

File No. 151277

Committee Item No. 1

Board Item No. 9

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Rules Committee

Date February 25, 2016

Board of Supervisors Meeting

Date March 15 2016

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Introduction Form (for hearings) |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Actuarial Cost and Effect Report |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
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Completed by: Derek Evans Date February 22, 2016

Completed by: Derek Evans Date March 3, 2016

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

1 [Administrative Code - Definition of Final Compensation for Retirement Benefits]

2
3 Ordinance amending the Administrative Code to update the definition of final
4 compensation for purposes of retirement benefits under the San Francisco Employees'
5 Retirement System, and to include in that definition compensation earnable under the
6 Judges' Retirement System and Judges' Retirement System II.

7 NOTE: Unchanged Code text and uncodified text are in plain Arial font.
8 Additions to Codes are in *single-underline italics Times New Roman font*.
9 Deletions to Codes are in *strikethrough italics Times New Roman font*.
10 Board amendment additions are in double-underlined Arial font.
11 Board amendment deletions are in ~~strikethrough Arial font~~.
12 Asterisks (* * * *) indicate the omission of unchanged Code
13 subsections or parts of tables.

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

15 Section 1. The Administrative Code is hereby amended by revising Section 16.29-7.3,
16 to read as follows:

17 **SEC. 16.29-7.3. DEFINITIONS – FINAL COMPENSATION.**

18 Final compensation shall ~~mean the average monthly compensation earnable by a member~~
19 ~~during the 10 years immediately preceding his or her retirement have the meaning assigned to such~~
20 ~~term in the plan applicable to a member pursuant to the Charter. In addition, the compensation~~
21 ~~earnable during any period of service as a member of the Judges' Retirement System or the Judges'~~
22 ~~Retirement System II shall be considered compensation earnable as a member of the Retirement System~~
23 ~~for purposes of computing final compensation for the member, if he or she retires concurrently under~~
24 ~~both systems.~~

1 Section 2. Effective Date. This ordinance shall become effective 30 days after
2 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
3 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
4 of Supervisors overrides the Mayor's veto of the ordinance.

5
6 Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
7 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
8 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the
9 Administrative Code that are explicitly shown in this ordinance as additions, deletions, Board
10 amendment additions, and Board amendment deletions in accordance with the "Note" that
11 appears under the official title of the ordinance.

12
13 APPROVED AS TO FORM:
14 DENNIS J. HERRERA, City Attorney

15 By:



16 TRAN L. LY
Deputy City Attorney

17 n:\Vegan\as2015\1600332101068006.doc

LEGISLATIVE DIGEST

[Administrative Code - Definition of Final Compensation for Retirement Benefits]

Ordinance amending the Administrative Code to update the definition of final compensation for purposes of retirement benefits under the San Francisco Employees' Retirement System, and to include in that definition compensation earnable under the Judges' Retirement System and Judges' Retirement System II.

Existing Law

Final compensation is currently defined under Section 16.29-7.3 of the Administrative Code as the average monthly compensation earnable by a member during the 10 years immediately preceding his or her retirement. However, this definition is outdated and does not accurately define the final compensation applicable to members of the San Francisco Employees' Retirement System ("SFERS"). Additionally, the current definition of final compensation does not include any compensation earnable for service as a member of the Judges' Retirement System ("JRS") or the Judges' Retirement System II ("JRS II").

Amendments to Current Law

The proposed ordinance amends the definition of final compensation so that final compensation is defined by reference to the definition in Charter provisions for the plan applicable to a member. Additionally, the definition of final compensation is amended so that compensation earnable as a member of JRS or JRS II is considered in determining a member's final compensation for purposes of the member's retirement benefits under SFERS, if the member retires concurrently from both systems.

Background Information

The California Public Employees' Pension Reform Act ("PEPRA"), which took effect in January 2013, made certain changes related to JRS and JRS II. However, because PEPRA does not apply to SFERS, members of SFERS who have become members of JRS and JRS II have not been able to take advantage of such changes. Therefore, the calculation of final compensation in determining SFERS retirement benefits for such members has not included compensation earned as a member of JRS or JRS II. The proposed ordinance is intended to treat SFERS members the same as other California plan members who become judges under JRS or JRS II when calculating retirement benefits under SFERS.

