

1 [Implementing a Deferred Retirement Option Program for certain members of the Police  
2 Department.]

3 **Ordinance adding sections 16.63 through 16.63-10 to the Administrative Code to**  
4 **implement the Deferred Retirement Option Program approved by the San Francisco**  
5 **voters.**

6 Note: Additions are *single-underline italics Times New Roman*;  
7 deletions are ~~*strikethrough italics Times New Roman*~~.  
8 Board amendment additions are double underlined.  
9 Board amendment deletions are ~~strikethrough normal~~.

10 Be it ordained by the People of the City and County of San Francisco:

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12 **Sec 16.63. DURATION OF DEFERRED RETIREMENT OPTION PROGRAM.**

13 (a) Under Charter Sections A8.900-A8.910, a Deferred Retirement Option Program  
14 ("DROP") shall be offered to certain members of the San Francisco Police Department on a voluntary  
15 basis.

16 (b) The DROP shall be offered for an initial period of three years beginning July 1,  
17 2008 and ending June 30, 2011. Before April 15, 2011, the Controller and the Retirement System's  
18 consulting actuary shall prepare and submit to the Board of Supervisors a joint report on whether the  
19 DROP meets the intent and cost-neutrality requirements of the Charter. Based on the criteria provided  
20 in Charter sections A8.900 and A8.909, the Board of Supervisors may vote to extend the DROP up to  
21 an additional three years.

22 (c) For each year in which the DROP is extended, the Controller and the Retirement  
23 System's consulting actuary shall prepare and submit the joint report required by the Charter and  
24 Subsection 16.63(b) no later than April 15 annually.

1                   (d) A DROP participant enrolled in the program before it terminates shall be  
2 permitted to complete his or her DROP agreement.

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4                   **Sec. 16.63-1. DROP ELIGIBILITY.**

5                   (a) Active full-duty sworn police officers on and after July 1, 2008 that occupy the  
6 ranks, and meet the additional requirements set forth in the Charter and Sections 16.63 through 16.63-  
7 10 may enter the DROP before June 30, 2011. The Police Department shall certify to the Retirement  
8 System active full-duty sworn police officer status at the time of entry into the DROP and the  
9 Retirement System shall rely on the Police Department's certification to determine DROP eligibility.

10                   (b) Former members of the San Francisco Employees' Retirement System whose  
11 employment is terminated before July 1, 2008, and are rehired after that date are not eligible to  
12 participate in the DROP.

13                   (c) Eligible police officers may make a one-time election to participate in the DROP.  
14 No police officer shall be permitted to elect to participate in the DROP more than once. A police  
15 officer who elects to participate in the DROP shall, on a form provided by the Retirement System,  
16 voluntarily:

17                   (1) Determine a beginning date upon which to enter the DROP, consistent with the  
18 rules set by the Retirement Board, and agree to terminate employment as an active full-duty sworn  
19 police officer with the City and County of San Francisco on or before the last day of his or her  
20 participation in the DROP.

21                   (2) Agree that his or her service retirement formula, including years of service and  
22 retirement allowance base adjusted for "Gillmore" debts, all other eligibility conditions, and eligibility  
23 for survivor benefits and option elections, shall be set, and not subject to later modification, at the time  
24 he or she enters the DROP.

1                   (3) Pay in full all mandatory redeposits before the date he or she enters the DROP.

2                   (4) Acknowledge that all elective payment of account shortages or "Gillmore" debts  
3 and elective purchases of service must be completed before he or she enters the DROP in order for  
4 such payments or purchases to be included in the calculation of his or her service retirement allowance  
5 upon entry into the DROP. A DROP participant may not repay an account shortage or "Gillmore"  
6 debt, or make an elective purchase of service after he or she has entered the DROP.

7                   (5) Agree that, upon the effective date of the eligible police officer's participation in  
8 the DROP, he or she waives any right to receive a refund of contributions that may have been available  
9 if he or she had not elected to participate in the DROP.

10                  (6) Agree to receive a service retirement allowance from the Retirement System  
11 upon termination of the DROP participation period at the time, and in the manner, provided in the  
12 Charter and this Code.

13                  (7) Designate a beneficiary for the DROP distribution. A DROP participant may  
14 change his or her beneficiary designation at any time prior to distribution. The DROP beneficiary  
15 designation shall not apply to any other benefit that may be available from the Retirement System.

16                  (d) Eligible police officers may elect to participate in the DROP for any period of  
17 time up to the maximum allowed by the Charter for the rank applicable to the police officer when he or  
18 she enters the DROP. For purposes of the program, the eligible DROP participation period shall be  
19 defined as the total number of times the Retirement System will post the monthly service amounts in  
20 Sections 16.63-2(b)(1) and (2) to the participant's DROP account as determined by the DROP  
21 agreement. No police officer shall remain in the DROP after the participation period has expired.

1           **Sec. 16.63-2. DROP ACCOUNTS.**

2           (a) A DROP account is a nominal account established within the Retirement System  
3 on behalf of each DROP participant. All amounts payable to the DROP participant at the conclusion  
4 of his or her participation shall be accounted for in the DROP account.

5           (b) The DROP account shall include:

6           (1) An amount, posted monthly, which is equal to the monthly service retirement  
7 allowance to which the participant would be entitled using the formula in the Retirement System  
8 program in which the participant is a member on the effective date of his or her entry into the DROP,  
9 less any "Gillmore" payments advanced during the DROP participation period.

10           (2) Adjustments for cost of living and supplemental cost of living equal to the  
11 adjustments the participant would be entitled to receive based on the monthly service allowance in  
12 Subsection 16.63-2(b)(1).

13           (3) Interest in the amount of four percent annually. Interest will be credited to the  
14 participant's DROP account monthly. No interest shall accrue after participation in the DROP ceases.

