of service credits purchased under San Diego Municipal Code section 24.1312. This rule is enacted consistent with Board Resolution 2010-02 adopted by the Board at its October 2010 meeting. This Rule is incorporated into Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document.

a. “Affected PSC Contracts” means any “window period” purchase that the SDCERS Board previously unlawfully authorized with respect to a PSC contract subject to Plan Document provisions that: 
b. Required employees to pay both the employee and employer cost

2) Were purchased on or after August 15, 2003 at the “old” 15% rate for City General Members and 26% rate for City Safety Members, unless the contract was the result of a legally authorized offer made by SDCERS before August 15, 2003 and the Member signed and dated that contract before its 90-day expiration date.

3) Were purchased on or after April 16, 2004 at the “old” 15% rate for UPD and Airport General Members, 23% rate for UPD Safety Members, and 15% rate for UPD and Airport Executive Members, unless the contract was the result of a legally authorized offer made by SDCERS before April 16, 2003 and the Member signed and dated that contract before its 90-day expiration date.

4) Affected PSC Contracts do not include contracts purchased for City service credit by any City Member who retired from City service on or before November 19, 2007.

b. Correction Options: Affected PSC Contracts will be corrected as provided in the following options:

1) Employer Correction Option: SDCERS will provide each of its employer plan sponsors with sixty (60) days following the date that SDCERS provides written notice to the plan sponsor of the unfunded liability related to the Affected PSC Contracts to formally advise SDCERS whether or not the plan sponsor will voluntarily pay for some or all of the underfunding caused by the Affected PSC Contracts through the UAL amortization, or such shorter time period that the employer may elect.

2) Member Correction Options: To the extent that the employer of a member with an Affected PSC Contract does not pay for that underfunded amount, then SDCERS will provide the following correction options to members/beneficiaries with respect to all Affected PSC Contracts, subject to the timeline set forth in item 3 below and subject to any changes or adjustments required by the Internal Revenue Service in order to preserve the qualified status of the plans:

Option 1: Member/beneficiary may rescind the original Affected PSC Contract and receive a refund of his or her PSC contributions, plus interest. SDCERS will reduce associated service credit accordingly. In addition, if the member already has retired, SDCERS will adjust the member’s retirement benefit prospectively and if retirement benefits have been overpaid as a result of the inclusion of the underfunded service credit in the member’s
retirement benefit calculations, then SDCERS will recover those overpaid amounts, plus interest, as set forth in this Rule.

**Option 2:** If the member is in active service and eligible to purchase PSC currently, the member may rescind the original Affected PSC Contract and apply the full refund plus any applicable interest to a new PSC contract based on the current rates and the member’s highest annual membership salary at the time of the application.

**Option 3:** Member/beneficiary may request that SDCERS reduce his or her service credit to the lesser amount of service that would have been legally purchased by the member’s actual contributions under the Affected PSC contract if the higher post-window rate had been applied. Thus, no additional payment would be made by the member/beneficiary to SDCERS as a result of this correction; provided, however, that if the member has retired, is subject to this Resolution, and the member’s former employer has not agreed to correct the underfunding, then any benefits erroneously paid out as a result of the Affected PSC Contract are to be recomputed, and SDCERS is to recover overpayment of benefits plus interest from the member/beneficiary made to the member/beneficiary and adjust the member’s retirement benefit prospectively; or

**Option 4:** Member/beneficiary may pay, with interest, the difference between the amount paid at the “old” rate and the amount that should have been paid at the then Board determined rate to fund the full service credit originally anticipated in the Affected PSC Contract. In the alternative and if necessary for a member to remain eligible for service retirement and/or DROP, a member/beneficiary may make a “partial purchase” of PSC by paying, with interest, the difference between the amount paid at the “old” rate and the amount that should have been paid at the then Board determined rate to fund sufficient service credit in the Affected PSC contract to retain such eligibility; provided, however, that corresponding adjustments are made to any past and future retirement allowances, contributions, and interest. Payments due under this option may be made by lump sum or through a payment plan, including without limitation an after-tax payroll deduction, whose duration is not to exceed the amount of time to be purchased and will carry additional interest.

**Option 5 (DROP):** To the extent that a member with an Affected PSC Contract entered into DROP prior to the adoption of this Rule, SDCERS will permit the DROP election to be rescinded or reformed, to the extent legally permissible and, if applicable, subject to the member’s employer’s agreement. The member may then elect one of the above correction options.
3) **Timeline and Default Board Action:** If, within sixty (60) days of SDCERS providing written Notice of Options Re Purchase of Service Credit Corrections by certified mail of the above five options, any member/beneficiary does not voluntarily select one of the five options, then SDCERS will make a reasonable effort to contact that individual directly to determine whether the member has made a decision. If within ninety (90) days of SDCERS providing the original Notice SDCERS is unable to contact the individual or if the member does not voluntarily select an option, and if the Board, in its sole and exclusive authority, does not extend the time period for individual’s response based upon circumstances that may be presented to it by staff, then SDCERS will implement Option 1 above as to the member/beneficiary.

Adopted November 5, 2010; amended July 8, 2011; reviewed March 13, 2015, March 9, 2018, July 12, 2019, and July 8, 2022.

**ARTICLE III - BENEFITS**

**Division 5 – Retirement Benefits**

**Rule 5.00 Time for Application**

a. An application for service retirement benefits must be submitted to SDCERS on or before the date of retirement.

b. If a Member withdraws and subsequently resubmits an application for retirement, the effective date of retirement shall be based upon the date stated within the resubmitted application.

c. SDCERS staff shall verify the factual information set forth in an application for retirement benefits.

d. The CEO is authorized to initiate non-disability benefit payments to a Member and/or beneficiaries prior to Board approval. The application shall be placed on the Board's next regularly scheduled meeting agenda for retroactive approval.

e. The CEO is authorized to remedy administrative errors in the submission of retirement applications.

Formerly Rule No. 11.00; renumbered and amended March 20, 2009; reviewed May 8, 2015; amended May 11, 2018; November 8, 2019; November 13, 2020, and September 9, 2022.
Rule 5.10  Required Documentation to Process Benefits

a. **Proof of Age:** SDCERS may require a Member or beneficiary to provide proof of age before processing benefits.

1) Staff may rely upon the date of birth provided by the plan sponsor to determine a Member’s contribution rate, eligibility for benefits, and calculation of benefits.

2) Original or copies of birth records are preferred, but if birth records are unavailable, acceptable alternatives evidencing the date of birth must be an original document, a certification of a public record made by the custodian of such record, a certified true copy or photocopy of the original document, or a certification of such evidence recorded by SDCERS.

   i. Staff may consider the following documents as alternative evidence of age: public birth records, birth or baptism records maintained by a religious organization, Census Bureau notification of birth registration, hospital birth record or certificate, physician’s or midwife’s birth record, naturalization records, immigration records, military records, passports, school records, marriage records, electronic database records, (e.g., Lexis Nexis), and other official records of probative value (e.g., permits, licenses, voting records).

b. **Proof of Marriage or Domestic Partnership:** SDCERS may require a Member or beneficiary to provide proof of marriage or domestic partnership before paying benefits.

1) The original or a copy of a government-issued marriage certificate or certificate of domestic partnership is preferred, but if such records are unavailable, alternative documents evidencing the date of marriage or domestic partnership and the name of the spouse or partner may be accepted at the discretion of the CEO.

c. **Proof of Death:** SDCERS may require an original or a copy of a Member or beneficiary’s death certificate before paying benefits that are due upon the death of a Member or beneficiary. However, if a death certificate cannot be obtained, the CEO may accept alternative evidence, in their discretion.

d. **Other Required Documentation:** If needed, SDCERS shall require the original or copies of government-issued photo identification, domestic relations orders, trusts, letters of administration, letters of conservatorship, and powers of attorney. SDCERS shall not accept any alternative forms of evidence for these documents.
e. When determining the acceptability of alternative forms of evidence, the CEO, or their designee, shall consider the purpose for which the record was established, the basis for the record, the formality of the record, the custody of the evidence, and the date the evidence was created.

f. In the event a conflict arises as to the validity of any documents or records, the CEO shall make a determination based on the available evidence. This determination shall be used for all SDCERS’ purposes, including the establishment of contribution rates and the determination of eligibility for retirement benefits.

g. Staff shall provide written notice to the Member or beneficiary of the determination. Such written notice shall include information pertaining to the Member or beneficiary’s right to appeal staff’s decision concerning the acceptability of the evidence provided, which shall be governed by the Appeal of Staff Decisions Regarding Benefits Policy.


Rule 5.15 Retirement Benefits for Part-Time City Employees

a. Retirement benefits earned by City Members during periods of part-time employment are credited on a pro-rata basis in the same proportion as a full-time member.

b. A City Member is considered to be in a part-time status when they are officially assigned by the City to a one-half time (e.g., 40 hours per two-week pay period) or a three-quarters time (e.g., 60 hours per two-week pay period) standard work schedule.

c. When calculating a Member’s Unmodified Service Retirement Allowance, the Member’s Base Compensation shall be annualized during periods of part-time status as if the Member worked full-time. For example, for a one-half time Member, Base Compensation would be doubled. The purpose of this Rule is to provide retirement benefits in proportion to the Member’s part-time service.

This Rule is incorporated into Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document. Adopted May 20, 2011; amended May 8, 2015, November 13, 2015, May 11, 2018; November 8, 2019; and reviewed September 9, 2022.
Rule 5.25   Eligibility for Cost of Living Annuity and Surviving Spouse Contribution Refunds for Disabled Members

a. A Member who is granted a disability retirement, whether industrial or non-industrial, is entitled to the Cost of Living (“COL”) Annuity benefit under Municipal Code section 24.1507, Port Plan section 0300, and Airport Plan section 0300.

b. A Member who is granted a disability retirement, whether industrial or non-industrial is entitled to the Surviving Spouse benefit under San Diego Municipal Code section 24.0601, Port and Airport Plans section 0600.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


Rule 5.30   One Hundred Percent (100%) Continuance Survivor Benefit

Repealed.


Rule 5.40    Calculation of Reduced Retirement Allowance Under Optional Settlements

When a Member selects Optional Settlement 1, 2, 3, or 4 at retirement, the Member receives a reduced retirement benefit during the Member’s lifetime. For purposes of calculating the reduced retirement allowance received by a Member during their lifetime, SDCERS shall calculate the Member’s reduced retirement benefit based on actuarial equivalence using the Mortality Tables and Assumptions for Determining Actuarial Equivalence in Board Rule 2.90.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code; (2) The Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Rule 5.50 Determination of Eligibility for Service Retirement and Calculation of the Unmodified Service Retirement Allowance for Members with More Than One Class of Membership in the City’s Plan

a. This Rule applies only to determining eligibility for a service retirement and calculating the Unmodified Service Retirement Allowance for Members with Service Credit in more than one class of membership within the City’s Plan.

b. To be eligible for a service retirement allowance or to enter DROP under the City’s Plan, the Member must meet the age and service requirements of their current class of membership or, if a Deferred Member, the class of membership when they terminated with the City. When making this determination, SDCERS shall consider all of the Member’s service credit, including service credit from other SDCERS-administered Plans and reciprocal service credit.

c. If the Member satisfies subsection (b), the Member is eligible for a service retirement allowance or to enter DROP under the City’s Plan, regardless of whether or not the Member meets the age or service requirements of any other class of membership in the City’s Plan for which they have service credit.

d. SDCERS shall calculate the Unmodified Service Retirement Allowance of the Member by making a separate calculation for each class of membership under the City’s Plan in which the Member has accrued service credit, pursuant to Municipal Code sections 24.0402 et seq., 24.0403 et seq., and 24.1705. For each calculation, SDCERS shall apply the following:

1) The Member’s highest Final Compensation from any class of membership, in which the Member has earned service credit;

2) The service credit earned in or purchased during that class of membership only;

3) The Member’s age at retirement or DROP entry and the applicable retirement factor that corresponds to the Member’s age within each class of membership. If the Member’s age at retirement or DROP entry is less than the minimum age allowed in a class of membership, SDCERS shall use the earliest retirement age and corresponding factor within that class of membership; and

4) The limit on a Member’s Unmodified Service Retirement Allowance under Municipal Code section 24.0402 et seq. or section 24.0403 et seq., pertaining to that class of membership, if applicable.
e. SDCERS shall combine the benefits calculated from subsection (d) to create a single Unmodified Service Retirement Allowance.

f. A Member must retire from all classes of membership under the City Plan simultaneously.

g. If the Member is an Elected Officer at retirement or when entering DROP, their total service retirement benefit under subsection (f) shall be reduced pursuant to Municipal Code section 24.1704(a)(2) or (b)(2), if applicable.

This Rule is incorporated into Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document.

Adopted January 9, 2015; reviewed May 8, 2015; amended May 11, 2018; November 8, 2019, July 8, 2022; and reviewed September 9, 2022.

Rule 5.60 Determination of Eligibility and Calculation of the Basic Allowance for Members with More Than One Category of Membership in the Unified Port District and Airport Authority Plans

a. This Rule applies only to determining eligibility and calculating the basic allowance of all Members with service credit in more than one category of membership within the Port and Airport Plans.

b. SDCERS shall determine eligibility for a service retirement allowance and calculate the basic allowance of Members described in subsection (a) according to section 0400 of the Port and Airport Plans, respectively.

This Rule is incorporated into (1) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust; and (2) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust of 2013 as part of the Plan documents.

Adopted on January 9, 2015; reviewed May 8, 2015; amended May 11, 2018; reviewed November 8, 2019; and amended September 9, 2022.

Rule 5.70 Eligibility for the Annual Supplemental Benefit (Formerly Known as 13th Check)

a. The purpose of this Rule is to clarify when a retiree or survivor continuance is on the retirement “payroll” for the month of October and therefore eligible for the Annual Supplemental Benefit. This Rule memorializes the
Board’s interpretation of Municipal Code section 24.1503(a)(2) and Airport and Port Plan section 1300(b)(2).

b. For purposes of eligibility for the Annual Supplemental Benefit, a retiree or survivor continuance is on the payroll for the month of October if they are alive on October 1st. If a retiree dies in October and is eligible for the Annual Supplemental Benefit, the retiree’s survivor continuance is not eligible for their own Annual Supplemental Benefit in the year the retiree died.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


Rule 5.80 Retirement Benefits Available to Re-Hired Members and Employees Transferring to a Position Eligible for Membership with SDCERS

a. When a former employee of a plan sponsor, who is or was a Member, is re-hired by a plan sponsor to a position eligible for membership with SDCERS, the employee is eligible as follows:

1) A re-hired Member who left their employee contributions with SDCERS upon termination of employment or redeposits their contributions with SDCERS upon re-hire is eligible for the same retirement benefits available to the Member based upon their initial membership date.

   i. However, a Member re-hired by the Port on or after January 1, 2009 to a Member position, other than as a Safety Member, is eligible for the retirement allowance available to a Miscellaneous Member.

2) A former Member who withdrew their employee contributions upon termination and is re-hired by a plan sponsor but does not redeposit those contributions with SDCERS upon re-hire is eligible for the retirement benefits available to the Member based upon their rehire membership date.

b. A City employee initially hired into a non-standard hour position who terminates and is subsequently re-hired to a position eligible for
membership with SDCERS is eligible for the most recent retirement benefits available to the Member based upon their membership date after re-hire.

c. A City employee initially hired into a non-standard hour position who becomes eligible for membership with SDCERS without a break in service between their initial hire date and their transfer to membership is eligible for the retirement benefits available to the Member based upon their initial hire date.

d. For purposes of this Rule only, “retirement benefits” means the benefits administered by SDCERS, including the unmodified retirement allowance or basic allowance, DROP, death benefits, disability retirement benefits, purchase of service credit, preservation of benefits plan, and supplemental benefits.

e. This Rule is effective prospectively as of January 12, 2018.

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


Division 6 - Deferred Retirement Option Plan

Rule 6.00 Crediting Quarterly Interest to DROP Accounts

Interest shall be credited to DROP participants' accounts and compounded quarterly based on the average daily balance of the DROP account. Interest shall be credited at the end of each quarter effective on September 30th, December 31st, March 31st, and June 30th only if the Member is actively employed by their plan sponsor and participating in DROP on the last day of the quarter.

Formerly Rule 12.10, renumbered and amended April 17, 2009; amended November 14, 2014; reviewed May 8, 2015; and amended November 9, 2018, and July 9, 2021.
Rule 6.10  Amount of Interest Credited to DROP Accounts

a. Pursuant to San Diego Municipal Code ("Municipal Code") section 24.1404(c)(5) and section 1203(c)(5) of the Port and Airport Plans, the amount of interest credited to DROP accounts is determined by the Board.

b. The Board has adopted the following rates for crediting interest to DROP accounts, SDCERS shall continue to use the most recent interest rate specified below until the Board sets a different rate:

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>DROP Interest Crediting Rate</th>
</tr>
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<tbody>
<tr>
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</tr>
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</tr>
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<td>January 1, 2008 – April 1, 1997</td>
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</tbody>
</table>

c. No later than the regularly scheduled November Board meeting of each year, staff shall present updated rates to the Board based upon:

1) The weighted composite of a 12-month average ending September 30th of the current year of:

i. 75% of the five-year US Treasury Rate, and

ii. 25% of the five-year HQC Bond Rate,
iii. Not to exceed SDCERS actuarial investment return assumption; or

2) Such other rate or rates as the Board deems reasonable.

d. Notwithstanding the above or any other Board Rules, the Board may, consistent with the relevant plan documents, change the interest rate at any time.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


**Rule 6.20 Payment of DROP Benefits to DROP Participants Who Exit DROP After December 31, 2005**

a. A Member who exits DROP after December 31, 2005 must elect to receive their DROP account in one of the following benefit forms before their DROP exit date. SDCERS shall make these payments with the normal monthly or weekly payment cycle.

1) **Lump Sum:** The Member may elect a single lump sum distribution of their entire DROP account, to be paid within 60 days of their exit date. A lump sum distribution may include a rollover to another plan, subject to IRS requirements.

2) **Partial Lump Sum and Annuity:** The Member may elect a lump sum distribution of a portion of their DROP account with the remainder to be paid in a monthly annuity in accordance with subsection (3).

3) **Monthly Payments Over 240 Months or Member’s Life Expectancy:** The Member may make an irrevocable election to receive their DROP account in substantially equal monthly payments over 240 months or the Member’s life expectancy at the time the Member exits DROP, according to the Single Life Table in Treas. Reg. 1.401(a)(9)-9, Q&A-1. This benefit form may not exceed the Member’s life expectancy at DROP exit.
b. Payments under the benefit forms described in subsections (a)(2) or (a)(3) shall be calculated using the annuity factor on the date of the Member’s exit from DROP, as determined by Board Rule 6.40.

c. If the Member chooses an annuity, the Member may at any time during the distribution period elect to end their annuity and receive the remaining principal balance in a single lump sum.

d. All distributions made to or on behalf of a Member must comply with section 401(a)(9) of the IRC. SDCERS may distribute a Member’s DROP account earlier than the Member has elected if necessary to ensure compliance with section 401(a)(9).

e. If a Member fails to make the election required by subsection (a) of this Rule before the effective date of their exit from DROP, the Member’s retirement benefit shall be suspended and not paid until the election has been made. Once the election is made, the retirement allowance shall be paid retroactively to the effective date of their exit from DROP.

Formerly Rule 12.20, renumbered and amended April 17, 2009; reviewed on May 8, 2015; amended November 9, 2018 and March 8, 2019; and reviewed July 9, 2021.

Rule 6.30 Payment of DROP Benefits to DROP Participants Who Exit DROP Before January 1, 2006

a. A Member who exits DROP before January 1, 2006 must elect, before December 1, 2005, to receive their DROP account in one of the following benefit forms. The Member must make this election regardless of whether the Member has previously taken distributions or the form of such previous distributions, except as otherwise noted herein. SDCERS shall make these payments on the normal monthly payment cycle.

1) **Lump Sum:** The Member may elect a single lump sum distribution of their entire DROP account, to be paid at any time before April 1 of the year following the year in which the Member turns 70½ (or, age 72 for a Member who reaches 70 ½ after December 31, 2019). A lump sum distribution may include a rollover to another plan, subject to IRS requirements.

2) **Monthly Payments Over 240 Months:** The Member may make an irrevocable election to receive their DROP account in equal monthly payments over 240 months.

3) **Monthly Payments over Member’s Life Expectancy:** The Member may make an irrevocable election to receive their DROP Account in equal monthly payments of a fixed amount
and duration over a period equal to the Member’s life expectancy as of January 1, 2006, using the Single Life Table in Treas. Reg. 1.401(a)(9)-9, Q&A-1.

4) Partial Lump Sum at Retirement plus Monthly Payments over Member’s Life Expectancy: The Member may make an irrevocable election to receive, effective January 1, 2006, a partial lump sum distribution of a portion of their DROP account, with the remainder of the account paid to the Member in equal monthly payments over a period equal to the Member’s life expectancy as of January 1, 2006, using the Single Life Table in Treas. Reg. 1.401(a)(9)-9, Q&A-1.

5) Monthly Payments over a Fixed Period Less than Member’s Life Expectancy: The Member may make an irrevocable election to receive their DROP Account in equal monthly payments over a fixed period less than the Member’s life expectancy as of January 1, 2006, using the Single Life Table in Treas. Reg. 1.401(a)(9)-9, Q&A-1.

b. Notwithstanding subsections (a)(1) through (a)(5) of this Rule, the retired Members who selected either the single life annuity or the joint and survivor annuity benefit, which were available under the Municipal Code before June 18, 2002, shall continue to receive payments under their chosen benefit forms.

c. Payments under the benefit forms described in subsections (a)(2) through (a)(5) shall be calculated using an annuity factor of 8%.

d. Notwithstanding any language to the contrary in subsection (a) of this Rule, if the Member chooses a benefit form described in subsection (a)(2), (a)(3), (a)(4), or (a)(5), the Member may at any time during the distribution period elect to receive the remaining principal balance in a single lump sum.

e. All distributions made to or on behalf of a Member must comply with the final regulations issued under section 401(a)(9) of the IRC. SDCERS may distribute a Member’s DROP account earlier than the Member has elected if necessary to ensure compliance with section 401(a)(9).

f. A Member who did not make the election required by subsection (a) by December 1, 2005, is deemed to have elected the lump sum option set forth in subsection (a)(1).

Formerly Rule 12.21, renumbered and amended April 17, 2009; reviewed May 8, 2015; and amended November 9, 2018, March 8, 2019, March 13, 2020, and July 9, 2021.
Rule 6.40  DROP Annuity Factor

a. The Board has adopted the following annuity factors to calculate DROP annuities under Board Rule 6.20(b). SDCERS shall continue to use the most recent annuity rate specified below until the Board sets a different rate.

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<th>DROP Annuity Rate</th>
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</tr>
<tr>
<td>January 1, 2009</td>
<td>7.75%</td>
</tr>
<tr>
<td>January 1, 2008 – April 1, 1997</td>
<td>8.00%</td>
</tr>
</tbody>
</table>

b. No later than the regularly scheduled November Board meeting of each year, staff shall present updated rates to the Board based upon:

1) The weighted composite of a 12-month average ending September 30th of the current year of:
   i. 40% of the 20-year US Treasury Rate,
   ii. 20% of the 20-year High Quality Corporate (HQC) Bond Rate, and
iii. 40% of the 20-year Pension Benefit Guaranty Corporation (PBGC) Immediate Annuity rate;

iv. not to exceed SDCERS actuarial investment return assumption; or

2) Such other rate or rates as the Board deems reasonable.

c. Notwithstanding the above or any other Board Rules, the Board may change the annuity rate at any time.

d. For City Members, per SDMC section 24.1407, the interest rate used for the annuity may not exceed the higher of 5% or the interest rate the Board is using to credit the DROP account on the date the Member is first eligible to receive distributions from their DROP account.

e. For Airport Members, per Airport Plan section 1206(j), the interest rate used for the annuity may not exceed the higher of 5% or the interest rate the Board is using to credit the DROP account on the date the Member begins receiving their Monthly Retirement Allowance from SDCERS.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.


