SDCERS’ Board of Administration Welcomed New President and Vice President in 2022

After many years of service, longtime Board Member and previous Board President Carina Coleman left SDCERS’ Board earlier this year. At the May Board meeting, Paul Kaufmann (formerly Board Vice President) was unanimously elected to assume the position of Board President. Mr. Kaufmann currently serves on SDCERS’ Business & Governance Committee as well, and previously served on SDCERS’ Audit Committee for many years. At the Board’s July meeting, Investment Committee Member Lisa Marie Harris became SDCERS’ newest Vice President, also by unanimous approval. On behalf of SDCERS’ Board and staff, we welcome our new leaders and thank them for their voluntary service.

2022 Annual Member Statements

Every summer, all SDCERS Members who have not yet retired or entered DROP receive an Annual Member Statement in the mail. The purpose of this mailing is to provide you with updated information about your SDCERS account according to current data in our records. This annual communication also gives you the opportunity to correct any outdated or incorrect information listed in our records – the most important being your beneficiary designations. When you receive your Annual Member Statement this year, be sure to review the “Beneficiary Information” section at the bottom. If this section is blank, or if any of the beneficiaries listed in this section need to be updated or removed, including their “Relationship” classification (e.g., from spouse to ex-spouse), please update your beneficiary designations as soon as possible. You can do this by logging in to your Member Portal account via the SDCERS website, or by calling SDCERS and requesting a Change of Beneficiary Designation form.

MEMBER PORTAL

If you have not already done so, please register on the SDCERS Member Portal, where you can utilize retirement planning tools, update beneficiaries, and access important retirement-related documents.
Fiscal Year 2023 Cost of Living Adjustment ("COLA")

All SDCERS members who entered DROP or retired before July 1, 2022 received a COLA for fiscal year 2023. The increase was applied to each eligible retiree’s monthly pension benefit, beginning with their July 2022 payment. Per San Diego Municipal Code section 24.1505 and section 1301 of the Port and Airport Plans, the COLA is calculated every year based on the change in the cost of living between the two previous December, as published by the Bureau of Labor Statistics’ Consumer Price Index ("CPI"), United States – All items. However, the maximum allowable increase in any given year is 2.0%.

In years where the COLA is greater than the maximum 2.0% (such as this year), the amount over 2% is added to what is called a “COLA bank.” A retiree’s COLA bank accumulates based on their fiscal year of retirement (or DROP entry), and each annual retiree group has its own COLA bank. In years that the CPI’s published COLA is less than 2%, each retiree group’s COLA bank may be able to increase the actual COLA received by the retiree up to a maximum of 2%, if that retiree group’s COLA bank has accrued enough funds from previous years where the published COLA was greater than 2%.

According to the CPI, the change in cost of living between December 31, 2020 and December 31, 2021 was 7.0% (rounded to the nearest 1/10th of a percent). This means that everyone who was retired or participating in DROP as of June 30, 2022 received the maximum 2% COLA increase to their pension benefit, and banked the additional 5.0%.

This is significant because that means these retirees are guaranteed to receive a 2% COLA in fiscal years 2024 and 2025, at the very least (assuming we do not experience a negative COLA in either year). Let’s look at a hypothetical scenario to really see the significance: If Sam Diego retired or entered DROP in June of 2022 and his initial monthly pension benefit was $2,000:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Published COLA</th>
<th>Applied COLA</th>
<th>Increased Monthly Pension Benefit</th>
<th>Increased Annual Pension Benefit</th>
<th>Remaining COLA Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>7.0%</td>
<td>2.0%</td>
<td>$2,040</td>
<td>$24,480</td>
<td>5.0%</td>
</tr>
<tr>
<td>2024</td>
<td>1.8%</td>
<td>2.0%</td>
<td>$2,081</td>
<td>$24,972</td>
<td>4.8%</td>
</tr>
<tr>
<td>2025</td>
<td>1.7%</td>
<td>2.0%</td>
<td>$2,122</td>
<td>$25,464</td>
<td>4.5%</td>
</tr>
<tr>
<td>2026</td>
<td>1.4%</td>
<td>2.0%</td>
<td>$2,165</td>
<td>$25,980</td>
<td>3.9%</td>
</tr>
<tr>
<td>2027</td>
<td>2.0%</td>
<td>2.0%</td>
<td>$2,208</td>
<td>$26,496</td>
<td>3.9%</td>
</tr>
<tr>
<td>2028</td>
<td>1.5%</td>
<td>2.0%</td>
<td>$2,252</td>
<td>$27,024</td>
<td>3.4%</td>
</tr>
<tr>
<td>2029</td>
<td>1.8%</td>
<td>2.0%</td>
<td>$2,297</td>
<td>$27,564</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

Please remember that we have no way of predicting future COLAs, and this is very much a hypothetical example.

You can see how the 5% addition to Sam’s COLA bank right off the bat can help ensure his benefit receives the maximum 2% increase in future years, if the published COLA is less than 2%. In the example above, we assumed that the published COLA applicable to fiscal years 2024-2029 was always between 1.4% and 2.0%. Note that if the published COLA is less in any given years, more would be subtracted from Sam’s COLA bank for those years. Conversely, if the published COLA is greater than 2.0% in any of the given years, then the amount above 2.0% would be once again added to his bank.
Proposition B (“Prop B”), the City of San Diego ballot measure that closed the pension system to all new City hires as of July 20, 2012, except for sworn police officers, was ultimately invalidated after nearly a decade of litigation. Due to the invalidation, all City employees initially hired since July 10, 2021 have been automatically enrolled in SDCERS. However, the City and relevant labor unions were still in negotiations to figure out exactly how to implement Prop B’s invalidation for all City employees hired between July 20, 2012 and July 10, 2021. The first part of those negotiations ended earlier this year, which applied only to City employees who were affected by Prop B and still actively working for the City as of July 8, 2022. The highlights of this agreement are as follows:

- All MEA, Local 127, and unrepresented Prop B employees were given 60 days to make an irrevocable decision to either stay in the revised SPSP-H defined contribution plan, or to join the SDCERS pension plan by converting all or a portion of their SPSP-H accounts into the service credit they would have earned as of July 9, 2022, had Prop B not existed; and

- All Prop B employees represented by the DCAA, Local 145, or Teamsters 911 were automatically enrolled in SDCERS and converted all or a portion of their SPSP-H accounts into service credit as of July 9, 2022.

As a result, SDCERS welcomed about 3,300 new City Members in July! However, negotiations between the City and relevant labor unions are ongoing regarding how the repeal of Prop B affects those employees who were hired during the Prop B time period, but left City employment before July 9, 2022. SDCERS was not a party to the litigation and is not a participant in these negotiations. Once negotiations are finalized and SDCERS receives direction regarding the outcome, these remaining employees affected by Prop B will be contacted with more information. SDCERS will take appropriate actions to ensure affected members receive any and all pension benefits to which they are entitled.

SDCERS’ Downtown Offices Re-Opened to Public

In mid-July, SDCERS opened the doors of its downtown offices to our members for the first time since March of 2020. If you would like to drop off paperwork or schedule an in-person appointment with an SDCERS staff member, you may now do so. However, telephonic retirement counseling appointments will remain an option for those who would prefer not to drive downtown, and you are always encouraged to send us any documents via email, mail, or fax. Also, while we are allowing members to come into our offices, please stay at home if you are feeling ill or if you have recently been exposed to COVID-19, the flu, or any other contagious airborne diseases. For the safety of our staff and members, no one is allowed to come onto the premises if they have a fever or are experiencing any other symptoms, or if they have recently been exposed. This is true regardless of vaccine status and whether or not you choose to wear a mask. The City of San Diego is currently “strongly recommending” wearing masks in all indoor settings. Note: SDCERS will continue to follow federal, state and local health guidelines and best practices – please call to confirm our offices are open before driving downtown.

Visit SDCERS’ website and subscribe to receive future issues of our newsletters delivered directly to your inbox by clicking on “Email Signup” in the top right corner of the screen. You can also sign up to receive alerts and agendas for upcoming Board and Committee meetings!
Important Changes to City Retiree Healthcare

In case you missed it, there have been some big changes this year affecting City retirees who participate in one of the City’s retiree health insurance plans and/or have a health reimbursement plan through the City. First, all City retiree health plans are switching to a calendar year schedule – so, the plan year will now begin on **January 1st** of each year, with open enrollment expected to take place each November moving forward. The Comprehensive Retiree Health Book for plan year 2023 will be mailed to all City retirees (and available on SDCERS’ website) in the beginning of November. However, if you receive an annual healthcare allowance from the City, please note that those allowances will continue to be effective according to the **fiscal year** (July 1st – June 30th).

Secondly, City retirees who have a health reimbursement plan through the City, **and** enroll in a private health insurance plan with the same monthly premium for a 12-month period, are now eligible to receive an automatic reimbursement each month throughout the plan year, without having to provide monthly proof of payment. City retirees who qualify for this method of reimbursement will receive a letter in November describing this option and how to request enrollment in the program.

Retirees: Consider Joining A Retiree Association!

Check out the City of San Diego Retired Employees’ Association here: [https://www.csdrea.org/](https://www.csdrea.org/)
And the Retired Fire & Police Association of San Diego here: [https://www.retiredfp.com/](https://www.retiredfp.com/)