15           (c) During participation in the DROP, no right to claim payment of the DROP  
16 distribution shall accrue to any party, including the DROP participant. Upon termination of  
17 participation in the DROP, the DROP distribution shall be subject to claims in the same manner as any  
18 other lump sum retirement distribution.

19           (d) Lump sum amounts, including those representing compensatory time, accrued  
20 vacation, or accrued sick pay shall not be posted in the DROP account.

1           **Sec. 16.63-3. REQUIRED CONTRIBUTIONS.**

2           The Retirement Board shall determine the City and County's contributions as required  
3 by Charter Section 12.100. Under the Charter, no required contributions will be posted to the DROP  
4 participant's account.

6           **Sec. 16.63-4. BENEFITS ON COMPLETION OF THE DROP.**

7           (a) After a DROP participant retires and simultaneously leaves the DROP, he or she  
8 will thereafter receive a monthly service retirement allowance from the Retirement System as  
9 calculated at the time of entry into the DROP, including adjustments for base and supplemental cost of  
10 living as provided in the Charter.

11           (b) After a DROP participant retires and simultaneously leaves the DROP, an  
12 amount equal to the accumulated sums posted to the participant's DROP account will be distributed to  
13 him or her, subject to Retirement Board rules and Internal Revenue Service regulations.

14           (c) After a DROP participant has taken any distribution as set forth in Subsection  
15 16.63-4(b), if, for any reason, a disability retirement allowance is granted, the DROP participant shall  
16 be treated as if he or she had never entered the DROP and the Retirement System shall have the right  
17 to offset the amount that has been distributed from the DROP account.

18           (d) Notwithstanding anything to the contrary, a DROP participant's community  
19 property obligations under applicable laws will not be affected by the DROP beneficiary designation.

21           **Sec. 16.63-5. DISABILITY RETIREMENT ALLOWANCE GRANTED DURING DROP**  
22 **PARTICIPATION.**

23           Participation in the DROP terminates when the Retirement Board approves a DROP  
24 participant's application for disability retirement and no DROP distribution shall be made.

1                   **Sec. 16.63-6. DEATH DURING DROP PARTICIPATION.**

2                   (a) If the decedent has a qualified surviving spouse, domestic partner or dependents,  
3 then:

4                   (1) Within 180 days of a DROP participant's service-connected death, the qualified  
5 surviving spouse, domestic partner, or dependents shall have the right to elect to receive either survivor  
6 benefits provided in the Charter for a service-connected death in lieu of a DROP distribution or non-  
7 service connected death benefits and distribution of the DROP, subject to beneficiary designations.

8                   (2) Subject to the elections in Subsection 16.63-6(a)(1), a DROP distribution shall  
9 be made to the participant's designated beneficiary upon the DROP participant's death. Qualified  
10 surviving spouses, domestic partners, and dependents shall also receive continuation benefits provided  
11 in the Charter.

12                   (3) No allowance shall be paid under this Section to a surviving spouse unless he or  
13 she was married to the DROP participant at least one year prior to his or her entry into the DROP. No  
14 allowance shall be paid under this section to a surviving domestic partner unless the domestic  
15 partnership was registered at least one year prior to the participant's entry into the DROP.

16                   (b) If no continuation benefit is payable to a qualified survivor, then active death  
17 benefits shall be paid to the designated beneficiary to receive plan benefits, and the DROP distribution  
18 shall be paid to the designated DROP beneficiary.

19                   (c) DROP benefits shall be paid to the DROP participant's estate if the designated  
20 beneficiary predeceases him or her.

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22                   **Sec. 16.63-7. CONDITIONS OF CONTINUED DROP PARTICIPATION.**

23                   (a) A DROP participant's violation of any term or condition of the DROP agreement  
24 shall remove him or her from DROP participation and, upon retirement shall receive benefits from the  
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1 Retirement System as if he or she never entered the DROP. The police officer will be ineligible to elect  
2 to participate in the DROP in the future and no sums posted to the nominal account on his or her  
3 behalf will be distributed.

4 (b) During any period when a DROP participant is not on active status as a full-duty  
5 sworn safety officer, no amounts shall be posted to the participant's DROP account. It shall be the  
6 responsibility of the Police Department to notify the Retirement System whenever a DROP participant  
7 leaves active status as a full-duty sworn safety officer.

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9 **Sec. 16.63-8. COMPLIANCE WITH APPLICABLE PROVISIONS OF THE INTERNAL**  
10 **REVENUE CODE.**

11 It is intended that the DROP shall not jeopardize the tax-qualified status of the Retirement  
12 System trust. The Retirement Board shall have the authority to adopt rules and regulations required  
13 for the DROP to maintain compliance with applicable laws and regulations.

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15 **Sec. 16.63-9. AUTHORITY OF THE RETIREMENT BOARD.**

16 In addition to the authority granted elsewhere in the Charter and the Administrative Code, the  
17 Retirement Board shall have the authority to adopt rules and regulations to administer the DROP in  
18 accordance with the Charter.

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20 **SEC. 16.63-10. SEVERABILITY.**

21 If any sentence, clause, section or part of this ordinance is found to be unconstitutional, illegal,  
22 or invalid, the validity of the remainder of this ordinance shall not be affected. It is hereby declared to  
23 be the intention of the Board of Supervisors that this ordinance would have been adopted had such

1 unconstitutional, illegal, or invalid sentence, clause, section or part of this ordinance not been  
2 included. To this end, the provisions of this ordinance are severable.

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4 APPROVED AS TO FORM:  
5 DENNIS J. HERRERA, City Attorney

6 By: \_\_\_\_\_  
7 Caryn Bortnick  
8 Deputy City Attorney

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