Rule 6.50 Election to Extend DROP Period

a. If a Member in DROP is eligible to extend their five-year DROP participation period under Municipal Code section 24.1402(b)(8), the Member must file with SDCERS a written election setting forth the Member’s decision to extend their DROP participation period and the date through which the DROP period is extended. This written election must be filed with SDCERS before the end of their designated five-year DROP participation period, but not more than 90 days before the end of such period.

b. If the written election is not received by SDCERS as required by subsection (a), the Member’s participation in DROP shall terminate on the last day of the designated five-year DROP period.
This Rule is incorporated into Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document.

Adopted May 9, 2014; reviewed May 8, 2015; amended November 9, 2018; May 14, 2021; and reviewed July 9, 2021.

Rule 6.60 Member to Enter DROP at Beginning of Pay Period

a. A Member must enter DROP on the first day of a pay period so that the Member’s DROP contribution includes the entire pay period.

b. To avoid unintended financial consequences to a Member, this Rule may be waived at the CEO’s discretion.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Adopted July 8, 2016, amended September 8, 2017 and November 9, 2018; and reviewed July 9, 2021.

Division 7 - Disability Retirement Applications and Hearings

Rule 7.00 Introduction

The Board has the authority to hold hearings to address any question presented to it involving any right, benefit, or obligation of a Member. Because pension benefits involve fundamental rights, an applicant is entitled to a hearing before the Board makes a final decision on any application for disability retirement benefits. The purpose of this division is to provide procedures for hearings and Board action on applications for disability retirement benefits. A copy of these rules shall be provided to every Applicant.


Rule 7.10 Rules Furnished to Applicant

Renumbered as part of Rule 7.00.
Rule 7.10 Definitions

Unless the context or subject matter otherwise requires, the following definitions shall apply to this division:

a. “Adjudication” means an administrative hearing conducted by a neutral Hearing Officer.

b. “Applicant” means a Member or former Member, if applicable, of SDCERS who applies for SDCERS disability retirement benefits, rights, or privileges, or any person applying for those benefits through any Member.

c. “Committee” means the Board’s Disability Committee (described in the Board’s Committees Charter).

d. “Hearing Officer,” also known as an adjudicator, refers to the retired state, federal, or administrative law judge assigned by an adjudicative agency to hear and adjudicate SDCERS matters.

e. “Medical Review Officer” means the SDCERS staff member responsible for the analysis of applications for disability retirement benefits, including, but not limited to, review of application materials, medical records, personnel records, and other relevant information, as well as the selection and oversight of medical professionals retained to examine Applicants, and based upon that analysis, to prepare Committee and Board recommendations or refer an application to adjudication.

f. “More likely than not” means that a preponderance of the evidence produced in favor of an issue justifies a finding in favor of that issue.

g. “Party” means either SDCERS or the Applicant.

h. “Preponderance of the evidence” means proof that, when considered and compared with information opposed to it, leads to the conclusion that the fact at issue is more probably true than not.

i. “Substantial cause” means the cause that predominates over any other contributing cause.

j. “Usual and Customary Duties” means the normal and common duties of the job position under review, but does not include duties which are remote or occur rarely.
Rule 7.20  Ex Parte Communications Prohibited

a. An ex parte communication is any material or substantive, off the record, oral or written communication between any Party, the Hearing Officer, and/or a Board Member that is directed to the merits or outcome of a pending disability retirement application and which takes place outside of the presence of all Parties.

b. An application is “pending” before the Board until the decision of the Board is final according to Rule 7.100.

c. The Parties shall not participate in ex parte communications.

d. A Hearing Officer shall not initiate, participate in, or consider an ex parte communication or consider other communications made to the Hearing Officer outside the presence of all Parties concerning a pending application. This prohibition does not apply to communications required for scheduling, administrative purposes, or emergencies that do not relate to substantive matters, provided the Hearing Officer reasonably believes that no Party will gain a procedural or tactical advantage as a result of the communication.

e. A Board Member shall not initiate, participate in, or consider an ex parte communication or consider other communications made to the Board Member individually or outside the presence of all Parties concerning a pending application.

f. A Hearing Officer or Board Member shall disclose the circumstances and substance of any ex parte communication concerning a disability retirement application on the record at the time of the hearing on the application before a decision is made. The Parties shall be given an opportunity to comment on the ex parte communication. Any Hearing Officer or Board Member who participated in an ex parte communication shall recuse themselves from the matter if they believe the communication has caused them to become biased or prejudiced.

g. A Hearing Officer or Board Member shall not make any public comments outside of a noticed hearing about a pending application that could interfere with a fair hearing. This requirement does not prohibit a Hearing Officer or Board Member from explaining SDCERS’ disability retirement process or from discussing legal, procedural, or other subject matters relating to the general administration of disability retirement proceedings in Board or
Committee meetings, conferences, education programs, or with legal counsel.

Adopted July 9, 2010; amended August 19, 2011; reviewed September 11, 2015; September 14, 2018; and amended and renumbered March 12, 2021.

Rule 7.30   Filing and Review of Application

a. For purposes of this rule only, active service means the Applicant is employed by a plan sponsor and actively participates in and contributes to SDCERS, including while an Applicant is an active DROP participant. For purposes of this rule only, discontinuance of active service means the Member is not contributing to SDCERS, including retirement.

b. An application for disability retirement must be made:

1) While the Applicant is in active service or on long-term disability;
2) Within four months of discontinuance of active service; or
3) Within two years of discontinuance of active service, if the Applicant establishes that they were continuously physically or mentally incapacitated from the performance of duty from the date of discontinuance of active service to the date they applied for disability retirement.

c. The Applicant must file a complete application packet with SDCERS. An application for disability retirement is not complete and is not “filed” for purposes of complying with the time limitations for filing outlined in subsection (b) above until all of the following documents are completed, signed, and filed with SDCERS:

1) An Application for Disability Retirement with all requested information;
2) A completed Disability Retirement Questionnaire, dated and signed under penalty of perjury under the laws of the State of California;
3) An Authorization to Release Medical Information;
4) An Authorization to Release Personnel Information;
5) An Authorization to Release Psychological Information;
6) A Waiver of Confidentiality/Privacy and Authorization for Disclosure; and
7) A Medical Provider’s Statement of Incapacity supporting the application which is completed by the Applicant’s physician.

d. If an Applicant successfully adds a medical condition or injury pursuant to subdivision (c) to a previously submitted application, a new application must be filed and the application process shall restart with the additional medical condition or injury.

e. Failure to file a complete application as defined in subsection (c) within 60 days of submitting the initial disability retirement application shall result in closure of the disability retirement file by the Medical Review Officer. If the file is closed under this section, the Applicant may refile a complete application according to the time constraints provided in Rule 7.30(b).

f. Disability retirement applications that are untimely filed shall be closed by the Medical Review Officer without evaluation. Applicants may appeal this decision. The Committee shall consider the Applicant’s appeal and make a recommendation to deny or grant the appeal to the Board at its next regularly scheduled meeting.

g. Upon the timely filing of a complete application packet as described in subsections (b) and (c) of this Rule, the Medical Review Officer shall review and evaluate the application to ensure that disability retirement benefits are paid only to those who are legally authorized to receive those benefits.

h. During the review, evaluation, and hearing process, the Medical Review Officer and SDCERS’ attorney may:

1) Request additional supporting information from the Applicant;

2) Require the Applicant to submit to one or more independent medical examination(s) regarding any medical condition or injury covered or raised by the application;

3) Conduct an independent review of the Applicant’s files and records; and/or

4) Inquire into or investigate Applicant’s relevant habits or conduct.

i. Applicant must cooperate with SDCERS’ review and evaluation process by providing any relevant information requested, signing authorizations to allow SDCERS to obtain records, and submitting to independent medical examinations as requested by SDCERS. Applicant’s refusal to provide any of the above is grounds for denial of the application without further evaluation. If the Medical Review Officer finds that Applicant has failed to cooperate consistent with this section, they shall place the matter for hearing on the Committee’s agenda with a recommendation that the application be
denied. The Committee shall make a recommendation to the Board using the same hearing process as provided in Rule 7.50.

j. Once the Medical Review Officer has completed their review and evaluation of an application, they shall submit findings and recommendations in writing to the Committee at the earliest practicable date, but not later than 18 months from the date the complete application was filed. The Board shall be notified of any cases in which the Medical Review Officer’s recommendation cannot be made within this timeframe.


Rule 7.40 Administrative Recommendation

a. The Medical Review Officer is responsible for reviewing all applications and to present informed recommendations to the Committee and Board as follows:

1) If the undisputed evidence demonstrates that it is more likely than not that the application should be approved based on the evidence and law, the Medical Review Officer shall recommend approval of the application.

2) If the undisputed evidence demonstrates that it is more likely than not that the application should be denied based on the evidence and law, the Medical Review Officer shall recommend denial of the application.

3) If there is a material dispute in the evidence, the Medical Review Officer shall refer the matter to adjudication and no Committee or Board approval is required. A referral to adjudication cannot be appealed administratively and is not a final decision for purposes of Appeal or Rule 7.100.

Formerly Division 15, Rule 15.50, renumbered and amended May 15, 2009; and amended August 19, 2011, September 11, 2015, September 14, 2018; and March 12, 2021.
Rule 7.50  Hearings Before the Committee and Board

a. All staff recommendations to approve or deny an application for disability retirement shall be heard by the Committee who shall make a recommendation to the Board for a final decision.

b. Staff’s recommendation and written notice of the date and time of the hearing before the Committee shall be mailed, e-mailed, or personally served on the Applicant, or their attorney, at least 40 days prior to the scheduled Committee meeting unless such notice is waived by the Applicant or their attorney.

c. Applicant, or their attorney, may respond to staff’s recommendation in writing and submit evidence on their behalf. Written responses and evidence must be received by SDCERS no less than 25 days prior to the Committee meeting.

d. All materials submitted within the time constraints of this rule shall be provided to the Committee in advance of the scheduled meeting and the Committee shall consider all such materials provided by both staff and the Applicant before entering its proposed findings and recommendation.

e. At the hearing, the Committee Chair shall call the agenda. Applicant, Applicant’s attorney, and any other person with relevant information regarding the application may complete and submit a speaker slip and address the Committee regarding the application.

f. The Chair shall provide a reasonable opportunity of not less than three minutes for each speaker, including Applicant, Applicant’s attorney, and witnesses to address the Committee regarding the application.

g. The Chair shall provide a reasonable opportunity of not less than three minutes for staff to respond to any speaker on any item before the Committee and shall allow the Applicant a final opportunity of at least one minute to rebut any arguments or evidence presented.

h. Committee members may question the Applicant, Applicant’s attorney, and any speaker or staff member regarding the recommendation or any statements made during the meeting.

i. After considering staff’s written recommendation, Applicant’s responses, all evidence submitted, and arguments or statements made by any speaker(s), the Committee shall:

1) Adopt staff’s proposed findings and recommendation;

2) Reject staff’s proposed findings and recommendation and enter alternative proposed findings and recommendation;
3) Refer the matter back to staff with questions or instructions for further proceedings;

4) Refer the matter to adjudication; or

5) Take whatever other action it deems necessary.

j. Recommendations from the Committee are presented by the Chair to the Board at the next regularly scheduled Board meeting following the Committee meeting.

k. After considering the Committee’s recommendation, the Board shall:

1) Adopt the Committee’s proposed findings and recommendation;

2) Reject the Committee’s proposed findings and recommendation and adopt alternative findings and decision;

3) Refer the matter back to the Committee or staff with questions or instructions for further proceedings

4) Refer the matter to adjudication; or

5) Take whatever other action it deems appropriate.


Rule 7.60 Adjudications, Scheduling, and Pre-Adjudication Meeting

a. SDCERS shall contract with adjudicative agencies who retain retired judges to act as Hearing Officers for SDCERS’ administrative hearings. Hearing Officers shall be in good standing with the State Bar of California and have experience deciding matters similar to those assigned by SDCERS. They shall hear and evaluate matters pursuant to applicable laws and rules, abide by the California Code of Judicial Ethics, as applicable, and be willing, and capable of performing all of the tasks necessary to fully and competently provide proposed findings and recommendations to the Board. Based on these criteria, the Board delegates to SDCERS’ General Counsel the authority to add or remove Hearing Officers assigned to SDCERS’ pool of Hearing Officers.

b. If a matter is referred to adjudication, an adjudicative agency shall be selected on a rotating basis from among those that have contracted with
SDCERS for the purpose of hearing its matters that are referred to adjudication.

1) Once an adjudicative agency is assigned, the agency shall select a Hearing Officer on a rotating basis. Each Party has the ability to strike any Hearing Officer for cause and one Hearing Officer without cause. A challenge to strike a Hearing Officer for cause shall be determined by the Hearing Officer.

c. The Applicant or Applicant’s attorney shall work with SDCERS’ attorney to:

1) Select a date for a pre-adjudication meeting between the Parties for the purpose of preparing for the adjudication;

2) Identify disputed issues and witnesses;

3) Identify exhibits and prepare a joint exhibit list;

4) Select the date(s) for the adjudication; and

5) Resolve any other issue, question, or dispute regarding the adjudication process. If the Parties are unable to resolve any issues, questions, or disputes regarding the adjudication process, the matter shall be referred to the assigned Hearing Officer for resolution.

d. After the Hearing Officer is assigned, the Parties shall work with the adjudicative agency to calendar a date(s) for the adjudication. If the Applicant refuses or fails to respond to reasonable requests to set a date for the adjudication, the Hearing Officer shall unilaterally select the date(s).

e. Applicants must schedule and complete the adjudication within one year from the date the matter is referred to adjudication, unless the Board grants an extension of time for good cause. Failure of an Applicant to do so shall result in dismissal of the application.

1) However, in no case shall the Applicant’s disability retirement application be dismissed where failure to timely complete the adjudication is not due to any fault or failure of the Applicant.

f. The Parties may agree to continue any adjudication by written agreement filed no later than seven days before the scheduled adjudication. If an agreement cannot be reached, either Party may request a continuance by written request to the Hearing Officer and notice to the other Party.

g. All adjudications shall be reported verbatim by a certified court reporter. Staff shall provide transcripts of the adjudication to the Applicant or Applicant’s attorney and the Hearing Officer, if requested.

Rule 7.70 Rules of Evidence Applicable to Adjudications

a. Adjudications do not need to be conducted according to the rules of evidence relating to evidence and testimony in civil actions. Any evidence may be admitted, in the Hearing Officer’s discretion, if it is the sort of evidence upon which responsible persons are accustomed to relying on in the conduct of serious affairs, regardless of the existence of any law or rule that might make the admission of such evidence improper in civil actions.

b. The Board favors the production of medical evidence in the form of written reports of medical experts. These reports must be signed by the medical expert issuing the report and should include, but are not limited to:

1) History of the injury or illness;
2) The Applicant’s complaints;
3) Source(s) of all facts set forth in the history and complaints;
4) Findings on examination;
5) Opinion as to the extent of disability and working ability;
6) Cause of the disability;
7) Recommended medical treatment;
8) Opinion as to whether or not the Applicant is permanently incapacitated physically or mentally from the performance of their usual and customary duties or accommodated position;
9) Opinion as to whether or not the Applicant’s incapacity is the result of injury or disease arising out of and in the course of Applicant’s employment;
10) Opinion as to whether or not the Applicant's permanent incapacity requires the Applicant to retire;
11) Opinion as to whether or not the Applicant’s permanent incapacity arose from a preexisting medical condition or mental condition, if relevant; and
12) The reasons for the stated opinions.

c. Refusal of any Party to submit to a medical examination or answer relevant questions is grounds for considering such questions, for the purposes of that adjudication, to be answered in a way unfavorable to the refusing Party.

Formerly Division 15, Rule 15.80, renumbered and amended May 15, 2009; amended August 19, 2011; reviewed September 11, 2015; and amended September 14, 2018, and March 12, 2021.

Rule 7.75 Release of Psychiatric/Psychological Records to the Applicant

a. If an Applicant’s psychiatric or psychological record includes a directive from a health provider not to release the record to the Applicant (“Restricted Mental Health Record”), SDCERS staff shall inform the Applicant of the record but shall not provide the record or any substantive discussion of the record to the Applicant unless SDCERS receives one of the following:

1) A Court order directing SDCERS to release the record to the Applicant; or

2) Written permission from the authoring health provider stating that SDCERS may release the record to the Applicant.

b. If the Applicant is represented by an attorney, any requested Restricted Mental Health Record shall be provided to the Applicant’s attorney.

Adopted September 14, 2018; and amended March 12, 2021.

Rule 7.80 Conduct of Adjudications

Adjudications shall be conducted according to the following format:

a. The Hearing Officer shall read the title of the case and ask for appearances on the record.

b. The Hearing Officer shall mark, for identification only and not as evidence, the joint exhibit index. Either Party may object to specific exhibits included in the joint exhibit index. Once objections have been heard and ruled on, the remaining joint exhibits on the joint exhibit index are moved into evidence.

c. Each Party has the right to call and examine witnesses, introduce exhibits, and cross-examine opposing witnesses on any matter relevant to the issues.
If the Applicant does not testify on their own behalf, they may be called and examined as if under cross-examination by the SDCERS attorney.

d. All testimony before the Hearing Officer must be under oath or affirmation administered by the Hearing Officer or a certified court reporter.

e. If the adjudication is regarding an industrial disability retirement application, the Applicant shall present their evidence and shall have the burden of proving by a preponderance of evidence the following elements:

1) They are permanently incapacitated from the performance of their usual and customary duties;

2) The Substantial Cause of the permanent incapacity is due to a work-related injury;

3) Their permanent incapacity renders their retirement necessary; and

4) If relevant, that the permanent incapacity did not arise out of a preexisting medical condition or nervous or mental disorder.

   i. An exception may apply to City and Port Members whose permanent incapacity arise out of a nervous or mental disorder pursuant to SDMC section 24.0501(d)&(e) or Port Plan section 0500(d).

f. If the adjudication is regarding a non-industrial disability retirement application, the Applicant shall present their evidence and shall have the burden of proving by a preponderance of evidence the following elements:

1) If the Applicant is a City Member, they must have at least 10 years of service credit and become disabled to the extent of not being capable of performing their assigned duties, or separated from City service without fault or delinquency (City of San Diego City Charter section 141);

2) If the Applicant is an Airport Member, they must meet the elements listed in section 0502 of the Airport’s Plan; or

3) If the Applicant is a Port Member, they must meet the elements listed in section 0504 of the Port’s Plan.

g. After the Applicant has presented their evidence, SDCERS’ attorney shall present SDCERS’ evidence and, if the Applicant has met their burden of proof, SDCERS shall have the burden to prove by a preponderance of the evidence that the Applicant can be accommodated, if relevant.

h. Each Party may present rebuttal evidence.
i. Upon the conclusion of all testimony, the Parties may make closing arguments. The Hearing Officer may permit the Parties to file written closing arguments.

j. The Hearing Officer may, on their own motion, continue any adjudication to another time and/or place, order additional evidence to be presented, order additional physical examinations, or allow other evidence to be gathered and presented, in the Hearing Officer’s discretion.


**Rule 7.90 Hearing Officer’s Findings and Recommendation**

a. The Hearing Officer must consider all admitted evidence and legal issues that were referred to adjudication by the Board. It is the Hearing Officer’s responsibility to decide whether a Party has met their burden of proof as to each element of their case.

b. After reviewing the evidence, the Hearing Officer shall draft their findings and recommendation, which shall include a written summary of the evidence relied upon by the Hearing Officer and an explanation of the recommendation.

c. The Hearing Officer shall mail, e-mail, or personally serve their findings and recommendation to the Parties. Any Party may file an objection to the findings and recommendation or a request for clarification of the findings and recommendation within 14 days of delivery. Objections must be in writing and delivered to the Hearing Officer and the other Party via mail, e-mail, or personal service within 14 days. The other Party may respond to the objection within 14 days of receipt of the objection. Any response must be in writing and delivered to the Hearing Officer and other Party via mail, e-mail, or personal service within 14 days.

d. The Hearing Officer shall review any objections or requests for clarification and render their final findings and recommendation, which explains their final decision. If the Hearing Officer who heard the case is unavailable to rule on any objections or requests for clarification, the entity that employs the Hearing Officer shall designate another Hearing Officer to review the matter and issue the ruling.

e. Upon receipt of the Hearing Officer’s final findings and recommendation, SDCERS’ staff shall prepare an agenda item and submit the matter to the Committee for its review and recommendation to the Board.
f. After reviewing the findings and recommendations of the Hearing Officer and staff, the Committee shall:

1) Recommend adoption of the Hearing Officer’s findings and recommendation;

2) Reject the Hearing Officer’s findings and recommendation and adopt alternative proposed findings and recommendation;

3) Refer the matter back to the Hearing Officer with questions or instructions for further proceedings; or

4) Take whatever other action it deems necessary.

g. Proposed findings and recommendations from the Committee are presented by the Committee Chair to the Board at the next regularly scheduled Board meeting following the Committee meeting. After considering the proposed findings and recommendations of the Committee, the Board shall,

1) Adopt the Committee’s findings and recommendation;

2) Request additional information from the Committee or staff;

3) Reject the Committee’s findings and recommendation and adopt an alternative decision;

4) Refer the matter back to the Committee or the Hearing Officer with questions or instructions for further proceedings; or

5) Take whatever other action it deems appropriate.

h. If the Board decides to reject the Hearing Officer’s proposed findings and recommendation and adopt an alternative decision, the Board must review the transcript of the adjudication and the evidence received by the Hearing Officer. Upon the receipt and review of the transcript and evidence, the Board shall take such action as in its opinion is indicated by the evidence. In all other cases, the Board’s decision must be based on the Hearing Officer’s written findings and recommendation, the objections and responses of the Parties, and information presented at the Committee and Board meetings.

Rule 7.100  Finality and Reconsideration of Board Decision

a. A Board decision to grant or deny an application under this Division becomes final 14 days after the date on which the decision is made unless a Party applies for reconsideration by the Board, pursuant to this Rule. A referral to adjudication is not a final decision for purposes of reconsideration or appeal.

b. Before the Board’s decision becomes final, either Party may apply to the Board for reconsideration based upon new or different facts, circumstances, or law; or to call attention to errors or omissions of fact or law in the Board’s decision itself.

c. All applications for reconsideration must be delivered to the CEO within 14 days of the date on which the decision is made. Upon receipt of a timely application for reconsideration, the CEO shall set the matter for reconsideration at the next regularly scheduled Board meeting.

d. When a matter is presented for reconsideration by the Board but the Board decides not to grant reconsideration, the Board's decision on the matter is final on the date the matter is presented for reconsideration.

e. When a matter is presented for reconsideration by the Board and the Board grants reconsideration, the Board’s decision on the matter is final on the date the decision is made after reconsideration.


Rule 7.110  Appeal of Final Decisions

A final decision made by the Board under this Division is a decision from which appeal may be taken by writ to the Superior Court pursuant to Code of Civil Procedure section 1094.5.

Formerly Division 15, Rule 15.120, renumbered and amended May 15, 2009; reviewed September 11, 2015; amended September 14, 2018; and reviewed March 12, 2021.

Rule 7.120  Time

Unless stated otherwise, whenever this Division provides for the doing of any act, including service or delivery of written notice, papers, or other documents, within
a number of days, the term “days” means calendar days. No extension of time is given for exercising any right or performing any act required under these rules because service or delivery is completed by mail or due to weekends or holidays.

Formerly Division 15, Rule 15.130, renumbered and amended May 15, 2009; reviewed September 11, 2015; amended September 14, 2018; and reviewed March 12, 2021.

**Rule 7.130 Service – Delivery by Mail, Personal Service, or E-Mail**

Whenever this Division provides for service or delivery of any written notice, papers, or other document, service or delivery must be made by U.S. postal service to the recipient’s last-known address or by personal service, unless the Parties agree in writing to a different service or delivery method. The delivery is complete at the time of the deposit. Alternatively, delivery may be made on SDCERS via electronic transmission by attaching a copy of the original paper document and transmitting it via e-mail to the Party to be served. When delivery is made by electronic transmission, SDCERS shall issue a confirmation that the document has been received and the confirmation shall serve as proof that the document was served upon SDCERS by e-mail. Electronic service is complete at the time of transmission to the proper e-mail address. Any document served by e-mail after 5:00 p.m. PST shall be considered to have been served on the next day.


