



SFERS
SFERS

San Francisco Employees' Retirement System

This Guide describes the provisions under which an eligible police member can elect to participate in the Deferred Retirement Option Program (DROP), and also provides detailed information about enrolling and participating in and completing the DROP

Deferred Retirement Option Program

DROP

Effective July 1, 2008

For Eligible Members of the San Francisco Police Department

A photograph of the Golden Gate Bridge at night, illuminated with warm lights. The bridge spans across the water, with the city lights of San Francisco visible in the background under a dark sky.

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DROP Participation

In this section you will find information about the establishment of the SFERS DROP Plan, eligibility requirements, how to voluntarily elect to participate in the DROP, establishing your DROP Account, required contributions, and benefits upon completion/termination of DROP

The Deferred Retirement Option Program (DROP)

A Charter Initiative (Proposition B) approved by the voters in February 2008, established a Deferred Retirement Option Program (DROP) for certain members of the SFERS Police Plans. If you meet the eligibility requirements of DROP, you may elect on a voluntary basis, to have the equivalent of your monthly service retirement allowance posted to a DROP Account while you continue to work in your current position with the San Francisco Police Department (SFPD) and to receive your salary and benefits as an active employee. As a part of the election agreement upon your entry into DROP, you will be required to separate from City employment on or before the expiration of your DROP participation period and retire for service. Upon your retirement, you will begin receiving service retirement benefits based on your age, service credit and salary at the time you entered DROP, plus any applicable cost of living adjustments you were eligible for while in DROP.

The Charter Initiative provides for an initial window for DROP elections effective July 1, 2008 through June 30, 2011. The San Francisco Board of Supervisors may vote to renew the DROP for up to an additional three-year term.

In the event the Board of Supervisors determines not to renew DROP for an additional term, those members who have enrolled in DROP during the previous term of the program will be permitted to complete their DROP agreements under the terms that were in effect when they entered DROP.

The statutory provisions of the Deferred Retirement Option Program (DROP) are contained in the San Francisco Charter (generally Section A8.900) and the San Francisco Administrative Code (generally Section 16.63), copies of which are provided as appendices to this guide. In case of a conflict between any description provided in this booklet and the law, the law takes precedence.

DROP Eligibility

Eligibility Requirements: You may elect to participate in DROP if you meet the following requirements as certified by the SFPD:

1. occupy one of the eligible ranks (see below);
2. be an active employee of the SFPD;
3. be at least 50 years of age at the time of entry into DROP;
4. have at least 25 years of credited service as a sworn member of the SFPD, including service as a member of the SF Airport Police, at the time of entry into DROP; and
5. be a full duty sworn officer.

Eligible Ranks: At the time of your election to enter DROP, you must occupy one of the following police ranks:

1. Police Officer – currently Q2, Q3 and Q4;
2. Sergeant – currently Q50, Q51 and Q52;
3. Inspector – currently 0380, 0381 and 0382;
4. Lieutenant – currently Q60, Q61 and Q62; and
5. Captain – currently Q80, Q81 and Q82.

No SFERS member occupying a rank above that of Captain is eligible to participate in DROP.

You can elect to participate in DROP **only one time** during your employment with the City. If you have previously elected to receive SFERS service or disability retirement benefits, you are not eligible to participate in DROP. A retired member may not “unretire” in order to participate in DROP.

Maximum DROP Periods: If you meet the eligibility requirements, you may elect a DROP period according to the rank you hold at the time you elect DROP, for **up to** the following maximums:

1. Police Officer up to maximum of 36 months – 36 monthly postings to his or her DROP Account;
2. Sergeant and Inspector up to a maximum of 24 months – 24 monthly postings to his or her DROP Account; and
3. Lieutenant and Captain up to a maximum of 12 months – 12 monthly postings to his or her DROP Account:

DROP Election

Required Election: If you wish to participate in DROP, you will be required to sign and file a voluntary election to participate in DROP which will include:

