



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller
Todd Rydstrom
Deputy Controller

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

July 8, 2024

RE: File 240552 v1 – Charter Amendment to Reform the Fire Department Service Retirement Pension

Dear Ms. Calvillo,

Should the proposed Charter amendment be approved by the voters, in my opinion, it would have a significant impact on the cost of government – ranging from \$10.2 million in fiscal year 2025-26 and increasing to \$21.2 million in fiscal year 2040-2041.

Changed Definition of “Final Compensation”

Retirement benefits for firefighters in San Francisco are calculated based on each firefighter’s “final compensation,” which approximates the amount the given firefighter earned immediately before their retirement. The proposed Charter amendment would change the way “final compensation” is calculated, and, thereby, change the value of the retirement benefits the City pays to firefighters.

The amendment changes the way the City calculates final compensation for firefighters hired after July 7, 2010. For these firefighters, final compensation will no longer be based on an average of actual earnings over a two- or three-year period. Instead, final compensation would be based on average eligible compensation over the firefighter’s single highest year of earnings. In general, averaging over the one-year period with eligible compensation (instead of actual earnings) yields a higher final compensation value – increasing firefighters expected retirement benefits.

The estimated cost in the first year is \$6.5 million, with costs increasing through year 16 for higher employer retirement contributions paid by the City. This cost is based on the estimated increased retirement benefits that firefighters would be eligible for with the higher “final compensation” calculation. For context, the City has hired approximately 1,150 firefighters since July 2010, of which, approximately 700 are eligible for retirement after five years of service.

Changing Age Factor Percentages and Lowering Retirement Age

The proposed Charter amendment would also align the retirement benefits calculations for those becoming firefighters after January 7, 2012 with those who became firefighters before that date. The amendment specifies that those hired before January 7, 2012 will qualify for higher percentages of their retirement benefits (age factors) at younger ages and that they will reach the

highest percentage at age 55. This lowers the age of retirement at which firefighters would receive the highest potential pension from 58 to 55 for this cohort of firefighters. For context, of the firefighters hired after January 7, 2012, currently approximately 4% (approximately 50 firefighters) are older than 50 years of age.

The estimated cost in the first year is \$3.7 million, with costs increasing through year 16 for higher employer retirement contributions paid by the City. This cost does not include the potential need to hire more new firefighters as older firefighters are newly incentivized to retire earlier. For context, the current cost to hire and train a new firefighter is approximately \$115,000, including the costs for the academy, background and medical checks, personal protective equipment, and uniforms.

This Charter amendment amends voter-approved Charter amendments from June 2010 and November 2011 on pension reform.

Sincerely,

Janice Levy FOR
Greg Wagner
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.