**Rule 7.140 Representation by an Attorney**

An Applicant may only be represented at a hearing before the Committee, the Board, or a Hearing Officer by an attorney licensed by and in good standing with the State Bar of California. Upon receipt of written notice that an Applicant is represented by an attorney, SDCERS’ staff shall communicate directly with that attorney. An Applicant may not be represented by a layperson.

Rule 7.150 Costs and Witness Fees

Except as otherwise stated in this Rule, the Parties shall bear all their own costs and all fees, including attorney’s fees for physicians, experts, or witnesses testifying at hearing. SDCERS shall pay only those costs associated with the scheduling of the hearing, fees of the Hearing Officer, court reporter, interpreters, and costs for hearing transcripts. The Applicant shall pay any costs associated with a continuance of an adjudication that is caused by the Applicant’s failure to timely request a continuance.


Rule 7.160 Subpoenas

Subpoenas to compel the attendance of witnesses and/or the production of documents or things shall be issued by SDCERS’ attorney of record at the request of either Party, pursuant to the procedures set forth in Government Code sections 11450.05 through 11450.50. Alternatively, the Applicant’s attorney of record or the Hearing Officer may also issue subpoenas.

Adopted May 15, 2009; amended August 19, 2011; reviewed September 11, 2015; amended September 14, 2018; reviewed March 12, 2021; and amended November 5, 2021.

Rule 7.170 Continuances

a. Continuances from the Committee and/or Board’s Agenda: Disability retirement applications, whether based upon a recommendation from the Medical Review Officer or a Hearing Officer, may be continued from one Committee and/or Board agenda to another as follows:

1) The request for continuance must be provided in writing to SDCERS’ CEO by the Applicant or the Applicant’s attorney via mail, e-mail, or personal service at least three days before the Committee meeting at which the case is to be considered. If received timely, the CEO shall forward the request to the Committee Chair for their response prior to the meeting.

2) The Applicant’s request must specify the reason for the requested continuance.
3) The Committee Chair may grant a continuance to the next regularly scheduled Committee meeting. No matter may be continued more than once absent the Committee Chair’s agreement that good cause exists to continue the matter.

4) Good cause may be shown as follows:
   
i. If a relevant medical report or other evidence is outstanding and necessary to the Committee’s review of the application; or

   ii. If the Applicant or the Applicant’s attorney is not available to appear at the scheduled Committee meeting.


**Rule 7.180 Effective Dates for Disability Retirements**

The date that an award of a disability retirement becomes effective is determined as follows:

a. For Applicants who are actively contributing to SDCERS, including active DROP participants, on the date the Board approves an application for disability retirement, the effective date of the disability retirement is the day after the Board approves the application.

b. For Applicants who are not actively contributing to SDCERS on the date the Board approves an application for disability retirement, the effective date of the disability retirement is the later of either the date after the Applicant’s last contribution to SDCERS or the date the Applicant’s completed disability retirement application was filed with SDCERS pursuant to Rule 7.30.

c. For Applicants who are retired, the effective date of the disability retirement is the later of either the date the Applicant retired or the date the Applicant’s completed disability retirement application was filed with SDCERS pursuant to Rule 7.30.

**Rule 7.190 Authority to Approve Non-Industrial Disability Retirement Pending Determination of Application for Industrial Disability Retirement**

a. If an Applicant for an industrial disability retirement is determined to be permanently physically or mentally incapacitated from the performance of their duties, but it has not yet been determined that the disability is caused by injury or disease arising out of and in the course of Applicant's employment, the Applicant may apply for, and in its discretion the Board may grant, a non-industrial disability retirement allowance while the Applicant is pursing a determination that they are entitled to an industrial disability retirement benefit. If the Applicant's disability is later determined by the Board to have been industrial, SDCERS shall make appropriate adjustments in the retirement allowance retroactive to the effective date of the disability retirement as determined under Rule 7.180.

Formerly Rule 17(a), renumbered and amended May 15, 2009; amended August 19, 2011, September 11, 2015, September 14, 2018; and reviewed March 12, 2021.

**Rule 7.200 Authority to Approve Service Retirement Pending Determination of Application for Disability Retirement**

a. If an Applicant for a disability retirement is eligible for a service retirement, the Applicant may apply for, and in its discretion the Board may grant, a service retirement allowance while the Applicant is pursuing a determination that they are entitled to an industrial or non-industrial disability retirement benefit. If the Applicant is ultimately granted a disability retirement that provides greater benefits compared to the Member’s service retirement benefit, SDCERS shall make appropriate adjustments in the retirement allowance retroactive to the effective date of their service retirement as defined in Rule 7.180.

Formerly Rule 17(b), renumbered and amended May 15, 2009; amended August 19, 2011, September 11, 2015, September 14, 2018; and reviewed March 12, 2021.

**Rule 7.210 Authority to Approve Service Retirement Pending Determination of Application for Non-Industrial Disability Retirement**

Repealed.

Formerly Rule 17(c), renumbered and amended May 15, 2009; amended August 19, 2011, September 11, 2015; and repealed September 14, 2018.
Rule 7.220  Death of Applicant During Disability Retirement Application Process

a. If an Applicant dies after electing to receive a service retirement but before the Board has made a final decision as to the Applicant’s industrial or non-industrial disability retirement application, the Applicant’s beneficiary shall receive death benefits pursuant to the retirement option the Applicant selected when they applied for their service retirement.

b. If an Applicant dies after being granted a non-industrial disability retirement but before the Board has made a final decision as to the Applicant’s industrial disability retirement application, the Applicant’s beneficiary shall receive death benefits pursuant to the retirement option the Applicant selected when they applied for their non-industrial disability retirement.

c. Notwithstanding subdivisions (a) and (b), the Board may grant a disability retirement to a deceased Applicant if:

1) Prior to death, the Applicant was examined by a doctor(s) designated by SDCERS and the report of the medical examination(s), in the Board’s opinion, supports the award; or

2) In the opinion of the Board, the evidence supporting the award as provided by the Applicant and/or their representative(s) is sufficient to support the award without the need for a medical examination by SDCERS.

Adopted September 14, 2018; and reviewed March 12, 2021.

Division 8 - Annual Affidavits, Medical Re-Examination, and Hearings

Rule 8.00  Purpose

San Diego Municipal Code (“Municipal Code”) sections 24.0509 and 24.0510 require that the Board prescribe rules and regulations for an annual filing of an affidavit of condition of disability and periodic physical examination of any Member actively receiving a disability retirement benefit from SDCERS. If the Board determines that a Member who retired for disability but has not reached the minimum age for voluntary retirement is no longer disabled, the Board may order that Member to return to active duty and discontinue their disability retirement benefit.

Section 0506 of the Port and Airport Plans provide that the Board may establish rules and procedures for a physical examination of any Member receiving a disability retirement benefit. If the Board determines that the Member is no longer
disabled at any time before the Member reaches normal retirement age, the Board may discontinue the Member’s disability retirement allowance.

The Board is authorized to hold a hearing to address any question presented to it involving any right, benefit, or obligation of a Member. Because pension benefits involve fundamental rights, any Member retired for disability is entitled to a hearing before the Board makes a final decision terminating the Member’s disability retirement benefits.

The purpose of this Division is to comply with the Municipal Code and the Port and Airport Plans by providing procedures for annual affidavits, periodic physical examinations, hearings, and Board actions on evaluation of Disability Retirees’ continued eligibility for disability retirement benefits. A copy of these rules shall be provided to every Disability Retiree who has been referred to a disability re-examination hearing by the Board.


Rule 8.10 Definitions

Unless the context or subject matter otherwise requires, the following definitions shall apply to this Division:

a. “Adjudication” means an administrative hearing conducted by a neutral Hearing Officer.

b. “Committee” means the Board’s Disability Committee (described in the Board’s Committees Charter).

c. “Disability Retiree” means a retired Member of SDCERS who is receiving a disability retirement and who has not yet reached the minimum or normal age for voluntary retirement.

d. “Hearing Officer,” also known as an adjudicator, refers to the retired state, federal, or administrative law judge assigned by an adjudicative agency to hear and adjudicate SDCERS matters.

e. “Medical Review Officer” means the SDCERS employee responsible for the analysis of disability retirement benefits, including, but not limited to, review of materials, medical records, personnel records, and other relevant information, as well as the selection and oversight of medical professionals retained to examine Disability Retirees, and based upon that analysis, to prepare Disability Committee and Board recommendations to terminate a Disability Retiree’s benefit.
f. “More likely than not” means that a preponderance of the evidence produced in favor of an issue justifies a finding in favor of that issue.

g. “Party” means either SDCERS or the Disability Retiree.

h. “Preponderance of the evidence” means proof that, when considered and compared with information opposed to it, leads to the conclusion that the fact at issue is more probably true than not.

i. “Usual and Customary Duties” means the normal and common duties of the job position under review by the Board at the time the disability retirement was awarded, but does not include duties which are remote or occur rarely.


Rule 8.15 Ex Parte Communications Prohibited

a. An ex parte communication is any material or substantive, off the record, oral or written communication between any Party, the Hearing Officer, and/or a Board Member that is directed to the merits or outcome of a pending disability re-examination proceeding before the Board and which takes place outside of the presence of all Parties.

b. A disability re-examination proceeding is “pending” before the Board until the decision of the Board is final according to Rule 8.120.

c. The Parties shall not participate in ex parte communications.

d. A Hearing Officer shall not initiate, participate in, or consider an ex parte communication or consider other communications made to the Hearing Officer outside the presence of all Parties concerning a pending disability re-examination proceeding. This prohibition does not apply to communications required for scheduling, administrative purposes, or emergencies that do not relate to substantive matters, provided the Hearing Officer reasonably believes that no Party will gain a procedural or tactical advantage as a result of the communication.

e. A Board Member shall not initiate, participate in, or consider an ex parte communication or consider other communications made to the Board Member individually or outside the presence of all Parties concerning a pending disability re-examination proceeding.

f. A Hearing Officer or Board Member shall disclose the circumstances and substance of any ex parte communication concerning a disability re-examination proceeding on the record at the time of the hearing before a
decision is made. The Parties shall be given an opportunity to comment on the ex parte communication. Any Hearing Officer or Board Member who participated in an ex parte communication shall recuse themselves from the matter if they believe the communication has caused them to become biased or prejudiced.

g. A Hearing Officer or Board Member shall not make any public comments outside of a noticed hearing about a pending disability re-examination proceeding that could interfere with a fair hearing. This requirement does not prohibit a Hearing Officer or Board Member from explaining SDCERS’ disability re-examination process or from discussing legal, procedural, or other subject matters relating to the general administration of disability re-examination proceedings in Board or Committee meetings, conferences, education programs, or with legal counsel.


Rule 8.20 Annual Affidavits

a. All Disability Retirees are required to submit an annual affidavit of condition of disability in the form of an affidavit that is provided by the Board.

b. The Medical Review Officer shall provide an affidavit to each Disability Retiree during the month of their birth date each year, or as needed at staff’s discretion. The Disability Retiree must return the affidavit within 30 days of the date the affidavit is mailed. If the completed affidavit is not received from the Disability Retiree within 30 days, the Medical Review Officer shall follow-up with the Disability Retiree to determine why the Disability Retiree has failed to comply.

c. If the Disability Retiree fails to return the affidavit following reasonable follow-up by the Medical Review Officer, the Medical Review Officer shall recommend that the Board temporarily suspend the Disability Retiree’s benefit until such time as the Disability Retiree complies.

Adopted June 19, 2009; amended August 19, 2011; reviewed September 11, 2015; amended September 14, 2018; and reviewed March 12, 2021.

Rule 8.30 Medical Re-Examination

The Board may order any Disability Retiree to be examined by one or more licensed physicians for the purpose of confirming the individual’s continuing eligibility for disability retirement benefits. If the Board orders a Disability Retiree to be re-
examined, staff shall inform the Disability Retiree of the re-examination process, including but not limited to, termination of benefits.

Adopted June 19, 2009; amended August 19, 2011; reviewed September 11, 2015; amended September 14, 2018; and reviewed March 12, 2021.

**Rule 8.40 Rules Furnished to Disability Retiree**

Renumbered as part of Rule 8.00.

Adopted June 19, 2009; reviewed September 11, 2015; amended September 14, 2018; and renumbered as part of rule 8.00 March 12, 2021.

**Rule 8.50 Administrative Recommendation**

The Medical Review Officer is responsible for reviewing all affidavits and to present informed recommendations to the Committee and Board as follows:

a. Medical Re-Examination: If the affidavit filed by a Disability Retiree, or other information obtained by the Medical Review Officer, indicates that the Disability Retiree may no longer be eligible to receive a disability retirement benefit, the Medical Review Officer shall recommend to the Board that the Disability Retiree undergo a medical re-examination.

b. If the Disability Retiree fails to attend the medical re-examination ordered by the Board, or any other lawful order of the Board, the Medical Review Officer may recommend that the Board temporarily suspend the Disability Retiree’s benefit until such time as the Disability Retiree complies.

c. If the medical examination or other evaluation indicates that it is more likely than not that the Disability Retiree is no longer eligible to receive a disability retirement benefit, the Medical Review Officer shall recommend that the Board refer the matter to adjudication for a recommendation regarding continued eligibility. The disability retirement shall remain in effect until the Board takes action to terminate the benefit. If the Board terminates the benefit, the Disability Retiree shall receive at least 30 days’ notice before payment ceases.

Adopted June 19, 2009; amended August 19, 2011; reviewed September 11, 2015; amended September 14, 2018; and reviewed March 12, 2021.
Rule 8.60   Evaluation

During the review, evaluation, and hearing process, the Medical Review Officer and/or SDCERS’ attorneys may:

a. Request additional supporting information from the Disability Retiree;

b. Require the Disability Retiree to submit to one or more independent medical examinations on any medical condition upon which granting of the original disability retirement was based;

c. Conduct an independent investigation of the Disability Retiree’s records; and/or

d. Inquire into or investigate the Disability Retiree’s relevant habits or conduct.

e. The Disability Retiree must cooperate with SDCERS’ evaluation by providing any relevant information requested, signing authorizations to allow SDCERS to obtain records, and submitting to independent medical examinations as requested by SDCERS. The Disability Retiree’s refusal to provide any of the above is grounds for temporary suspension of the Disability Retiree’s retirement benefit until such time as the Disability Retiree complies. If the Medical Review Officer finds that Disability Retiree has failed to cooperate consistent with this Rule, the Medical Review Officer shall place the matter for hearing on the Committee’s agenda with a recommendation that the Disability Retiree’s benefit be temporarily suspended until such time as the Disability Retiree complies.

Adopted June 19, 2009; reviewed September 11, 2015; amended September 14, 2018; reviewed March 12, 2021; and amended November 5, 2021.

Rule 8.70   Hearings Before the Committee and Board

a. Staff recommendations to refer a matter to adjudication, to temporarily suspend the benefit of a Disability Retiree, or to make a decision regarding the Hearing Officer’s findings and recommendation shall be heard before the Committee.

b. Staff’s recommendations and written notice of the date and time of the hearing before the Committee shall be mailed, e-mailed, or personally served on the Disability Retiree or their attorney at least 40 days prior to the scheduled Committee meeting unless such notice is waived by the Disability Retiree.

c. The Disability Retiree or their attorney may respond to staff’s recommendation in writing and submit evidence on their behalf. Written
responses and evidence must be received by SDCERS no less than 25 days prior to the Committee meeting.

d. All materials submitted within the time constraints of this Rule shall be provided to the Committee in advance of the scheduled meeting and the Committee shall consider all such materials provided by both staff and the Disability Retiree before entering its proposed findings and recommendation.

e. At the hearing, the Committee Chair shall call the agenda. The Disability Retiree, their attorney, and any other person with relevant information regarding the matter may complete and submit a speaker slip and address the Committee regarding staff’s recommendation.

f. The Chair shall provide a reasonable opportunity of not less than three minutes for the Disability Retiree, their attorney, and witnesses to address the Committee regarding staff’s recommendation.

g. The Chair shall provide a reasonable opportunity of not less than three minutes for staff to respond to any speaker on any item before the Committee and shall allow the Disability Retiree a final opportunity of at least one minute to rebut any arguments or evidence presented.

h. Committee members may question the Disability Retiree, their attorney, and any speaker or staff member regarding the recommendation or any statements made during the meeting.

i. After considering staff’s written proposed findings and recommendation, the Disability Retiree’s responses, all evidence submitted, and arguments or statements made by any speaker(s), the Committee shall:

1) Adopt staff’s proposed findings and recommendation;

2) Reject staff’s proposed findings and recommendation and enter alternate proposed findings and recommendation;

3) Refer the matter back to staff with questions or instructions for further proceedings; or

4) Take whatever other action it deems necessary.

j. Recommendations from the Committee are presented by the Chair to the Board at the next regularly scheduled Board meeting following the Committee meeting.

k. After considering the Committee’s recommendation, the Board shall:

1) Adopt the Committee’s proposed findings and recommendation;
2) Reject the Committee’s proposed findings and recommendations and adopt alternative findings and decision;

3) Refer the matter back to the Committee or staff with questions or instructions for further proceedings; or

4) Take whatever other action it deems appropriate.


**Rule 8.80 Adjudications, Scheduling, and Pre-Adjudication Meeting**

a. SDCERS shall contract with adjudicative agencies who retain retired judges to act as Hearing Officers for SDCERS’ administrative hearings. Hearing Officers shall be in good standing with the State Bar of California and have experience deciding matters similar to those assigned by SDCERS. They shall hear and evaluate matters pursuant to applicable laws and rules, abide by the California Code of Judicial Ethics, as applicable, and be willing and capable of performing all of the tasks necessary to fully and competently provide proposed findings and recommendations to the Board. Based on these criteria, the Board delegates to SDCERS’ General Counsel the authority to add or remove Hearing Officers assigned to SDCERS’ pool of Hearing Officers.

b. If the Board refers the matter to adjudication, an adjudicative agency shall be selected on a rotating basis from among those that have contracted with SDCERS for the purpose of hearing its matters that are referred to adjudication.

1) Once an adjudicative agency is assigned, the agency shall select a Hearing Officer on a rotating basis. Each Party has the ability to strike any Hearing Officer for cause and one Hearing Officer without cause. A challenge to strike a Hearing Officer for cause shall be determined by the Hearing Officer. If neither Party objects within three days of notification of the assigned Hearing Officer, all objections are waived.

c. The Disability Retiree or their attorney shall work with SDCERS’ attorney to:

1) Select a date for a pre-adjudication meeting between the Parties for the purpose of preparing for the adjudication;

2) Identify disputed issues and witnesses;
3) Identify exhibits and prepare a joint exhibit list;

4) Resolve any issues, questions, or disputes regarding the adjudication process. If the Parties are unable to resolve any issues, questions, or disputes regarding the adjudication process, the matter shall be referred to the assigned Hearing Officer for resolution; and

5) Schedule a pre-adjudication conference between the Parties and the Hearing Officer to take place within 90 days of the date the Board referred the matter to adjudication. If the Parties are unable to schedule a pre-adjudication conference within this timeframe, the Hearing Officer shall unilaterally schedule the date.

d. The adjudication shall be scheduled to take place within 180 days from the date the matter was referred by the Board to adjudication. If the Disability Retiree refuses or fails to respond to reasonable requests to set a date for the adjudication, the Hearing Officer shall select the date(s).

1) The Parties may agree to continue any adjudication by written agreement filed no later than seven days before the scheduled adjudication. If an agreement cannot be reached, either Party may request a continuance by written request to the Hearing Officer and notice to the other Party.

2) Failure of the Disability Retiree to schedule an adjudication within 180 days from the date the matter was referred to adjudication by the Board is grounds for the Board to temporarily suspend the Disability Retiree’s benefit until the adjudication is completed.

i. However, in no case shall the Disability Retiree’s benefit be suspended where failure to timely schedule the adjudication is not due to any fault or failure of the Disability Retiree.

e. The Parties may agree to continue any adjudication by written agreement filed no later than seven days before the scheduled adjudication. If an agreement cannot be reached, either Party may request a continuance by written request to the Hearing Officer and notice to the other Party.

f. All adjudications shall be reported verbatim by a certified court reporter. Staff shall provide transcripts of the adjudication to the Disability Retiree or their attorney and to the Hearing Officer, if requested.

Rule 8.90  Rules of Evidence Applicable to Adjudications

a. Adjudications do not need to be conducted according to the rules of evidence relating to evidence and testimony in civil actions. Any evidence may be admitted, in the Hearing Officer’s discretion, if it is the sort of evidence upon which responsible persons are accustomed to relying on in the conduct of serious affairs, regardless of the existence of any law or rule that might make the admission of such evidence improper in civil actions.

b. The Board favors the production of medical evidence in the form of written reports of medical experts. These reports must be signed by the medical expert issuing the report and should include, but are not limited to:

1) History of the injury or illness;
2) The Disability Retiree's current complaints;
3) Source(s) of all facts set forth in the history and complaints;
4) Findings on examination;
5) Opinion as to the extent of disability and working ability;
6) Opinion as to whether or not the Disability Retiree remains permanently incapacitated physically or mentally from the performance of their usual and customary duties or accommodated position; and
7) The reasons for the stated opinions.

c. Refusal of any Party to submit to medical examination or answer relevant questions is grounds for considering such questions, for the purposes of that adjudication, to be answered in a way unfavorable to the refusing Party.

Adopted June 19, 2009; reviewed September 11, 2015; amended September 14, 2018; and reviewed March 12, 2021.

Rule 8.95  Release of Psychiatric/Psychological Records and Reports

a. If an Applicant’s psychiatric or psychological record includes a directive from a health provider not to release the record to the Applicant (“Restricted Mental Health Record”), SDCERS staff shall inform the Applicant of the record but shall not provide the record or any substantive discussion of the record to the Applicant unless SDCERS receives one of the following:

1) A Court order directing SDCERS to release the record to the Applicant; or
2) Written permission from the authoring health provider stating that SDCERS may release the record to the Applicant.

b. If the Applicant is represented by an attorney, any requested Restricted Mental Health Record shall be provided to the Applicant’s attorney.

Adopted September 14, 2018; and amended March 12, 2021.

Rule 8.100 Conduct of Adjudications

Adjudications shall be conducted according to the following format:

a. The Hearing Officer shall read the title of the case and ask for appearances on the record.

b. The Hearing Officer shall mark, for identification only and not as evidence, the joint exhibit index. Either Party may object to specific exhibits included in the joint exhibit index. Once objections have been heard and ruled on, the remaining joint exhibits on the joint exhibit index are moved into evidence.

c. Each Party has the right to call and examine witnesses, introduce exhibits, and cross-examine opposing witnesses on any matter relevant to the issues. If the Disability Retiree does not testify on their own behalf, they may be called and examined as if under cross-examination by the SDCERS attorney.

d. All testimony before the Hearing Officer must be under oath or affirmation administered by the Hearing Officer or a certified court reporter.

e. SDCERS shall present its evidence and shall have the burden to prove by a preponderance of evidence that the Disability Retiree is no longer permanently incapacitated physically or mentally from the performance of their usual and customary duties in the job position from which they were retired or an available accommodated position.

f. After SDCERS has presented its evidence, the Disability Retiree or their attorney shall present any evidence in support of their contentions.

g. Each Party may present rebuttal evidence.

h. Upon the conclusion of all testimony, the Parties may make closing arguments. The Hearing Officer may permit the Parties to file written closing arguments.

i. The Hearing Officer may, on their own motion, continue any adjudication to another time and/or place, order additional evidence to be presented,
order additional physical examinations, or allow other evidence to be gathered and presented in the Hearing Officer’s discretion.

Adopted June 19, 2009; reviewed September 11, 2015; amended September 14, 2018; reviewed March 12, 2021; and amended November 5, 2021.