1. Designation of the date on which you will begin DROP participation and the date on which your DROP participation will end, not to exceed the maximum period for your police rank;
2. An agreement that you will terminate employment with the City and County of San Francisco through service retirement on or before the last day of your participation in DROP;
3. An agreement that your formula for service retirement will be fixed at the time you enter DROP, and that all eligibility requirements—your years of service, your age factor and final compensation, eligibility for survivor benefits, your option elections, and any Gillmore or shortage adjustments to your service retirement allowance, will be set at the time you enter DROP, and not subject to later modification;
4. Payment in full of all mandatory redeposits to SFERS prior to your entry into DROP;
5. An acknowledgement that all elective repayments of account shortages or Gillmore debts and elective purchases of service must be completed prior to your entry into DROP, in order for such purchases or repayments to be included in the calculation of your service retirement allowance upon entry into DROP;
6. An agreement that, upon entry into DROP, you waive any right to receive a refund of your SFERS contributions that may have been available had you not elected to participate in DROP;
7. An agreement that, upon completion of DROP, you will receive the “fixed” service retirement allowance calculated upon your entry into DROP, along with any cost of living adjustments to which you would have been entitled, if retired, during the period of DROP participation; and
8. Designation of a beneficiary for distribution of your DROP Account in the event of your death during participation in DROP.

Your Employment Status during DROP Participation: While participating in DROP, you will continue to receive the salary attached to the police rank you occupied at the time you entered into DROP, and you will have all rights, privileges, benefits and obligations of an active employee in your rank and assignment. However, you will not receive additional service credit or compensation for retirement purposes on account of your participation in DROP.

Marriage/Establishing a Domestic Partnership during DROP Participation: If you marry or establish a domestic partnership during DROP participation, the marriage/domestic partnership will be deemed a post-retirement marriage/domestic partnership for purposes of establishing a spouse/domestic partner's eligibility for survivor benefits. For Police Old Plan members, you must be married or in a recognized domestic partnership for at least one year prior to your date of death in order for your surviving spouse or domestic partner to be considered a qualified survivor for purposes of applying for continuation benefits. For Police New Plan members, your marriage or establishment of a domestic partnership must occur at least one year prior to your entry into DROP in order for your surviving spouse or domestic partner to be considered a qualified survivor for purposes of applying for continuation benefits.

Beneficiary Designations for DROP Account:

1. Upon entry into DROP, you will, by written designation, select a beneficiary for the proceeds of your DROP Account;
2. You may change your beneficiary designation at any time prior to the lump sum distribution of your DROP Account;
3. If you die prior to receiving your DROP Account distribution, and without a valid beneficiary designation on file with SFERS, any distribution of the proceeds of the DROP Account will be made to your estate; and
4. Notwithstanding your beneficiary designation, your DROP Account shall be subject to the community property principles set forth in California law.

DROP Accounts

Amounts Posted to DROP Account: An amount equal to the service retirement benefit established as of your entry into DROP, including any cost of living adjustments that may accrue during the period of DROP participation, less any Gillmore payments advanced during the DROP participation period, will be posted into your DROP Account at the end of each month, along with monthly interest at an annual effective rate of four percent (4%) on your previous month's DROP Account balance, for the duration of your DROP participation.

During any period when you are not on active status as a full duty sworn officer, you will not receive a monthly posting to your DROP Account. However, interest will continue to be posted to your DROP Account based on the previous DROP Account balance.

DROP Account Statements: While you are participating in DROP, your DROP Account Statements will be mailed to your home address for the periods ended December 31st and June 30th.

Lump Sum Payments for Compensatory Time, Accrued Unused Vacation, or Accrued Sick Pay: Lump sum payments for compensatory time, accrued unused vacation and/or accrued sick pay cannot be posted to your DROP Account.

Required Contributions

Required Member Contributions: While participating in DROP, you are required to make employee contributions to SFERS on all covered compensation earned during your DROP participation. The employee contributions that you make during your participation in the DROP will not be posted to your DROP Account or your SFERS Accumulated Contributions Account. Your employee contributions will be deducted on a pretax basis from your SFPD salary during your participation in DROP.

Employer Contributions: The SFPD will be required to make employer contributions to SFERS, as determined by the Retirement Board, on all covered salary paid to you for the duration of your participation in DROP.