RECEIVED VIA EMAIL
01/22/2016



City and County of San Francisco
Employees' Retirement System
Office of the Executive Director

January 22, 2016

Angela Calvillo
Clerk of the Board
Board of Supervisors
Room 244, City Hall
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102

Erica Major
Assistant Committee Clerk, Government Audit and Oversight Committee
Board of Supervisors
Room 244, City Hall
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102

Handwritten initials and a vertical stamp: "RECEIVED JAN 23 2016"

Re: Actuarial Cost and Effect Report regarding File No. 151277 – Ordinance amending the Administrative Code to update the definition of final compensation for purposes of retirement benefits under the San Francisco Employees' Retirement System, and to include in that definition compensation earnable under the Judges' Retirement System and Judges' Retirement System II.

Dear Ms. Calvillo and Ms. Major,

The Retirement System acknowledges receipt of your referral of the above referenced proposed ordinance amending the Retirement System provisions of the Administrative Code and your request for an actuarial cost and effect report of the proposed ordinance under Charter Section A8.500.

Terms of the Proposed Ordinance

If adopted by the Board of Supervisors, the proposed ordinance would amend the Administrative Code to update the definition of final compensation for purposes of retirement benefits under the San Francisco Employees' Retirement System (SFERS), and to include in that definition compensation earnable under the Judges' Retirement System (JRS) and Judges' Retirement System II (JRSII). Under the current law, when a member leaves SFERS and is subsequently employed as a California judge and earns benefits under JRS or JRSII, only compensation earned under SFERS is considered in the calculation of the member's SFERS retirement benefit. Under the proposed ordinance, for a member who leaves SFERS employment and maintains membership in SFERS and is subsequently employed as a California judge and earns benefits under JRS or JRSII, SFERS would use the higher of a) the member's compensation earnable during their service under SFERS or b) the member's compensation earnable during their service under JRS or JRSII in the calculation of the member's SFERS retirement benefits provided that the member retires concurrently from:

SFERS and JRS or JRSII. The proposed ordinance does not provide for including service under JRS or JRSII for determining eligibility to receive SFERS retirement benefits.

Cost and Effect of the Proposed Ordinance

The Retirement System's consulting actuary, Cheiron, conducted an analysis of the cost and effect of the proposed ordinance. I have summarized Cheiron's analysis below. The full Cheiron report is attached.

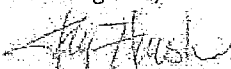
Cheiron has determined, given the small number of members likely to be affected by the proposed ordinance, any additional costs of including JRS and JRSII compensation would be minor. SFERS has identified four inactive SFERS members who would be affected by the proposed ordinance. The estimated increase in the annual benefits for these members is \$45,000 and the estimated increase in the present value of benefits at retirement age for these four inactive SFERS members is \$591,000.

In the future, more SFERS members are likely to be affected by this change. Between July 1, 2005 and July 1, 2015, there were 13 members who terminated from SFERS, became judges under JRS or JRSII, and subsequently retired from SFERS. Cheiron determined, if this 10-year recent history is representative of the likely future impact, the effect on SFERS in aggregate will continue to be small.

From a policy perspective, the proposed ordinance will conform SFERS policy related to plan members who have service under JRS and JRSII to how similar service is recognized under CalPERS and most California county retirement systems.

The Retirement System will appear at the Government Audit and Oversight Committee hearing on this subject and be available to address any questions of the Committee members.

Best regards,



Jay Hush

Executive Director

San Francisco Employees' Retirement System

Attachment: Cheiron report dated January 18, 2016

cc: President London Breed
Board of Supervisors
Room 244, City Hall
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102

Supervisor Malia Cohen
Board of Supervisors
Room 244, City Hall
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102

Supervisor Aaron Peskin
Board of Supervisors
Room 244, City Hall
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102

Supervisor Norman Yee
Board of Supervisors
Room 244, City Hall
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102

Debra Newman
Budget and Legislative Analyst
1390 Market Street, Suite 1150
San Francisco, CA 94102

Via Electronic Mail

January 18, 2016

Mr. Jay Huish, Executive Director
San Francisco Employees' Retirement System
1145 Market Street, 6th Floor
San Francisco, California 94103

Re: Revision to Administrative Code Section 16.29-7.3 – Definition of Final Compensation for the San Francisco Employees' Retirement System (SFERS)

Dear Jay:

As requested, we have analyzed the effect of implementing Ordinance No. 151277, which states that the definition for Final Compensation under SFERS would include compensation earnable under the Judges' Retirement System (JRS) and Judges' Retirement System II (JRSII), if the member retires concurrently from both systems.

