



**Employees' Retirement System
Office of The Executive Director**

July 1, 2008

Supervisor Chris Daly
Chair, Rules Committee
Board of Supervisors
Room 244, City Hall
San Francisco, CA 94102

Supervisor Bevan Dufty
Vice Chair, Rules Committee
Board of Supervisors
Room 244, City Hall
San Francisco, CA 94102

Supervisor Tom Ammiano
Member, Rules Committee
Board of Supervisors
Room 244, City Hall
San Francisco, CA 94102

Re: File No. 080639 Retirement system credit for unpaid parental leave (Second Draft)
Supervisor Alioto-Pier

This letter is prepared in accord with Charter Section A. 8.500 which requires an actuarial report of the cost and effect of proposed changes to the San Francisco Employees' Retirement System.

Effect of proposed Charter Amendment

The proposed Charter amendment will allow active members of the San Francisco Employees' Retirement System the opportunity to purchase service credit for unpaid time resulting from parental leave. The second draft provides that not more than four months of unpaid time may be purchased per period of unpaid parental leave. Further the proposal will be available for unpaid parental leave periods prior to July 1, 2003, the effective date of Charter Section A8.365 (which enacted paid parental leave).

While not specific, the proposed Charter Amendment states that this enhancement shall be at no cost to the City and County, the method for determining the required employee cost is delegated to the Retirement Board.

The proposed Charter amendment expressly indicates that already retired members and their survivors have no rights to the enhanced benefits.

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Cost of the proposed Charter Amendment

The proposed Charter Amendment states that there shall not be any cost to the City and County.

The text then states that the member electing to purchase such time will be responsible for the costs as determined by the Retirement Board. While the cost cannot be specified at this time the most analogous purchasable service is public service which is very expensive, at least 20% of current pay per period of credit to be purchased.

The high cost to purchase may restrict the ability of members to purchase the parental leave credit.

Background and Issues

Unpaid time Credit

This proposed Charter Amendment makes a significant change in an underlying principle of the San Francisco Employees' Retirement System. The principle is that the plan provides credit only for periods of paid service rendered to the employer. The only exceptions to this principle are public service credit and military service credit, under which paid service must have been rendered to a public employer in the state of California or the federal government. It is an exceptional change for the voters to agree to create a benefit obligation for a period during which no service was rendered to San Francisco.

Other plans in California have created the right for members to purchase service credit for periods of time during which no service was rendered which are referred to as "Air time". These are recent developments enacted in the last seven to ten years and the provisions for determining the cost of such purchases have been subject of complex analysis and significant revisions.

Development of a parental leave purchase provision should be viewed in light of other periods of unpaid leave during which a member is unable to accrue service credit in the pension plan. Other unpaid leave periods include:

- Workers Compensation temporary disability periods,
- Personal leaves without pay for care of spouse, children, or parents
- Sick leave without pay.

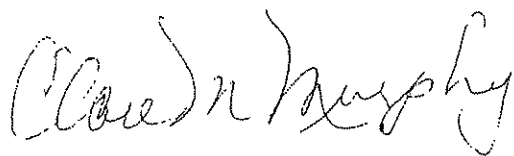
The proposal to grant service credit (albeit fully purchased by the member) to parental leave periods sets a public policy which values parenting (at the beginning of the parental journey) more highly than care of children (not newborns,) being injured on the job, or periods when the member is ill but has exhausted payable time.

Vested Benefit

Finally the proposal includes language stating that the right to purchase unpaid parental leave time is not a vested benefit. This language is inconsistent with long standing interpretation of the California Constitution making pension plan provisions a vested benefit.

The Retirement System staff will attend the Rules Committee hearings on this proposed Charter Amendment.

Very truly yours,

A handwritten signature in cursive script, reading "Clare M. Murphy". The signature is written in dark ink and is positioned above the printed name.

Clare M. Murphy
Executive Director

CC:

Supervisor Alioto-Pier
Mayor Gavin Newsom
Phil Ginsburg, Mayor's Chief of Staff
Ben Rosenfield, Controller
Peg Stevenson, Controllers Office
Micki Callahan, Human Resources Director
Martin Gran, Employee Relations Director
Dennis Herrera, City Attorney
Caryn Bortnick, Deputy City Attorney