

SDCERS

San Diego City Employees' Retirement System

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August 3, 2007

Mr. Scott Chadwick
Labor Relations Manager
City of San Diego
1200 Third Avenue, Suite 1316
San Diego, CA 92101-3869

Dear Scott:

Subject: Effective Date of July 1, 2005 Negotiated Retirement Benefit Changes

The purpose of this letter is to confirm that SDCERS is using an effective date of February 16, 2007 for the benefit changes that were negotiated in 2005. Therefore, these changes will not be applied to employees hired by the City before that date.

As reflected in the attached legal opinion from our fiduciary counsel, SDCERS is obligated to administer benefits in accordance with its plan documents, and neither memoranda of understanding (MOU's) nor terms and conditions imposed post-impasse constitute plan documents. As noted in the opinion, the MOU's themselves required the City, "in a timely manner," to make the necessary changes in ordinances to conform to the MOU's, with a target date of September 30, 2005. Unfortunately, the City did not enact such an ordinance until January 17, 2007, more than a year later, and the ordinance took effect 30 days later on February 16, 2007.

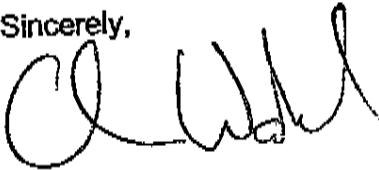
Further, as noted in the legal opinion, any attempt to retroactively implement the ordinance to July 1, 2005 likely would be met by a legal challenge that such action constituted an impairment of rights and we believe it is highly unlikely that a court would apply the reduced benefit levels in the MOU's to new employees hired on or after July 1, 2005 and before February 16, 2007.

For these reasons, SDCERS will continue to advise City employees hired before February 17, 2007 that they are eligible for the retirement benefits in place prior to the 2006 MOU changes and will advise City employees hired on or after that date that they will be subject to the negotiated benefit reductions.

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If you have any questions about this issue or would like to discuss it further, please call me.

Sincerely,



Christopher W. Waddell
General Counsel

CWW/mrh

Attachment

Cc SDCERS Board Members
David B. Wescoe, Retirement Administrator
David Arce, SDCERS
Rebecca Wilson, SDCERS
Jay Goldstone, Chief Financial Officer and Acting Chief Operating Officer
Rich Snapper, Personnel Director
Greg Bych, Risk Management Director
Lisa Briggs, Policy Advisor
William Gersten, Deputy City Attorney