

File No. 240544

Committee Item No. 8

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Rules Committee

Date July 8, 2024

Board of Supervisors Meeting

Date _____

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Completed by: Victor Young Date July 3, 2024

Completed by: _____ Date _____

1 [Charter Amendment - Minimum Police Staffing Levels and Voluntary Deferred Retirement
2 Option Program for the Police Department]

3 **Describing and setting forth a proposal to the voters at an election to be held on November**
4 **5, 2024, to amend the Charter of the City and County of San Francisco to establish**
5 **minimum staffing levels for sworn officers of the Police Department for the period from**
6 **July 2025 through July 2028; requiring the Police Commission to set the minimum staffing**
7 **level, based on a report from the Chief of Police, at least every three years thereafter;**
8 **requiring the Police Commission to approve and submit to the Board of Supervisors a**
9 **budget for the Police Department that accounts for the minimum staffing level of sworn**
10 **officers; and establishing a new voluntary deferred retirement option program (“DROP”)**
11 **for the period from July 2025 through July 2030, for eligible members of the Police**
12 **Department that allows those members to earn additional deferred compensation in the**
13 **Retirement System for up to 60 months in exchange for agreeing to perform patrol or**
14 **investigative work.**

15
16 Section 1. Findings.

17 (a) In the wake of an unprecedented global pandemic that strained emergency and public
18 safety responder staffing everywhere — one of several factors leading to a nationwide decline in
19 police recruitment numbers — cities like San Francisco struggle to recruit new officers and
20 offset the unusually high number of retirements facing our Police Department.

21 (b) In testimony before the Board of Supervisors in 2023, a San Francisco Police
22 Department (“SFPD” or “Police Department”) commander described the City’s police
23 understaffing crisis as “catastrophic for the Department if we cannot balance the attrition,”
24 warning that: “We are losing members at a far faster rate than we are hiring, and this pattern will
25

1 continue, and that gap will continue to widen for the next few years — unless we are able to do
2 something drastic.”

3 (c) Chronic police understaffing enables elevated levels of public disorder and public
4 nuisance, which continue to overwhelm many parts of San Francisco. These problems include
5 open-air drug scenes, brazen street-level drug dealing, deteriorating street conditions, vehicular
6 and commercial smash-and-grabs, retail thefts and street-level fencing in stolen goods, graffiti
7 and malicious vandalism, and myriad property crimes plaguing numerous San Francisco
8 neighborhoods and tourist destinations. These conditions hinder San Francisco’s post-COVID-19
9 economic recovery and fuel a public health crisis in drug overdose fatalities.

10 (d) In 1994, San Francisco voters first amended the Charter to adopt a mandatory
11 Minimum Police Staffing Level that would require the City to “employ a minimum of 1,971 full
12 duty police officers.” Although actual SFPD staffing levels over the years fell short of that full-
13 duty minimum, hindsight now suggests that the mandatory Minimum Police Staffing Level may
14 have functioned effectively as an incentive for City policymakers to avoid more significant
15 staffing shortfalls.

16 (e) In March 2017, the Board of Supervisors adopted a resolution urging the Police
17 Commission to form a Task Force, in collaboration with the Chief of Police, on Strategic Police
18 Staffing for the purpose of determining the best methodology for establishing SFPD staffing
19 levels. That Task Force endeavored to update the 1994 Charter-mandated minimum staffing
20 number and to determine SFPD staffing levels using a workload methodology based on the
21 demand for police services rather than utilizing other metrics such as population size.

22 (f) In 2020, San Francisco voters amended the Charter to replace the static Minimum
23 Police Staffing Level of 1,971 full-duty sworn police officers with the workload-based process
24 for periodic evaluations of police staffing levels. The 2020 Charter Amendment removed the
25 mandatory Minimum Police Staffing Level from the Charter. In its place, the 2020 Charter

1 Amendment required the Police Department to submit a report and recommendations to the
2 Police Commission every two years using the workload methodology and directed the Police
3 Commission to use the report to inform the approval of the Police Department’s budget.

4 (g) The workload-based process, developed in partnership with an outside independent
5 consultant, produced an initially recommended SFPD staffing level of 2,176 full-duty sworn
6 officers (in 2021), which was subsequently revised to 2,182 sworn officers (in 2022) and then to
7 2,074 sworn officers (in 2023).

8 (h) When the voters approved the 2020 Charter Amendment, the Police Department had
9 1,911 full-duty sworn officers, just 60 officers short of the recommended minimum police
10 staffing level at the time (1,971).

11 (i) Although the City has made worthwhile progress in recent years to develop a
12 workload-based methodology to calculate the number of full-duty officers required to meet San
13 Francisco’s policing needs, SFPD’s full-duty staffing level has dropped precipitously — by more
14 than 23% — since 2020, when mandatory Minimum Police Staffing Levels were eliminated.
15 Given the added urgency presented by the impending retirement of many officers, re-establishing
16 and maintaining minimum SFPD staffing levels — together with temporary incentives to defer
17 looming retirements with a focus on increasing deployments for patrol work and investigations
18 — is prudent public policy.

19 (j) The urgency of addressing San Francisco’s chronic police understaffing crisis is not
20 limited to public safety imperatives. It is creating needlessly expensive and wasteful
21 inefficiencies, requiring significant overtime to run a short-staffed Police Department. In recent
22 fiscal years, overtime has accounted for as much as 20% of SFPD’s entire salary budget. The
23 reliance on overtime also burdens an already-understaffed workforce, increasing the risk of
24 officer burnout and taking a toll on the physical and mental well-being of officers and their
25 families.

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(k) The City has made strides in hiring by approving the most competitive entry-level wages for new officers in the entire Bay Area. Additionally, through April of 2024, SFPD has made notable progress in recruiting lateral hires from other law enforcement agencies, with nearly one-in-four sworn officer hires having prior experience and certification in policing.

(l) Because lateral hires require significantly less time than newly hired recruits to qualify for deployment, this Charter Amendment aims to incentivize additional lateral hiring. It does so by extending to lateral hires the opportunity to apply their prior service toward eligibility for a new voluntary Deferred Retirement Option Program (“DROP”), thereby enhancing the value of a program historically focused on retention to new recruits as well.

(m) In 2008, the voters approved a Charter Amendment establishing the original DROP for certain members of the SFPD who had served at least 25 years and who were at least 50 years old. A deferred retirement program, like DROP, is a program that allows an employee who is eligible to retire to continue working while simultaneously drawing a pension. In the previous DROP program, participating officers would continue working at their prior salary and benefits while the City placed their monthly pension into an interest-bearing account (at 4% annual interest) that the employee would receive at the end of the DROP. During their participation in the DROP, officers were ineligible for promotion and the additional time served would not count towards added pension benefits. The original DROP program was discontinued by the Board of Supervisors in 2011.

(n) Drawing on lessons from the previous DROP as well as best practices from other jurisdictions across California, this proposal contains significant reforms that: (1) limit DROP eligibility to officers, sergeants and inspectors, (2) require DROP participants to perform patrol or investigation work, and (3) require participants to remain actively working for SFPD during their participation to address certain abuses observed in other jurisdictions.

1 (o) This Charter Amendment aims to accelerate favorable public safety impacts and help
2 San Francisco achieve full police staffing by (1) restoring police staffing levels to the Charter
3 and carrying forward the spirit of the 2020 Charter Amendment by periodically updating this
4 number based on a scientific workload analysis, and (2) establishing a voluntary DROP program
5 that would be offered to eligible members of the Police Department, to attract and retain sworn
6 officers who will be deployed to district stations for patrol or investigative work.
7

8 Section 2. The Board of Supervisors hereby submits to the qualified voters of the City
9 and County, at an election to be held on November 5, 2024, a proposal to amend the Charter of
10 the City and County by revising Sections 4.127 and A8.900 through A8.910 to read as follows:

11 NOTE: **Unchanged Charter text** is in plain font.
12 **Additions** are *single-underline italics Times New Roman font*.
13 **Deletions** are ~~*strike-through italics Times New Roman font*~~.
14 **Asterisks** (* * * *) indicate the omission of unchanged Charter
15 subsections.

