



San Diego City Attorney Jan I. Goldsmith

NEWS RELEASE

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Supreme Court Rejects Pension Credit Giveaway

Affirms that City employees had no right to buy service credits for less than value

The California Supreme Court has rebuffed a group of City employees who wanted to force taxpayers pay \$146 million to the San Diego City Employee Retirement System to compensate for losses it incurred by selling pension service credits for less than their true value.

Instead, the employees who purchased the service credits must make up the difference.

City pensions are calculated by formula, one factor being the number of years an employee works for the City and contributes to the pension fund. Beginning in 1997, the City allowed employees to increase their final pensions by purchasing up to five years of service credits.

The PSC (for Purchase of Service Credits) Program was supposed to be cost neutral, but it was not.

In 2002 the SDCERS board was told it had been undercharging for the credits. But before SDCERS raised the rate in 2003, it instituted a 60-day period in which employees could continue to buy service credits at the discounted rate.

A free-for-all ensued. More service credits were sold in that 60-day window than had been sold in the previous six years – 5,726 years of service in total. In all, the financial damage done to the pension system was calculated to be \$146 million.

Later the SDCERS board voted unanimously to stick the City with the bill. Four days later, the City sued, and it has won at every stage of the litigation, including before the Fourth District Court of Appeal in March.

Earlier this year, a last-gasp Petition for Review was filed with the Supreme Court by hundreds of employees who had authorized the San Diego Municipal Employees Association to represent them in the litigation. The petition, which alleged the City acted fraudulently in winning earlier decisions, was denied yesterday by the California Supreme Court.

City Attorney Jan Goldsmith noted that the City has an unbroken string of victories in court decisions on pension cases during the past 8 years.

“California’s highest court has now confirmed what we have been saying for years- the City followed the law in refusing to cover these underpayments,” Goldsmith said.

The case was argued for the City by Deputy City Attorney Walter Chung.

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