



DENNIS J. HERRERA  
City Attorney

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DEPARTMENT OF ELECTIONS

MOLLIE LEE  
Deputy City Attorney

DIRECT DIAL: (415) 554-4705  
E-MAIL: mollie.lee@sfgov.org

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TO ALL INTERESTED PARTIES:

Attached is the City Attorney's title and summary for the proposed local initiative measure designated by the Department of Elections as 11-06.<sup>1</sup> In preparing this title, the City Attorney makes no representation regarding the merits or legality of the proposed legislation. Nor does the City Attorney verify or confirm any factual or legal assertion made in the proposal. The title is presented as a "true and impartial statement of the purpose of the proposed measure." Elections Code § 9203.

Very truly yours,

DENNIS J. HERRERA  
City Attorney

Mollie Lee  
Deputy City Attorney

<sup>1</sup> The subject matter of this memorandum indirectly involves the Mayoral election. Accordingly, for the reasons set forth in the City Attorney's August 27, 2010, memorandum regarding legal advice on matters concerning the Mayor's race, City Attorney Dennis J. Herrera took no part in preparing or reviewing this advice. The August 27 memorandum is available in the list of public opinions on the City Attorney Office's website, at <http://www.sfcityattorney.org/Modules/ShowDocument.aspx?documentid=669>.

## Retirement Benefits for City Employees

The City provides its employees with defined retirement benefits through its Retirement System. Generally employees pay 7.5% of compensation to the System. Investment earnings and City payments fund the balance. The City has sometimes paid the employee contribution.

After retirement, employees receive an annual amount determined by final compensation, retirement age, and service length. Final compensation is a one or two-year average.

Most City employees can receive retirement benefits at age 50 with 20 service years or at 60 with 10 years. Employees who retire at age 50 receive 1% of final compensation for each service year, increasing with age to a maximum of 2.3% at age 62, not to exceed 75% of final compensation.

Police officers and firefighters can receive benefits at age 50 with 5 service years. Police and firefighters who retire at age 50 receive 2.4% of final compensation for each service year, increasing with age to a maximum of 3.0% at age 55, not to exceed 90% of final compensation.

These retirement benefits may include cost-of-living adjustments up to 2% annually. When the Retirement System has sufficient investment earnings, it may pay a supplemental cost-of-living increase up to a combined total of 3.5% annually.

The proposed Charter amendment would increase the amount most employees contribute to the Retirement System. All employees would pay a minimum contribution; some would pay an additional amount. The minimum contribution rate, as a percentage of compensation, would be:

- 6.0% for most future employees,
- 7.5% for most current employees,
- 8% for future police and firefighters, and
- 10% for current police and firefighters.

Employees making at least \$50,000 would pay an additional amount when the City contribution rate is at least 10% of employee compensation. The rate for the additional amount would be graduated according to compensation and would range from 1.0-8.5%.

The amendment would prohibit the City from paying any employee's contribution. It also would prohibit the Retirement System from paying supplemental cost-of-living benefits unless the System is fully funded.

The amendment would reduce retirement benefits for employees hired after December 31, 2011:

- The benefit formula would reduce the percentage employees receive based on age, limit the compensation calculation to base salary, and calculate final compensation from a five-year average.
- For police and firefighters, the minimum retirement age would be 50 with 10 service years. Police and firefighters who retire at age 50 would receive 2% of compensation for each service year, increasing to a maximum of 2.7% at age 57.
- For other employees, the minimum retirement age would be 55 with 20 service years or 65 with 10 years. Employees who retire at age 55 would receive 1.3% of compensation for each service year, increasing to a maximum of 2.3% at age 65.
- The maximum annual retirement allowance would be the lesser of 75% of final compensation or \$140,000.

Current employees could choose to participate in the lower contribution/ lower benefit plans that apply to new employees.