16 **SEC. 4.127. POLICE DEPARTMENT.**

17 The Police Department shall preserve the public peace, prevent and detect crime, and
18 protect the rights of persons and property by enforcing the laws of the United States, the State of
19 California, and the City and County.

20 The Chief of Police may appoint and remove at pleasure special police officers.

21 The Chief of Police shall have all powers which are now or that may be conferred upon
22 a sheriff by state law with respect to the suppression of any riot, public tumult, disturbance of the
23 public peace, or organized resistance against the laws or public authority.

24 DISTRICT POLICE STATIONS. The Police Department shall maintain and operate
25 district police stations. The Police Commission, subject to the approval by the Board of
Supervisors, may establish additional district stations, abandon or relocate any district station, or

1 consolidate any two or more district stations.

2 BUDGET. Monetary awards and settlements disbursed by the City and County as a
3 result of police action or inaction shall be taken exclusively from a specific appropriation listed
4 as a separate line item in the Police Department budget for that purpose.

5 POLICE STAFFING. The police force of the City and County shall consist of no fewer
6 than the number of officers equal to the Minimum Staffing Number. The Minimum Staffing
7 Number means the minimum number of Full-Duty Sworn Officers of the Police Department; and
8 Full-Duty Sworn Officers means full-time sworn members of the Department except those
9 assigned to the San Francisco International Airport, those on long-term leaves of absence, and
10 Police Academy recruits. For the three fiscal years beginning July 1, 2025, the Minimum
11 Staffing Number shall be 2,074, as established by the methodology set forth below. Thereafter,
12 the Minimum Staffing Number shall be reestablished periodically according to the methodology
13 set forth in this Section 4.127.

14 By no earlier than October 1 and no later than November 1 in 2027 and every ~~odd-~~
15 ~~numbered third~~ calendar year thereafter, the Chief of Police shall transmit to the Police
16 Commission a report describing the ~~D~~Department's current number of ~~full-duty sworn officers~~
17 Full-Duty Sworn Officers and recommending necessary and appropriate staffing levels of ~~full-~~
18 ~~duty sworn officers~~ Full-Duty Sworn Officers ~~in for~~ the subsequent ~~two~~ three fiscal years. The
19 report shall include an assessment of the Police Department's overall staffing, the workload
20 handled by the ~~d~~Department's employees, the ~~d~~Department's public service objectives, the
21 ~~d~~Department's legal duties, and other information the Chief of Police deems relevant to
22 determining proper staffing levels of Full-Duty Sworn Officers ~~full-duty sworn officers~~. The
23 report shall evaluate and make recommendations regarding staffing levels at all district stations
24 and in all types of jobs and services performed by ~~full-duty sworn officers~~ Full-Duty Sworn
25 Officers. By no later than July 1 in 2027 and every ~~odd-numbered third~~ calendar year thereafter,

1 the Police Commission shall adopt a policy prescribing the methodologies that the Chief of
 2 Police may use in evaluating staffing levels, which may include consideration of factors such as
 3 workload metrics, the Department's targets for levels of service, ratios between supervisory and
 4 non-supervisory positions in the Department, progress toward the Department's "30 by 30
 5 Pledge" to increase the representation of women in police academy recruit classes to 30% by
 6 2030 and to ensure that police policies and culture intentionally support the success of women
 7 officers throughout their careers, whether particular services require a fixed number of hours,
 8 and other factors the Police Commission determines are best practices or otherwise relevant. The
 9 Chief of Police may, but is not required by this Section 4.127 to, submit staffing reports
 10 regarding ~~full-duty sworn officers~~ Full-Duty Sworn Officers to the Police Commission more
 11 frequently than every three ~~even-numbered~~ years.

12 Beginning in 2027, tThe Police Commission shall hold a public hearing regarding the
 13 Chief of Police's staffing report by December 31 in every year in which the Chief of Police
 14 submits a staffing report between October 1 and November 1-odd-numbered calendar year. At
 15 that public hearing, the Police Commission shall consider the Chief of Police's report and adopt
 16 a Minimum Staffing Number for the Police Department for the next three fiscal years. The
 17 Police Commission shall not reduce the Minimum Staffing Number by more than 5% year-over-
 18 year absent a two-thirds vote of the Police Commission. The Police Commission shall consider
 19 the Chief of Police's most recent report and the Minimum Staffing Number in its consideration
 20 and approval of the Police Department's proposed budget every fiscal year, ~~but the Commission~~
 21 ~~shall not be required to accept or adopt any of the recommendations in the report. The Police~~
 22 Commission shall approve a budget that includes funding for the salaries required to meet at
 23 least the Minimum Staffing Number as set forth in this Section 4.127, both as to the first three
 24 fiscal years beginning July 1, 2025, and as to subsequent fiscal years.

25

1 Except that the Board of Supervisors may not reduce the Minimum Staffing Number as
2 set forth in this Section 4.127 for Fiscal Years 2025-2030, tThe Board of Supervisors is
3 empowered to adopt ordinances necessary to effectuate the purpose of this ~~s~~Section 4.127
4 regarding staffing levels including but not limited to ordinances regulating the scheduling of
5 police training classes.

6 Further, the Police Commission shall initiate an annual review and submit the following
7 reports to the Board of Supervisors annually for the Board's review: (1) a report on progress,
8 obstacles, and additional needs, if any, for the successful recruitment and retention of Full-Duty
9 Sworn Officers and to achieve and maintain the Minimum Staffing Number; (2) a report
10 monitoring the progress toward the Department's "30 by 30 Pledge," as described above,
11 including a description of the Department's recruitment plan and an outline of milestones to
12 achieve the pledge's goals; and (3) a report on opportunities and plans to civilianize as many
13 positions as possible ~~and submit that report to the Board of Supervisors annually for review and~~
14 ~~approval.~~ Beginning on January 1, 2030, the Board of Supervisors may by ordinance amend the
15 reporting requirements in this paragraph.

16 PATROL SPECIAL POLICE OFFICERS. The Commission may appoint patrol special
17 police officers and for cause may suspend or dismiss patrol special police officers after a hearing
18 on charges duly filed with the Commission and after a fair and impartial trial. Patrol special
19 police officers shall be regulated by the Police Commission, which may establish requirements
20 for and procedures to govern the position, including the power of the Chief of Police to suspend
21 a patrol special police officer pending a hearing on charges. Each patrol special police officer
22 shall be at the time of appointment not less than 21 years of age and must possess such physical
23 qualifications as may be required by the Commission.

24 Patrol special police officers may be designated by the Commission as the owners of a
25 certain beat or territory which may be established or rescinded by the Commission. Patrol special

1 police officers designated as the owners of a certain beat or territory or the legal heirs or
2 representatives of the owners may dispose of their interest in the beat or territory to a person of
3 good moral character, approved by the Police Commission and eligible for appointment as a
4 patrol special police officer.

5 Commission designation of beats or territories shall not affect the ability of private
6 security companies to provide on-site security services on the inside or at the entrance of any
7 property located in the City and County.