Rule 8.110 Hearing Officer’s Findings and Recommendation

a. The Hearing Officer must consider all admitted evidence and legal issues that were referred to adjudication by the Board. It is the Hearing Officer’s responsibility to decide whether SDCERS has met its burden of proof as described in Rule 8.100.

b. After reviewing evidence, the Hearing Officer shall draft their findings and recommendation, which shall include a written summary of the evidence relied upon by the Hearing Officer and an explanation of the recommendation.

c. The Hearing Officer shall mail, E-mail, or personally serve their findings and recommendation to the Parties. Any Party may file an objection or a request for clarification of the findings and recommendation. Objections and requests for clarification must be in writing and delivered to the Hearing Officer and other Party via mail, e-mail, or personal service within 14 days of receiving the findings and recommendation. The other Party may respond to the objection or request for clarification. Any response must be in writing and delivered to the Hearing Officer and the other Party via mail, e-mail, or personal service within 14 days of receiving the objection or request for clarification.

d. The Hearing Officer shall review any objections or requests for clarification and render their final findings and recommendation, which explains their final decision. If the Hearing Officer who heard the case is unavailable to rule on any objections or requests for clarification, the entity that employs the Hearing Officer shall designate another Hearing Officer to review the matter and issue the ruling.

e. Upon receipt of the Hearing Officer’s final findings and recommendation, SDCERS’ staff shall prepare an agenda item and submit the matter to the Committee for its review and recommendation to the Board.

f. After reviewing the findings and recommendations of the Hearing Officer and staff, the Committee shall:

1) Recommend adoption of the Hearing Officer’s findings and recommendation;
2) Reject the Hearing Officer’s findings and recommendation and adopt alternative proposed findings and recommendation;

3) Refer the matter back to the Hearing Officer with questions or instructions for further proceedings; or

4) Take whatever other action it deems necessary.

g. Proposed findings and recommendations from the Committee are presented by the Committee Chair to the Board at the next regularly scheduled Board meeting following the Committee meeting. After considering the proposed findings and recommendations of the Committee, the Board shall:

1) Adopt the Committee’s proposed findings and recommendation;

2) Request additional information from the Committee or staff;

3) Reject the Committee’s proposed findings and recommendation and adopt an alternative decision;

4) Refer the matter back to the Committee or the Hearing Officer with questions or instructions for further proceedings; or

5) Take whatever other action it deems appropriate.

h. If the Board decides to reject the Hearing Officer’s proposed findings and recommendation and adopt an alternative decision, the Board must review the transcript of the adjudication and the evidence received by the Hearing Officer. Upon receipt and review of the transcript and evidence, the Board shall take such action as in its opinion is indicated by the evidence. In all other cases, the Board’s decision must be based on the Hearing Officer’s written findings and recommendation, the objections and responses of the Parties, and information presented at the Committee and Board meetings.


Rule 8.120 Finality and Reconsideration of Board Decision

a. A Board decision under this Division becomes final 14 days after the date on which the decision is made unless a Party applies for reconsideration by the Board, pursuant to this Rule. A referral to adjudication is not a final decision for purposes of reconsideration or appeal.
b. Before the Board’s decision becomes final, either Party may apply to the Board for reconsideration based upon new or different facts, circumstances, or law; or to call attention to errors or omissions of fact or law in the Board’s decision itself.

c. All applications for reconsideration must be delivered to the CEO within 14 days of the date on which the decision is made. Upon receipt of a timely application for reconsideration, the CEO shall set the matter for reconsideration at the next regularly scheduled Board meeting.

d. When a matter is presented for reconsideration by the Board but the Board decides not to grant reconsideration, the Board's decision on the matter is final on the date the matter is presented for reconsideration.

e. When a matter is presented for reconsideration by the Board and the Board grants reconsideration, the Board’s decision on the matter is final on the date the decision is made after reconsideration.

Rule 8.130 Appeal of Final Decisions

A final decision made by the Board under this Division is a decision from which appeal may be taken by writ to the Superior Court pursuant to California Code of Civil Procedure section 1094.5.

Rule 8.140 Time

Unless stated otherwise, whenever this Division provides for the doing of any act, including service or delivery of written notice, papers, or other documents, within a number of days, the term “days” means calendar days. No extension of time is given for exercising any right or performing any act required under these rules because service or delivery is completed by mail or due to weekends or holidays.

Rule 8.150  Service – Delivery by Mail, Personal Service, or E-Mail

Whenever this Division provides for service or delivery of any written notice, paper, or other document, service or delivery must be made by U.S. postal service to the recipient’s last-known address or by personal service, unless the Parties agree in writing to a different service or delivery method. The delivery is complete at the time of the deposit. Alternatively, delivery may be made on SDCERS by the Disability Retiree either by mail, personal delivery, or via electronic transmission by attaching a copy of the original paper document and transmitting it via e-mail to the Party to be served. When delivery is made by electronic transmission, SDCERS shall issue a confirmation that the document has been received and the confirmation shall serve as proof that the document was served upon SDCERS by e-mail. Electronic service is complete at the time of transmission to the proper e-mail address. Any document served by e-mail after 5:00 p.m. PST shall be considered to have been served on the next day.


Rule 8.160  Representation by an Attorney

A Disability Retiree may only be represented at a hearing before the Committee, the Board, or a Hearing Officer by an attorney licensed by and in good standing with the State Bar of California. A Disability Retiree may not be represented by a layperson. Upon receipt of written notice that a Disability Retiree is represented by an attorney, SDCERS’ staff shall communicate directly with that attorney.


Rule 8.170  Costs and Witness Fees

Except as otherwise stated in this Rule, the Parties shall bear all their own costs and all witness fees, including attorney’s fees, fees for physicians, experts, and witnesses testifying at hearing. SDCERS shall pay only those costs associated with the scheduling of the hearing, fees of the Hearing Officer, court reporter, interpreters, and costs for hearing transcripts. The Disability Retiree shall pay any costs associated with a continuance of an adjudication that is caused by the Disability Retiree’s failure to timely request a continuance.

Adopted June 19, 2009; amended August 19, 2011; reviewed September 11, 2015; amended September 14, 2018; reviewed
Rule 8.180 Subpoenas

Subpoenas to compel the attendance of witnesses and/or the production of documents or things shall be issued by SDCERS’ attorney of record at the request of either Party, pursuant to the procedures set forth in Government Code Sections 11450.05 through 11450.50. Alternatively, the Disability Retiree’s attorney of record and the Hearing Officer may also issue subpoenas.

Adopted June 19, 2009; amended August 19, 2011; reviewed September 11, 2015; amended September 14, 2018; and reviewed March 12, 2021.

Rule 8.190 Continuances

a. Continuances from the Committee and/or Board’s Agenda: Hearings on Disability Retiree re-examinations, whether based upon a recommendation from the Medical Review Officer or a Hearing Officer, may be continued from one Committee and/or Board agenda to another as follows:

1) The request for continuance must be provided in writing to SDCERS’ CEO by the Disability Retiree or their attorney via mail, e-mail, or personal service at least three days before the Committee meeting at which the case is scheduled to be considered. If received timely, the CEO shall forward the request to the Committee Chair for their response prior to the meeting.

2) The Disability Retiree’s request must specify the reason for the requested continuance.

3) The Committee Chair may grant a continuance to the next regularly scheduled Committee meeting. No matter may be continued more than once absent the Committee Chair’s agreement that good cause exists to continue the matter.

4) Good cause may be shown as follows:

i. If a relevant medical report or other evidence is outstanding and necessary to the Committee’s review of the application; or

ii. If the Disability Retiree or their attorney is not available to appear at the scheduled Committee meeting.
Division 9 – Death Benefits

Rule 9.00   Active Death Benefit Payment Options

a. A Member may elect in writing to have all or part of the Active Death Benefit paid to their designated beneficiary(ies) in a single lump sum payment or in equal monthly installments as provided in this Rule.

b. If the Member dies without making an election, the Member’s designated beneficiary may make the election. If there is more than one designated beneficiary, each may make a separate election. If a designated beneficiary fails to make an election within six months of the Member’s death, the designated beneficiary shall be deemed to have elected a single lump sum payment. The six-month time period within which to make an election shall be extended for a period of time equal to the duration of any period during which the beneficiary’s ability to make the election is dependent upon the finalization of a judicial process such as, but not limited to, appointment of a guardian for a minor or a legal dispute over beneficiary rights.

c. If the Member or their designated beneficiary elects to have the Active Death Benefit paid as a single lump sum, the payment shall be made no later than December 31st of the year containing the fifth anniversary of the Member’s death.

d. If the Member or their designated beneficiary elects to have the Active Death Benefit paid in equal monthly installments:

1) The person making the election shall designate the number of months over which the payments shall be made, not to exceed the beneficiary’s life expectancy as of the date of the Member’s death using the Single Life Table in IRS Treasury Regulation 1.401(a)(9)-9, Q&A-1 (26 CFR §1.401(a)(9)). If the payment period is less than 10 years, the payments shall be eligible for rollover distributions.

2) Payments shall be calculated using the DROP annuity factor in effect on the date of the Member’s death.

3) Payments shall begin as soon as practical after the Member’s death, but no later than one year after the date of the Member’s death.

4) If the beneficiary dies before all payments are made, SDCERS shall pay the commuted value of the remaining monthly payments in
lump sum to the beneficiary named by the designated beneficiary as soon as practical and no later than one year after the beneficiary’s death.

e. No Designated Beneficiary: If there is no living designated beneficiary at the time of the Member or beneficiary’s death, the Active Death Benefit shall be paid pursuant to the provision entitled “Beneficiary Not Designated” in the applicable Plan document. In this event, the Active Death Benefit shall be paid in a single lump sum distribution as soon as practical, but no later than one year after the Member or beneficiary’s death.

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust.


Rule 9.05 Eligibility for the Surviving Spouse Death While Eligible and Industrial Death Benefits

a. A surviving spouse is eligible for the Death While Eligible Benefit or the Industrial Death Benefit if the Member named the surviving spouse as their only primary beneficiary for their benefit and otherwise satisfies the eligibility requirements to receive the benefits, as stated in San Diego Municipal Code (“Municipal Code”) sections 24.0704 – 24.0705, and Port and Airport Plans sections 0703 – 0704.

Adopted July 13, 2018; reviewed November 13, 2020; and amended November 4, 2022.

Rule 9.10 Payment of Unpaid Retirement, or Beneficiary Allowance Upon Death of Member or Beneficiary

a. Upon the death of any person receiving a monthly benefit from SDCERS, any allowance earned but not yet paid shall be paid to their designated beneficiary(ies) in a single lump sum distribution.

b. If there is no living designated beneficiary at the time of the Member or beneficiary’s death, the earned but unpaid allowance shall be paid pursuant to the provision entitled “Beneficiary Not Designated” in the applicable Plan document in a single lump sum distribution as soon as practical, but no later than one year after the Member or beneficiary’s death.
c. Payments under this Rule shall be made as soon as administratively feasible after notice of the death of the Member or beneficiary.

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust.


Rule 9.20 Payment of Corbett Benefit to Beneficiary or Estate of a Deceased Member (City Employees Only)

a. If the Corbett Settlement payment is due to the beneficiary or estate of a deceased Member pursuant to the provisions of sections 24.1502 and 24.1503.5 of the Municipal Code, the amount accrued to the deceased Member’s account shall be paid to the named beneficiary, or to the Member’s estate, before the annual payment is made, in coordination with final benefits owed to or recoverable from the deceased Member’s estate.

This Board Rule is incorporated into Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document.


Rule 9.30 “Reasonable Efforts” to Locate a Beneficiary

a. SDCERS staff shall use reasonable efforts to locate a beneficiary. “Reasonable efforts” as used here, in San Diego Municipal Code section 24.0706, Port and Airport Plans section 0705, and elsewhere in the Plan Documents, have been satisfied when all of the following efforts have been made and at least six months have passed since the event triggering payment (e.g., notice of the death of a Member):

1) A certified letter has been sent by U.S. mail to the beneficiary’s last known address and/or, if distribution is due to the death of a Member, to the deceased Member’s last known address;

2) An attempt has been made to locate the beneficiary through commercial locator services, which use the USPS National Change
of Address database, a credit reporting agency, or proprietary internet search tools;

3) An attempt has been made to locate the beneficiary through contacting the Member’s plan sponsor, if appropriate; and

4) An attempt has been made by letter and/or phone to locate and contact any known relatives of the beneficiary to determine the current whereabouts of the beneficiary or identities and whereabouts of any alternate beneficiaries or coworkers, where appropriate;

b. If reasonable efforts to locate a beneficiary have been exhausted, the beneficiary designation shall be revoked and SDCERS shall pay any benefits due pursuant to the relevant plan documents, when appropriate. If the benefit is subject to forfeiture, staff shall apply Rule 2.70.

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan Document, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust.

This Rule is adopted on November 4, 2022.

**Rule 9.50 Payment of Active DROP Account**

a. For purposes of this Rule, “Spouse” means any person who is legally married to the Member on the date of the Member’s death where such union is recognized under California state law and federal law, and registered domestic partners.¹

b. If a Member dies while participating in DROP, the Member’s designated beneficiary(ies) may elect to be paid according to the payment options listed in section (c) of this Rule. If there is no living beneficiary on the date of the Member’s death, refer to section (g) of this Rule.

c. Payment Options for Designated Beneficiary: If the deceased Member designated a beneficiary or beneficiaries to receive their DROP account balance, and one or more named beneficiary is alive on the date of the Member’s death, each beneficiary must make an irrevocable election, ¹

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before their payment starting date under section (d) of this Rule, to receive their share of the DROP account balance:

1) as a single lump sum distribution, or

2) in equal monthly payments over the beneficiary’s life expectancy. The beneficiary’s life expectancy is determined as of the date of the Member’s death using the Single Life Table in IRS Treasury Regulation 1.401(a)(9)-9, Q&A-1 (26 CFR §1.401(a)(9)).

e. **DROP Annuity Factor:** A beneficiary annuity under subsection (c)(2) of this Rule shall be calculated using the DROP annuity factor in effect on the date the beneficiary elects to begin receiving the annuity.

f. **Death of Member’s Spouse:** If the Member’s Spouse dies after the Member, but before distributions to the Spouse begin (under subsection (d)(1) of this Rule), the DROP account balance shall be paid to the Spouse’s named beneficiary consistent with federal tax law. Staff shall refer the matter to the Legal Services Division to determine how the benefit shall be paid.

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2 See, IRS Treasury Regulation 1.401(a)(9)-3, Q&A-5 (or its successor regulation in effect on the date of
g. No Designated Beneficiary: If there is no living designated beneficiary at the time of the Member or DROP beneficiary’s death, the remaining DROP account balance shall be paid in a single lump sum payment according to section 24.1406 of the San Diego Municipal Code, and section 1205 of the Port and Airport Plans, as applicable. The entire benefit shall be paid no later than December 31st of the year containing the fifth anniversary of the Member or beneficiary’s death.

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust.


Rule 9.60 Designation of Beneficiary for Payment of DROP Annuity for Members Who Die After Exiting DROP

a. If a Member dies before all DROP Annuity payments have been made, and there is only one named beneficiary, the beneficiary may continue to receive payment of the remaining DROP Annuity benefit or elect to receive the remainder as a lump sum.

1) If a beneficiary receiving monthly DROP Annuity payments dies before all payments have been made, any remaining monies in the DROP account shall be paid to the beneficiary’s designated beneficiary(ies) in lump sum.

b. If a Member dies before all DROP Annuity payments have been made and there is more than one beneficiary for the Member’s DROP Annuity, SDCERS shall pay the benefit in prorated lump sum shares.

This Rule is incorporated into: (1) Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust.

Adopted September 30, 2011 reviewed January 8, 2016; July 13, 2018, November 9, the Spouse’s death) (26 CFR §1.401(a)(9)).
Rule 9.70  Designation of Trusts as a Beneficiary

a. A Member may not designate a Trust as a beneficiary to receive any continuing benefit that is not paid out in a lump sum.

1) If a Member designates a Trust as a beneficiary for any benefit where there is an option to be paid in lump sum form or in monthly installments, the default payment method will be in lump sum form.

b. A Member may designate a Trust as a beneficiary to receive a lump sum benefit. For SDCERS to pay the trust: (1) the trust must be valid under California state law, or would be but for the fact that there is no property in the Trust; (2) SDCERS must have a certificate of Trust or copy of the Trust; and (3) SDCERS must have the name, address, and contact information of the current Trustee. SDCERS reserves the right to require additional information in order to comply with IRS Treasury Regulations section 1.401(a)(9)-4, Q&A-5 and 6 (26 CFR §1.401(a)(9)).

c. If the requirements under subsection (b) are not met, the designation of the Trust is void and the benefits shall be paid pursuant to the relevant plan document as if the Trust had not been designated as a beneficiary.

d. To avoid unintended financial consequences, this Rule may be waived by the CEO in their discretion.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code as part of the Plan document, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust.

Adopted May 9, 2014; amended November 13, 2015, July 13, 2018; reviewed November 13, 2020; and amended November 4, 2022.

Rule 9.80  The Meaning of Active Service, Active Member, and Active Participant for the Active Death and the Death While Eligible Benefits

a. Regarding eligibility for the Active Death and Death While Eligible Benefits under Municipal Code sections 24.0701(b)(1) and 24.0704(a), Port Plan sections 0701(b)(1) and 0703(a), and Airport Plan sections 0700(b)(1) and 0703(a), the terms “active service,” “active Member,” and “active Participant” refer to a Member who, at the time of death:

1) Is in active employment status with the City, Port, or Airport; and
2) Is eligible for membership with SDCERS.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Adopted January 10, 2020; amended November 13, 2020; and reviewed November 4, 2022.

Division 10 - Administrative Hearings Other Than Disability

Rule 10.00 Introduction

The Board has the authority to hold an administrative hearing to address any question presented to it involving any right, benefit, or obligation of a Member. The purpose of this Division is to provide procedures for certain hearings arising from appeals or other matters in front of the Business and Governance Committee and Board of Administration. This Division does not pertain to hearings concerning disability retirements or disability re-examinations. A copy of these rules shall be provided to every Claimant.


Rule 10.10 Rules Furnished to Claimant

Renumbered as part of Rule 10.00


Rule 10.20 Definitions

Unless the context or subject matter otherwise requires, the following definitions shall apply to this Division:

a. “Adjudication” means an administrative hearing conducted by a neutral Hearing Officer.

b. “Claimant” means the Member or person who has filed an appeal under the Appeal of Staff Decisions Regarding Benefits Policy or has a hearing in front of the Business & Governance Committee and/or the Board.

c. “Committee” means the Board’s Business and Governance Committee.
d. “Hearing Officer,” also known as an adjudicator, refers to the retired judge or administrative law judge assigned by an adjudicative agency to hear and adjudicate SDCERS matters.

e. “Party” means either SDCERS or the Claimant.


Rule 10.30 Ex Parte Communications Prohibited

a. An “ex parte communication” is any material or substantive, off the record, oral or written communication between any Party, the Hearing Officer, and/or a Board Member that is directed to the merits or outcome of a pending appeal and which takes place outside of the presence of all Parties.

b. An appeal is “pending” before the Board until the decision of the Board is final according to Rule 10.90.

c. The Parties shall not participate in ex parte communications.

d. A Hearing Officer shall not initiate, participate in, or consider an ex parte communication or consider other communications made to the Hearing Officer outside the presence of all Parties. This prohibition does not apply to communications required for scheduling, administrative purposes, or emergencies that do not relate to substantive matters, provided the Hearing Officer reasonably believes that no Party will gain a procedural or tactical advantage as a result of the communication.

e. A Board Member shall not initiate, participate in, or consider an ex parte communication or consider other communications made to the Board Member individually or outside the presence of all Parties.

f. A Hearing Officer or Board Member shall disclose the circumstances and substance of any ex parte communication on the record at the time of the hearing and before a decision is made. The Parties shall be given an opportunity to comment on the ex parte communication. Any Hearing Officer or Board Member who participated in an ex parte communication shall recuse themselves from the matter if they believe the communication has caused them to become biased or prejudiced.

g. A Hearing Officer or Board Member shall not make any public comments outside of a noticed hearing about a pending appeal that could interfere with a fair hearing. This requirement does not prohibit a Hearing Officer or Board Member from explaining SDCERS’ appeals process or from discussing legal, procedural, or other subject matters relating to the general administration of proceedings in Board or Committee meetings, conferences, education programs, or with legal counsel.
Rule 10.40 Hearings Before the Committee and Board

a. Administrative hearings shall be heard by the Committee for a recommended decision by the Board.

b. The Committee may recommend the Board order a matter to adjudication for a recommendation regarding disputed facts or if due process considerations require more extensive proceedings than the Committee or Board can provide. A referral to adjudication is not a final decision for purposes of filing an appeal or writ of mandate under Civil Code of Procedure section 1094.5.

c. Staff’s recommendation and written notice of the date and time of the hearing before the Committee shall be mailed, e-mailed, or personally served on the Claimant, or Claimant’s attorney, at least 40 days prior to the scheduled Committee meeting unless such notice is waived by the Claimant or their attorney.

d. The Claimant, or Claimant’s attorney, may respond to staff’s recommendation in writing and submit evidence in support of their appeal. Written responses and evidence must be received by SDCERS no less than 25 days prior to the Committee meeting.

e. All materials submitted within the time constraints of this Rule shall be provided to the Committee in advance of the scheduled meeting and the Committee shall consider all such materials provided by both staff and Claimant before entering its proposed findings and recommendation.

f. At the hearing, the Committee Chair shall call the agenda. Claimant, Claimant’s attorney, and any other person with relevant information regarding the hearing may complete and submit a speaker slip and address the Committee regarding the appeal.

g. The Chair shall provide a reasonable opportunity of at least three minutes for each speaker, including Claimant, Claimant’s attorney, and witnesses to address the Committee regarding the appeal.

h. The Chair shall provide a reasonable opportunity of at least three minutes for staff to respond to any speaker regarding an appeal before the Committee and shall allow Claimant a final opportunity of at least one minute to rebut any arguments or evidence presented.
i. Committee members may question the Claimant, Claimant’s attorney, and any speaker or staff member regarding the recommendation or any statements made during the meeting.

j. After considering staff’s written recommendation, Claimant’s responses, all evidence submitted by both staff and Claimant, and arguments or statements made by any speaker(s), the Committee shall:

1) Adopt staff’s proposed findings and recommendation;

2) Reject staff’s proposed findings and recommendation and enter alternative proposed findings and recommendation;

3) Refer the matter back to staff with questions or instructions for further proceedings;

4) Refer the matter to adjudication; or

5) Take whatever other action it deems necessary.

k. Recommendations from the Committee are presented by the Chair to the Board at the next regularly scheduled Board meeting following the Committee meeting.

l. After considering the Committee’s recommendation, the Board shall:

1) Adopt the Committee’s proposed findings and recommendations;

2) Reject the Committee’s proposed findings and recommendations and adopt alternative findings and decision;

3) Refer the matter back to the Committee or staff with questions or instructions for further proceedings;

4) Refer the matter to adjudication; or

5) Take whatever other action it deems appropriate.


Rule 10.50 Adjudications – Scheduling and Pre-Adjudication Meeting

a. SDCERS shall contract with adjudicative agencies who retain retired judges to act as Hearing Officers for SDCERS’ administrative hearings. Hearing Officers shall be in good standing with the State Bar of California and have experience deciding matters similar to those assigned by SDCERS. They
shall hear and evaluate matters pursuant to applicable laws and rules, abide by the California Code of Judicial Ethics, as applicable, and be willing, and capable of performing all of the tasks necessary to fully and competently provide proposed findings and recommendations to the Board. Based on these criteria, the Board delegates to SDCERS’ General Counsel the authority to add and remove Hearing Officers assigned to SDCERS’ pool of Hearing Officers.

b. If the Board refers the matter to adjudication, an adjudicative agency shall be selected on a rotating basis from among those that have contracted with SDCERS for the purpose of hearing its matters that are referred to adjudication.

1) Once an adjudicative agency is assigned, the agency shall select a Hearing Officer on a rotating basis. Each Party has the ability to strike any Hearing Officer for cause and one Hearing Officer without cause. A challenge to strike a Hearing Officer for cause shall be determined by the Hearing Officer.

c. The Claimant or their attorney shall work with SDCERS’ attorney to:
1) Select a date for a pre-adjudication meeting between the Parties for the purpose of preparing for the adjudication;
2) Identify disputed issues and witnesses;
3) Identify exhibits and prepare a joint exhibit list;
4) Select the date(s) for the adjudication; and
5) Resolve any other issue, question, or dispute regarding the adjudication process. If the Parties are unable to resolve any issues, questions, or disputes regarding the adjudication process, the matter shall be referred to the selected adjudicative agency for resolution.

d. After the Hearing Officer is assigned, the Parties shall work with the adjudicative agency to calendar a date(s) for the adjudication. If the Claimant refuses or fails to respond to reasonable requests to set an adjudication date, the Hearing Officer shall set the date(s).

e. Claimants must schedule and complete the adjudication within one year from the date the matter is referred to adjudication, unless the Board grants an extension of time for good cause. Failure of a Claimant to do so shall result in a Board decision to adopt staff’s proposed findings and recommendation, unless the failure to timely complete the adjudication is not due to any fault or failure of the Claimant.

f. The Parties may agree to continue any adjudication by written agreement filed no later than seven days before the scheduled adjudication. If an
agreement cannot be reached, either Party may request a continuance by written request to the Hearing Officer and notice the other Party.

g. All adjudications shall be reported verbatim by a certified court reporter. The Board shall provide transcripts of the adjudication to the Claimant or Claimant’s attorney and to the Hearing Officer, if requested.


