

**COUNTY OF SAN DIEGO  
BOARD OF SUPERVISORS  
TUESDAY, MAY 20, 2025**

**MINUTE ORDER NO. 9**

**SUBJECT: REQUEST FOR AN ACTUARIAL ANALYSIS FROM THE SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION BOARD OF TRUSTEES AND PREPARATION OF A DRAFT IMPLEMENTATION ORDINANCE FOR A DEFERRED RETIREMENT OPTION PROGRAM (DISTRICTS: ALL)**

**OVERVIEW**

A Deferred Retirement Option Plan (DROP) is a retirement benefit that allows employees to continue employment (earn wages) while simultaneously initiating distributions of pension benefit payments which are set aside in a notional account for the employee upon retirement. Pursuant to Government Code only safety employees can participate in DROP.

Any County of San Diego (County) DROP must be developed and implemented per the Government Code (GC), specifically the County Employees Retirement Law of 1937 (CERL). Cost neutrality of a DROP is required by CERL, which provides that a cost neutral DROP will not have a significant negative financial impact on the members, employer, or the retirement system. A proposed DROP would be cost neutral if there are no anticipated increases in employer contributions to the retirement system, the actuarial accrued liability of the retirement fund, or the present value of retirement benefits, and it will not decrease the present value of benefits by more than 3%.

On December 5, 2023 (32), the Board of Supervisors (Board) directed the Chief Administrative Officer (CAO) to work with an actuarial consultant to provide cost neutral options for a DROP for County safety members, that are consistent with CERL, and report back to the Board with results of the analysis in 12 months. The County retained the actuarial firm Foster & Foster to perform the necessary analysis and subsequently updated the Board through several memoranda.

On January 25, 2025, the Board directed discussions in consideration of a DROP, with its labor negotiators and various organizations representing safety employees. These conversations, including the possibility of implementing a DROP, have successfully concluded. The negotiated DROP option for safety employees is reflected in Attachment A, the Letters of Understanding (LOUs) between the County and various safety employee representative organizations, dated May 5, 2025. While Attachment A reflects what has been negotiated, the implementation of a DROP requires adoption by the Board by ordinance, and this adoption may only occur upon the determination by an actuarial analysis that the program will be cost neutral.

To prepare for the Board's consideration of a DROP, and to comply with Government Code regarding the required actuarial analysis to confirm cost neutrality as required by CERL, today's action recommends that the CAO request the Board of Trustees of the San Diego County Employees Retirement Association (SDCERA) to complete this actuarial analysis of the DROP option that has been successfully negotiated and to prepare a draft implementation ordinance. The County's future implementation of any DROP depends upon successful determination by SDCERA's actuary of cost neutrality as required by CERL, prior to Board adoption of an ordinance implementing a DROP.

If approved, the CAO will contact SDCERA to request the actuarial analysis be performed pursuant to GC Section 31770.4 as well as begin preparation of a draft implementation ordinance for the Board's consideration of whether or not to implement a DROP and in the event of a cost neutrality determination by SDCERA, and report back to the Board.

## **RECOMMENDATIONS**

### **CHIEF ADMINISTRATIVE OFFICER**

1. Direct the Chief Administrative Officer to prepare a draft implementation ordinance of the Deferred Retirement Option Program (DROP) that has been preliminarily projected to be cost neutral and successfully negotiated as described in the Letters of Understanding between the County and various labor organizations dated May 5, 2025 (LOUs, attached as Attachment A), and to request that the Board of Trustees of the San Diego County Employees Retirement Association (SDCERA) cause the required actuarial analysis of this DROP option, pursuant to Government Code Section 31770.4.
2. Direct the Chief Administrative Officer to report back to the Board within 150 days with the status of SDCERA's actuarial analysis and, if the result of the actuarial analysis is that the DROP reflected in LOUs is cost neutral, provide a draft implementation ordinance for the Board's consideration.

### **EQUITY IMPACT STATEMENT**

The County provides retirement benefits to attract and retain employees, including safety. Retirement benefits support a broad community of diverse employees and retirees, providing long-term financial support well after active employment with the County concludes.

### **SUSTAINABILITY IMPACT STATEMENT**

Retirement benefits help ensure the County can compete to attract and retain an appropriately sized, skilled and diverse workforce to design and implement policies, programs and services that ensure equitable and sustainable opportunities.

### **FISCAL IMPACT**

There is no fiscal impact associated with requesting SDCERA to complete an actuarial analysis. There will be no change in net General Fund cost and no additional staff years. There may be fiscal impacts associated with future related recommendations for a DROP which staff would return to the Board for consideration and approval.

While implementing a DROP must be determined cost neutral to the retirement fund by SDCERA, if implemented there would be other costs related to administration of the program, growth in payroll and future impacts on the County's retirement contributions that are not included in this determination of cost neutrality. A funding source for these additional costs would have to be identified if a DROP is implemented, which staff would return to the Board for consideration and approval. A funding source for these additional costs would have to be identified if a DROP is implemented, would require reallocation of existing funding, and for which staff would return to the Board for consideration and approval.

### **BUSINESS IMPACT STATEMENT**

N/A

**ACTION:**

ON MOTION of Supervisor Montgomery Steppe, seconded by Supervisor Desmond, the Board of Supervisors took action as recommended, on Consent.

AYES: Anderson, Lawson-Remer, Montgomery Steppe, Desmond

ABSENT: (District 1 Seat Vacant)

State of California)  
County of San Diego) §

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER  
Clerk of the Board of Supervisors



Signed  
by Andrew Potter