8
9 **POLICE DEPARTMENT DEFERRED RETIREMENT OPTION PROGRAM (DROP)**

10 **A8.900 PREAMBLE-ESTABLISHMENT AND PURPOSE OF PROGRAM.**

11 ~~—(a) It is critical to the health, the safety, and economic vitality of the City and County~~
12 ~~of San Francisco, that the City be able to recruit new Police Officers, and retain veteran Police~~
13 ~~Officers. Recent experience has demonstrated that the City's Police Department has had~~
14 ~~difficulty recruiting qualified Police Officers, and, more significantly, has had difficulty retaining~~
15 ~~the services of veteran Police Officers.~~

16 ~~—(b) There is a highly competitive labor market for the services of Police Officers.~~
17 ~~Additionally, due to the historical hiring patterns in this Department, hundreds of Police Officers~~
18 ~~will become eligible for normal service retirement in the next three to five years. The City Police~~
19 ~~Department is already three hundred officers below the Charter mandated staffing level.~~

20 ~~—(c) In order to address this recruitment and this retention problem, through this~~
21 ~~measure the voters establish a voluntary Deferred Retirement Option Program (DROP) which~~
22 ~~would be offered to members of the Police Department in order to create an incentive for the~~
23 ~~retention of experienced Police Officers, and as well, to attract new Officers.~~

1 ~~—(d) Specifically, as well, the voters intend that this Charter provision, if adopted, shall~~
2 ~~be "cost neutral" to the City; that is, it shall not impose new costs upon the City as a~~
3 ~~consequence of the participation by Police Officers in the DROP.~~

4 ~~—(e) Finally, in order that the cost impact of the DROP may be assessed, this measure~~
5 ~~additionally provides that at the end of the third year after the implementation of the Program,~~
6 ~~the Board of Supervisors, pursuant to data provided by the Police Department along with an~~
7 ~~analysis by the Controller of the City and County and the consulting actuary of the Retirement~~
8 ~~Board, shall determine whether the Program has been cost neutral, and whether in light of its~~
9 ~~achievement of the goals of the measure, it should be continued for an additional three year~~
10 ~~term, and thereafter, subject to similar evaluations.~~

11 (a) Establishment. Sections A8.900 through A8.910 of the Charter hereby establish a
12 voluntary Deferred Retirement Option Program ("DROP").

13 (b) Purpose. The purpose of the DROP is to facilitate the retention and recruitment of
14 police officers, with the ultimate goal of having a fully-staffed police force consisting of at least
15 the Minimum Staffing Number as set forth in Section 4.127.

16
17 **A8.901 ELIGIBILITY TO PARTICIPATE IN THE DEFERRED RETIREMENT**
18 **OPTION PROGRAM.**

19 (a) Sworn members of the Police Department occupying the rank of Police Officer
20 ~~(currentlyClassification Code Q2-Q4 as of 2024), Sergeant (currentlyClassification Code Q50-~~
21 ~~Q52 as of 2024), or Inspector (currentlyClassification Code 0380-0382 as of 2024) at their date~~
22 ~~of entry into the DROPProgram, shall be eligible to participate in the DROP for up to a~~
23 ~~maximum of ~~36~~ 60 months from their date of entry into the DROPProgram, provided they~~
24 ~~otherwise meet the eligibility standards set forth in Section A8.901(~~eb~~).~~ ~~Sworn members of the~~
25 ~~Police Department occupying the ranks of Sergeant (currently Q50—Q52) and Inspector~~

1 ~~(currently 0380-0382) at their date of entry into the Program, shall be eligible to participate in~~
2 ~~the DROP of up to a maximum of 24 months from their date of entry into the Program, provided~~
3 ~~they otherwise meet the eligibility standards set forth in Section A8.901(c).~~

4 (b) ~~Sworn members of the Police Department occupying the ranks of Lieutenant~~
5 ~~(currently Q60-Q62) and Captain (currently Q80-Q82) at their date of entry into the Program~~
6 ~~shall be eligible to participate in the Program for a maximum of 12 months from their date of~~
7 ~~entry into the Program, provided that they otherwise meet the eligibility standards set forth in~~
8 ~~Section A8.901(c). No sworn member of the Police Department occupying a rank above that of~~
9 ~~Captain shall be eligible to participate in the Program.~~

10 ~~-(c)~~ To be eligible to participate in the DROP, a sworn member occupying one of the
11 eligible ranks must additionally be an active employee of the San Francisco Police Department,
12 have at least 25 years of service credit as a sworn member of the Department, including any
13 service as a member of the San Francisco Airport Police or service credit granted through a
14 lateral transfer; ~~and~~ be at least 50 years of age at the time of entry into the DROP Program; and
15 ~~Additionally, a member must~~ be either a “full-duty sworn officer Full-Duty Sworn Officer” as
16 that term is ~~used~~ defined in Charter Section 4.127 or a member currently assigned to the San
17 Francisco International Airport. As a condition of participation in the DROP, a sworn member
18 shall agree to be assigned to a district station within the Field Operations Bureau to perform
19 patrol work, or to the Investigative Bureau to conduct investigations, As a condition of
20 ~~participation the sworn member must~~ and shall further agree to that they shall terminate their
21 employment with the City through retirement at the conclusion of their participation in the
22 DROP Program.

1 **A8.902 EFFECT OF DISABILITY ON CONTINUED PARTICIPATION.**

2 (a) If, after a member becomes a participant in the DROP, the member ~~shall~~ becomes
3 incapacitated for the performance of duty by reason of any bodily injury received in or illness
4 caused by the performance of duty, said member will be eligible to apply for a retirement for
5 incapacity and be subject to the same eligibility requirements provided elsewhere in this Charter
6 as though the participant was not enrolled in the DROP. If a member receives a retirement for
7 this duty related incapacity, said retirement shall be in lieu of the benefits provided in accordance
8 with these DROP provisions, and the participant shall be paid an industrial disability retirement
9 benefit as if the participant had never entered the DROP. Participation in the DROP terminates
10 on the date the Retirement Board approves a DROP participant's application for disability
11 retirement, after which no DROP distribution(s) shall be made. The DROP participant shall be
12 paid an industrial disability retirement allowance as if they had never entered the DROP.

13 (b) If, after a member becomes a participant in the DROP, the member ~~shall~~ becomes
14 incapacitated for the performance of duty by reason of any bodily injury received or illness not
15 related to the performance of duty, said member will be eligible to apply to terminate
16 participation in the DROP in accordance with Section A8.906. The participant will be paid the
17 balance credited in their DROP Account, and will begin to receive a monthly payment as
18 determined under Section A8.903, including any cost of living adjustments to which the member
19 would otherwise be entitled.

20 (c) In the event a member ~~shall~~ becomes temporarily incapacitated for the performance
21 of duty while participating in the DROP, the member is entitled to disability benefits only as
22 provided for in this Charter. The member is thus no longer a "~~full-duty sworn officer,~~" as defined
23 in Section 4.127 eligible to participate in DROP under Section A8.901(eb), and therefore the
24 member's service retirement payments will be suspended for the period during which disability
25 benefits are received. The member's DROP enrollment shall be extended for the period during

1 which disability benefits were received, provided that this extension may not exceed 30 months
2 ~~one half of the permitted maximum participation period for the rank occupied by the member at~~
3 ~~the time of enrollment in the DROP.~~

4 (d) In the event a member who is participating in the DROP applies for a retirement
5 for incapacity, and the application remains unresolved at the conclusion of their DROP
6 participation period, that member must leave the DROP when their participation period
7 concludes, but they shall be permitted to continue on disability status with the Department until
8 such time as their application is finally determined. In no event, however, shall any such member
9 receive the distribution of their DROP Account until their disability retirement status is finally
10 determined.

11 (e) Members waive any right to apply for or be granted a disability pension once they
12 have taken distribution of the funds in their DROP account.

13
14 **A8.903 THE EFFECT OF PARTICIPATION IN THE DROP UPON PENSION**
15 **BENEFIT CALCULATIONS.**

16 Upon the voluntary entry of a qualified member into the DROP, that member's
17 Retirement System benefits, including survivor benefits, shall be frozen, and shall not be
18 increased as a result of any additional service time, increase in age or compensation earned by
19 the member while they are participating in the DROP. During the period of a member's
20 participation in the DROP, the monthly service pension payment described herein shall be
21 increased by any cost of living adjustment to which the member would otherwise be entitled, if
22 retired, during the period of their participation in the DROP, pursuant to the terms of the
23 retirement plan which applies to the member.