Rule 10.60 Rules of Evidence Applicable to Adjudications

a. Adjudications need not be conducted according to the rules of evidence relating to evidence and testimony in civil actions. Any evidence may be admitted, in the Hearing Officer’s discretion, if it is the sort of evidence upon which responsible persons are accustomed to relying on in the conduct of serious affairs, regardless of the existence of any law or rule that might make the admission of such evidence improper in civil actions.

b. Refusal of any Party to submit to examination is grounds for considering such questions, for the purposes of that adjudication, to be answered in a way unfavorable to the refusing Party.

Adopted January 9, 2015; amended September 14, 2018; and reviewed November 5, 2021.

Rule 10.70 Conduct of Adjudications

Adjudications shall be conducted according to the following format:

a. The Hearing Officer shall read the title of the case and ask for appearances on the record.

b. The Hearing Officer shall mark, for identification only and not as evidence, the joint exhibit index. Either Party may object to specific exhibits included in the joint exhibit index. Once objections have been heard and ruled on, the remaining joint exhibits on the joint exhibit index are moved into evidence.

c. Each Party has the right to call and examine witnesses, introduce exhibits, and cross-examine opposing witnesses on any matter relevant to the issues. If the Claimant does not testify on their own behalf, they may be called and examined as if under cross-examination by the SDCERS attorney.
d. All testimony before the Hearing Officer must be under oath or affirmation administered by the Hearing Officer or a certified court reporter.

e. The Claimant shall present their evidence and shall have the burden of proof, which is a preponderance of evidence.

f. After the Claimant has presented their evidence, SDCERS’ attorney shall present SDCERS’ evidence.

g. Each Party may present rebuttal evidence.

h. Upon the conclusion of all testimony, the Parties may make closing arguments. The Hearing Officer may permit the Parties to file written closing arguments.

i. The Hearing Officer may, on their own motion, continue any adjudication to another time and/or place, order additional evidence to be presented, or allow other evidence to be gathered and presented in the Hearing Officer’s discretion.


Rule 10.80 Hearing Officer’s Findings and Recommendation

a. The Hearing Officer must consider all admitted evidence and legal issues that were referred to adjudication by the Board. It is the Hearing Officer’s responsibility to decide whether a Party has met their burden of proof as to each element of their case.

b. After reviewing the evidence, the Hearing Officer shall draft their findings and recommendation, which shall include a written summary of the evidence relied upon by the Hearing Officer and an explanation of the recommendation.

c. The Hearing Officer shall mail, e-mail, or personally serve their findings and recommendation to the Parties. Any Party may file an objection to or a request for clarification of the findings and recommendation. Objections and requests for clarification must be in writing and delivered to the Hearing Officer and the other Party via mail, e-mail, or personal service within the 14 days of receiving the findings and recommendation. The other Party may respond to the objection or request for clarification. Any response must be in writing and delivered to the Hearing Officer and other Party via mail, e-mail, or personal service within the 14 days of receiving the objection or request for clarification.

d. The Hearing Officer shall review any objections or requests for clarification and render their final findings and recommendation, which explains their final decision. If the Hearing Officer who heard the case is unavailable to
rule on any objections or requests for clarification, the entity that employs
the Hearing Officer shall designate another Hearing Officer to review the
matter and issue the ruling.

e. Upon receipt of the Hearing Officer’s final findings and recommendation,
SDCERS’ staff shall prepare an agenda item and submit the matter to the
Committee for its review and recommendation to the Board.

f. After reviewing the findings and recommendations of the Hearing Officer
and staff, the Committee shall:

1) Recommend adoption of the Hearing Officer’s findings and
recommendation;

2) Reject the Hearing Officer’s findings and recommendation and
adopt alternative proposed findings and recommendation;

3) Refer the matter back to the Hearing Officer with questions or
instructions for further proceedings; or

4) Take whatever other action it deems necessary.

g. Proposed findings and recommendations from the Committee are presented
by the Committee Chair to the Board at the next regularly scheduled Board
meeting following the Committee meeting. After considering the proposed
findings and recommendations of the Committee, the Board shall,

1) Adopt the Committee’s proposed findings and recommendation;

2) Request additional information from the Committee or staff;

3) Reject the Committee’s proposed findings and recommendation and
adopt an alternative decision;

4) Refer the matter back to the Committee or the Hearing Officer with
questions or instructions for further proceedings; or

5) Take whatever other action it deems appropriate.

h. If the Board decides to reject the Committee’s proposed findings and
recommendation and adopt an alternative decision under subsection (g)(3)
above, the Board must review the transcript of the adjudication and the
evidence received by the Hearing Officer. Upon the receipt and review of
the transcript and evidence, the Board shall take such action as in its opinion
is indicated by the evidence. In all other cases, the Board’s decision must
be based on the Hearing Officer’s written findings and recommendation, the
objections and responses of the Parties, and information presented at the
Committee and Board meetings.
Rule 10.90 Finality and Reconsideration of Board Decision

a. A Board decision under this Division becomes final 14 days after the date on which the decision is made unless a Party applies for reconsideration by the Board, pursuant to this Rule. A referral to adjudication is not a final decision for purposes of reconsideration or appeal.

b. Before the Board’s decision becomes final, either Party may apply to the Board for reconsideration based upon new or different facts, circumstances, or law; or to call attention to errors or omissions of fact or law in the Board’s decision itself.

c. All requests for reconsideration must be delivered to the CEO within 14 days of the date on which the decision is made. Upon receipt of a timely request for reconsideration, the CEO shall set the matter for reconsideration at the next regularly scheduled Board meeting.

d. When a matter is presented for reconsideration by the Board but the Board decides not to grant reconsideration, the Board's decision on the matter is final on the date the matter is presented for reconsideration.

e. When a matter is presented for reconsideration by the Board and the Board grants reconsideration, the Board’s decision on the matter is final on the date the decision is made after reconsideration.


Rule 10.100 Appeal of Final Decisions

A final decision made by the Board under this Division is a decision from which appeal may be taken by writ to the Superior Court pursuant to Code of Civil Procedure section 1094.5.

Adopted January 9, 2015; amended September 8, 2017, September 14, 2018, March 8, 2019; and reviewed on November 5, 2021.

Rule 10.110 Time

Unless stated otherwise, whenever this Division provides for the doing of any act, including service or delivery of written notice, papers, or other documents, within a number of days, the term “days” means calendar days. No extension of time is given for exercising any right or performing any act required under these rules because service or delivery is completed by mail or due to weekends or holidays.
Rule 10.120 Service – Delivery by Mail, Personal Service, or E-Mail

Whenever this Division provides for service or delivery of any written notice, paper or other document, service or delivery must be made by U.S. postal service to the recipient’s last-known address or by personal service, unless the Parties agree in writing to a different service or delivery method. The delivery is complete at the time of the deposit. Alternatively, delivery may be made on SDCERS via electronic transmission by attaching a copy of the original paper document and transmitting it via e-mail to the Party to be served. When delivery is made by electronic transmission, SDCERS shall issue a confirmation that the document has been received and the confirmation shall serve as proof that the document was served upon SDCERS by e-mail. Electronic service is complete at the time of transmission to the proper e-mail address. Any document served by e-mail after 5:00 p.m. PST shall be considered to have been served on the next day.

Rule 10.130 Representation by an Attorney

A Claimant may only be represented at a hearing before the Committee, the Board, or a Hearing Officer by an attorney licensed by and in good standing with the State Bar of California. A Claimant may not be represented by a layperson. Upon receipt of written notice that a Claimant is represented by an attorney, SDCERS’ staff shall communicate directly with that attorney.

Rule 10.140 Costs and Witness Fees

Except as otherwise stated in this Rule, the Parties shall bear all their own costs fees, including attorney’s fees, fees for experts, and witnesses testifying at hearing. SDCERS shall pay only those costs associated with the scheduling of the hearing, fees of the Hearing Officer, court reporter, interpreters, and costs for hearing transcripts.

Rule 10.150 Subpoenas

Subpoenas to compel the attendance of witnesses and/or the production of documents or things shall be issued by SDCERS’ attorney of record at the request.
of either Party, pursuant to the procedures set forth in Government Code sections 11450.05 through 11450.50. Alternatively, the Claimant’s attorney of record and the Hearing Officer may also issue subpoenas.

Adopted January 9, 2015; amended September 14, 2018; and reviewed November 5, 2021.

Rule 10.160 Continuances

Continuances from the Committee and/or Board’s Agenda: Hearings may be continued from one Committee and/or Board agenda to another as follows:

a) The request for continuance must be admitted in writing and received by SDCERS’ CEO via mail, e-mail, or personal service at least three days before the Committee meeting at which the case is to be considered. If received timely, the CEO shall forward the request to the Committee Chair for their response prior to the meeting

b) The Claimant’s request must specify the reason for the requested continuance.

c) The Committee Chair may grant a continuance to the next regularly scheduled Committee meeting. No matter may be continued more than once absent the Committee Chair’s agreement that good cause exists to continue the matter.

d) Good cause may be shown as follows:

1) If relevant evidence is outstanding and necessary to the Committee’s review; or

2) If the Claimant or the Claimant’s attorney is not available to appear at the scheduled Committee meeting.


Division 11 – Community Property

Rule 11.00 Eligibility for Surviving Spouse Continuance


III-109
0600 of the Port and Airport Plans, to exclude a Former Spouse from eligibility and to ratify staff’s prior interpretation of the term “Surviving Spouse” from January 1, 1995 to September 18, 2008, which allowed a Former Spouse to qualify for the Surviving Spouse Continuance, provided all conditions in paragraph (c) below are met. The purpose of this rule is to memorialize the Board’s interpretation of a Former Spouse’s eligibility for a Surviving Spouse Continuance.

b. Definitions: When used in this rule, the following definitions apply:

1) “Former Spouse” means a spouse who is divorced from or obtained a legal termination of their relationship with the Member;

2) “Surviving Spouse” means a spouse who is married to the Member at the time of the Member’s death;

3) “Surviving Spouse Continuance” means the 50% monthly allowance payable to a Surviving Spouse at the Member’s death, established in the San Diego Municipal Code section 24.0601 and section 0600 of the Port and Airport Plans; and

4) The term “spouse” under this Rule includes a registered Domestic Partner pursuant to the California Domestic Partner Rights and Responsibilities Act of 2003, effective January 1, 2005.

c. Eligibility of Former Spouse for a Continuance Where Member Retired or Entered DROP before September 19, 2008:

The Former Spouse of a Member shall be treated as a Surviving Spouse and shall be eligible for the Surviving Spouse Continuance only if all of the following conditions are met:

1) The Member retired or entered DROP before September 19, 2008;

2) The Member designated their spouse as the continuance;

3) The spouse was married to or, effective January 1, 2005, was a Registered Domestic Partner of the Member on the date the Member retired; and

4) The Member’s monthly retirement allowance was the maximum monthly benefit and was not modified under Optional Settlement 1, 2, 3 or 4.

d. The Member’s Former Spouse shall be treated as a Surviving Spouse and shall be eligible for the Surviving Spouse Continuance if so ordered pursuant to a California Domestic Relations Order entered and served on SDCERS prior to September 19, 2008.
e. **Non-Eligibility of Former Spouse for a Continuance Where Member Retired or Entered DROP on or after September 19, 2008:** The Former Spouse of a Member is not eligible for a Surviving Spouse Continuance if the Member retired or entered DROP on or after September 19, 2008.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Formerly Rule 36, renumbered to Rule 5.20 April 17, 2009; amended May 8, 2015 and May 11, 2018; amended and renumbered to Rule 11.00 March 8, 2019; and amended March 11, 2022.

**Rule 11.10 Required Documentation to Process Benefits When SDCERS Has Received a Notice of Adverse Interest or Joinder to Dissolution Proceedings**

a. If, at the time a Member submits a retirement or DROP entry application, SDCERS is on written notice that the Member’s spouse, former spouse, domestic partner, or former domestic partner (“Claimant”) is claiming a community property interest in the Member’s SDCERS benefits (“Notice of Adverse Interest”), then:

1) If SDCERS has received a Notice of Adverse Interest, but has not been joined to the Member’s dissolution proceedings and has not received a finalized Domestic Relations Order (“DRO”) addressing the Member’s SDCERS retirement benefits, then SDCERS must either receive a withdrawal of the Notice of Adverse Interest or be joined to the dissolution proceedings and receive a finalized DRO before the Member’s retirement or DROP entry application may be processed.

2) If SDCERS has been joined to the Member’s dissolution proceedings, then SDCERS must receive a finalized DRO or a Dismissal of Joinder before the Member’s application may be processed.

b. If SDCERS receives a Dismissal of the Joinder or withdrawal of Notice of Adverse Interest, then SDCERS shall pay the Member, without interest, retroactive to the date the Member separated from service and retired from SDCERS.

c. If SDCERS has been joined to the Member’s dissolution proceedings and receives a finalized DRO, SDCERS shall pay the Member and Claimant
pursuant to the DRO, without interest, retroactive to the date Member separated from service and retired from SDCERS.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Adopted March 8, 2019, and amended March 11, 2022.

Rule 11.20 Payment of DROP Benefits When SDCERS Has Received a Notice of Adverse Interest or Joinder

If, at the time a Member exits DROP, SDCERS is on written notice that the Member’s spouse, former spouse, domestic partner, or former domestic partner (“Claimant”) is asserting their community property interest in the Member’s SDCERS benefits (“Notice of Adverse Interest”), the following shall apply:

a. If SDCERS has been joined to the Member’s dissolution proceedings and has received a finalized DRO awarding the Claimant a portion of the Member’s DROP account, the Claimant shall receive their community property interest in the account in one lump sum distribution when the Member leaves DROP, or as soon as practicable after the DRO has been served on SDCERS. No other benefit forms are available to the Claimant.

b. If SDCERS has received a Notice of Adverse Interest or has been joined to the Member’s dissolution proceedings, but has not received a finalized DRO that addresses the parties’ community property interests in the Member’s DROP account at the time the Member exits DROP, SDCERS shall allow the parties up to six months from the date the Member exited DROP to join SDCERS to their dissolution proceedings and serve on SDCERS a finalized DRO that addresses the community property interests in the DROP account. If the parties do not provide such DRO within this timeframe, SDCERS shall pay the Member their estimated community property share of the DROP account in one lump sum payment and place a hold on the Claimant’s estimated community property share until SDCERS has been joined to the dissolution proceedings and received a DRO addressing the community property interests in the DROP account, or until SDCERS has been dismissed from the dissolution proceedings.

c. If SDCERS receives a Notice of Adverse Interest or has been joined to the Member’s dissolution proceedings after the Member has exited DROP and annuity payments of the DROP account have commenced, the Claimant shall receive their share of the DROP account in the same form as the Member once SDCERS has been joined to the proceedings and receives a finalized DRO. If the Member later elects to end their annuity and receive
the remaining principal balance in a single lump sum, the Claimant shall receive their remaining share in a single lump sum payment.

This Rule is incorporated into (1) Chapter 2, Article 4 of the San Diego Municipal Code, (2) the Amended and Restated San Diego Unified Port District Retirement Plan and Trust, and (3) the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust as part of the Plan document.

Adopted March 8, 2019, and amended March 11, 2022.
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### HISTORY TABLE

#### ARTICLE I – ORGANIZATION AND STRUCTURE

**Division 1 – Purpose and Intent**

<table>
<thead>
<tr>
<th>Rule</th>
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| Rule 1.00 | **Purpose and Intent of Board Rules**  
| Rule 1.10 | **Rules Part of Plan Document**  
| Rule 1.15 | **Definitions**  
 *(Adopted November 9, 2018. Formerly Rule 1.10; renumbered to 1.15 January 11, 2019. Reviewed March 8, 2019.)* |
| Rule 1.20 | **Repealed**  
 *(Prohibited Actions adopted July 22, 1994; repealed and adopted Board of Administration Charter June 20, 2008)* |
| Rule 1.30 | **Repealed**  
 *(Censure or Removal Board Members, adopted July 22, 1994; repealed and adopted Board of Administration Charter June 20, 2008)* |
| Rule 1.40 | **Repealed**  
 *(Duties of Board adopted July 22, 1994; repealed and adopted Board of Administration Charter, June 20, 2008)* |
| Rule 1.41 | **Repealed**  
 *(Actuarial Responsibilities adopted July 22, 1994; amended July 21, 2006; repealed and adopted Board of Administration Charter June 20, 2008)* |
| Rule 1.42 | **Repealed**  
 *(Investment Responsibilities, adopted July 22, 1994; repealed and adopted Board of Administration Charter June 20, 2008)* |
| Rule 1.43 | **Repealed**  
 *(Benefit Responsibilities, adopted July 22, 1994; repealed and adopted Board of Administration Charter June 20, 2008)* |
| Rule 1.44 | **Repealed** |
(Administrative Responsibilities, adopted July 22, 1994; amended June 16, 1995; July 21, 2006; March 21, 2008; repealed and adopted Board of Administration Charter June 20, 2008)

ARTICLE II – MEMBERSHIP

Division 2 – Contributions

Rule 2.00 Additional Contributions
(Officers amended September 19, 1975; Formerly Rule 1, renumbered and amended July 22, 1994; amended March 17, 2000; December 14, 2001; March 16, 2007; repealed and adopted Board Officers and Secretaries Charter June 20, 2008; Formerly Rule 8.00; renumbered and amended December 19, 2008; amended May 11, 2018, March 13, 2020; and reviewed September 9, 2022)

Rule 2.01 Repealed

Rule 2.02 Repealed
(Duties of the Vice President adopted June 17, 1964; Formerly Rule 3, renumbered and amended July 22, 1994; amended March 17, 2000 and December 14, 2001; repealed and adopted Board Officers and Secretaries Charter June 20, 2008)

Rule 2.10 Retirement Benefits for Part-Time Employees
(Adopted Secretary July 22, 1994; repealed and adopted Board Officers and Secretaries Charter June 20, 2008; Formerly Rule 8.10, renumbered and amended December 19, 2008; reviewed and amended July 8, 2011, May 11, 2018; reviewed March 13, 2020; and amended September 9, 2022)

Rule 2.11 Repealed
(Duties of the Secretary amended September 19, 1975; January 21, 1983; Formerly Rule 4, renumbered and amended July 22, 1994; repealed and adopted Board Officers and Secretaries Charter June 20, 2008)

Rule 2.20 Repealed
(Transfer of Deceased Member’s Contributions; Formerly Rule 8.20, renumbered and amended December 19, 2008; reviewed and amended May 20, 2011; repealed August 9, 2013; reenacted and amended on May 9, 2014 (erroneously) and repealed November 14, 2014.)

Rule 2.30 Trust Accounting
| Rule 2.40 | Crediting Annual Interest to Accounts  
(Formerly Rule 8.40, renumbered and amended December 19, 2008;  
amended May 20, 2011, November 14, 2014, May 11, 2018; reviewed  
March 13, 2020, and September 9, 2022) |
| Rule 2.41 | Amount of Interest Credited Annually to Accounts  
(Formerly Rule 8.41, renumbered and amended December 19, 2008;  
November 14, 2014, September 9, 2016, May 11, 2018, May 10, 2019,  
March 13, 2020, and September 9, 2022) |
| Rule 2.50 | Contribution Rates for Re-Activated Members  
(Formerly Rule 8.50, renumbered and amended December 19, 2008;  
and reviewed March 13, 2020, and September 9, 2022) |
| Rule 2.70 | Forfeiture of Retirement Funds  
(Formerly Rule 8.70, renumbered and amended January 23, 2009;  
amended May 20, 2011, August 9, 2013, May 9, 2014, January 9, 2015,  
| Rule 2.80 | Member Contribution Rates  
(Formerly Rule 8.80, renumbered and amended January 23, 2009;  
amended May 20, 2011, January 9, 2015, May 11, 2018; reviewed March  
13, 2020; and amended September 9, 2022) |
| Rule 2.90 | Applicable Mortality Tables  
(Formerly Rule 8.90, renumbered and amended January 23, 2009,  
11, 2018; reviewed March 13, 2020; amended May 14, 2021; and reviewed  
September 9, 2022) |
| Rule 2.100 | Calculation of Substantially Equal Requirement  
(Adopted May 28, 2010; amended March 2, 2012; reviewed January 9,  
2015; amended May 11, 2018; and reviewed March 13, 2020, September 9,  
2022) |
| Rule 2.110 | Actuarial Funding Methodologies and Assumptions  
(Adopted January 10, 2014 and amended January 9, 2015, March 13, 2015,  
May 11, 2018, January 11, 2019; and reviewed March 13, 2020, September  
9, 2022) |
| Rule 2.120 | Contributions and Service Credit  
(Adopted May 8, 2015; amended May 11, 2018; reviewed March 13, 2020;  
and amended September 9, 2022) |
Rule 2.130  Non-Pensionable Compensation for PEPRA Members of the Port and Airport

Division 3 – Membership and Reciprocity

Rule 3.00  Enrollment Procedures
(Formerly Rule 20, renumbered and amended April 17, 2009, amended May 20, 2011; Repealed Formerly Rule 3.20, renumbered and amended January 9, 2015) (“General Rules Applicable to Change in Membership Category” repealed and reenacted, as amended as Board Rule 3.10 on January 9, 2015). Amended July 13, 2018; and reviewed November 5, 2021, and July 8, 2022)

Rule 3.01  Repealed
(The Investment Committee adopted June 17, 1964; Formerly Rule 6, renumbered and amended July 22, 1994; amended December 14, 2001, June 27, 2003 and June 16, 2006; repealed and replaced by Committees Charter June 20, 2008)

Rule 3.02  Repealed

Rule 3.03  Repealed

Rule 3.04  Repealed
(The Audit Committee adopted June 16, 1995; amended December 14, 2001, June 27, 2003 and June 16, 2006; repealed and replaced by Committees Charter June 20, 2008)

Rule 3.05  Repealed
(Disability Committee added December 14, 2001; amended June 27, 2003 and June 16, 2006; repealed and replaced by Committees Charter June 20, 2008)

Rule 3.06  Repealed
(Duties of the Performance Review Advisory Committee added December 12, 2001; amended June 27, 2003 and repealed on June 16, 2006)

Rule 3.07  Repealed
(Duties of the Audit Committee added February 21, 2003; amended June 27, 2003; repealed June 16, 2006)

Rule 3.08 Repealed
(Disability Committee added December 16, 2005; repealed June 16, 2006)

Rule 3.10 General Rules Applicable to Change in Membership Category

Rule 3.20 Establishing Reciprocity

Rule 3.30 No Overlapping Service Credit

Rule 3.40 PEPRA Members
(Adopted November 13, 2015; amended July 13, 2018, and November 5, 2021)

Rule 3.50 Repealed
(Definition of “Employed” and “Terminated” for Purposes of Reciprocity and Processing Purchases of Service Credit)
(Adopted January 12, 2018; amended July 13, 2018; repealed November 5, 2021)

Rule 3.60 Maintaining and Retiring With Reciprocity; Breaking Reciprocity
(Adopted November 5, 2021)

Rule 3.70 Use of Pensionable Salary for Reciprocity
(Adopted November 5, 2021)

Division 4 - Purchase of Service Credit
Rule 4.00  Service-Connected Purchase of Service Credit

Rule 4.05  Service-Connected Purchase of Service Credit for City Members Initially Hired on or after July 20, 2012 but before July 10, 2021
Adopted July 8, 2022

Rule 4.10  Five-Year Purchase of Service Credit
(Duties of The General Counsel added September 22, 2006; repealed and adopted General Counsel Charter July 18, 2008; Formerly Rule 10.10, renumbered and amended February 20, 2009, July 8, 2011 and March 13, 2015; amended November 3, 2017 and March 9, 2018 (*Note that as of July 8, 2011, the effective date of §24.1312.1 is disputed and subject of litigation between the City and affected employees).; reviewed July 12, 2019, and July 8, 2022)

Rule 4.20  General Policies for All Purchases of Service Credit
(Duties of the Chief Compliance Officer added September 22, 2006; amended October 20, 2006; repealed and adopted Chief compliance Officer Charter August 15, 2008; Formerly Rule 10.20, renumbered and amended February 20, 2009, March 13, 2015, March 9, 2018, July 12, 2019, and July 8, 2022)

Rule 4.30  Cost of Service Credit

Rule 4.40  Repayment of Previously Refunded Member Contributions
(Formerly Rule 10.40, renumbered and amended February 20, 2009, April 13, 2012, November 2, 2012, March 9, 2018; reviewed on July 12, 2019, and July 8, 2022)

Rule 4.41  General Policies for Employees Rehired by the City Who Left Contributions on Deposit at Termination or Redeposit Upon Rehire
(Formerly Rule 10.41, renumbered and amended March 20, 2009; amended September 18, 2009, November 2, 2012, March 9, 2018; reviewed July 12, 2019, and July 8, 2022)

Rule 4.50  Methods of Payment
ARTICLE III - BENEFITS
Division 5 – Retirement Benefits

Rule 4.60 Termination of Installment Contract

Rule 4.70 Contribution Rate Adjustments

Rule 4.80 Interruption of Installment Contract Due To Unpaid Leave of Absence
(Adopted March 5, 2010; amended March 4, 2011, April 13, 2012; reviewed March 13, 2015; amended March 9, 2018; reviewed July 12, 2019; and amended July 8, 2022)

Rule 4.90 PSC Corrections
(Adopted November 5, 2010, amended July 8, 2011; reviewed March 13, 2015, March 9, 2018, July 12, 2019, and July 8, 2022)

Rule 5.00 Time for Application

Rule 5.10 Proof of Age
Rule 5.15 Retirement Benefits for Part-Time Employees

Rule 5.20 Revised and Renamed to 11.00
Eligibility for Surviving Spouse Continuance

Rule 5.25 Eligibility for Cost Of Living Annuity and Surviving Spouse Contribution Refunds for Disabled Members
(Adopted January 12, 2018; amended May 11, 2018, November 8, 2019, and September 9, 2022)

Rule 5.30 One Hundred Percent (100%) Continuance Survivor Benefit
(Formerly Meetings of the Proxy Committee adopted July 22, 1994; added [Rules Committee] December 14, 2001; repealed June 27, 2003; renamed [Non-Agenda Public Comment] September 19, 2003; repealed and adopted Board Meeting Policy August 15, 2008; Formerly Rule 35, renamed and amended April 17, 2009 and amended on May 8, 2015; reviewed on May 11, 2018, November 8, 2019; and repealed on September 9, 2022.)

