



June 23, 2022

Supervisor Aaron Peskin, Chair  
Supervisor Rafael Mandelman  
Supervisor Connie Chan  
San Francisco Board of Supervisors, Rules Committee  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Plaza  
San Francisco, CA 94102

**RE: File No. 220640**

Charter Amendment (First Draft) to amend the Charter of the City and County of San Francisco to eliminate the full funding requirement for supplemental cost of living benefit payments to members of the San Francisco Employees' Retirement System who retired before November 6, 1996, subject to a monthly monetary cap for retirees and their qualified survivors and beneficiaries in years that the Retirement System is not fully funded; adjust the base retirement allowance for these retirees, or their qualified survivors and beneficiaries, to account for supplemental cost of living adjustments not received in the years 2013, 2014, 2017, 2018 and 2019; and authorize the Retirement Board to enter into an individual contract with any Retirement System executive director hired on or after January 1, 2023. (Supervisors Safai, Melgar and Peskin)

Dear Supervisors Peskin, Mandelman and Chan:

The San Francisco Employees' Retirement System submits its cost report pursuant to Charter Section A8.500 as follows:

1. Adjusting the Supplemental Cost of Living Benefits for SFERS Members Retired Before November 6, 1996

The proposed Charter Amendment will remedy a portion of the Appellate Court's decision in *Protect our Benefits v. City and County of San Francisco* (2015) that held that the full funding requirement to be eligible to receive a Supplemental Cost of Living Adjustment ("Supplemental COLA") could be applied to persons who retired before November 6, 1996. Under the proposed Charter Amendment, members who retired before November 6, 1996, including their qualified survivors and beneficiaries, will receive a Supplemental COLA when SFERS exceeds its assumed rate of return but is not fully funded. However, in those years, the amount of the Supplemental COLA payable will be capped at \$200/month for any retiree with a monthly retirement allowance that exceeds \$4,167. The base retirement allowance will be adjusted to account for Supplemental COLAs that were paid to other retirees in 2013, 2014, 2017, 2018 and 2019, but not to these retirees because the full funding requirement was not met, subject to the \$200/month cap in the aggregate for retirees with a monthly allowance that exceeds \$4,167.

SFERS' Actuary, Cheiron, has estimated that the increase to SFERS' Actuarial Liability will be approximately \$59.7 million for the retirement allowance adjustments set forth in the proposal. In addition, Cheiron estimates there will be an approximate additional \$5.3 million increase to SFERS' Actuarial Liability, representing potential future costs for Supplemental COLAs that may be payable to this group when SFERS has earnings in excess of the expected earnings on the actuarial value of the assets, but the Plan is not fully funded. Cheiron's report is enclosed.

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2. Hiring an Executive Director for SFERS

This Proposed Charter Amendment will authorize the Retirement Board to hire any Executive Director by contract. The proposed amendment applies to any Executive Director hired on or after January 1, 2023.

This proposed Charter Amendment may have a slight cost impact on SFERS in the event that a contract amount exceeds what the Retirement Board would otherwise pay an Executive Director. The Retirement System is unable to estimate these potential costs.

Representatives of the Retirement System will attend the Rules Committee hearing on this matter on June 27, 2022.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Caryn Bortnick', with a long horizontal flourish extending to the right.

Caryn Bortnick  
SFERS Chief Operating Officer

cc Victor Young, Asst. Clerk  
Rules Committee

Enc.: Cheiron report dated June 15, 2022