1 **A8.904 ESTABLISHMENT OF THE DROP ACCOUNT.**

2 (a) The DROP Account is an account established for book-keeping purposes within
3 the Retirement System for each member who elects to enter the DROP.

4 (b) Commencing with the first pay period after the entry of a member into the DROP,
5 and for each pay period thereafter so long as the member participates in the DROP, the service
6 pension (including any Cost of Living Adjustments) to which the member would otherwise be
7 entitled based on their compensation, age, and length of service as of their date of their entry into
8 the Program, shall be credited monthly into a DROP Account established within the Retirement
9 System for each individual participant.

10 (c) ~~A participating member, to the extent permitted by law and regulations established~~
11 ~~by the Retirement Board and the Board of Supervisors, may direct the crediting into that~~
12 ~~member's DROP Account the dollar value of any compensatory time off, accrued unused~~
13 ~~vacation, or accrued Sick Pay, if any, to which the member may be entitled, in lieu of receiving a~~
14 ~~payout of those amounts upon the date of entry into the DROP.~~

15 ~~—(d)—~~The DROP Account into which the member's monthly service pension is credited
16 shall also be credited on a monthly basis with interest at an annual effective rate of ~~4%~~~~four~~
17 ~~percent~~ throughout the period of the member's participation in the DROP.

18
19 **A8.905 RIGHTS OF SURVIVING SPOUSE, DOMESTIC PARTNER, OR**
20 **DEPENDENTS.**

21 (a) If a member shall die by reason of an injury received in, or illness caused by the
22 performance of duty during the period of their participation in the DROP, the member's qualified
23 surviving spouse, qualified registered/certified domestic partner, or other qualified dependents
24 provided for in this Charter shall receive a death allowance pursuant to the applicable provisions
25 of the Charter as if the member had never elected to enter the DROP. Whichever of the member's

1 qualified surviving spouse, qualified registered/certified domestic partner, or other qualified
2 dependents provided for in this Charter is entitled to receive this allowance may, instead of
3 receiving the benefit under this ~~paragraph~~subsection (a), elect to receive a non-work related
4 death benefit as specified in ~~subsection~~paragraph (b) below.

5 (b) If a member shall die during the period of their participation in the DROP for non-
6 work related causes, the surviving qualified spouse, qualified registered/certified domestic
7 partner, or other qualified dependents provided for in this Charter, shall be entitled to a post-
8 retirement continuation allowance, along with any amounts credited to the deceased member's
9 DROP Account, determined as if the participant had elected to voluntarily withdraw from the
10 DROP under Section A8.906 on the participant's date of death. Such payments shall be made on
11 the basis of beneficiary elections made by the member at the time of ~~their~~his or her entry into
12 DROP, and updated from time to time, as set forth in Section A8.905(d).

13 (c) In order for a surviving spouse or registered/certified domestic partner to be
14 qualified for the monthly allowance described in this ~~§~~Section A8.905, the member must have
15 been married, or have established a domestic partnership within the time limits specified by this
16 Charter. In order for surviving dependents to be qualified for the monthly allowance described in
17 this ~~§~~Section, such dependents must satisfy the requirements of the retirement provisions of this
18 Charter. In any circumstance where the eligibility requirements specify the member's date of
19 retirement, those requirements must be met at the date of entry into the DROP.

20 (d) A member who elects to participate in the DROP may designate a beneficiary for the
21 proceeds of the member's DROP Account in writing, not later than the time of entry into the
22 DROP. The member may change the designation at any time prior to the distribution of the
23 DROP Account. If the designated beneficiary predeceases the participating member, and the
24 member becomes deceased before designating a new beneficiary, any distribution of the
25 proceeds of the DROP Account shall be made to the estate of the member, pursuant to law.

1 (e) Notwithstanding the above provisions, a member's designation of a DROP Account
2 beneficiary shall be subject to community property obligations, if any, under applicable
3 California law.

4
5 **A8.906 TERMINATION OF PARTICIPATION IN THE DROP.**

6 ~~(a) A member's participation in the DROP shall be terminated, other than by death or~~
7 ~~disability, by the first occurrence of any of the following: (1) the member's completion of the~~
8 ~~applicable DROP participation period set forth in Section A8.901(a) or (b); (2) the member's~~
9 ~~voluntary termination of employment while a DROP participant; (3) involuntary termination of~~
10 ~~the member's employment; provided, however, that distribution of the member's DROP Account~~
11 ~~shall be deferred during the pendency of any hearing or appeal of the member's termination of~~
12 ~~employment. Should the member be reinstated to employment, the member may continue to~~
13 ~~participate in the DROP for the full duration of the member's original participation period. Any~~
14 ~~time during which the member was excluded from DROP participation shall not be deducted~~
15 ~~from the member's maximum participation period set forth in Section A8.901(a) or (b).~~

16 (a) DROP participation shall be terminated by the first occurrence of any one of the
17 following events:

18 (1) Upon the member's completion of the 60-month DROP participation period, or
19 upon their voluntary exit from the DROP at any time during the participation period.

20 (2) Involuntary termination of employment. At the member's request, distribution of
21 the DROP account will be withheld while the appeal of the member's termination is pending.
22 Should the member be reinstated, the member may continue to participate in the DROP if the
23 account has been withheld. The period of the DROP participation will continue under the terms
24 of the original application.

25 (3) Death of the member.

1 (4) Approval of disability retirement benefits under the terms of this Charter.

2 (5) Voluntary termination of employment prior to the completion of the DROP
3 participation period.

4 (b) No interest shall accrue after any one of the events set forth in subsection (a)
5 terminating the DROP.

6
7 **A8.907 EMPLOYMENT STATUS OF THE MEMBER DURING**
8 **PARTICIPATION IN THE DROP.**

9 (a) During the period of a member's participation in the DROP, the member shall
10 continue to receive the regular compensation attached to the rank occupied by the member at the
11 time of enrollment in the DROP Program, and the member shall have all of the rights, privileges,
12 benefits, and obligations of employment, including health benefits, attached to said rank, and
13 shall be subject to all of the other terms and conditions of active employment in their respective
14 rank and assignment. No member shall be eligible for a promotion during the time of their
15 participation in the DROP.

16 (b) Notwithstanding the continued receipt by a participating member of the regular
17 compensation and benefits attached to the rank and assignment which they occupy during their
18 time in the DROP, no participating member shall receive service credit or compensation credit
19 for retirement purposes pursuant to this Charter on account of their participation in the DROP.
20 The member shall be subject to the employee contribution, as required by this Charter for all
21 other active members of the Police Department, into the Retirement System. The City and
22 County need not continue to make its required contributions for any DROP participant. Member
23 contributions made during a participation in the DROP shall be deemed a contribution to the
24 general assets of the Retirement System, and shall not be a part of the member's DROP Account.

1 **A8.908 COMPLIANCE WITH TAX LAWS AND IMPLEMENTATION.**

2 (a) It is the intent of the voters that the DROP shall not jeopardize in any way the tax
3 qualified status of the Retirement System under Section 401 of the Internal Revenue Code of
4 1986, as amended from time to time, including, but not limited to, Section 415 of the Code, as
5 amended.

6 (b) The Board of Supervisors shall adopt ordinances to implement the DROP,
7 including to repeal or amend Administrative Code Sections 16.63 through 16.63-10 as necessary
8 and appropriate to conform to revisions in the DROP as revised at the November 5, 2024
9 election, and the Retirement Board shall adopt such rules as may be necessary to implement the
10 DROP, regulate investment and distribution of the DROP contributions, establish forms and
11 procedures for designating beneficiaries of the DROP Account, and all such other matters as may
12 be necessary, in its discretion, to implement the Program, as revised at the November 5, 2024
13 election, by no later than July 1, 20082025 and to assure its tax-qualified character.

