

## **OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT**

**Date Issued:** January 12, 2007

**IBA Report Number:** 07-9

**Housing Authority Docket Date:** January 16, 2007

**Item Number:** 3

**Subject:** Housing Commission Defined Contribution Pension Plan Document Revisions

### **OVERVIEW**

Employees of the Housing Commission are not City employees, and thus do not participate in the City's Retirement System. In 1979 the Housing Commission established their own Defined Contribution Pension Plan to provide retirement benefits to covered employees.

This item requests approval from the Housing Authority to amend the San Diego Housing Commission's Defined Contribution Plan as prepared by the Housing Commission's Pension Advisor. Subsequently, this item requests authority be granted to the Housing Commission's CEO to implement all future mandatory legislative compliance revisions to ensure the Plan's compliance with IRS requirements and that future optional changes to the Plan be delegated to the Housing Commission.

### **FISCAL/POLICY DISCUSSION**

The Housing Commission is recommending changes to their Plan. The recommendations were developed by the Commission's pension advisor, The Epler Company, and reviewed by Karl Rand, Esq. of Luce Forward, a specialist in pension plans. The changes are administrative in nature and include updating language to reflect current legal requirements and modified procedures. Also, outdated language and forms will be eliminated. These changes, if approved by the Housing Authority, will subsequently be submitted to the IRS for approval. Any required changes by the IRS will be made administratively by the Housing Commission's CEO. It is further proposed that the CEO have the authority to implement all future mandatory legislative compliance revisions, with submission to and approval by the IRS as appropriate. The IBA concurs with these recommendations.

Recommendation 2B requests the Housing Authority to delegate authority for optional plan changes to the Housing Commission. In September 2005, the Housing Authority did approve similar recommendations for the Housing Commission's 457 Deferred Compensation Plan (HAR05-010). The difference between the two actions is that the previous action was for the Commission's 457 Deferred Compensation Plan whereas the current action is for the Commission's Defined Contribution Pension Plan. Although the language is similar, the IBA believes that further analysis on the recommendation for delegation of future optional changes to the Plan occur before the Housing Authority approves the action. For example, the report does not say if this recommendation is standard industry practice or provide examples of optional changes. Without this information, the IBA is concerned about the appropriateness of delegating this authority, especially because the scope of possible changes to plan administration is unclear. The IBA concurs with the Housing Commission's need for improved efficiencies but believes further understanding of the type of optional changes is critical.

## **CONCLUSION**

The IBA supports the approval of the amended Pension Plan and authorization of the CEO to implement all future matters pertaining to mandated legislated changes to the Plan (Recommendations 1 and 2A). However, the IBA recommends additional information be provided on the type of optional changes that would be delegated to the Housing Commission and therefore suggests that the Housing Authority continue recommendation 2B until further analysis by the Housing Commission can be provided.

**[SIGNED]**

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**[SIGNED]**

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