Benefits Paid After Completion of DROP

Completion of Participation in the DROP: Your participation in DROP will be completed when you separate from City employment on or before the end of your elected DROP participation period and begin receiving SFERS service retirement benefits. You may voluntarily resign from City employment at anytime during your DROP participation and still be eligible to receive the service retirement benefits and your DROP Account distribution effective upon your separation from City employment. Upon completion of the DROP, the following benefits will be paid to you:

- 1. SFERS Service Retirement Benefits:** Monthly payment of your SFERS service retirement allowance calculated as of your entry into DROP, including any cost of living adjustments that may have accrued during your DROP participation, less any Gillmore debt adjustment, will commence as of the effective date of your completion of your DROP participation period or your voluntary resignation from City employment.
- 2. Distribution of DROP Account:** Upon completion of your participation in DROP either by your retirement at the end of your DROP participation period or your voluntary resignation while participating in DROP, you are entitled to a distribution of your DROP Account. Within 30 days after your exit from DROP, you will be required to elect either a direct distribution or a direct rollover of your DROP Account. If you elect a direct rollover, you will need to provide written instructions to the Retirement System to distribute the DROP Account as a direct rollover into a qualified retirement plan.

A lump sum distribution of the DROP Account payable directly to you will be taxed as required under the Internal Revenue Code. Distribution of your DROP Account may be subject to a community property claim by your former spouse/domestic partner.

Involuntary Termination during DROP: If you are involuntarily terminated from City employment while you are participating in DROP, payment of your monthly SFERS service retirement allowance and distribution of your DROP Account will be deferred during the pending period of any hearing or appeal of your termination of employment. In the event you are reinstated to employment from an involuntary termination, you will continue to participate in the DROP for the full duration of your participation period. If you receive backpay as part of your reinstatement, such backpay will reinstate your participation in DROP for the period of such back pay; however, no backpay can be awarded for the period beyond your DROP end date.

Disability or Death During DROP

In this section you will find information in regard to disability or death while participating in DROP

Disability During DROP Participation

Job-related Disability while Participating in DROP: If, during the period of your DROP participation, you become incapacitated for the performance of duty by reason of any bodily injury received in, or illness caused by the performance of your duties as a police officer, you will be eligible to apply for SFERS job-related disability benefits under your SFERS Police Plan. If your application for job-related disability is approved by the Retirement Board, your SFERS disability benefits will be in lieu of all benefits provided as a result of your participation in DROP. Your job-related disability retirement allowance, calculated as if you had never entered DROP, will commence as of the effective date of your job-related disability retirement.

Non-job-related Disability while Participating in DROP: If, during the period of your DROP participation, you become incapacitated for the performance of duty by reason of any bodily injury not received in, or illness not caused by the performance of your duties as a police officer, you will be eligible to apply for SFERS non-job-related disability retirement under your SFERS Police Plan. If your application for non-job-related disability is approved by the Retirement Board, your participation in DROP will terminate as of the effective date of your disability retirement and you will be deemed retired for service and receive your DROP benefits (monthly service retirement allowance and DROP Account distribution) as described above.

Temporary Disability while Participating in DROP: If, during the period of your DROP participation, you become temporarily incapacitated for the performance of duty and are being paid only disability pay, your participation in DROP will be suspended. The monthly postings to your DROP Account will be suspended for the period during which you are receiving temporary disability benefits (disability pay). Upon your return from temporary disability, your DROP participation will resume and be extended for the period during which you were receiving disability benefits, provided that such extension may not exceed one-half of the maximum participation period applicable to your rank.

Pending Disability Application at the end of DROP Participation: If you have a SFERS disability retirement application which is unresolved at the conclusion of your DROP participation period, you will be required to leave DROP when your participation period ends; however, distribution of your DROP Account and payment of your monthly service retirement allowance will be pended until your disability retirement application has been determined. You will be permitted to continue on disability status until your disability application is finally determined.

Death During DROP Participation

Job-related Death while Participating in DROP: If, during your participation in DROP, you die by reason of any bodily injury received in, or illness caused by, the performance of your duties as a police officer, your qualified survivor(s) will receive a death allowance in accordance with your SFERS Police Plan as if you had never elected to enter DROP, or, in lieu of this job-related death continuance, your qualified survivor(s) may elect to receive a non-job-related death continuance described below.

Non-job-related Death while Participating in DROP: If, during your of participation in DROP, you die by reason of any bodily injury not received in, or illness not caused by, the performance of your duties as a police officer, your qualified survivor(s) will receive a post-retirement continuation allowance, in accordance with your SFERS Police Plan determined as if you had elected to voluntarily withdraw from DROP on your date of death and commence receiving your monthly service retirement allowance.

