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Former City Attorney urges San Diego leaders to offer pensions to new City employees

Calls for retired City Workers to Receive 50% of Job Salary

as guaranteed in 1931 City of San Diego Charter

Today, the former San Diego City Attorney, the Honorable Mike Aguirre, urged San Diego's City Council -- and especially its municipal union leadership -- to restore the City's original pension program, which gave employees with more han 20 years of service 50% of their final year's salary as provided in the City of San Diego's 1931 reform Charter.

According to Aguirre, "City workers who devoted their lives to serving the people of San Diego knew they would have enough money in retirement. That is no longer the case for new City employees." Under proposition B, which was enacted in 2008 under the guise of "pension reform" employees no longer receive pensions unless they were hired prior to 2008.

New employees will ***never*** get a pension!

"The ugly truth about San Diego pension reform is that it was never reformed," says Aguirre. "The old pension system was preserved by eliminating pensions for the next generation of workers who will never receive a pension and have no guarantee of retirement income."

How the "reformed pension" hurts new hires

Under the present system, new City workers do not get pensions: Instead they are forced into 401k programs while paying for the pensions of former workers that exceeded the 1931 cap. New workers are twice punished: First they are compelled to pay the for the bloated pensions of former employees, and second, they have lost the security of knowing that they will have a reliable source of income when they retire.

The unions looted the system at taxpayer expense

San Diego's legacy pension system is bloated with programs that deliver unearned, retroactive increases. It included a program that allowed workers to get paid for unearned pension years. The program delivered early retirement to workers who could afford to purchase retirement years even though they never worked the full twenty years that were required to gain access to the City's lucrative pensions. The dysfunctional pension even allows workers to receive wages and pension payments while they are taking vacations.

"City Hall insiders rigged the old pension system to pay off elected city officials who can now retire in their 40s, and then pay them more in retirement than what they made as employees. This so-called Pension reform is unsustainable for taxpayers."

In June of 2008, Proposition B eliminated pensions for new city employees. Instead, rank and file workers were offered an inferior and risky investment account which -- depending on the investments -- may never pay a dime to city employees. The plan, known as a 401k, is a retirement savings plan designed to *augment* a pension, not replace it. Furthermore 401k savings plans leave city workers vulnerable to risky stock market speculation. Under Aguirre's proposal the pension would be a defined contribution plan that would limit the burden on taxpayers to fixed amounts; the new pension would be managed by SDCERS..

Stanford researchers found in 2009-2010, the annual service retirement benefit for miscellaneous SDCERS retirees was $39,032, notably higher than the 20-system average ($31,912) and third highest among the state's 20 largest independent pension systems. For safety retirees, the average annual service retirement benefit was $66,431, again higher than the 20-system average ($64,851) and eighth highest among those systems. [1] Employees can earn up to 90% of their last year's salary

Table A19
San Diego City Employee Benefits

Member Type	Formula	Maximum Annual Benefit as a Percentage of Final Average Salary
Miscellaneous	2.5% @ 55 - 2.8% @ 65	90%
Safety	3% @ 50	90%

Source: SDCERS Membership Guidelines.

At this risk-free rate, SDCERS' funded ratio is 44.4 percent, well below the 80 percent benchmark, according to the Stanford report.

Table A20
San Diego City Pension System Assets, Liabilities, and Funded Ratios

Market Value of Assets	$4.424 billion
Actuarial Value of Assets	$4.382 billion
Actuarial Accrued Liabilities[a]	$9.871 billion
Funded Ratio (Market Value)	44.8%
Funded Ratio (Actuarial Value)	44.4%
Unfunded Liabilities	$5.489 billion
Unfunded Liabilities Per Dollar of Payroll	1035.2%

1 http://siepr.stanford.edu/system/files/shared/pubs/papers/pdf/Nation_More_Pension.pdf