14
15 **A8.909 DETERMINATION OF COST NEUTRALITY REAUTHORIZATION.**

16 (a) ~~The implementation of the DROP shall not result in any net increase in cost to the~~
17 ~~City. This determination shall take into account the costs associated with payroll, the~~
18 ~~expenditures associated with the recruitment and training of Police Officers, the costs of~~
19 ~~conducting academies for such recruits and trainees, the Field Training Officer costs, the~~
20 ~~retirement contributions made by members participating in the DROP, and the City, and the~~
21 ~~City's share of the return on the investment of the DROP funds, along with any other cost or~~
22 ~~savings elements related to the implementation of the Program. Notwithstanding this objective,~~
23 ~~the DROP shall be given a sufficient trial period to determine whether, as implemented, it is~~
24 ~~cost neutral to the City as so defined. By no later than December 15 in the fifth year after the~~
25 ~~effective date of the DROP and every fifth year thereafter, the Board of Supervisors must act by~~

1 motion to either reauthorize the DROP for an additional five-year period without amendment,
2 or, if the reauthorization motion fails, allow it to expire.

3 ~~(b) Not later than April 15, in the third year after the effective date of the DROP, a~~
4 ~~joint report prepared by the Controller of the City and the consulting actuary of the Retirement~~
5 ~~System documenting the net cost effect of the Program shall be submitted to the Board of~~
6 ~~Supervisors, and the Board shall determine by majority vote whether, on the basis of said report,~~
7 ~~the Program shall be renewed for an additional period of time as specified by the Board, but in~~
8 ~~no event beyond an additional three years.~~

9 (be) At the end of the fifth year after the implementation of the DROP, the Board of
10 Supervisors, pursuant to data provided by the Police Department along with an analysis by the
11 Controller of the City and County and the consulting actuary of the Retirement Board, shall
12 determine the cost of the DROP, and whether in light of its achievement of the goals of the
13 measure, it should be continued for an additional five-year term, and thereafter, subject to
14 similar evaluations. The ~~net cost effect of the DROP Program~~ shall be ~~similarly~~ evaluated
15 ~~periodically~~ thereafter, pursuant to a schedule established by ordinance adopted by the Board of
16 Supervisors ~~by majority vote~~; provided, however, that in no event may such an evaluation be
17 conducted less often than every ~~three~~ five years after the initial evaluation.

18 (c) The Board of Supervisors may by ordinance reduce or cap the number of new
19 DROP requisitions available for the upcoming fiscal year. In setting any limit on the number of
20 new DROP requisitions, the Board of Supervisors may consider the number of Full-Duty Sworn
21 Officers then employed by the Police Department as compared to the Minimum Staffing Number
22 as set forth under Charter Section 4.127.

23 (d) If ~~the Board of Supervisors determines not to renew~~ the DROP Program is not
24 renewed by ordinance, those members then enrolled shall be permitted to complete their
25

1 DROPProgram participation pursuant to the terms in effect when they entered into the
2 DROPProgram.

3 (e) Should the DROP expire under subsection (a) and following the completion of
4 participation in the DROP under subsection (d), the City Attorney may cause Sections A8.900
5 through A8.910 to be removed from the Charter.

6
7 **A8.910 WITHDRAWAL OR ROLLOVER OF DROP ACCOUNTS.**

8 (a) Upon the termination or conclusion of a member's participation in the DROP, the
9 member shall be paid a lump sum equal to the balance in the member's DROP Account, or,
10 pursuant to the member's instructions, that balance shall be paid as a direct rollover into a
11 qualified retirement plan. The Retirement Board shall establish rules, and may develop such
12 forms as may be appropriate, regarding distribution of the DROP Account proceeds, the rollover
13 of such proceeds into a qualified retirement plan, and the time periods within such which
14 distributions may be made.

15 (b) Upon the voluntary withdrawal of a member from the DROP, or the expiration of
16 their participation period, the member shall be deemed to be retired on a service pension and
17 shall then commence receiving directly the monthly service pension amount calculated pursuant
18 to Section A8.903, including any cost of living adjustments to which the member would have
19 been otherwise entitled during the time of their participation in the DROP, and shall, for all other
20 purposes under this Charter and state law be deemed to be a retired member of the Police
21 Department.

22
23 Section 3. At the February 5, 2008 election, the voters approved the addition of Sections
24 A8.900 through A8.910 to the Charter, thereby establishing the Police Department Deferred
25 Retirement Option Program ("DROP"). It was a program with an initial three-year term, and

LEGISLATIVE DIGEST

[Charter Amendment - Minimum Police Staffing Levels and Voluntary Deferred Retirement Option Program for the Police Department]

Describing and setting forth a proposal to the voters at an election to be held on November 5, 2024, to amend the Charter of the City and County of San Francisco to establish minimum staffing levels for sworn officers of the Police Department for the period from July 2025 through July 2028; requiring the Police Commission to set the minimum staffing level, based on a report from the Chief of Police, at least every three years thereafter; requiring the Police Commission to approve and submit to the Board of Supervisors a budget for the Police Department that accounts for the minimum staffing level of sworn officers; and establishing a new voluntary deferred retirement option program (“DROP”) for the period from July 2025 through July 2030, for eligible members of the Police Department that allows those members to earn additional deferred compensation in the Retirement System for up to 60 months in exchange for agreeing to perform patrol or investigative work.

Existing Law

Charter Section 4.127 describes the Police Department, including the method by which the department must, every two years, use a workload methodology to establish a recommended minimum number of police officers for the City. The Police Commission is required to consider that recommendation when approving the Police Department’s proposed budget.

Charter Section A8.900 through A8.910 were approved by the voters in 2008 to establish a deferred retirement option program (“DROP”) for an initial three-year period. In 2011, the Board voted not to renew the DROP. Although these sections remain in the Charter, they currently have no legal effect.

Amendments to Current Law

Amended Charter Section 4.127 would establish a Minimum Staffing Number for the Police Department. For the first three years, beginning on July 1, 2025, the Minimum Staffing Number would be 2,074. The Minimum Staffing Number will be reestablished at least every three years using a workload methodology. Beginning in 2027, and in every year thereafter that the Police Chief prepares a report on staffing levels, the Police Commission will be required to consider that report and adopt a Minimum Staffing Number for the following three fiscal years. The Police Commission may not reduce the Minimum Staffing Number by more than 5% year-over-year absent a vote of at least two-thirds of its members. Additionally, beginning July 1, 2025, the Police Commission must approve a budget each fiscal year that includes funding for the salaries required to meet at least the Minimum Staffing Number.

This proposed amendment would also reestablish the DROP at Sections A8.900 through A8.910 of the Charter, for an initial five-year period beginning on July 1, 2025. Thereafter, and every five years until the DROP expires, the Board is required to vote whether to reauthorize the DROP for an additional five years. If a motion to reauthorize the DROP fails, the program will expire.

Only certain members of the Police Department in the ranks of Officer, Sergeant, and Inspector will be eligible to participate in the DROP, and only if they have at least 25 years of service credit – including service credit granted to lateral transfers – and are at least 50 years old. Members participating in the DROP must also agree to be assigned to district stations within the Field Operations Bureau to perform patrol work, or to the Investigative Bureau to conduct investigations. The Board is authorized to limit the number of DROP participants.

Participants in the DROP will continue working for the Police Department, but are not eligible for promotions. They will continue to draw a salary, but will also receive a DROP Account within the Retirement System, into which the City will deposit the pension payments the participant would have otherwise been receiving if they had retired. Those deposits will earn 4% interest, and the funds in the DROP Account will only be made available to the member at the conclusion of their participation in the DROP.

DROP participants who become disabled during their participation may be eligible for disability retirement, but will be required to terminate their participation in the DROP and will forfeit their existing DROP contributions. Similarly, members who are temporarily unable to perform the required duties of a DROP participant will not be permitted to participate in the program during the time there are incapacitated, but may be eligible to extend their participation in the DROP for up to 30 months. Participants who end their participation in the DROP and take a distribution from their DROP account are not eligible for a disability pension.

