

**CLERK OF THE BOARD OF SUPERVISORS
EXHIBIT/DOCUMENT LOG**

MEETING DATE & AGENDA NO. 01/13/2026 #11

STAFF DOCUMENTS (Numerical)

| No. | Presented by: | Description: |
|-----|---------------|--------------------|
| 1 | Staff | 10 Page-PowerPoint |

2

3

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5

PUBLIC DOCUMENTS (Alphabetical)

| No. | Presented by: | Description: |
|-----|---------------|--------------|
| A | N/A | |

B

C

D

E

F

Adopt Ordinance for a Deferred Retirement Option Plan

(1/13/26 first reading; 1/28/26 second reading
and adoption unless ordinance is modified on
second reading)

Item 11

January 13, 2026

Board of Supervisors Meeting



Agenda

DROP Overview

DROP
Requirements

Negotiated DROP
Option

Recommendations

Deferred Retirement Option Plan (DROP)

Overview

A benefit that allows for an employee to simultaneously:

- Continue employment and earn a salary
- Begin to receive retirement payments, which are set aside in a notional account

Based on Government Code, it is applicable to Safety Members only

Benefit must adhere to County Employees Retirement Law of 1937 (CERL)



County DROP Milestones

| | |
|-----------------------|--|
| December 5, 2023 (32) | Board directed the CAO to work with an actuary (Foster & Foster) on cost neutral options for a DROP |
| May 2024-Jan 2025 | Board updated on cost neutral DROP options |
| May 5, 2025 | Labor negotiations with organizations representing safety employees result in signed Letters of Understanding (LOUs) for a DROP |
| May 20, 2025 (9) | Board directed the CAO to request actuarial analysis of the negotiated DROP from the San Diego County Employees Retirement Association (SDCERA) as required by law |
| December 18, 2025 | SDCERA's actuary (Segal) completed analysis and confirmed cost neutrality of the County's negotiated DROP; LOUs updated |
| January 13, 2026 (11) | Board of Supervisors First Reading of DROP Ordinance |

DROP Requirements: Cost Neutrality

A DROP is cost neutral if:

“...based on the applicable actuarial assumptions, it will not have a significant negative financial impact on the members, employer or the retirement system.”

It will not be cost neutral if there is an anticipated increase of:

- employer contributions to the retirement system,
- actuarial accrued liability of the retirement fund, or
- present value of retirement benefits, or a decrease in the present value of retirement benefits of more than 3%.

If DROP is implemented, it must be reevaluated after 4 to 10 years.

Other DROP Requirements

- Must be negotiated with employee representatives
 - Letters of Understanding dated May 5, 2025 and December 18, 2025
- Determination of cost neutrality by actuarial analysis
 - Completed December 11, 2025
- Board of Supervisors must formally adopt a DROP

Negotiated DROP

Provisions as described in the Letters of Understanding between the County and safety labor organizations dated December 18, 2025 (Attachment B)

| | |
|---|--|
| DROP Eligibility Date | Service Retirement Eligibility Date |
| Maximum Participation Period | 3 years |
| Interest Credits | 0.0% |
| DROP Distribution Method | Single lump-sum or qualified rollover |
| Employee Contributions during DROP | Continue during DROP with 75% deposited to DROP account |
| Employer Contributions during DROP | Continue during DROP with 100% retained by retirement system |
| Cost-of-Living Adjustments | 50% of Cost Of Living Adjustment ¹ applicable to the employee's retirement Tier |

DROP Implementation

- | | |
|----------------------|---|
| • January – February | Continued partnership with SDCERA PeopleSoft IT enhancements |
| • February – March | Finalize new processes and procedures Targeted outreach to impacted departments (Sheriff, District Attorney, Probation) |
| • March 20, 2026 | DROP operative date |
| • Ongoing | Employee education, enrollment, actuarial analysis, reporting and financial planning |

Recommendations

1. Approve the introduction of the Ordinance (first reading):

AN ORDINANCE AMENDING THE COMPENSATION ORDINANCE RELATING TO THE ADOPTION OF A DEFERRED RETIREMENT OPTION PROGRAM

2. If, on January 13, 2026, the Board takes the actions recommended in Item 1 above then, on January 28, 2026:

Consider and adopt the Ordinance (second reading):

AN ORDINANCE AMENDING THE COMPENSATION ORDINANCE RELATING TO THE ADOPTION OF A DEFERRED RETIREMENT OPTION PROGRAM



Questions?