The post-retirement monthly continuation allowance to be paid to your qualified survivor(s) will be a percentage of the monthly service retirement allowance that was being credited to your DROP Account prior to your death, including any cost of living adjustments that may have accrued during your participation in DROP. In addition, any amounts that had been credited to your DROP Account through your date of death will be paid to your designated DROP beneficiary.

Qualifications for “Surviving Spouse,” “Registered/Certified Domestic Partner,” and “Surviving Dependents”:

1. In order for your surviving spouse or registered/certified domestic partner to be qualified for the monthly allowance described in this section, you must have been married, or have established a domestic partnership within the time limits specified in your SFERS Police Plan.
2. In order for your surviving dependents to be qualified for the monthly allowance described in this section, such dependents must satisfy the requirements of your SFERS Police Plan.

For purposes of determining the eligibility of your qualified survivor/continuant(s), your date of retirement will be understood as the date that you entered DROP.

DROP General Provisions

In this section you will find general DROP provisions including conditions for continued participation in the program, affect of Disability Retirement after DROP Account distribution, IRS provisions, and how to enroll in the DROP

Conditions of Continued DROP Participation

Removal from DROP Participation: A DROP participant's violation of any term or condition of the DROP agreement will remove him or her from DROP participation and, upon subsequent retirement, such removed member will receive benefits as if he or she never entered the DROP. A police officer so removed will be ineligible to again elect to enter DROP and no sums posted to his or her DROP Account will be distributed.

Disability After DROP Account Distribution

Affect of Disability Retirement After DROP Account Distribution: After you have taken any distribution of your DROP Account, if, for any reason, a disability retirement is granted, you will be treated as if you had never entered DROP. You will be required to return the previously accepted DROP Account distribution prior to payment of your disability retirement allowance. If you do not repay the amount of your DROP distribution, the Retirement System has the right to offset the amount of the DROP Account distribution against your retroactive benefit adjustment and/or your future retirement benefits.

Compliance With Applicable Provisions of the Internal Revenue Code

Affect of Distribution of the Member's DROP Account on IRC Section 415 Limits: The amount of any distribution of the DROP Account to the retired member will be measured against the IRC Section 415 limits for the tax year in which the distribution is made.

How to Enroll in the DROP

Instructions for Electing DROP Participation: You must visit the SFERS Office in person to enroll in the DROP. We are located at 30 Van Ness Avenue, Suite 3000 (3rd Floor), San Francisco. If you would like to talk to a SFERS Counselor to learn more about the DROP, or to enroll in the DROP, you must schedule an appointment in advance. Please visit the SFERS website at www.sfgov.org/sfers and use the "**DROP Registration**" link to schedule individual and group counseling appointments regarding DROP. If you are not able to schedule an appointment on-line, you can call 415-487-7085 to schedule a DROP appointment. **Walk-in appointments will not be accommodated.**

If you plan to enroll in the DROP, please bring with you to the counseling appointment,

- Picture ID
- Marriage Certificate or evidence of registered domestic partnership
- Spouse's or Eligible Domestic Partner's Date of Birth and Social Security Number
- Unmarried Child(ren) Under 18 Date(s) of Birth and Social Security Number(s)

You may also elect to sign and file a voluntary election to participate in DROP during the counseling appointment.

Appendix A:

February 5, 2008 Charter Initiative

Proposition B - The Deferred Retirement Option Program

Preamble – Section A8.900.

- (a) It is critical to the health, the safety, and economic vitality of the City and County of San Francisco, that the City be able to recruit new Police Officers, and retain veteran Police Officers. Recent experience has demonstrated that the City's Police Department has had difficulty recruiting qualified Police Officers, and, more significantly, has had difficulty retaining the services of veteran Police Officers.
- (b) There is a highly competitive labor market for the services of Police Officers. Additionally, due to the historical hiring patterns in this Department, hundreds of Police Officers will become eligible for normal service retirement in the next three to five years. The City Police Department is already three hundred officers below the Charter mandated staffing level.
- (c) In order to address this recruitment and this retention problem, through this measure the voters establish a voluntary Deferred Retirement Option Program (DROP) which would be offered to members of the Police Department in order to create an incentive for the retention of experienced Police Officers, and as well, to attract new Officers.
- (d) Specifically, as well, the voters intend that this Charter provision, if adopted, shall be "cost neutral" to the City; that is, it shall not impose new costs upon the City as a consequence of the participation by Police Officers in the DROP.
- (e) Finally, in order that the cost impact of the DROP may be assessed, this measure additionally provides that at the end of the third year after the implementation of the Program, the Board of Supervisors, pursuant to data provided by the Police Department along with an analysis by the Controller of the City and County and the consulting actuary of the Retirement Board, shall determine whether the Program has been cost-neutral, and whether in light of its achievement of the goals of the measure, it should be continued for an additional three year term, and thereafter, subject to similar evaluations.