Background Information

In 1994, voters amended the Charter to adopt a specific mandatory staffing number (1,971). In 2020, the voters amended the Charter to remove the mandatory staffing number and to replace it with the requirement that the Police Department use a workload methodology to establish a minimum staffing recommendation every two years. This Charter Amendment would re-establish a mandatory minimum staffing number, but unlike the 1994 Charter Amendment, the number would not be static and would be updated at least once every three years using the workload methodology.

In 2008, voters approved a DROP for certain members of the police department, including Lieutenants and Captains. Eligible members were permitted to participate in the DROP for up to 36 months and were permitted to remain in their existing assignments. The original DROP was authorized for three years and was not extended by the Board.

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. No. (415) 554-5184
Fax No. (415) 554-5163
TDD/TTY No. (415) 554-5227

MEMORANDUM

Date: May 28, 2024
To: Planning Department / Commission
From: Victor Young, Clerk of the Rules Committee
Subject: Board of Supervisors Legislation Referral - File No. 240544
Charter Amendment - Minimum Police Staffing Levels and Voluntary Deferred Retirement Option Program for the Police Department

- California Environmental Quality Act (CEQA) Determination
Ordinance / Resolution
Ballot Measure
Amendment to the Planning Code, including the following Findings:
Amendment to the Administrative Code, involving Land Use/Planning
General Plan Referral for Non-Planning Code Amendments
Historic Preservation Commission

Please send the Planning Department/Commission recommendation/determination to Victor Young at Victor.Young@sfgov.org.

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MEMORANDUM

TO: Greg Wagner, City Controller, Office of the Controller

FROM: Victor Young, Assistant Clerk, Rules Committee
Board of Supervisors

A handwritten signature in black ink that reads "Victor Young".

DATE: May 28, 2024

SUBJECT: CHARTER AMENDMENT INTRODUCED
November 5, 2024, Election

The Board of Supervisors' Rules Committee has received the following Charter Amendment for the November 5, 2024, Election. This matter is being **referred** to you in accordance with Rules of Order 2.22.3.

File No. 240544 (ver1)

Charter Amendment (First Draft) to amend the Charter of the City and County of San Francisco to establish minimum staffing levels for sworn officers of the Police Department for the period from July 2025 through July 2028; requiring the Police Commission to set the minimum staffing level, based on a report from the Chief of Police, at least every three years thereafter; requiring the Police Commission to approve and submit to the Board of Supervisors a budget for the Police Department that accounts for the minimum staffing level of sworn officers; and establishing a new voluntary deferred retirement option program ("DROP") for the period from July 2025 through July 2030, for eligible members of the Police Department that allows those members to earn additional deferred compensation in the Retirement System for up to 60 months in exchange for agreeing to perform patrol or investigative work; at an election to be held on November 5, 2024.

Please review and prepare a financial analysis of the proposed measure prior to the first Rules Committee hearing.

If you have any questions or concerns, please call me at (415) 554-7723 or email: victor.young@sfgov.org. To submit documentation, please email or forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Office of the Controller

Natasha Mihal, Office of the Controller
Janice Levy, Office of the Controller

BOARD of SUPERVISORS



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San Francisco 94102-4689
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MEMORANDUM

TO: Carol Isen, Director, Department of Human Resources
FROM: Victor Young, Assistant Clerk, Rules Committee *Victor Young*
Board of Supervisors
DATE: May 28, 2024
SUBJECT: LEGISLATION INTRODUCED – MEET AND CONFER DETERMINATION

The Board of Supervisors’ Rules Committee has received the following Charter Amendment. This matter is being **referred** to you as it may require the Department of Human Resources to fulfill **“Meet and Confer”** requirements. Please review, assess the impact and provide proper noticing as required and report back to on the status of the “Meet and Confer” requirement.

File No. 240544 (ver1)

Charter Amendment (First Draft) to amend the Charter of the City and County of San Francisco to establish minimum staffing levels for sworn officers of the Police Department for the period from July 2025 through July 2028; requiring the Police Commission to set the minimum staffing level, based on a report from the Chief of Police, at least every three years thereafter; requiring the Police Commission to approve and submit to the Board of Supervisors a budget for the Police Department that accounts for the minimum staffing level of sworn officers; and establishing a new voluntary deferred retirement option program (“DROP”) for the period from July 2025 through July 2030, for eligible members of the Police Department that allows those members to earn additional deferred compensation in the Retirement System for up to 60 months in exchange for agreeing to perform patrol or investigative work; at an election to be held on November 5, 2024.

If you have any questions or concerns, please call me at (415) 554-7723 or email: victor.young@sfgov.org. To submit documentation, please email or forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

RESPONSE FROM THE DEPARTMENT OF HUMAN RESOURCES - Date: _____

_____ **Meet and Confer requirement has been fulfilled.**

_____ **Meet and Confer requirement not applicable.**

_____ **Additional information attached.**

Department of Human Resources

c: Mawuli Tugbenyoh, Department of Human Resources
Aliya Chisti, Department of Human Resources


BOARD of SUPERVISORS



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San Francisco 94102-4689
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MEMORANDUM

TO: Tom Paulino, Liaison to the Board of Supervisors, Mayor's Office
Anne Pearson, Deputy City Attorney, Office of the City Attorney
John Arntz, Director, Department of Elections
Patrick Ford, Executive Director, Ethics Commission
Chief William Scott, Police Department
Alison Romano, CEO/CIO, Employee's Retirement System

FROM: Victor Young, Assistant Clerk, Rules Committee 
Board of Supervisors

DATE: May 28, 2024

SUBJECT: CHARTER AMENDMENT INTRODUCED
November 5, 2024

The Board of Supervisors' Rules Committee has received the following Charter Amendment for the November 5, 2024, Election. This matter is being **referred** to you in accordance with Rules of Order 2.22.4.

File No. 240544 (ver1)

Charter Amendment (First Draft) to amend the Charter of the City and County of San Francisco to establish minimum staffing levels for sworn officers of the Police Department for the period from July 2025 through July 2028; requiring the Police Commission to set the minimum staffing level, based on a report from the Chief of Police, at least every three years thereafter; requiring the Police Commission to approve and submit to the Board of Supervisors a budget for the Police Department that accounts for the minimum staffing level of sworn officers; and establishing a new voluntary deferred retirement option program ("DROP") for the period from July 2025 through July 2030, for eligible members of the Police Department that allows those members to earn additional deferred compensation in the Retirement System for up to 60 months in exchange for agreeing to perform patrol or investigative work; at an election to be held on November 5, 2024.

Please review and submit any reports or comments you wish to be included with the legislative file.

If you have any questions or concerns, please call me at (415) 554-7723 or email: victor.young@sfgov.org. To submit documentation, please forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Michael Canning, Ethics Commission
Andres Power, Mayor's Office
Lisa Ortiz, Police Dept.
Lili Gamero, Police Dept.
Rima Malouf, Police Dept.
Diana Oliva-Aroche, Police Dept.
Sgt Stacy Youngblood (Police Commission)
Carl Nicita, Police Dept.
Darlene Armanino, SFERS
Caryn Bortnick, SFERS



SFERS
San Francisco Employees' Retirement System

San Francisco City and County
Employees' Retirement System
**Office of the
Chief Executive Officer & Chief Investment Officer**

July 3, 2024

Victor Young
Assistant Clerk, Rules Committee
Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place,
San Francisco, CA 94102

RE: File No. 240544 (ver1)

Charter Amendment (First Draft) to amend the Charter of the City and County of San Francisco to establish minimum staffing levels for sworn officers of the Police Department for the period from July 2025 through 2028; requiring the Police Commission to set the minimum staffing level, based on a report from the Chief of Police, at least every three years thereafter; requiring the Police Commission to approve and submit to the Board of Supervisors a budget for the Police Department that accounts for the minimum staffing level of sworn officers' and establishing a new voluntary deferred retirement option program ("DROP") for the period from July 2025 through July 2030, for eligible members of the Police Department that allows those members to earn additional deferred compensation in the Retirement System for up to 60 months in exchange for agreeing to perform patrol or investigative work; at an election to be held on November 5, 2024.