Rule 5.40 Calculation of Reduced Retirement Allowance Under Optional Settlements
(Adopted November 2, 2012; reviewed May 8, 2015; amended May 11, 2018; reviewed November 8, 2019, and September 9, 2022)

Rule 5.50 Determination of Eligibility for Service Retirement and Calculation of the Unmodified Service Retirement Allowance for Members with More Than One Class of Membership in the City’s Plan
(Adopted January 9, 2015; reviewed May 8, 2015; amended May 11, 2018, November 8, 2019, July 8, 2022; and reviewed September 9, 2022)

Rule 5.60 Determination of Eligibility and Calculation of the Basic Allowance for Members with More Than One Category of Membership in the Unified Port District and Airport Authority Plans Repealed
(Adopted January 9, 2015; reviewed May 8, 2015; amended May 11, 2018; reviewed November 8, 2019; and amended September 9, 2022)

Rule 5.70 Eligibility for the Annual Supplemental Benefit (Formerly Known as 13th Check)
(Audit Committee added February 21, 2003; repealed June 27, 2003; repealed and adopted Board Meeting Policy August 15, 2008; Adopted
Rule 5.80  Repealed  
(Special Meetings amended September 19, 1975; Formerly Rule 10, renumbered and amended July 22, 1994; Formerly Rule 5.40, renumbered and amended December 14, 2001; Formerly Rule 5.70, renumbered February 21, 2003; repealed and adopted Board Meeting Policy August 15, 2008)

Rule 5.80  Retirement Benefits Available to Re-Hired Members and Employees Transferring to a Position Eligible for Membership with SDCERS  
(Adopted January 12, 2018; amended May 11, 2018, November 8, 2019, July 8, 2022, and September 9, 2022)

Rule 5.90  Repealed  
(Minutes and Recording of Meetings Formerly Rule 5.50, renumbered and amended December 14, 2001; amended July 19, 2002; Formerly Rule 5.80, renumbered February 21, 2003; amended July 18, 2003; repealed and adopted Board Meeting Policy August 15, 2008)

Rule 5.100  Repealed  
(Location of Meetings Formerly Rule 5.60, renumbered and amended December 14, 2001; Formerly Rule 5.90, renumbered February 21, 2003; repealed and adopted Board Meeting Policy August 15, 2008)

Rule 5.110  Repealed  
(Meeting Procedure Formerly Rule 5.70, renumbered and amended December 14, 2001; Formerly Rule 5.100, renumbered February 21, 2003; repealed and adopted Board Meeting Policy August 15, 2008)

Division 6 –Deferred Retirement Option Plan

Rule 6.00  Crediting Quarterly Interest to DROP Accounts  

Rule 6.01  Repealed  
(Election of General Member Representatives adopted June 17, 1964; amended January 21, 1983; August 21, 1987; Formerly Rule 8.B.1,

Rule 6.02 Rescinded
(Election of Safety Member Representatives adopted June 17, 1964; amended January 21, 1983; August 21, 1987; Formerly Rule 8.B.2, renumbered and amended July 22, 1994; Rescinded April 18, 2003 (combined in Rule 6.01)

Rule 6.03 Repealed
(Election of Retired Member Representative adopted June 17, 1964; amended January 21, 1983; August 21, 1987; Formerly Rule 8.B.3, renumbered and amended July 22, 1994; amended December 15, 2006; repealed and adopted Board Process on Trustee Elections, September 19, 2008; amended February 20, 2009)

Rule 6.04 Repealed
(Procedure if Only One Candidate is Nominated for an Elected Board Position; adopted February 16, 2007; repealed and adopted Board Process on Trustee Elections, September 19, 2008; amended February 20, 2009)

Rule 6.10 Amount of Interest Credited to DROP Accounts

Rule 6.20 Payment of DROP Benefits to DROP Participants Who Exit DROP After December 31, 2005;
(Formerly Rule 12.20, renumbered and amended April 17, 2009, November 9, 2018, March 8, 2019; and reviewed July 9, 2021)

Rule 6.30 Payment of DROP Benefits to DROP Participants Who Exit DROP Before January 1, 2006
(Formerly Rule 12.21, renumbered and amended April 17, 2009, November 9, 2018, March 8, 2019, March 13, 2020, and July 9, 2021)

Rule 6.40 DROP Annuity Factor

Rule 6.50 Election to Extend DROP Period
Rule 6.60  **Member to Enter DROP at Beginning of Pay Period**
(Adopted July 8, 2016 and amended September 8, 2017; November 9, 2018; and reviewed July 9, 2021)

Division 7 –Disability Retirement Applications and Hearings

Rule 7.00  **Purpose**
(Formerly Rule 15.10, renumbered and amended May 15, 2009; amended September 14, 2018, March 12, 2021, and November 5, 2021)

Rule 7.01  **Repealed**

Rule 7.02  **Repealed**

Rule 7.03  **Repealed**

Rule 7.04  **Repealed**

Rule 7.05  **Repealed**
(Counting the Vote adopted July 22, 1994; repealed and adopted Board Procedure on Benefits Elections August 15, 2008)

Rule 7.06  **Repealed**
(Results of Election adopted July 22, 1994; repealed and adopted Board Procedure on Benefits Elections August 15, 2008)

Rule 7.10  **Renumbered as Part of Rule 7.00**
Rules Furnished to Applicant
(Travel Policy adopted October 18, 1991; amended July 22, 1994; repealed and adopted Travel Policy September 19, 2008; Formerly Rule 15.20, renumbered and amended May 15, 2009 and September 14, 2018; renumbered as part of Rule 7.00 March 12, 2021)

Rule 7.10  **Definitions**
(Formerly Division 15, Rule 15.30, renumbered and amended May 15, 2009; August 19, 2011, September 11, 2015, September 14, 2018; and renumbered March 12, 2021.)

Rule 7.11  Repealed
(Approved of Board Member Training Requests adopted October 18, 1991; amended July 22, 1994, February 20, 2004 and September 17, 2004; repealed and adopted Travel Policy September 19, 2008)

Rule 7.12  Repealed
(Reimbursement of Expenses adopted October 18, 1991; amended July 22, 1991; repealed and adopted Travel Policy September 19, 2008)

Rule 7.13  Repealed
(Due Diligence Travel adopted October 18, 1991; July 22, 1994; repealed and adopted Travel Policy September 19, 2008)

Rule 7.14  Repealed
(Retirement Administrator's Duties adopted October 18, 1991; adopted July 22, 1994; repealed and adopted Travel Policy September 19, 2008)

Rule 7.16  Repealed
(Staff Travel Policy adopted October 18, 1991; amended July 22, 1994; repealed and adopted Travel Policy September 19, 2008)

Rule 7.20  Ex Parte Communications Prohibited
(Adopted July 9, 2010; amended August 19, 2011; reviewed September 11, 2015, September 14, 2018; and amended and renumbered (from 7.15) March 12, 2021.)

Rule 7.30  Filing and Review of Application

Rule 7.40  Administrative Recommendation
(Designation of Alternates by Ex-Officio Board Members adopted July 18, 1997; repealed July 18, 2008; Formerly Rule 15.50, renumber and amended May 15, 2009; amended August 19, 2011, September 11, 2015, and September 14, 2018, and March 12, 2021)

Rule 7.50  Hearings Before the Committee and Board
(Policy Regarding Overpayments adopted April 17, 1998; amended May 21, 1999; September 21, 2001; repealed and adopted Overpayments and

Rule 7.60 Adjudications – Scheduling and Pre-Adjudication Meeting

Rule 7.70 Rules of Evidence Applicable to Adjudications
(Policy on Selecting and Hiring Service Providers Other Than Asset Managers added January 18, 2002; amended February 21, 2003; repealed and adopted Contracting Policy December 19, 2008; Formerly Rule 15.80, renumber and amended May 15, 2009; amended on August 19, 2011; reviewed September 11, 2015; amended September 14, 2018, and March 12, 2021)

Rule 7.75 Release of Psychiatric/Psychological Records and Reports
(Adopted September 14, 2018; and amended March 12, 2021)

Rule 7.80 Conduct of Adjudications

Rule 7.90 Hearing Officer’s Findings and Recommendation

Rule 7.100 Finality and Reconsideration of Board Decision
(Formerly Rule 15.110, renumber and amended May 15, 2009; amended August 19, 2011, September 11, 2015, September 8, 2017, September 14, 2018, and March 8, 2019; and reviewed March 12, 2021)

Rule 7.110 Appeal of Final Decisions
(Formerly Rule 15.120, renumbered and amended on May 15, 2009, September 14, 2018; and reviewed march 12, 2021)

Rule 7.120 Time
Rule 7.130  Service- Delivery by Mail, Personal Service, or E-Mail
(Formerly Rule 15.130, renumbered and amended on May 15, 2009; reviewed September 11, 2015; amended September 14, 2018; and reviewed March 12, 2021)

Rule 7.140  Representation by an Attorney

Rule 7.150  Costs and Witness Fees
(Formerly Rule 15.150, renumbered and amended on May 15, 2009; reviewed September 11, 2015; amended September 14, 2018, March 12, 2021, and November 5, 2021)

Rule 7.160  Subpoenas
(Adopted May 15, 2009 and amended on August 19, 2011; reviewed September 11, 2015; amended September 14, 2018, reviewed March 12, 2021; and amended November 5, 2021)

Rule 7.170  Continuances
(Formerly Rule 15.170, renumbered and amended May 15, 2009; amended July 9, 2010, September 11, 2015, and September 14, 2018; reviewed March 12, 2021; and amended November 5, 2021)

Rule 7.180  Effective Dates for Disability Retirement
(Adopted May 15, 2009; amended August 19, 2011, September 11, 2015, September 14, 2018; and reviewed March 12, 2021)

Rule 7.190  Authority to Approve Non-Industrial Disability Retirement Pending Determination of Application for Disability Retirement
(Formerly Rule 17(a), renumbered and amended May 15, 2009; amended August 19, 2011, September 11, 2015, September 14, 2018; and reviewed March 12, 2021)

Rule 7.200  Authority to Approve Service Retirement Pending Determination of Application for Industrial Disability Retirement
(Formerly Rule 17(b), renumber and amended May 15, 2009; amended August 19, 2011, September 11, 2015, September 14, 2018; and reviewed March 12, 2021)

Rule 7.210  Repealed
Authority to Approve Service Retirement Pending Determination of Application for Non-Industrial Disability Retirement
Rule 7.220  Death of Applicant During Disability Retirement Application Process
(Adopted September 14, 2018; and reviewed March 12, 2021)

Division 8 – Annual Affidavits, Medical Re-Examination and Hearings

Rule 8.00  Purpose
(Additional Contributions amended September 19, 1975; January 21, 1983; Formerly Rule 22, renumbered and amended July 22, 1994; repealed by renumbering to Division 2, Rule 2.00, December 19, 2008; adopted June 19, 2009; reviewed September 11, 2015; amended September 14, 2018, March 12, 2021, and November 5, 2021)

Rule 8.10  Definitions

Rule 8.15  Ex Parte Communications Prohibited

Rule 8.20  Annual Affidavits
(Transfer of Deceased Member's Contributions amended September 19, 1975; January 1, 1983; Formerly Rule 26, renumbered and amended July 22, 1994; repealed by renumbering to Division 2, Rule 2.20, December 19, 2008; adopted June 19, 2009; amended August 19, 2011 and September 14, 2018; and reviewed March 12, 2021)

Rule 8.30  Medical Re-Examination
(Transfer of Employer Funds Between City and Port District adopted September 16, 1964; amended January 21, 1983; Formerly Rule 27, renumbered and amended July 22, 1994; repealed January 23, 2009; adopted June 19, 2009; amended August 19, 2011, September 14, 2018; and reviewed March 12, 2021)

Rule 8.40  Renumbered as Part of Rule 8.00
Rules Furnished to Disability Retiree
(Crediting Annual Interest to Accounts amended September 19, 1975; January 21, 1983; Formerly Rule 28, renumbered and amended July 22, 1994; amended August 22, 1997; repealed by renumbering to Division 2, Rule 2.40, December 19, 2008; adopted June 19, 2009; reviewed September 11, 2015; amended September 14, 2018; and
renumbered as part of rule 8.00 March 12, 2021.)

Rule 8.41  Repealed
(Amount of Interest Credited Annually to Accounts adopted March 21, 2008; repealed by renumbering to Division 2, Rule 2.41, December 19, 2008)

Rule 8.50  Administrative Recommendation
(Contribution Rates for Re-Activated Members adopted May 16, 1969; amended January 21, 1983; Formerly Rule 29, renumbered and amended July 22, 1994; amended May 16, 2008; repealed by renumbering to Division 2, Rule 2.50, December 19, 2008; adopted June 19, 2009; amended on August 19, 2011, September 14, 2018; and reviewed March 12, 2021)

Rule 8.60  Evaluation

Rule 8.70  Hearings Before the Committee
(Forfeiture of Retirement Funds adopted April 11, 1985; Formerly Rule 30, renumbered and amended July 22, 1994; repealed by renumbering to Division 2, Rule 2.70, January 23, 2009; adopted June 19, 2009; reviewed September 11, 2015, September 14, 2018, and March 8, 2019, March 12, 2021, and November 5, 2021)

Rule 8.80  Adjudications – Scheduling and Pre-Adjudication Meeting

Rule 8.90  Rules of Evidence Applicable to Adjudications
(Applicable Mortality Tables adopted March 21, 2008; repealed by renumbering to Division 2, Rule 2.90, January 23, 2009; adopted June 19, 2009; reviewed September 11, 2015; amended September 14, 2018; and reviewed March 12, 2021)

Rule 8.95  Release of Psychiatric/Psychological Records and Requests
(Adopted September 14, 2018; and amended March 12, 2021)

Rule 8.100  Conduct of Adjudications
(Adopted June 19, 2009; reviewed September 11, 2015; amended September 14, 2018; reviewed March 12, 2021; and amended November 5, 2021)
Rule 8.110  Hearing Officer’s Findings and Recommendation  
(Adopted June 19, 2009; amended August 19, 2011, September 11, 2015, September 14, 2018, and January 10, 202; reviewed March 12, 2021; and amended November 5, 2021)

Rule 8.120  Finality and Reconsideration of Board Decision  
(Adopted June 19, 2009, amended on September 11, 2015, September 8, 2017, September 14, 2018, and March 8, 2019; and reviewed March 12, 2021)

Rule 8.130  Appeal of Final Decisions  
(Adopted June 19, 2009; amended August 19, 2011 and September 14, 2018; and reviewed March 12, 2021)

Rule 8.140  Time  
(Adopted June 19, 2009; reviewed September 11, 2015; amended September 14, 2018; and reviewed March 12, 2021)

Rule 8.150  Service – Delivery by Mail, Personal Service, or E-Mail  

Rule 8.160  Representation by an Attorney  

Rule 8.170  Costs and Witness Fees  
(Adopted June 19, 2009; amended August 19, 2011; reviewed September 11, 2015; amended September 14, 2018; reviewed March 12, 2021; and amended November 5, 2021)

Rule 8.180  Subpoenas  
(Adopted June 19, 2009; amended August 19, 2011; reviewed September 11, 2015; amended September 14, 2018; and reviewed March 12, 2021)

Rule 8.190  Continuances  
(Adopted June 19, 2009; amended July 9, 2010, September 11, 2015, and September 14, 2018; reviewed March 12, 2021; and amended November 5, 2021)

Division 9 – Death Benefits

Rule 9.00  Active Death Benefit Payment Options  
(General Rules Applicable to Change in Membership Category adopted June 17, 1964; amended September 21, 1973; January 21, 1983; Formerly Rule 21.4, renumbered and amended July 22, 1994; repealed by renumbering to Division 3, Rule 3.00, January 23, 2009; adopted April 16,
Rule 9.01 Repealed
Payment of Unpaid Retirement or Survivor Allowance on Death of Member or Beneficiary
(General Member to Safety Member adopted June 17, 1964; amended September 21, 1973; January 21, 1983; Formerly Rule 21.1, renumbered and amended July 22, 1994; repealed January 23, 2009)

Rule 9.02 Repealed
(Safety Member to General Member adopted June 17, 1964; amended September 21, 1973; January 21, 1983; Formerly Rule 21.2, renumbered and amended July 22, 1994; repealed January 23, 2009)

Rule 9.03 Repealed

Rule 9.04 Repealed
(No Overlapping Service Credit adopted December 19, 2008; repealed by renumbering to Division 3, Rule 3.10, February 20, 2009)

Rule 9.05 Eligibility for the Surviving Spouse Death While Eligible and Industrial Death Benefits
(Adopted July 13, 2018; reviewed November 13, 2020; and amended November 4, 2022)

Rule 9.10 Payment of Unpaid Retirement, Survivor, or Beneficiary Allowance on Death of Member or Beneficiary
(Adopted April 16, 2010; reviewed November 13, 2015, July 13, 2018, November 13, 2020; and amended November 4, 2022)

Rule 9.20 Payment of Corbett Benefit to Beneficiary or Estate of a Deceased Member (City Employees Only)
(Formerly Rule 5.40, repealed by renumbering to Division 9, Rule 9.20 July 8, 2011; amended September 30, 2011, July 13, 2018; reviewed November 13, 2020; and amended November 4, 2022)

Rule 9.30 “Reasonable Efforts” to Locate a Beneficiary
(Adopted November 4, 2022)

Rule 9.50 Payment of Active DROP Account
Rule 9.60 Designation of Beneficiary for Payment of DROP Annuity for Member Who Die After Exiting DROP
(Adopted September 30, 2011; amended July 13, 2018, November 9, 2018; reviewed November 13, 2020; and amended November 4, 2022)

Rule 9.70 Designation of Estates or Trusts as a Beneficiary
(Adopted May 9, 2014 and amended on November 13, 2015, July 13, 2018; reviewed November 13, 2020; and amended November 4, 2022)

Rule 9.80 The Meaning of Active Service, Active Member, and Active Participant for the Active Death and the Death While Eligible Benefits
(Adopted January 10, 2020; amended November 13, 2020; and reviewed November 4, 2022)

Division 10 - Administrative Hearings Other Than Disability

Rule 10.00 Purpose
(Adopted January 9, 2015; amended September 14, 2018, and November 5, 2021)

Rule 10.10 Renumbered as part of Rule 10.00
Rules Furnished to Claimant
(Adopted January 9, 2015; amended September 14, 2018, and November 5, 2021)

Rule 10.20 Definitions
(Adopted January 9, 2015; amended September 14, 2018, and November 5, 2021)

Rule 10.30 Ex Parte Communications Prohibited
(Adopted January 9, 2015; amended September 14, 2018, and November 5, 2021)

Rule 10.40 Hearings Before the Committee and Board
(Adopted January 9, 2015; amended September 14, 2018 and March 8, 2019, and November 5, 2021)

Rule 10.41 Repealed
(General Policies for Employees Rehired by the City adopted September 21, 2007; repealed by renumbering to Division 4, Rule 4.41, March 20, 2009)

Rule 10.50 Adjudications – Scheduling and Pre-Adjudication Meeting
(Adopted January 9, 2015; amended September 14, 2018, March 8, 2019, and November 5, 2021)
Rule 10.60  Rules of Evidence Applicable to Adjudications
(Adopted January 9, 2015; amended September 14, 2018; and reviewed November 5, 2021)

Rule 10.61  Repealed

Rule 10.62  Repealed
(Optional Membership amended July 27, 1974; January 21, 1983; August 20, 1993; September 17, 2004; repealed September 21, 2004)

Rule 10.63  Repealed
(Probationary Period amended July 27, 1974; January 21, 1983; August 20, 1993; July 22, 1994; March 12, 1997; September 17, 2004; repealed September 21, 2004)

Rule 10.64  Repealed

Rule 10.65  Repealed

Rule 10.66  Repealed

Rule 10.67  Repealed

Rule 10.68  Repealed

Rule 10.69  Repealed
(Part-time or Hourly Employment adopted August 20, 1993; amended July 22, 1994, March 12, 1997 and September 17, 2004; repealed September 21, 2004)
Rule 10.70  Conduct of Adjudications
(Adopted January 9, 2015; amended September 14, 2018, and November 5, 2021)

Rule 10.80  Hearing Officer’s Findings and Recommendation
(Adopted January 9, 2015; amended September 14, 2018, and November 5, 2021)

Rule 10.90  Finality and Reconsideration of Board Decision
(Adopted January 9, 2015 and amended September 8, 2017 and amended September 14, 2018, March 8, 2019, and reviewed November 5, 2021)

Rule 10.100  Appeal of Final Decisions
(Adopted January 9, 2015; amended September 14, 2018; and reviewed November 5, 2021)

Rule 10.110  Time
(Adopted January 9, 2015; amended September 14, 2018; and reviewed November 5, 2021)

Rule 10.120  Service – Delivery by Mail, Personal Service, or E-Mail
(Adopted January 9, 2015; amended September 14, 2018, and November 5, 2021)

Rule 10.130  Representation by an Attorney
(Adopted January 9, 2015; amended September 14, 2018, and November 5, 2021)

Rule 10.140  Costs and Witness Fees
(Adopted January 9, 2015; amended September 14, 2018, and November 5, 2021)

Rule 10.150  Subpoenas
(Adopted January 9, 2015; amended September 14, 2018, and reviewed November 5, 2021)

Rule 10.160  Continuances
(Adopted January 9, 2015; amended September 14, 2018, and November 5, 2021)

Division 11 – Community Property

Rule 11.00  Repealed
Rule 11.10  Required Documentation to Process Benefits When SDCERS Has Received Notice of Adverse Interest or Joinder to Dissolution Proceedings
(Adopted March 8, 2019; reviewed March 11, 2022)

Rule 11.20  Repealed
(Proof of Age adopted June 17, 1964; amended January 21, 1983; July 19, 1991; Formerly Rule 12, renumbered and amended July 22, 1994; repealed by renumbering to Division 5, Rule 5.10, March 20, 2009. New Rule 11.20 “Payment of DROP Benefits When SDCERS Has Received a Notice of Adverse Interest or Joinder to Dissolution Proceedings” adopted March 8, 2019.)