Under the current law, the calculation of a member's retirement benefit, when a member leaves SFERS but is subsequently employed and earns benefits under JRS or JRS II, only considers compensation during their service with SFERS. Note, however, that the ordinance does not include service under JRS or JRS II for determining the eligibility to receive benefits. As a result, most Miscellaneous members would need 10 years of SFERS credited service to be entitled to a benefit based on their final average salary (Proposition C members can retire at age 65 with less than 10 years of service).

Given the small number of members likely to be affected by this change, we believe any additional costs of including JRS/JRS II compensation would be minor compared to the costs of SFERS in aggregate. As of July 1, 2015, we understand this ordinance would only affect the SFERS benefits of four inactive SFERS members. The estimated increase in the annual benefits for these members is \$45,000 and the estimated increase in the present value of benefits at retirement age is \$591,000. This amount compares to an actuarial liability for SFERS of over \$21 billion as of July 1, 2014. The table on the next page summarizes the impact for the four affected members, with about two thirds of the impact attributable to one individual.

Impact of Revising SFERS' Definition of Final Compensation to Include Compensation from JRS or JRS II				
	Current SFERS Plan	New Definition of Final Compensation	Change	
			Amount	Percent
Total Estimated Annual Benefits at age 65 ¹	\$187,000	\$232,000	\$45,000	24.1%
Total Estimated Present Value of Benefits (PVB) at retirement age 65	\$2,466,000	\$3,057,000	\$591,000	24.0%
Average Increase in Annual Benefits at age 65			\$11,250	
Average Increase in PVB			\$147,750	

¹ For SFERS - Greater of retirement or deferred vested benefit (200% of employee contribution balance converted to an annuity).

The potential impact for an individual can be substantial if their compensation under JRS or JRS II is significantly greater than their compensation under SFERS and they have a significant amount of service with SFERS. For other individuals, the impact can be minor or it may make no difference in their benefits from SFERS.

In the future, more SFERS members are likely to be affected by this change. Between July 1, 2005 and July 1, 2015, there were 13 members who terminated from SFERS, became judges under JRS or JRS II, and subsequently retired from SFERS. If this history is representative of the likely future impact, the effect on SFERS in aggregate will continue to be small while the impact on certain individuals may be significant.

Data Summary

Below is a summary of the data that was used in the analysis provided by the SFERS' staff.

SFERS Inactive Judges as of July 1, 2015	
Number of Inactive Judges	4
Average Age	49.5
Average Service	8.3
Average Final Compensation	\$170,000



Mr. Jay Huish
January 18, 2016
Page 3 of 4

In preparing these calculations, we used the assumptions listed below. All other actuarial assumptions used were adopted by the Board at its November 18th meeting.

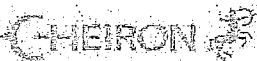
Retirement Age:	65. Based on CalPERS JRS II retirement assumptions from the June 30, 2014 actuarial valuation report.
Pay Increases under JRS/JRS II:	3.0%
Credited Interest Rate:	4.0%
Mortality:	CalPERS 2009 Healthy Annuitant Table prior to scale BB projection with an adjustment factor of .909 for males and 1.014 for females. Mortality improvements are projected from 2009 generationally using the MP2015 projection scale modified to converge to an ultimate rate of 0.85% in 2017.

When calculating current estimated retirement benefits under SFERS, we have assumed that the definition of Final Compensation in the Charter overrides the current definition in Section 16:29-7.3 in the Administrative Code which states that the average monthly compensation is the compensation earned by a member during the 10 years immediately preceding his or her retirement.

In preparing this letter, we relied on information, some oral and some written, supplied by SFERS. This information includes, but is not limited to, the plan provisions and employee data. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. For a summary of the plan provisions and methods, please refer to the July 1, 2014 actuarial valuation report for SFERS.