Dear Mr. Young:

This letter is the cost and effect report required to be prepared by the San Francisco City and County Employees' Retirement System under Charter Section A8.500.

The Charter proposal incorporates many elements. The Retirement System's review and analysis is limited to the changes to the pension provisions only.

Effect of the Proposed Charter Amendment

The Charter proposal creates a Deferred Retirement Option Program ("DROP") for an initial five year period. At the conclusion of the initial five years, the Board of Supervisors will evaluate the program to determine whether it should be continued.

The DROP will be available to all sworn members of the Police Department who have attained at least 50 years of age and have completed at least 25 years of service in the Police Department including other specified service, in the following police ranks for up to 60 months:

1. Police Officer (Q2, Q3, Q4)
2. Police Inspector (0380, 0381, 0382)
3. Police Sergeant (Q50, Q51, Q52)

Officers can also meet the requirement to have 25 years of service with the Police Department through service with the San Francisco Airport Police and “service credit granted through a lateral transfer.” The Retirement System recognizes police service with reciprocal retirement plans within the State of California.

Qualified officers who elect to enter the DROP will continue to work and receive wages and benefits. However, the calculation of their retirement benefit will be frozen based on their retirement calculation at the beginning of their DROP enrollment. The initial monthly calculation will be equal to the service retirement allowance applicable at the date the officer enters the DROP. During the period of an officer’s employment while in the DROP, the Retirement System benefits will be credited to the DROP account. COLAs and Supplemental COLAs will be credited where applicable. Interest on the account will accrue monthly at an annual effective rate of 4%. At the end of the DROP participation period, the officer will leave City employment and the DROP account will be distributed.

A DROP participant who suffers a work-related injury may apply for a disability retirement. If the application is granted, DROP participation ends and the officer will receive an industrial disability allowance as if the officer never entered the DROP. In other words, the disability allowance will be calculated based on the service and compensation earned through the date of disability. Police officers who are temporarily disabled will be ineligible to continue to participate in the DROP and the payments to their accounts will be suspended while they receive a temporary disability benefit. Once the temporary disability has ended, the officer’s DROP participation will be extended for the period they were receiving disability benefits, but the extension cannot exceed 30 months.

DROP participation will end when any of the following first occurs: (1) The officer’s DROP participation period ends; (2) Involuntary termination of employment; (3) the officer’s death; (4) approval of a disability retirement benefit; or (5) The officer’s voluntary exit at any time prior to completion of the DROP participation period.

Cost of the Proposed Charter Amendment

As required under Charter Section A8.500, Cheiron, the SFERS consulting actuary, has conducted its analysis to estimate the cost and effect of the proposed legislation. The Cheiron report is attached and its analysis is summarized below. Please refer to this report to review Cheiron’s assumptions and for further costing detail.

To estimate the cost, Cheiron based its analysis on the July 1, 2023 Actuarial Valuation Report. The report can be found at: <https://mysfers.org/sfers-actuarial-valuation-2023/>. Cheiron estimated 444 Police Officers, Sergeants and Inspectors will be eligible for the DROP during the five year period. The actuary also looked at the actual experience from the prior DROP. That experienced showed

July 3, 2024

Page 3

that once eligible officers reached their maximum benefit level (90% of final compensation), nearly all entered the DROP. Cheiron assumed nearly all eligible officers will make the same decision to cost the current proposal.

The actual cost impact of the proposed Charter amendment will depend on many factors, including, but not limited to, when eligible members elect to retire, how many elect to participate in the DROP, and how long they remain in the DROP. Cheiron developed low and high-cost estimates for the DROP. The low-cost estimates assume there will be greater DROP participation at the earlier retirement ages and that all participants remain in the DROP for the full five years. Once a police officer enters the DROP, it is less expensive if they remain in the program for the full five years because the Retirement System is collecting employee contributions and the credited interest rate on the DROP account is lower than the Retirement System's expected rate of return on its assets. The high-cost estimates assume only three years of participation.

The actuary estimates that the Charter proposal will increase the unfunded actuarial liability (UAL) by \$5.4 million for the low-cost assumptions and \$19 million for the high-cost assumptions in FYE 2026. The increase in the UAL will be amortized over 5 years with the annual payments rising by 3.25% of payroll each year. After 5 years, there will be no further payments. If the DROP is extended after the initial five year period, the actuary will cost the DROP going forward.

The Retirement System will appear at the Rules Committee hearing on this subject and address Committee member questions.

Very truly yours,



Alison Romano
CEO & CIO
San Francisco Employees' Retirement System

Attachment: Cheiron report dated July 2024

cc: Supervisor Aaron Peskin, President, Board of Supervisors
Supervisor Hilary Ronen, Chair Rules Committee
Supervisor Shamann Walton, Rules Committee
Supervisor Ahsha Safai, Rules Committee
Angela Calvillo, Clerk, Board of Supervisors

Via Electronic Mail

July 3, 2024

Ms. Alison Romano
 Chief Executive and Investment Officer
 San Francisco City and County Employees' Retirement System
 1145 Market Street, 6th Floor
 San Francisco, CA 94103

Re: Proposed Charter Amendment – DROP Program for Police

Dear Alison:

As requested, we have estimated the cost impact of the proposed Charter amendment that would establish a temporary Deferred Retirement Option Program (DROP) for certain ranks in the Police Department. A summary of the DROP provisions is attached.

The cost impact of a DROP is difficult to measure because it depends on how the DROP affects member retirement decisions. In general, if members enter DROP when they would have otherwise retired and continue to work, the DROP will reduce costs. If, on the other hand, DROP does not affect when members actually leave employment and retire, the addition of DROP will increase costs. Actual DROP participation is likely to fall somewhere in between.

To estimate the cost impact of the proposed DROP, we developed low-cost and high-cost sets of assumptions. While these sets of assumptions do not capture the full range of potential cost impacts, they provide a sense of how variations in retirement and DROP participation rates are likely to affect costs. The table below summarizes the estimated cost under these two sets of assumptions assuming the cost is first reflected in contribution rates on July 1, 2025.

Estimated Increase Due to Proposed Charter Change		
	Low-Cost Assumptions	High-Cost Assumptions
Actuarial Liability	\$ 5.4	\$ 19.0
Expected Employer Contribution Increases or (Decreases)		
FYE 2026	\$ 0.6	\$ 3.0
FYE 2027	(0.2)	2.6
FYE 2028	(0.4)	2.6
FYE 2029	(0.4)	2.8
FYE 2030	(0.3)	3.0

Dollar Amounts in Millions

The increase in the Actuarial Liability is amortized over five years with annual payments increasing 3.25% each year. After five years, there are no further payments. This five-year amortization matches the temporary period in which DROP is effective and any additional costs are incurred.

When a member enters DROP, the member remains an active employee, but there are no longer any employer contributions based on the member's pay. Consequently, during the five-year projection period, there are lower employer normal cost payments due to the DROP. When the member exits DROP, we assume a new member is hired to replace the member who retired and the employer makes normal cost payments on the new member's pay. So, if the DROP expires on July 1, 2030, the employer normal cost would return to its normal level as DROP members exit.

Basis for Analysis

Our analysis uses the census data, assumptions, and methods from the July 1, 2023 actuarial valuation. Please refer to that report for a summary of the data, assumptions, and plan provisions applicable to Police members under the various Charter sections. Valuation results are projected to July 1, 2024 to determine the expected impact on the liability as of July 1, 2024 and contributions for the fiscal year ending June 30, 2026.