Section A8.901.

Eligibility to Participate in the Deferred Retirement Option Program.

- (a) Sworn members of the Police Department occupying the rank of Police Officer (currently Q2-Q4) at their date of entry into the Program, shall be eligible to participate in the DROP for up to a maximum of 36 months from their date of entry into the Program, provided they otherwise meet the eligibility standards set forth in Section A8.901(c). Sworn members of the Police Department occupying the ranks of Sergeant (currently Q50-Q52) and Inspector (currently 0380-0382) at their date of entry into the Program, shall be eligible to participate in the DROP of up to a maximum of 24 months from their date of entry into the Program, provided they otherwise meet the eligibility standards set forth in Section A8.901(c).
- (b) Sworn members of the Police Department occupying the ranks of Lieutenant (currently Q60-Q62) and Captain (currently Q80-Q82) at their date of entry into the Program shall be eligible to participate in the Program for a maximum of 12 months from their date of entry into the Program, provided that they otherwise meet the eligibility standards set forth in Section A8.901(c). No sworn member of the Police Department occupying a rank above that of Captain shall be eligible to participate in the Program.
- (c) To be eligible to participate in the DROP, a sworn member occupying one of the eligible ranks must additionally be an active employee of the San Francisco Police Department, have at least 25 years of service as a sworn member of the Department, including any service as a member of the San Francisco Airport Police, and be at least 50 years of age at the time of entry into the Program. Additionally, a member must be a "full duty sworn officer" as that term is used in Charter Section 4.127. As a condition of participation the sworn member must agree that they shall terminate their employment through retirement at the conclusion of their participation in the Program.

Section A8.902.

Effect of Disability on Continued Participation.

- (a) If, after a member becomes a participant in the DROP, the member shall become incapacitated for the performance of duty by reason of any bodily injury received in or illness caused by the performance of duty, said member will be eligible to apply for a retirement for incapacity and be subject to the same eligibility requirements provided elsewhere in this Charter as though the participant was not enrolled in the DROP. If a member receives a retirement for this duty related incapacity, said retirement shall be in lieu of the benefits provided in accordance with these DROP provisions, and the participant shall be paid an industrial disability retirement benefit as if the participant had never entered the DROP.

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

(c) In the event a member shall become temporarily incapacitated for the performance of duty while participating in the DROP, the member is entitled to disability benefits only as provided for in this Charter. The member is thus no longer a "full duty sworn officer," as defined in Section A8.901(c), and therefore the member's service retirement payments will be suspended for the period during which disability benefits are received. The member's DROP enrollment shall be extended for the period during which disability benefits were received, provided that this extension may not exceed one-half of the permitted maximum participation period for the rank occupied by the member at the time of enrollment in the DROP.

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

Section A8.903.

The Effect of Participation in the DROP Upon Pension Benefit Calculations.

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

Section A8.904.

Establishment of the DROP Account.

(a) The DROP Account is an account established for bookkeeping purposes within the retirement system for each member who elects to enter DROP.

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

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

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

Section A8.905.

Rights of Surviving Spouse, Domestic Partner, or Dependents.

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

partner or other qualified dependents provided for in this Charter is entitled to receive this allowance may, instead of receiving the benefit under this paragraph, elect to receive a non-work related death benefit as specified in paragraph (b) below.

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

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

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

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

Section A8.906.

Termination of Participation in the DROP.

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

Section A8.907.

Employment Status of the Member During Participation in the DROP.

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

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

Section A8.908.

Compliance with Tax Laws.

