

**SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM (SDCERS)**  
**POST-RETIREMENT ANNUAL SUPPLEMENTAL BENEFIT**  
[“Thirteenth Check”]

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*(Contributed by SDREA members Ross McCollum, Judy Folsom, Nancy Acevedo and Bob West and by SDCERS attorney Lori Chapin)*

**ORIGIN & HISTORY**

The Annual Supplemental Benefit was created in 1980, at the request of Retirees and the City Council, as a way to give retirees a share of the Retirement Fund's “Surplus Undistributed Earnings” (originally 50% City-50% Retirees). This concept of sharing the earnings was based on the fact that since retirees contributed to the Retirement Fund, they should receive a share in the earnings. In 1983 that allocation would have given some retirees a check larger than their usual total annual benefit. As a result, the Retirement Board passed a Rule limiting the maximum payment to \$30.00 per year of service. A lawsuit followed, asserting that a change in benefits could not be implemented without a vote of the members. The City lost in court and appealed. In 1986, before the appeal was completed, the Firefighters Union suggested a negotiated settlement, which was approved by the court and by a vote of the Members.

The result of the settlement:

- confirmed the \$30 per year of service, with the exception of a closed group described later, (see BENEFIT \$45 if retired ---)
- paid \$5 million of the \$8.5 million retained surplus undistributed earnings to the plaintiffs (those who retired prior to October 31, 1983). This paid eligible retirees/survivors \$209.57 per year of service,
- established a \$2 million “stand alone” reserve to be paid when sufficient funds were not otherwise available, (and the Retirement Board authorized interest on the Reserve Account, calculated at the rate of return that CERS Fund earned that year, to be added to that year's benefit),
- added Health Insurance benefit for those retirees who retired between October 6, 1980 and January 8, 1982 and for Safety Members who retired between January 8, 1982 and June 30, 1985,
- increased the cost of living adjustment from 1 ½% to 2% for those who retired between October 6, 1980 and July 1, 1985,
- allowed the Retirement System to retain approximately \$1.5 million to use as it deems suitable.

A more recent change provides that those who retired prior to 1971 receive \$75 per year of service and those who retired between 1971 and October 6, 1980 receive \$60 per year of service. The benefit has always been “contingent” upon the Retirement System having sufficient “surplus undistributed earnings” available to pay for the benefit.

## **ELIGIBILITY**

To be eligible for the Annual Supplemental Benefit (known as the “Thirteenth Check”) you must be a retired General or Safety Member, Unified Port District Member, Special Class Safety Member receiving a fixed monthly retirement benefit, or a survivor of one of these eligible retirees, and receiving a retirement allowance, having completed at least 10 years of creditable service and must be retired by October 31<sup>st</sup> in the year the benefit is to be paid.

## **VESTED RIGHT**

The Annual Supplemental Benefit (known as the “Thirteenth Check”) is a vested right of the eligible retired member but is subject to funding availability. There is some question about this being a “defined benefit”. Any changes that affect this benefit must be approved by a vote of the Members and hopefully Retirees.

## **BENEFIT**

If sufficient Surplus Undistributed Earnings are available in the Retirement Fund for the period ending June 30 of the current year, an Annual Supplemental check is paid in November of that year. That benefit is in addition to the normal 12 monthly retirement checks distributed by the Retirement System thus it is commonly known as the “Thirteenth Check.”

The Annual Supplemental Benefit is calculated based on the number of years of creditable service times the amount determined by the date you retired. These amounts are as follows:

\$30 if you retired after October 5, 1980 and before January 8, 1982 or after June 30, 1985;

\$45 if you retired after January 7, 1982 and before July 1, 1985;

\$60 if you retired after December 31, 1971 and before October 6, 1980;

\$75 if you retired before January 1, 1972.

## **SURVIVING SPOUSE AND OTHER DEPENDENTS**

The Annual Supplemental Benefit (known as the “Thirteenth Check”) is available for most retirees and most surviving spouses. The amount is determined in the same ratio as their monthly benefit bears to the monthly benefit received by their respective deceased retired spouse. For survivors of Qualified Special Safety retirees the benefit is 50% of the qualified creditable years issued to the deceased member.

## **LEGAL AUTHORITY**

City Ordinance 0-15353 N. S., adopted October 6, 1980 established the payment of the Annual Supplemental Benefit. Under that program, 50 percent of Surplus Undistributed Earnings were to be distributed to qualified retirees as then described in Section 24.0404 of the Municipal Code. This Ordinance was passed after a study (requested by the City Council) by the Retirement Board to determine how Undistributed Earnings could be shared with retirees. One of the “Whereas’s” in the Ordinance refers to “extreme inflation factors at this time”.

Ordinance 16449 adopted June 24, 1985 codified the \$30 per year of service cap.

Ordinance 16679 adopted June 30, 1986 authorized the \$45 per year of service for those General Members who retired between January 8, 1982 and June 30, 1985. This was to “equalize” the benefit change of adding Health Insurance for Safety Members who retired between January 8, 1982 and June 30, 1985.

Ordinance 18392 adopted March 31, 1997 authorized the \$60 and \$75 payments noted above, to help compensate for inflation.

Ordinance 18608 adopted January 11, 1999 renumbered Section 24.0404 to Section 24.1503.

### **FUNDING SOURCE**

Funds come from Surplus Undistributed Earnings in the Retirement Fund. Investment earnings are the source of funds for this benefit, and to pay the benefit there must be at least \$100,000 available after allocation of funds from Investment earnings for:

- interest to the contribution accounts of Members, City and the Unified Port District, which includes DROP accounts, and
- CERS budget for the fiscal year and
- An amount necessary to maintain reserves as the SDCERS Board deems appropriate, and
- UPD’s proportionate share of Surplus Undistributed Earnings, and
- An amount appropriate to provide health benefits to retirees, and
- An amount to pay the Annual Supplemental Benefit, and
- Corbett Settlement, and
- Interest to the reserves created for a supplemental COLA and employee contributions.

The “stand alone” \$2 million Reserve established by the Andrews settlement has been exhausted.

In 1997 the Retirement Board established a \$3.5 million Reserve for the 13<sup>th</sup> check

In the year 2002 there were not sufficient funds in the \$3.5 million Reserve account to pay the full Annual Supplemental Benefit. The City Council authorized expending the remaining Reserve funds identified with this benefit to make the payments, which were close to 99 % of the amount normally received.

### **ADMINISTRATION**

The Annual Supplemental Benefit is administered by the SDCERS staff.

### **FOR QUESTIONS**

Contact SDCERS staff at (619) 525-3600 or Toll Free at (800) 774-4977.

This information is provided as a service of the **City of San Diego Retired Employees Association**. The purpose of the above summary is to provide useful information about your retirement benefits. The facts surrounding your eligibility for payments may change from time to time. Do not rely on the above information for decision making, but contact the SDCERS staff for assistance. Should you find erroneous information in any of the above statements please contact a member of the City of San Diego Retired Employees Association who will research your concern and make appropriate adjustments.

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