In the 2023 actuarial valuation data, we identified 441 Police Officers, Sergeants, and Inspectors who would be eligible for DROP sometime before DROP expires if it is not reauthorized. We used these members as the basis for our cost analysis, assuming none of them are promoted to a non-DROP eligible position.

The DROP assumptions were developed based on professional judgment and with reference to SFERS' experience under its prior DROP that was available from July 1, 2008 through June 30, 2011.

From a member's perspective, DROP offers some advantages. Most significantly, when a member's combination of age and service reaches the point where their service retirement benefit would be 90% of final compensation, the maximum percentage allowed in SFERS, DROP allows the member to effectively commence their retirement benefits while continuing to work and receive a salary. Without the DROP, they would need to retire to commence these benefits and the longer they wait to commence the benefits, the less expensive it is to fund. Under the prior DROP, once a member had reached the maximum benefit level, nearly all of them retired or entered DROP, with 58% to 64% of them entering DROP. Consequently, we expect a very high percentage of members to enter DROP as soon as they reach the 90% of final compensation benefit level.

DROP also offers a lump sum payment at retirement in addition to the ongoing monthly benefits. For members who have not reached the 90% of final compensation benefit level, entering DROP locks in the level of benefits at DROP entry, foregoing any increases that could have been earned for additional years of service, higher compensation, and the higher benefit multipliers at older retirement ages (up to age 55). For some members, accepting a lower lifetime retirement benefit in exchange for the lump sum payout of the DROP Account may be desirable even if the actuarial value of the benefits is lower under the assumptions used in the actuarial valuation. Under the prior DROP, many members entered DROP before reaching the maximum 90% multiplier.

With these dynamics in mind, we developed low-cost and high-cost assumptions for the DROP. The low-cost retirement rates assume greater DROP participation at the earlier retirement ages and less participation at the older retirement ages than the higher-cost assumptions. The low-cost

Ms. Alison Romano

July 3, 2024

Page 3

assumptions assume all DROP members remain in DROP for the full five years while the high-cost assumptions assume only three years of DROP participation. Once a member enters DROP, it is less expensive if they remain the full five years as the System collects member contributions while they remain in DROP and credits the DROP account with a lower interest rate than it expects to earn on its assets. The tables in the attachment compare the current retirement assumptions without DROP to the low-cost and high-cost retirement and DROP participation assumptions with DROP.

This estimate and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this estimate. This estimate does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This estimate was prepared exclusively for the San Francisco City and County Employees' Retirement System for the purpose described herein. Other users of this estimate are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

If you have any questions on this estimate, please let us know.

Sincerely,
Cheiron, Inc.



William R. Hallmark, ASA, EA, FCA, MAAA
Consulting Actuary



Anne D. Harper, FSA, EA, MAAA
Principal Consulting Actuary

Attachment

cc: Caryn Bortnick, Chief Operating Officer
Janet Brazelton, Actuarial Services Coordinator
Matt Wells, Cheiron

Summary of Proposed Changes to Charter

Deferred Retirement Option Program	
Effective Date	July 1, 2025 to July 1, 2030. Board of Supervisors can reauthorize DROP for additional five-year periods, but failure to act results in the expiration of DROP.
Eligibility to Enter DROP	<ul style="list-style-type: none"> • Police Officers, Sergeants, and Inspectors. Must be either a “Full-Duty Sworn Officer” or assigned to the San Francisco International Airport. • Age 50 or older with at least 25 years of service • Member must agree to: <ul style="list-style-type: none"> ○ Be assigned to a district station within the Field Operations Bureau to perform patrol work, or to the Investigative Bureau to conduct investigations, ○ No promotion during DROP participation ○ Retire at end of DROP participation
Maximum period in DROP	Five Years
DROP Account Balance	The service pension calculated based on age, compensation, and service as of entry into DROP is credited monthly into a DROP Account. The monthly credit is adjusted for any Basic or Supplemental Cost-of-Living Adjustments. The DROP Account is also credited monthly with interest at an annual effective rate of 4.0%. Upon retirement, the DROP Account is paid to the member as a lump sum.
Service Retirement Benefit	At the end of DROP participation, a monthly retirement benefit will be paid equal to the continuation of the monthly credit to the DROP Account with continued Basic and Supplemental Cost-of-Living Adjustments.
Employee Contributions While in DROP	While in DROP, member contributions continue as if the member was an active employee except that the contributions are not credited to the member’s account. The contributions are deemed general assets of SFERS.
Disability While in DROP	<p>Industrial Disability: Member receives an industrial disability benefit as if they had never entered the DROP.</p> <p>Non-Industrial Disability: Member’s participation in DROP is terminated, the DROP Account is paid to the member, and monthly</p>

Deferred Retirement Option Program	
	<p>retirement benefits, including applicable cost-of-living adjustments, are paid as if the member had retired.</p> <p>Temporary Disability: While the member receives disability benefits, the member’s monthly credits to DROP are suspended and the DROP enrollment period is extended for up to 30 months.</p> <p>Unresolved Disability: Member must leave DROP when the participation period concludes but is permitted to continue on disability status until their application is determined. The DROP Account cannot be distributed until the disability retirement status is determined.</p> <p>Members who receive distribution of their DROP Account waive any right to apply for a disability pension.</p>
Death While in DROP	<p>Duty Death: Member’s beneficiaries receive duty death benefits as if the member had never entered the DROP.</p> <p>Non-Duty Death: Member’s DROP Account is paid to the member’s beneficiary, and any monthly survivor benefits, including applicable cost-of-living adjustments, are paid based on the form of benefit elected at the time of entry into DROP.</p>

Retirement and DROP Assumptions

With DROP, there are three assumptions related to retirement. The retirement rate represents the percentage of members who will either retire or enter DROP. The DROP percentage is the percentage of the retiring members who enter DROP. For example, a 10% retirement rate combined with a 50% DROP participation rate means that 5% of members are assumed to retire and 5% of members are assumed to enter DROP. The third assumption is how long members who enter DROP choose to remain in DROP. For the low-cost assumptions, we assume members remain in DROP the full five years, and for the high-cost assumptions, we assume members remain in DROP for three years.

Other Than Prop C Members										
Age	Current Ret Rate	25 to 29 Years of Service				30 or More Years of Service				
		Low-Cost Ret Rate	Low-Cost DROP Pct	High-Cost Ret Rate	High-Cost DROP Pct	Current Ret Rate	Low-Cost Ret Rate	Low-Cost DROP Pct	High-Cost Ret Rate	High-Cost DROP Pct
50	5%	10%	50%	5%	0%	5%	20%	75%	5%	0%
51	5%	10%	50%	5%	0%	15%	60%	75%	15%	0%
52	7.5%	15%	50%	7.5%	0%	20%	60%	75%	25%	20%
53	20%	30%	50%	25%	0%	40%	60%	75%	55%	25%
54	22%	30%	67%	35%	20%	50%	80%	75%	80%	50%
55	35%	45%	67%	60%	35%	50%	75%	80%	100%	75%
56	26%	36%	67%	60%	50%	40%	75%	80%	100%	75%
57	28%	36%	67%	65%	55%	45%	75%	70%	100%	65%
58	30%	36%	67%	70%	55%	45%	75%	70%	100%	65%
59	25%	36%	67%	70%	70%	45%	75%	65%	100%	60%
60	34%	40%	50%	70%	70%	45%	75%	65%	100%	60%
61	36%	40%	50%	70%	60%	40%	75%	60%	100%	60%
62	36%	40%	50%	70%	50%	40%	75%	60%	100%	60%
63	36%	40%	50%	70%	50%	40%	75%	50%	100%	60%
64	36%	40%	50%	70%	50%	40%	75%	50%	100%	60%
65+	100%	100%	0%	100%	0%	100%	100%	0%	100%	0%