- (a) It is the intent of the voters that the DROP shall not jeopardize in any way the tax qualified status of the retirement system under Section 401 of the Internal Revenue Code of 1986, as amended from time to time, including, but not limited to, Section 415 of the Code, as amended.
- (b) The Board of Supervisors shall adopt ordinances and the Retirement Board shall adopt such rules as may be necessary to implement the DROP, regulate investment and distribution of the DROP contributions, establish forms and procedures for designating beneficiaries of the DROP Account, and all such other matters as may be necessary, in its discretion, to implement the Program no later than July 1, 2008 and to assure its tax-qualified character.

Section A8.909.

Determination of Cost Neutrality.

- (a) The implementation of the DROP shall not result in any net increase in cost to the City. This determination shall take into account the costs associated with payroll, the expenditures associated with the recruitment and training of Police Officers, the costs of conducting academies for such recruits and trainees, the Field Training Officer costs, the retirement contributions made by members participating in the DROP, and the City, and the City's share of the return on the investment of the DROP funds, along with any other cost or savings elements related to the implementation of the Program. Notwithstanding this objective, the DROP shall be given a sufficient trial period to determine whether, as implemented, it is cost-neutral to the City as so defined.
- (b) Not later than April 15, in the third year after the effective date of the DROP, a joint report prepared by the Controller of the City and the consulting actuary of the Retirement System documenting the net cost effect of the Program shall be submitted to the Board of Supervisors, and the Board shall determine by majority vote whether, on the basis of said report, the Program shall be renewed for an additional period of time as specified by the Board, but in no event beyond an additional three years.
- (c) The net cost effect of the Program shall be similarly evaluated periodically thereafter, pursuant to a schedule established by ordinance adopted by the Board of Supervisors by majority vote; provided, however, that in no event may such an evaluation be conducted less often than every three years after the initial evaluation.
- (d) If the Board of Supervisors determines not to renew the Program, those members then enrolled shall be permitted to complete their Program participation pursuant to the terms in effect when they entered into the Program.

Section A8.910.

Withdrawal or Rollover of DROP Accounts.

- (a) Upon the termination or conclusion of a member's participation in the DROP, the member shall be paid a lump sum equal to the balance in the member's DROP Account, or, pursuant to the member's instructions, that balance shall be paid as a direct rollover into a qualified retirement plan. The Retirement Board shall establish rules, and may develop such forms as may be appropriate, regarding distribution of the DROP Account proceeds, the rollover of such proceeds into a qualified retirement plan, and the time periods within such which distributions may be made.
- (b) Upon the voluntary withdrawal of a member from the DROP, or the expiration of their participation period, the member shall be deemed to be retired on a service pension and shall then commence receiving directly the monthly service pension amount calculated pursuant to Section A8.903, including any cost of living adjustments to which the member would have been otherwise entitled during the time of their participation in the DROP, and shall, for all other purposes under this Charter and state law be deemed to be a retired member of the Police Department.

Appendix B:

SF Administrative Code Section 16.63

Proposition B - The Deferred Retirement Option Program

San Francisco Administrative Code

Sec 16.63. Duration of Deferred Retirement Option Program.

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

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

(c) In the final year for each period the DROP is extended, the Controller and the Retirement System's consulting actuary shall prepare and submit the joint report required by the Charter and Subsection 16.63(b) no later than April 15 annually.

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

Sec. 16.63-1. DROP Eligibility.

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

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

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

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

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

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

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

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

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

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

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

Sec. 16.63-2. DROP Accounts.

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

(b) The DROP account shall include:

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

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

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

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

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

Sec. 16.63-3. Required Contributions.

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

Sec. 16.63-4. Benefits on Completion of The DROP.

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

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

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

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

Sec. 16.63-5. Disability Retirement Allowance Granted During DROP Participation.

Participation in the DROP terminates when the Retirement Board approves a DROP participant's application for disability retirement and no DROP distribution shall be made. The participant shall be paid an industrial disability retirement benefit as if the participant had never entered DROP.

Sec. 16.63-6. Death During DROP Participation.

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

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

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

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

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

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

Sec. 16.63-7. Conditions Of Continued DROP Participation.

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

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

Sec. 16.63-8. Compliance With Applicable Provisions Of The Internal Revenue Code.

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

Sec. 16.63-9. Authority Of The Retirement Board.

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

Sec. 16.63-10. Severability.

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

San Francisco Employees' Retirement System

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