Rule 11.20  Payment of DROP Benefits When SDCERS Has Received a Notice of Adverse Interest or Joinder
(Adopted March 8, 2019, reviewed March 11, 2022)

Division 12

Rule 12.00  Repealed
(Purpose and Intent adopted April 17, 1998; repealed April 17, 2009)

Rule 12.10  Repealed
(Crediting Quarterly Interest to DROP Accounts adopted August 22, 1997; amended March 20, 1998 and October 16, 1998; repealed by renumbering to Division 6, Rule 6.00 April 17, 2009)

Rule 12.10(a) Repealed
(Amount of Interest Credited to DROP Accounts adopted March 21, 2008; amended January 23, 2009 and March 20, 2009; repealed by renumbering to Division 6, Rule 6.10 April 17, 2009)

Rule 12.20  Repealed
(Payment of DROP Benefits to DROP Participants who Retire After December 31, 2005 adopted March 20, 1998; amended October 18, 2002, September 16, 2005, December 19, 2008 and March 20, 2009; repealed by renumbering to Division 6, Rule 6.20 April 17, 2009)

Rule 12.20(a) Repealed
(Drop Annuity Factor adopted March 20, 2009; repealed by renumbering to Division 6, Rule 6.40 April 17, 2009)

Rule 12.21  Repealed
(Payment of DROP Benefits to DROP Participants who Retire Before January 1, 2006 adopted September 16, 2005; amended December 19, 2008; repealed by renumbering to Division 6, Rule 6.30 April 17, 2009)

Division 15
Rule 15  Repealed

15.10  Repealed

15.20  Repealed
(Rules Furnished to Applicant, adopted April 18, 2008; repealed by renumbering to Division 7, Rule 7.10 May 15, 2009)

15.30  Repealed
(Definitions amended March 16, 2007 and April 18, 2008; repealed by renumbering to Division 7, Rule 7.20 May 15, 2009)

15.40  Repealed

15.50  Repealed

15.60  Repealed

15.70  Repealed

15.80  Repealed
(Rules of Evidence Applicable to Adjudicator Hearings amended July 17, 1998, March 16, 2007 and April 18, 2008; repealed by renumbering to Division 7, Rule 7.70 May 15, 2009)

15.90  Repealed
(Conduct of Hearings amended July 17, 1998, May 19, 2000, March 16, 2007 and April 18, 2008; repealed by renumbering to Division 7, Rule 7.80 May 15, 2009)

15.100 Repealed
(Adjudicator Recommendation adopted April 18, 2008; repealed by renumbering to Division 7, Rule 7.90 May 15, 2009)

15.110 Repealed
(Finality and Reconsideration of Board Decision adopted April 18, 2008; repealed by renumbering to Division 7, Rule 7.100 May 15, 2009)

15.120 Repealed
(Appeal of Final Decisions adopted April 18, 2008; repealed by renumbering to Division 7, Rule 7.110 May 15, 2009)

15.130 Repealed
(Time adopted April 18, 2008; repealed by renumbering to Division 7, Rule 7.120 May 15, 2009)

15.140 Repealed
(Service – Delivery by Mail or E-Mail amended July 17, 1998, March 16, 200 and April 18, 2008; repealed by renumbering to Division 7, Rule 7.130 May 15, 2009)

15.150 Repealed
(Representation by Counsel amended July 17, 1998, March 16, 2007 and April 18, 2008; repealed by renumbering to Division 7, Rule 7.140 May 15, 2009)

15.160 Repealed
(Costs and Witness Fees adopted April 18, 2008; repealed by renumbering to Division 7, Rule 7.150 May 15, 2009)

15.170 Repealed
(Continuances Formerly Rule 34, renumbered and amended May 19, 2000; amended March 16, 2007; adopted April 18, 2008; repealed by renumbering to Division 7, Rule 7.170 May 15, 2009)

Rule 16 Repealed
(Military Service repealed by renumbering to Division 10, Rule 10.64, July 22, 1994; renumbered to Division 10, Rule 10.30, September 17, 2004)
Rule 17  Repealed
(Service-Connected Disability Retirement; repealed March 16, 2007)

Rule 17(a)  Repealed

Rule 17(b)  Repealed

Rule 17(c)  Repealed

Rule 18  Repealed
(Non-Service-Connected Disability Retirement Clarified June 20, 1980; amended January 21, 1983; repealed March 16, 2007)

Rule 19  Repealed

Rule 19(a)  Repealed

Rule 20  Repealed
(Enrollment Procedures adopted June 17, 1964, repealed by renumbering to Division 3, Rule 3.20 April 17, 2009)

Rule 20(a)  Repealed
(Enrollment - Procedures: 1981 Pension Plan adopted January 21, 1983; repealed April 17, 2009)

Rule 21  Repealed
Rule 22  Repealed
(Additional Contributions** repealed by renumbering to Division 8, Rule 8.00, July 22, 1994)

Rule 23  Repealed
(Retirement Benefits for Part-Time Employees repealed by renumbering to Division 8, Rule 8.10, July 22, 1994)

Rule 24  Repealed
(Normal Retirement Age repealed by renumbering to Division 8, Rule 8.60, July 22, 1994)

Rule 25  Repealed
(Final Compensation amended September 19, 1975; repealed February 17, 2006)

Rule 26  Repealed
(Transfer of Deceased Member’s Contributions repealed by renumbering to Division 8, Rule 8.20, July 22, 1994)

Rule 27  Repealed
(Transfer of Employer Funds Between City and Port District repealed by renumbering to Division 8, Rule 8.30, July 22, 1994)

Rule 28  Repealed
(Crediting Annual Interest to Accounts repealed by renumbering to Division 8, Rule 8.40, July 22, 1994)

Rule 29  Repealed
(Contribution Rates for Re-Activated Members repealed by renumbering to Division 8, Rule 8.50, July 22, 1994)

Rule 30  Repealed
(Forfeiture of Retirement Funds repealed by renumbering to Division 8, Rule 8.70, July 22, 1994)

Rule 31  Repealed
(Board Implementation of Annual Supplemental Benefit, Program repealed July 18, 1986)

Rule 32  Repealed
(Preparation of Documents for Dissolution or Divorce Proceedings adopted August 16, 1985; repealed April 17, 2009)

Rule 33  Repealed
(13th Check Supplemental Account adopted September 19, 1986; repealed April 17, 2009)

**Rule 34** Repealed
(Policy for Granting Continuances for Disability Retirement Applications adopted August 16, 1991; amended April 7, 1997; repealed by renumbering to Division 15, Rule 15.170, May 19, 2000)

**Rule 35** Repealed
(One Hundred Percent (100%) Continuance Survivor Benefit repealed by renumbering to Division 5, Rule 5.30 April 17, 2009)

**Rule 36** Repealed
(Eligibility for Surviving Spouse Continuance adopted November 17 2008; repealed by renumbering to Division 5, Rule 5.20 April 17, 2009)
APPENDIX A
Member Contribution Rate
13. **Member Contributions**

Member contribution rates vary by age at time of entrance into SDCERS (§24.0201, §24.0301), and were recalculated following the experience study in 2020 based on the most recent changes to the actuarial assumptions as listed in Appendix B of this report, in accordance with the requirement in San Diego City Charter Section 143 for “substantially equal” employer and employee contributions. Table C-6 and Table C-7 contain the contribution rates by Plan.

### Table C-6

<table>
<thead>
<tr>
<th>Entry Age</th>
<th>Hired Before 7/1/2009</th>
<th>Hired On or After 7/1/2009</th>
<th>Entry Age</th>
<th>Hired Before 7/1/2009</th>
<th>Hired On or After 7/1/2009</th>
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### Table C-7

#### SDCERS - City of San Diego
Safety Member Contribution Rates

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*Note: The contribution rates are calculated based on the entry age and the date of hire.*
The employee contribution rates are the sum of four components, three of which are specified in the Municipal Code: a cost-of-living rate (§24.1506(a)), a surviving spouse rate (§24.0601), and, other than Police hired on or after August 2, 2012, a COL Annuity rate (§24.1506(b)). The fourth component is the “substantially equal” rate as defined in San Diego City Charter Section 143, which is 50% of the normal cost of accrued service retirement allowances, payable either immediately or deferred until a later age, when a member leaves employment via termination, disability, or service retirement. Since the cost-of-living rate funds the Member’s portion of the post-retirement cost-of-living benefit, the surviving spouse rate funds the Member’s portion of surviving spouse allowances, and the COL Annuity rate funds the COL Annuity, these benefits are not included in the calculation of the “substantially equal” rate.

All benefits not included in the components described above are paid for entirely by the City. Those benefits paid for entirely by the City include the refund of Member contributions for non-vested terminations, the portion of the disability allowance in excess of the earned service retirement (if any), the Annual Supplemental Benefit, the pre-retirement death benefit for non-vested Members, the pre-retirement industrial death benefit, and the post-retirement $2,000 lump sum benefit.

The assumptions used to calculate the employee contribution rates are the same as reported in this June 30, 2021 actuarial valuation report, with the exception of fully generational mortality improvement and any sex distinct assumptions. For the purpose of calculating employee rates for the General membership tiers, mortality tables were blended 60/40 between male and female members and 40/60 for male and female beneficiaries. In addition, a static mortality improvement projection was used to approximate fully generational mortality improvements. A projection to 2043 using the mortality improvement scale described in Appendix B was used. For the purpose of calculating employee rates for the Safety membership tiers, mortality tables were blended 90/10 between male and female members and 10/90 for male and female beneficiaries. In addition, a static mortality improvement projection was used to approximate fully generational mortality improvements. A projection to 2046 using the mortality improvement scale described in Appendix B was used.

Elected Officers (General) contribute 9.05% of total salary, regardless of entry age (§24.1703).
11. **Post-Retirement Cost-of-Living Benefit**

*General and Safety Members:*
Based on changes in Consumer Price Index, to a maximum of 2% per year (§1301).

12. **COL Annuity**

Actuarial equivalent of accumulated contributions in cost-of-living annuity account at time of retirement (§0300).

13. **Member Contributions**

Vary by age at time of entrance into SDCERS (§0200). While a significant portion of these contributions may be “offset,” such offsets are not directly reflected in either the employee contributions or related refund calculations. Rates include cost of providing spouse’s continuance, cost of providing COL Annuity, and cost of funding final one-year average in lieu of final three-year average (§0102, 0200, 0201).

For General and Safety Members hired prior to January 1, 2013, the current contribution rates have been in place since at least the 2004 valuation. Miscellaneous Plan Members hired prior to January 1, 2013, do not make contributions. For members hired on or after January 1, 2013, under the California Public Employees’ Pension Reform Act (PEPRA), Miscellaneous PEPRA Members and Safety PEPRA Members, the employee contribution rates were recalculated with the June 30, 2020 valuation. These rates will be effective July 1, 2021.

The employee contribution rates for Safety Members and Miscellaneous Members under PEPRA are determined based on 50/50 cost-sharing of the total normal cost rate (excluding the COL Annuity) at each entry age. In addition, the rates include the full expected cost of the Cost-of Living (COL) Annuity, which results in PEPRA Members paying more than half of the total normal cost rate. These rates are rounded to the nearest quarter of 1%. The COL Annuity contribution rate is equal to 20% of the sum of other employee contributions, in accordance with the plan document. Under the provisions of PEPRA, if the aggregate normal cost rate changes by more than 1% of payroll since the time the prior rates were established, then a recalculation of employee contribution rates is required.

A recalculation was not required with the June 30, 2021 valuation, for both Miscellaneous PEPRA Members and Safety PEPRA Members, since the aggregate normal cost rate for each group had not changed by more than 1% of payroll from the time the current employee contribution rates were established. Employee contribution rates were previously established with the June 30, 2020 valuation for both Miscellaneous and Safety Members under PEPRA.

The assumptions used to calculate the employee contribution rates for PEPRA members are the same as reported in this June 30, 2021 actuarial valuation, with the exception of fully generational mortality improvement and any sex distinct assumptions. For the purposes of calculating the Miscellaneous PEPRA Member rates, mortality tables were blended 60/40.
between male and female members and 40/60 for male and female beneficiaries. In addition, a static mortality improvement projection was used to approximate fully generational mortality improvements. A projection to 2054 using the mortality improvement scale described in Appendix B was used. For the purposes of calculating the Safety PEPRA Member rates, mortality tables were blended 90/10 between male and female members and 10/90 for male and female beneficiaries. In addition, a static mortality improvement projection was used to approximate fully generational mortality improvements. A projection to 2054 using the mortality improvement scale described in Appendix B was used.

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APPENDIX C – SUMMARY OF PLAN PROVISIONS

11. **Post-retirement Cost-of-Living Benefit**

   Based on changes in Consumer Price Index, to a maximum of 2% per year. (§1301)

12. **COL Annuity**

   Actuarial equivalent of accumulated contributions in cost-of-living annuity account at time of retirement. (§0300)

13. **Member Contributions**

   Vary by age at time of entrance into SDCERS (§0200). While a significant portion of these contributions may be “offset,” such offsets are not directly reflected in either the employee contributions or related refund calculations. Rates include cost of providing spouse’s continuance, cost of providing COL Annuity, and cost of funding final one-year average in lieu of final three-year average. (§0102, 0200, 0201)

   For members hired prior to January 1, 2013, the current contribution rates have been in place since at least the 2004 valuation. For members hired on or after January 1, 2013, under the California Public Employees’ Pension Reform Act (PEPRA), the employee contribution rates were recalculated with the June 30, 2020 valuation.

   The employee contribution rates for members under PEPRA are determined based on 50/50 cost-sharing of the total normal cost rate (excluding the COL Annuity) at each entry age. In addition, the rates include the full expected cost of the Cost-of-Living (COL) Annuity, which results in PEPRA Members paying more than half of the total normal cost rate. These rates are rounded to the nearest quarter of 1%. The COL Annuity contribution rate is equal to 20% of the sum of other employee contributions, in accordance with the plan document. Under the provisions of PEPRA, if the aggregate normal cost rate changes by more than 1% of payroll since the time the prior rates were established, then a recalculation of employee contribution rates is required. No recalculation was required with the June 30, 2021 valuation since the aggregate normal cost rate had not changed by more than 1% of payroll from the time the current employee contribution rates were established, with the June 30, 2020 valuation.

   The assumptions used to calculate the employee contribution rates for PEPRA members are the same as reported in this June 30, 2021 actuarial valuation, with the exception of fully generational mortality improvement and any sex distinct assumptions. For the purposes of calculating the PEPRA employee contribution rates, mortality tables were blended 60/40 between male and female members and 40/60 for male and female beneficiaries. In addition, a static mortality improvement projection was used to approximate fully generational mortality improvements. A projection to 2048 using the mortality improvement scale described in Appendix B was used.
### Table C-3

**SDCERS - Airport Authority**  
**Employee Contribution Rates**

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</table>
APPENDIX B

Actuarial Assumption
A. Actuarial Assumptions

The SDCERS Board has the authority to select economic and demographic assumptions for the Plan. The assumptions used in this report reflect the results of an experience study performed by Cheiron covering the period July 1, 2015 through June 30, 2019 and adopted by the SDCERS Board in July 2020.

1. Investment Return

SDCERS’ assets are assumed to earn 6.50% annually net of investment expenses.

2. Inflation Rate

An inflation assumption of 3.05% compounded annually is used for projecting the total annual payroll growth for amortization of the UAL (except for the City non-Police tiers, which is amortized in level dollar amounts).

3. Administrative Expense

Administrative expenses are assumed to be $11,582,500 for FY 2023 (assuming payment at the beginning of the year), increasing by 2.50% annually.

4. Interest Credited to Member Contributions

6.50%, compounded annually.

5. Cost-of-Living Increase in Benefits

Assumed to be 1.9% per annum, compounded.

6. COL Annuity Benefit

For both active and terminated vested Members, the actuarial liability for the COL annuity benefit is valued by adding one-sixth of accumulated member contribution accounts. For active Members, the normal cost of the COL annuity benefit is equal to one-sixth of the employee contribution rate.

Members under the Elected, Police 2012 No COL Plan, and Police Prop B Plan do not receive a COL annuity benefit.
7. Member Refunds

All, or part, of the employee contribution rate is subject to potential “offset” by the employer. That “offset” and the related accumulated interest are not to be refunded to employees at termination. However, such offsets are not directly reflected in either the employee contributions or related refund calculations.

100% of non-vested and 0% of vested deferred Members are assumed to elect a refund of Member contributions at termination.

8. Salary Increase Rate

Salary inflation and merit increases are compounded rather than additive.

Inflation component: 3.05% (Freezes were assumed for FYs 2013 - 2018).

City Safety Police: Additional 5.00% upon attaining 20 years of service.

The additional merit component:

<table>
<thead>
<tr>
<th>Years of Service at Valuation</th>
<th>City</th>
<th>City Safety</th>
<th>City Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>General</td>
<td>Non-Police</td>
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<td>0</td>
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<td>5.00%</td>
</tr>
<tr>
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<td>3.00%</td>
</tr>
<tr>
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</tr>
<tr>
<td>15+</td>
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</table>
9. **Rates of Termination**

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<tr>
<th>Service</th>
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<tbody>
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</tr>
<tr>
<td>15+</td>
<td>2.50</td>
<td>1.00</td>
</tr>
</tbody>
</table>

20% of terminating employees, with 10+ years of service at termination (4+ years of service for Elected), are assumed to subsequently work for a reciprocal employer and receive 3.05% salary inflation increases per year.

No terminations are assumed once retirement eligible.
10. Rates of Disability

<table>
<thead>
<tr>
<th>Age</th>
<th>General</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
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<tr>
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<td>0.20</td>
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</tr>
</tbody>
</table>

Table B-3
SDCERS - City of San Diego
Rates of Disability at Selected Ages

75% of the General and Elected disabilities and 90% of the Safety disabilities are assumed to be industrial disability retirements. Non-industrial disability retirement is subject to a service requirement.

11. Rates of Mortality for Active Lives

Mortality rates for General active members are based on the sex distinct 2010 SOA Public General Employees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Mortality rates for Safety active members are based on the sex distinct 2010 SOA Public Safety Employees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Projection Scale MP-2019 was modified using the Society of Actuaries’ model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.

25% of active member deaths are assumed to be industrial deaths for Safety Members and all active member deaths are assumed to be non-industrial deaths for other Members.
12. **Rates of Mortality for Retired Healthy Lives & Terminated Vested Members**

Mortality rates for General healthy annuitants and beneficiaries are based on the sex distinct 2010 SOA Public General Healthy Retirees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Mortality rates for Safety healthy annuitants and beneficiaries are based on the sex distinct 2010 SOA Public Safety Healthy Retirees Amount-Weighted Mortality Table, adjusted by 90% for males and no adjustment for females, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Projection Scale MP-2019 was modified using the Society of Actuaries’ model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.

13. **Rates of Mortality for Retired Disabled Lives**

Mortality rates for General disabled annuitants are based on the sex distinct CalPERS Industrial Related Disability Retirees Mortality Table from the CalPERS December 2017 experience study, without adjustment, with generational mortality improvements projected from 2013 using a variation of Projection Scale MP-2019.

Mortality rates for Safety disabled annuitants are based on the sex distinct 2010 SOA Public Safety Disabled Retirees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Projection Scale MP-2019 was modified using the Society of Actuaries’ model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.
14. Rates of Retirement

Rates of Retirement for City General and City Safety are shown in the table below. Retirement rates include both service retirements and entry into DROP.

<table>
<thead>
<tr>
<th>Age</th>
<th>General - Old Plan</th>
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<th>Elected Officials</th>
<th>Safety - All Plans</th>
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<td>70+</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
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</tbody>
</table>

For terminated vested members, we assume that retirement will occur provided they have at least 10 years of service on the later of attained age or:

General Members: Earlier of age 62 or age 55 and 20+ years of service.
General 2009 Members: Age 65.
Safety Members: Earlier of age 55 or age 50 and 20+ years of service.

For terminated vested City Elected Officials, we assume that retirement will occur provided they have at least four years of service on the later of attained age or the earlier of age 55 or age 53 and at least eight years of service.

If the inactive participant is not vested, the liability is the participant’s contributions with interest.
15. Family Composition

80% of men and 55% of women were assumed married at retirement. A female spouse is assumed to be three years younger than her male spouse.

16. Member Contributions for Spousal Continuance

All active Members contribute towards a 50% survivor continuance. However, Members who are unmarried at retirement may either be refunded that specific part of their contributions, or they may leave such contributions on account and receive an incremental benefit that is the actuarial equivalent of such contributions.

17. Deferred Member Benefit

The benefit was estimated based on information provided by SDCERS staff. The data used to value the estimated deferred benefit were date of birth, date of hire, date of termination, and last pay. Based on the data provided, service credit, highest average salary, and deferred retirement age were estimated. The estimates were used to compute the retirement benefit, upon which the liabilities are based. For those participants without sufficient data or service, accumulated participant contribution balances, with interest, were used as the actuarial liability.

18. DROP Account Balances

For DROP participants still working, the liability for the account balances in the asset information received from SDCERS staff was adjusted to assume average commencement in 2½ years and an interest crediting rate of 0.8%. Thereafter, it was assumed the account balance would be converted to an annuity at an interest rate of 2.1% over an average period of 10 years. The 10-year period was selected to average among the available DROP payment elections, including a lump sum, life expectancy, and 20 years. The liability for pre-2006 DROP account balances still left on account was valued assuming they would be paid out until age 72, with an interest crediting rate of 0.8%. The liability for the remaining account balances was adjusted based on the DROP annuity rate in effect at the Member’s benefit effective date.

These adjustments are applied to the DROP account balance values provided in the financial statements. The account balance liability is allocated to each individual Tier (e.g., General) based on the total amount of the DROP account balances for that Tier in the valuation data.
19. Other

The contribution requirements and benefit values of a plan are calculated by applying actuarial assumptions to the benefit provisions and Member information furnished, using the actuarial funding methods described in this report.

Actual experience of SDCERS will not coincide exactly with assumed experiences, regardless of the choice of the assumptions, the skill of the actuary, or the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution. From time to time, it becomes appropriate to modify one or more of the assumptions to reflect experience trends, but not random year-to-year fluctuations.

20. Changes Since Last Valuation

Effective January 1, 2022, the DROP interest crediting rate used to value the liability for account balances decreased from 1.0%, to 0.8% reflect the Board’s adoption of these rates at the November 2021 meeting.

B. Actuarial Methods

1. Actuarial Funding Method

The Entry Age Normal funding method was used for active employees, whereby the normal cost rate is computed as the average level annual percent of pay required to fund the retirement benefits for all Members between their dates of hire and assumed dates of retirement. The EAN actuarial liability is the difference between the Plan’s total present value of future benefits and the present value of future normal costs, calculated for each sub-group (e.g., General). The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets and is allocated to each sub-group based on its liability.

The unfunded actuarial liability is amortized by annual payments. For the non-Police portion of the Plan, the UAL payments are determined as level dollar amounts. For the Police portion of the Plan, the payments are determined as a level percentage of pay, assuming payroll increases of 3.05% per year. The UAL is amortized over various closed periods. The UAL as of June 30, 2007 is amortized over 20 years. Subsequent gains and losses are amortized over 15 years. Changes in assumptions and methods were being amortized over 30 years and are being amortized over 20 years as of June 30, 2019. Changes in benefits are amortized over five years. The non-Police portion of the UAL as of June 30, 2012, is amortized over 15 years. Funding surplus, if any, is amortized over 30 years.
APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Effective with the June 30, 2017 valuation, the remaining balances of the 2009 experience loss and 2012 non-Police UAL were re-amortized using a 5-year layering approach, in which one-fifth of the remaining balance continues to be amortized over the same period, while each additional one-fifth is amortized over an additional year. For details, see Table V-2.

In January 2019, the Board adopted a UAL contribution floor amortization method, setting a minimum of $275,495,017 on the UAL payment until the Plan achieves a 100% funding ratio. This UAL payment floor was based on the Fiscal Year 2020 amortization payment as determined by the results of the June 30, 2018 actuarial valuation.

Finally, if necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.

Expected administrative expenses are included in the actuarially determined contribution (ADC). The administrative expense component is $11,582,500 for FY 2023 (assuming payment at the beginning of the year). This amount is assumed to increase by 2.5% per year.

2. Asset Valuation Method

For the purposes of determining the City of San Diego’s actuarially determined contribution to SDCERS, we use a smoothed actuarial value of assets. The asset smoothing method dampens the volatility in asset values that could occur because of the fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process. Assets are assumed to be used exclusively for the provision of retirement benefits and expenses.

The actuarial value of assets is equal to 100% of the expected actuarial value of assets\(^*\) plus 25% of the difference between the current market value of assets and the expected actuarial value of assets. In no event will the actuarial value of assets ever be less than 80% of the market value of assets nor greater than 120% of the market value of assets.

3. ASOP 56 – Modeling

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

\[ \text{The expected actuarial value of assets is equal to the prior year's actuarial value of assets increased with actual contributions made, decreased with actual disbursements made, all items (prior assets, contributions, and disbursements) further adjusted with expected investment returns for the year.} \]
Deterministic projections in this valuation report were developed using P-Scan, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the Plan. P-Scan uses standard roll-forward techniques that implicitly assume a stable active population. Because P-Scan does not automatically capture how changes in one variable affect all other variables, some scenarios may not be consistent.

4. **Changes Since Last Valuation**

None.
A. Actuarial Assumptions

The SDCERS Board has the authority to select economic and demographic assumptions for the Plan. The assumptions used in this report reflect the results of an experience study performed by Cheiron covering the period July 1, 2015 through June 30, 2019 and adopted by the SDCERS Board in July 2020.

1. Investment Return

SDCERS’ assets are assumed to earn 6.50% annually net of investment expenses.

2. Inflation Rate

An inflation assumption of 3.05% compounded annually is used for projecting the total annual payroll growth for amortization of the UAL.

This assumption of 3.05% is also used for increasing the compensation limit that applied to PEPRA Members.

3. Administrative Expense

Administrative expenses are assumed to be $727,750 for FY 2023 (assuming payment at the beginning of the year), increasing by 2.50% annually.

4. Interest Credited to Member Contributions

6.50%, compounded annually.

5. Cost-of-Living Increase in Benefits

Assumed to be 1.9% per annum, compounded.

6. COL Annuity Benefit

For both active and terminated vested Members, the actuarial liability for the COL annuity benefit is valued by adding one-sixth of accumulated member contribution accounts. For active Members, a 2.5% load is applied on the normal cost for future member contributions. For PEPRA Members, the normal cost of the COL annuity benefit is equal to one-sixth of the employee contribution rate.

Members of the Miscellaneous General Plan who are not New Members under PEPRA do not make contributions towards the COL annuity benefit.
7. **Member Refunds**

All or part of the employee contribution rate is subject to potential “offset” by the employer. That “offset” and the related accumulated interest are not to be refunded to employees at termination. However, such offsets are not directly reflected in either the employee contributions or related refund calculations.

100% of non-vested and 0% of vested deferred Members are assumed to elect a refund of Member contributions at termination.

8. **Salary Increase Rate**

Salary inflation and merit increases are compounded rather than additive.

Inflation component: 3.05%

The additional merit component:

<table>
<thead>
<tr>
<th>Years of Service at Valuation Date</th>
<th>Port District General</th>
<th>Port District Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>5.00%</td>
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<td>1</td>
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<td>3.00%</td>
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<td>4.00%</td>
</tr>
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</tr>
<tr>
<td>5+</td>
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</table>
9. Rates of Termination

<table>
<thead>
<tr>
<th>Service</th>
<th>General</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>11.00%</td>
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</tr>
<tr>
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<tr>
<td>14</td>
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</tr>
<tr>
<td>15+</td>
<td>3.00</td>
<td>2.50</td>
</tr>
</tbody>
</table>

10% of terminating employees, with 5+ years of service at termination (10+ years of service if terminated prior to December 31, 2002), are assumed to subsequently work for a reciprocal employer and receive 3.05% salary inflation increases per year.

No terminations are assumed once retirement eligible.
APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

10. Rates of Disability

<table>
<thead>
<tr>
<th>Age</th>
<th>General</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>0.01%</td>
<td>0.15%</td>
</tr>
<tr>
<td>25</td>
<td>0.02</td>
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</tr>
<tr>
<td>60</td>
<td>0.20</td>
<td>--</td>
</tr>
</tbody>
</table>

75% of the General disabilities and 90% of the Safety disabilities are assumed to be industrial disability retirements. Non-industrial disability retirement is subject to a service requirement.

11. Rates of Mortality for Active Lives

Mortality rates for General active members are based on the sex distinct 2010 SOA Public General Employees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-.

Mortality rates for Safety active members are based on the sex distinct 2010 SOA Public Safety Employees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Projection Scale MP-2019 was modified using the Society of Actuaries’ model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.

25% of active member deaths are assumed to be industrial deaths for Safety Members and all active member deaths are assumed to be non-industrial deaths for other Members.
12. **Rates of Mortality for Retired Healthy Lives & Terminated Vested Members**

Mortality rates for General healthy annuitants and beneficiaries are based on the sex distinct 2010 SOA Public General Healthy Retirees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Mortality rates for Safety healthy annuitants and beneficiaries are based on the sex distinct 2010 SOA Public Safety Healthy Retirees Amount-Weighted Mortality Table, adjusted by 90% for males and no adjustment for females, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Projection Scale MP-2020 was modified using the Society of Actuaries’ model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.

13. **Rates of Mortality for Retired Disabled Lives**

Mortality rates for General disabled annuitants are based on the sex distinct CalPERS Industrial Related Disability Retirees Mortality Table from the CalPERS December 2017 experience study, without adjustment, with generational mortality improvements projected from 2013 using a variation of Projection Scale MP-2019.

Mortality rates for Safety disabled annuitants are based on the sex distinct 2010 SOA Public Safety Disabled Retirees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Projection Scale MP-2019 was modified using the Society of Actuaries’ model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.
14. Rates of Retirement

Rates of Retirement are shown in the table below. Retirement rates include both service retirements and entry into DROP.

<table>
<thead>
<tr>
<th>Age</th>
<th>General Plans</th>
<th>Safety Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Service &lt; 20</td>
<td>Service 20+</td>
</tr>
<tr>
<td>50</td>
<td>--</td>
<td>30%</td>
</tr>
<tr>
<td>51</td>
<td>--</td>
<td>25</td>
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<td>52</td>
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<td>54</td>
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<td>25</td>
</tr>
<tr>
<td>55</td>
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<td>35%</td>
</tr>
<tr>
<td>56</td>
<td>--</td>
<td>25</td>
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<tr>
<td>57</td>
<td>--</td>
<td>25</td>
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<tr>
<td>58</td>
<td>--</td>
<td>25</td>
</tr>
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<td>59</td>
<td>--</td>
<td>35</td>
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<tr>
<td>60</td>
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<tr>
<td>61</td>
<td>--</td>
<td>50</td>
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<tr>
<td>62</td>
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<td>63</td>
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<td>55</td>
</tr>
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<td>64</td>
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<tr>
<td>65</td>
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<tr>
<td>66</td>
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</tr>
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<td>67</td>
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</tr>
<tr>
<td>69</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>70+</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

For terminated vested members, we assume that retirement will occur provided they have at least five years of service (at least 10 years of service if terminated prior to December 31, 2002) on the later of attained age or:

General Members: Earlier of age 62 or age 55 and 20+ years of service.

Safety Members: For those hired before January 1, 2010, earlier of age 55 or age 50 and 20+ years of service. For those hired on or after January 1, 2010, earlier of age 55 or any age and 30+ years of service. For PEPRA Members, age 50 and 5 years of service.

If the inactive participant is not vested, the liability is the participant’s contributions with interest.
15. **Family Composition**

80% of men and 55% of women were assumed married at retirement. A female spouse is assumed to be three years younger than her male spouse.

16. **Member Contributions for Spousal Continuance**

Active Members, except Miscellaneous General Members, contribute towards a 50% survivor continuance. However, Members who are unmarried at retirement may either be refunded that specific part of their contributions, or they may leave such contributions on account and receive an incremental benefit that is the actuarial equivalent of such contributions. For Members of the Miscellaneous General Plan the survivor continuance is funded by the Port District.

17. **Deferred Member Benefit**

The benefit was estimated based on information provided by SDCERS staff. The data used to value the estimated deferred benefit were date of birth, date of hire, date of termination, and last pay. Based on the data provided, service credit, highest average salary, and deferred retirement age were estimated. The estimates were used to compute the retirement benefit, upon which the liabilities are based. For those participants without sufficient data or service, accumulated participant contribution balances, with interest, were used as the actuarial liability.

18. **DROP Account Balances**

For DROP participants still working, the liability for the account balances in the asset information received from SDCERS staff was adjusted to assume average commencement in 2½ years and an interest crediting rate of 0.8%. Thereafter, it was assumed the account balance would be converted to an annuity at an interest rate of 2.1% over an average period of 10 years. The 10-year period was selected to average among the available DROP payment elections, including a lump sum, life expectancy, and 20 years. The liability for pre-2006 DROP account balances still left on account was valued assuming they would be paid out until age 72, with an interest crediting rate of 0.8%. The liability for the remaining account balances was adjusted based on the DROP annuity rate in effect at the Member’s benefit effective date.

These adjustments are applied to the DROP account balance values provided in the financial statements. The account balance liability is allocated to each individual Tier (e.g., General) based on the total amount of the DROP account balances for that Tier in the valuation data.
A. Actuarial Assumptions

The SDCERS Board has the authority to select economic and demographic assumptions for the Plan. The assumptions used in this report reflect the results of an experience study performed by Cheiron covering the period July 1, 2015 through June 30, 2019 and adopted by the SDCERS Board in July 2020.

1. **Investment Return**

   SDCERS’ assets are assumed to earn 6.50% annually net of investment expenses.

2. **Inflation Rate**

   An inflation assumption of 3.05% compounded annually is used for projecting the total annual payroll growth for amortization of the UAL.

   This assumption of 3.05% is also used for increasing the compensation limit that applied to PEPRA Members.

3. **Administrative Expense**

   Administrative expenses are assumed to be $379,250 for FY 2023 (assuming payment at the beginning of the year), increasing by 2.50% annually.

4. **Interest Credited to Member Contributions**

   6.50%, compounded annually.

5. **Cost-of-Living Increase in Benefits**

   Assumed to be 1.9% per annum, compounded.

6. **COL Annuity Benefit**

   For both active and terminated vested Members, the actuarial liability for the COL annuity benefit is valued by adding one-sixth of accumulated member contribution accounts. For active Members, a 2.5% load is applied on the normal cost for future member contributions. For PEPRA Members, the normal cost of the COL annuity benefit is equal to one-sixth of the employee contribution rate.
7. **Member Refunds**

All or part of the employee contribution rate is subject to potential “offset” by the employer. That “offset” and the related accumulated interest are not to be refunded to employees at termination. However, such offsets are not directly reflected in either the employee contributions or related refund calculations.

100% of non-vested and 0% of vested deferred Members are assumed to elect a refund of Member contributions at termination.

8. **Salary Increase Rate**

Salary inflation and merit increases are compounded rather than additive.

Inflation component: 3.05%

The additional merit component:

<table>
<thead>
<tr>
<th>Years of Service at Valuation Date</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>5.00%</td>
</tr>
<tr>
<td>1</td>
<td>4.00%</td>
</tr>
<tr>
<td>2</td>
<td>3.00%</td>
</tr>
<tr>
<td>3</td>
<td>2.00%</td>
</tr>
<tr>
<td>4</td>
<td>1.00%</td>
</tr>
<tr>
<td>5+</td>
<td>0.50%</td>
</tr>
</tbody>
</table>
9. Rates of Termination

<table>
<thead>
<tr>
<th>Service</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>16.00%</td>
</tr>
<tr>
<td>1</td>
<td>14.00</td>
</tr>
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<td>2</td>
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<td>14</td>
<td>3.00</td>
</tr>
<tr>
<td>15+</td>
<td>2.00</td>
</tr>
</tbody>
</table>

10% of terminating employees, with 5+ years of service at termination, are assumed to subsequently work for a reciprocal employer and receive 3.05% salary inflation increases per year.

No terminations are assumed once retirement eligible.
10. Rates of Disability

<table>
<thead>
<tr>
<th>Age</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>0.01%</td>
</tr>
<tr>
<td>25</td>
<td>0.02</td>
</tr>
<tr>
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</tr>
<tr>
<td>50</td>
<td>0.10</td>
</tr>
<tr>
<td>55</td>
<td>0.20</td>
</tr>
<tr>
<td>60</td>
<td>0.20</td>
</tr>
</tbody>
</table>

75% of the disabilities are assumed to be industrial disability retirements. Non-industrial disability retirement is subject to a service requirement.

11. Rates of Mortality for Active Lives

Mortality rates for active members are based on the sex distinct 2010 SOA Public General Employees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Projection Scale MP-2019 was modified using the Society of Actuaries’ model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.

All active Member deaths are assumed to be non-industrial.
12. Rates of Mortality for Retired Healthy Lives & Terminated Vested Members

Mortality rates for healthy annuitants and beneficiaries are based on the sex distinct 2010 SOA Public General Healthy Retirees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Projection Scale MP-2019 was modified using the Society of Actuaries’ model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.

13. Rates of Mortality for Retired Disabled Lives

Mortality rates for disabled annuitants are based on the sex distinct CalPERS Industrial Related Disability Retirees Mortality Table from the CalPERS December 2017 experience study, without adjustment, with generational mortality improvements projected from 2013 using a variation of Projection Scale MP-2019.

Projection Scale MP-2019 was modified using the Society of Actuaries’ model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.
14. Rates of Retirement

Rates of Retirement are shown in the table below. Retirement rates include both service retirements and entry into DROP.

<table>
<thead>
<tr>
<th>Age</th>
<th>Service &lt; 20</th>
<th>Service 20+</th>
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<tbody>
<tr>
<td>52</td>
<td>25.0%</td>
<td>50.0%</td>
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<tr>
<td>53</td>
<td>25.0</td>
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<tr>
<td>54</td>
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</tr>
<tr>
<td>69</td>
<td>25.0</td>
<td>100.0</td>
</tr>
<tr>
<td>70+</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

For terminated vested members, we assume that retirement will occur provided they have at least five years of service on the later of attained age or:

- General Members: Earlier of age 62 or age 55 and 20+ years of service.
- PEPRA Members: Age 52

If the inactive participant is not vested, the liability is the participant’s contributions with interest.
15. Family Composition

80% of men and 55% of women were assumed married at retirement. A female spouse is assumed to be three years younger than her male spouse.

16. Member Contributions for Spousal Continuance

All active Members contribute towards a 50% survivor continuance. However, Members who are unmarried at retirement may either be refunded that specific part of their contributions, or they may leave such contributions on account and receive an incremental benefit that is the actuarial equivalent of such contributions.

17. Deferred Member Benefit

The benefit was estimated based on information provided by SDCERS staff. The data used to value the estimated deferred benefit were date of birth, date of hire, date of termination, and last pay. Based on the data provided, service credit, highest average salary, and deferred retirement age were estimated. The estimates were used to compute the retirement benefit, upon which the liabilities are based. For those participants without sufficient data or service, accumulated participant contribution balances, with interest, were used as the actuarial liability.

18. DROP Account Balances

For DROP participants still working, the liability for the account balances in the asset information received from SDCERS staff was adjusted to assume average commencement in 2½ years and an interest crediting rate of 0.8%. Thereafter, it was assumed the account balance would be converted to an annuity at an interest rate of 2.1% over an average period of 10 years. The 10-year period was selected to average among the available DROP payment elections, including a lump sum, life expectancy, and 20 years. The liability for pre-2006 DROP account balances still left on account was valued assuming they would be paid out until age 72, with an interest crediting rate of 0.8%. The liability for the remaining account balances was adjusted based on the DROP annuity rate in effect at the Member’s benefit effective date.

These adjustments are applied to the DROP account balance values provided in the financial statements. The account balance liability is allocated to each individual Tier (e.g., General) based on the total amount of the DROP account balances for that Tier in the valuation data.
19. Other

The contribution requirements and benefit values of a plan are calculated by applying actuarial assumptions to the benefit provisions and Member information furnished, using the actuarial funding methods described in this report.

Actual experience of SDCERS will not coincide exactly with assumed experiences, regardless of the choice of the assumptions, the skill of the actuary, or the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution rate. From time to time, it becomes appropriate to modify one or more of the assumptions to reflect experience trends, but not random year-to-year fluctuations.

20. Changes Since Last Valuation

Effective January 1, 2022, the DROP interest crediting rate used to value the liability for account balances decreased from 1.0%, to 0.8% reflect the Board’s adoption of these rates at the November 2021 meeting.

B. Actuarial Methods

1. Actuarial Funding Method

The Entry Age Normal funding method was used for active employees, whereby the normal cost rate is computed as the average level annual percent of pay required to fund the retirement benefits for all Members between their dates of hire and assumed dates of retirement. The EAN actuarial liability is the difference between the Plan’s total present value of future benefits and the present value of future normal costs, calculated for each sub-group (e.g., General). The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets and is allocated to each sub-group based on its liability.

The unfunded actuarial liability is amortized by annual payments. The payments are determined so that they will be a level percentage of pay, assuming payroll increases of 3.05% per year. The UAL is amortized over different closed periods depending on the source of the loss. The entire UAL as of June 30, 2007 is amortized over 14 years and is fully amortized as of July 1, 2021. Subsequent gains and losses are amortized over 15 years. Changes in assumptions and methods were being amortized over 30 years and are being amortized over 20 years as of June 30, 2019. Changes in benefits are amortized over 20 years (or period over which benefit changes are paid, if shorter). Funding surplus, if any, is amortized over 30 years. Finally, if necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.
Expected administrative expenses are included in the actuarially determined contribution (ADC). The administrative expense component is $379,250 for FY 2023 (assuming payment at the beginning of the year). This amount is assumed to increase by 2.5% per year.

2. Asset Valuation Method

For the purposes of determining the Airport Authority’s actuarially determined contribution to SDCERS, we use a smoothed actuarial value of assets. The asset smoothing method dampens the volatility in asset values that could occur because of the fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process. Assets are assumed to be used exclusively for the use of retirement benefits and expenses.

The actuarial value of assets each year is equal to 100% of the expected actuarial value of assets* plus 25% of the difference between the current market value of assets and the expected actuarial value of assets. In no event will the actuarial value of assets ever be less than 80% of the market value of assets nor greater than 120% of the market value of assets.

3. ASOP 56 - Modeling

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Deterministic projections in this valuation report were developed using P-Scan, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the Plan. P-Scan uses standard roll-forward techniques that implicitly assume a stable active population. Because P-Scan does not automatically capture how changes in one variable affect all other variables, some scenarios may not be consistent.

4. Changes Since Last Valuation

None.

* The expected actuarial value of assets is equal to the prior year’s actuarial value of assets increased with actual contributions made, decreased with actual disbursements made, all items (prior assets, contributions, and disbursements) further adjusted with expected investment returns for the year.
APPENDIX C

Applicable Mortality Tables and Assumptions for Determining Actuarial Equivalence and Other Benefits
APPENDIX C
MORTALITY TABLES AND INTEREST RATES FOR CALCULATION OF BENEFITS
UNDER RULE 2.90

a. Mortality Tables. For FY 1989 through 2012, based upon the advice of SDCERS’ actuary, the Board has adopted and relied upon the following mortality tables for each of its plan sponsors to calculate benefits under Rule 2.90.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Mortality Tables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>City</td>
</tr>
<tr>
<td>1989</td>
<td>71GAM*</td>
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*GAM = Group Annuity Mortality
**GAR = Group Annuity Reserve
Effective November 2, 2012, the Board has adopted the following mortality tables for each of its plan sponsors to calculate benefits under Rule 2.90.

i. Healthy General Members: RP-2000 Combined Healthy, blended 50/50 between male and female rates

ii. Healthy Safety Members: RP-2000 Combined Healthy with a one-year set forward for females, blended 90/10 between male and female rates

iii. Disabled General Members: Variations of the CALPERS Disability Tables, as specified in Table B-6 of the June 30, 2011 actuarial valuation report, blended 50/50 between male and female rates

iv. Disabled Safety Members: Variations of the CALPERS Disability Tables, as specified in Table B-6 of the June 30, 2011 actuarial valuation report, blended 90/10 between male and female rates

v. General Beneficiaries: RP-2000 Combined Healthy, blended 50/50 between male and female rates

vi. Safety Beneficiaries: RP-2000 Combined Healthy with a one-year set forward for females, blended 10/90 between male and female rates

Effective July 1, 2017, the Board has adopted the following mortality tables for each of its plan sponsors to calculate benefits under Rule 2.90.

1) Healthy Members: Post-Retirement Healthy Mortality Table from CalPERS 2014 Experience Study, 10% increase to female base rates, projected 20 years using a variation of Scale MP-2015. Rates are blended between male and female rates (50/50 for General and 90/10 for Safety).

2) Disabled Members: Work-Related Disability Mortality Table from CalPERS 2014 Experience Study, projected 20 years using a variation of Scale MP-2015. Rates are blended between male and female rates (50/50 for General and 90/10 for Safety).

3) Beneficiaries: Post-Retirement Healthy Mortality Table from CalPERS 2014 Experience Study, 10% increase to female base rates, projected 20 years using a variation of Scale MP-2015. Rates are blended between male and female rates (50/50 for General and 10/90 for Safety).

Effective July 1, 2021 through June 30, 2024, the Board has adopted the following mortality tables for each of its plan sponsors to calculate benefits under Rule 2.90.

1) Healthy General Members: 2010 SOA Public General Healthy Retirees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019. Mortality rates are blended 60/40 between male and female rates. Factors assume ages are attained in 2023 (the central applicable year for the projection).
2) Healthy Safety Members: 2010 SOA Public Safety Healthy Retirees Amount-Weighted Mortality Table, adjusted by 90% for males and no adjustment for females, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019. Mortality rates are blended 90/10 between male and female rates. Factors assume ages are attained in 2023 (the central applicable year for factors).

3) Disabled General Members: CalPERS Industrial Related Disability Retirees Mortality Table from the CalPERS December 2017 experience study, without adjustment, with generational mortality improvements projected from 2013 using a variation of Projection Scale MP-2019. Mortality rates are blended 60/40 between male and female rates. Factors assume ages are attained in 2023 (the central applicable year for factors).

4) Disabled Safety Members: 2010 SOA Public Safety Disabled Retirees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019. Mortality rates are blended 90/10 between male and female rates. Factors assume ages are attained in 2023 (the central applicable year for factors).

5) General Beneficiaries: 2010 SOA Public General Healthy Retirees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019. Mortality rates are blended 40/60 between male and female rates. Factors assume ages are attained in 2023 (the central applicable year for factors).

6) Safety Beneficiaries: 2010 SOA Public Safety Healthy Retirees Amount-Weighted Mortality Table, adjusted by 90% for males and no adjustment for females, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019. Mortality rates are blended 10/90 between male and female rates. Factors assume ages are attained in 2023 (the central applicable year for factors).

Projection Scale MP-2019 was modified using the Society of Actuaries’ model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.
b. **Interest Rates.** The Board has adopted the following interest rates for each of its plan sponsors to calculate benefits under Rule 2.90.

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<tr>
<th>Year</th>
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<tr>
<td>Nov. 2, 2012</td>
<td>7.50%</td>
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<tr>
<td>FY 2014-2016</td>
<td>7.50%</td>
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<tr>
<td>FY 2017</td>
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<tr>
<td>FY 2023</td>
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