



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

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Mr. John Arntz
Department of Elections
City Hall 1 Dr. Carlton B. Goodlett Place Room 48
San Francisco, CA 94102-4689

August 12, 2024

RE: Proposition F – Police Staffing and Deferred Retirement

Dear Mr. Arntz,

Should the proposed Charter amendment be approved by the voters, in my opinion, it would have a significant impact on the cost of government. Based on the Retirement System's current actuarial assumptions and policies, the amendment would result in increased costs to the City ranging from \$600,000 to \$3 million in the first year. In subsequent years, the cost impact would range from saving approximately \$300,000 to costing up to approximately \$3 million annually by the fifth year of the program.

The proposed Charter amendment would re-establish a Deferred Retirement Option Program (DROP). The voters approved a prior version of a DROP in February 2008 (2008 DROP), which ended in 2011 when the Board of Supervisors voted to not renew the DROP. DROP participants will receive a salary and a DROP account in which San Francisco Employees' Retirement System (SFERS) will deposit pension payments with a guaranteed 4% return. Participants will not be eligible for promotion. Unlike the 2008 DROP, this proposed Charter amendment specifies that lieutenants and captains will not be eligible and officers participating in DROP must agree to work in the field or in investigations. This Charter amendment also clarifies that officers may not participate in DROP if they apply for and receive a disability retirement.

The exact cost to the City of the DROP will depend on the retirement decisions of individual police officers. According to estimates from SFERS, if officers who would have continued to work, not retire, instead opt into the DROP, DROP would increase City pension employer contribution costs by \$600,000 in FY 2025-26 and then generate savings of approximately \$200,000 to \$400,000 annually between FY 2026-27 and FY 2029-30. Conversely, if officers enter DROP when they would have otherwise retired, City pension employer contribution costs would increase by \$3 million in FY2025-26, fall slightly to \$2.6 million in FY 2026-27 and FY 2027-28, and rise back to approximately \$3 million by FY 2029-30.

Every five years, if not sooner, the City would be required to evaluate the net cost effect of the DROP. After five years, the Board of Supervisors must reauthorize or end the DROP. Given current

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police staffing levels and hiring rates, DROP will likely not reduce SFPD cost of hiring in the short term.

In 2011, it was estimated that the 2008 DROP would cost the City approximately \$6 million annually in the form of higher City pension employer contributions. While this amendment would apply to fewer employees than the 2008 version, this historical experience suggests that the DROP is more likely to generate new costs to the City than it is to be cost neutral or generate savings.

The proposed amendment also defines a “Full-Duty Sworn Officer” and reduces the frequency of the Chief of Police’s required reporting on staffing levels to the Police Commission from every two years to every three years. This reduced frequency may generate minimal savings to government, but at a level that cannot be estimated at this time.

Sincerely,



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.