To the best of my knowledge, this letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. This letter does not address any contractual or legal issues. I am not an attorney and our firm does not provide any legal services or advice.

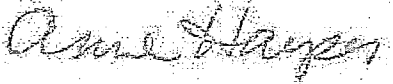
This letter was prepared exclusively for the City and County of San Francisco Employees' Retirement System for the purpose described herein. Other users of this letter are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.



Mr. Jay Huish
January 18, 2016
Page 4 of 4

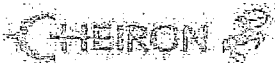
If you have any questions, please let us know.

Sincerely,
Cheiron



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

cc: Janet Brazelton
Bill Hallmark



BOARD of SUPERVISORS



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

MEMORANDUM

TO: Jay Huish, Executive Director, Retirement Board

FROM: Erica Major, Assistant Committee Clerk, Government Audit and Oversight Committee, Board of Supervisors

DATE: January 6, 2016

SUBJECT: LEGISLATIVE MATTER INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following legislation, introduced by Supervisor Cohen on December 15, 2015:

File No. 151277

Ordinance amending the Administrative Code to update the definition of final compensation for purposes of retirement benefits under the San Francisco Employees' Retirement System, and to include in that definition compensation earnable under the Judges' Retirement System and Judges' Retirement System II.

This proposed change requires an actuarial report of the cost and effect of the proposed change per Charter, Section A8.500, please forward the report to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c:
Norm Nickens, Retirement Board

Major, Erica (BOS)

From: Major, Erica (BOS)
Sent: Wednesday, January 06, 2016 9:09 AM
To: Huish, Jay (RET)
Cc: Nickens, Norm (RET)
Subject: REFERRAL REPORT REQUEST - (151277) Administrative Code - Definition of Final Compensation for Retirement Benefits
Attachments: 151277 FYI -Hearing.pdf
Importance: High


Greetings,

Attached is a referral from the Board of Supervisors requesting the Retirement Board submit an actuarial report of the cost and effect of the proposed amendment (legislation attached). Please forward a copy of the report to me at the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 244, San Francisco, CA 94102 or by email at Erica.Major@sfgov.org.

Please let me know if you have further questions, thanks.

Best,

Erica Major
Assistant Committee Clerk
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
San Francisco, CA 94102
Phone: (415) 554-4441 | Fax: (415) 554-5163
Erica.Major@sfgov.org | www.sfbos.org

 Click [here](#) to complete a Board of Supervisors Customer Service Satisfaction form.

The [Legislative Research Center](#) provides 24-hour access to Board of Supervisors legislation, and archived matters since August 1998.

Disclosures: Personal information that is provided in communications to the Board of Supervisors is subject to disclosure under the California Public Records Act and the San Francisco Sunshine Ordinance. Personal information provided will not be redacted. Members of the public are not required to provide personal identifying information when they communicate with the Board of Supervisors and its committees. All written or oral communications that members of the public submit to the Clerk's Office regarding pending legislation or hearings will be made available to all members of the public for inspection and copying. The Clerk's Office does not redact any information from these submissions. This means that personal information—including names, phone numbers, addresses and similar information that a member of the public elects to submit to the Board and its committees—may appear on the Board of Supervisors website or in other public documents that members of the public may inspect or copy.

President, District 5
BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-7630
Fax No. 554-7634
TDD/TTY No. 544-5227

FILE 151277
BOS-11, COB, GAO
Rules
Dep City atty +
managers

London Breed

PRESIDENTIAL ACTION

Date: 1/26/2016

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,

Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. _____
(Primary Sponsor)

Title _____

Transferring (Board Rule No. 3.3)

File No. 151277 Cohen
(Primary Sponsor)

Title. Ordinance amending the Administrative Code

From: Government Audit & Oversight Committee

To: Rules Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor _____

Replacing Supervisor _____

For: _____ Meeting
(Date) (Committee)

London Breed

London Breed, President
Board of Supervisors

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date:

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee.
An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Request for Closed Session (attach written motion).
- 10. Board to Sit as A Committee of the Whole.
- 11. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative

Sponsor(s):

COHEN

Subject:

Administrative code - Definition of Final Compensation for Retirement Benefits

The text is listed below or attached:

Attached

Signature of Sponsoring Supervisor:

For Clerk's Use Only: