

Mendes/Gardner/WKM

ADOPTION AGENDA, CONSENT ITEMS
RESOLUTIONS:

* ITEM-133: Two actions related to Approval of Agreements on SDCERS Board
Indemnification & City SDCERS Employer Contributions.

CITY MANAGER'S RECOMMENDATION:

Adopt the following resolutions:

Subitem-A: (R-2003-390)

Declaring that the City of San Diego agrees to defend, indemnify and hold harmless the members of the Board of Administration for the San Diego City Employees' Retirement System in the performance of their duties.

Subitem-B: (R-2003-661)

Authorizing the City to enter into an agreement with the San Diego City Employees' Retirement System regarding employer contributions.

CITY MANAGER SUPPORTING INFORMATION:

Board Indemnification: Section 141 of the San Diego City Charter created the San Diego City Employees' Retirement System (SDCERS). Section 144 provides that SDCERS be administered by a thirteen (13) member governing board known as the Board of Administration (Board), which includes three members elected by the General Members of SDCERS, one member elected by the retirees of SDCERS, two members elected by the Safety Members of SDCERS, one Police, one Fire, respectively, three ex-officio members: City Manager, City Auditor, and City Treasurer, and four citizen members, one of which must be an officer of a local bank, are appointed by the Council and serve without compensation. Charter Section 144 grants the Board the sole authority to determine the rights and benefits eligibility from SDCERS, administer SDCERS, and invest the SDCERS trust fund; SDCERS Board Members may, from time to time, be subjected to claims and suits for actions taken in their capacity as such.

Due to the need to protect and encourage individuals who volunteer their time and their talent to serve in the public interest, approval of the resolution provides that the City shall defend, indemnify and hold harmless all past, present and future members of the Retirement Board against all expenses, judgments, settlements, liability and other amounts actually and reasonably incurred by them in connection with any claim or lawsuit arising from any act or omission in the scope of the performance of their duties as Board Members under the Charter.

Employer Contributions: On June 7, 1996, the City proposed and the SDCERS Board of Administration ("Board") agreed to the City Manager's Retirement Proposal, as modified, ("Manager's Proposal") dated July 21, 1996. The Manager's Proposal sets out agreements between the City and SDCERS with respect to contributions to be made by the City to SDCERS starting in Fiscal Year 1996. As a result of the recently concluded meet and confer process, the City and the Board recognize that under the current method of determining City contributions to SDCERS, the annual level of contributions has the potential to become volatile and SDCERS' funding ratio has decreased in recent years. The City and the Board also recognize that, under current fiscal circumstances, undue hardship would be imposed on the City if the Board were to require that the City immediately increase its contributions to the full projected unit credit rate calculated by SDCERS' actuary. In response to those concerns, on June 18, 2002, the City requested the Board agree to an amended Manager's Proposal. On July 11, 2002, the Board approved modifications to the Manager's Proposal. This Agreement is entered into in order to provide a transition period for City contributions to be brought, by Fiscal Year 2009, to the full contribution rates that would be applied if the projected unit credit funding method were used, to provide accelerated contributions by the City if SDCERS' funding ratio goes below 82.3% before the end of the term of this Agreement, and to terminate all transition arrangements regarding

contributions with the City at the end of Fiscal Year 2009. The attached agreement describes the current and proposed contribution arrangements.

Herring/Kelley