Resolution responding to the Presiding Judge of the Superior Court on the findings and recommendations contained in the 2016-2017 Civil Grand Jury Report, entitled "The San Francisco Retirement System - Increasing Understanding and Adding Voter Oversight;" and urging the Mayor to cause the implementation of accepted findings and recommendations through his/her department heads and through the development of the annual budget.

WHEREAS, Under California Penal Code, Section 933 et seq., the Board of Supervisors must respond, within 90 days of receipt, to the Presiding Judge of the Superior Court on the findings and recommendations contained in Civil Grand Jury Reports; and

WHEREAS, In accordance with California Penal Code, Section 933.05(c), if a finding or recommendation of the Civil Grand Jury addresses budgetary or personnel matters of a county agency or a department headed by an elected officer, the agency or department head and the Board of Supervisors shall respond if requested by the Civil Grand Jury, but the response of the Board of Supervisors shall address only budgetary or personnel matters over which it has some decision making authority; and

WHEREAS, Under San Francisco Administrative Code, Section 2.10(a), the Board of Supervisors must conduct a public hearing by a committee to consider a final report of the findings and recommendations submitted, and notify the current foreperson and immediate past foreperson of the civil grand jury when such hearing is scheduled; and

WHEREAS, In accordance with San Francisco Administrative Code, Section 2.10(b), the Controller must report to the Board of Supervisors on the implementation of
recommendations that pertain to fiscal matters that were considered at a public hearing held
by a Board of Supervisors Committee; and

Retirement System – Increasing Understanding and Adding Voter Oversight” (“Report”) is on
file with the Clerk of the Board of Supervisors in File No. 170662, which is hereby declared to
be a part of this Resolution as if set forth fully herein; and

WHEREAS, The Civil Grand Jury has requested that the Board of Supervisors respond
to Finding Nos. F1 and F2 as well as Recommendation Nos. R1.1, R1.2, R2.1, and R2.2,
contained in the subject Report; and

WHEREAS, Finding No. F1 states: “That there are multiple causes for the City's $5.81
billion debt to its Retirement System, including investment losses ($1.4 billion), a court ruling
on Supplemental Cost of Living Adjustments (COLAs) in the 2011 Proposition C ($1.3 billion),
and changes in demographic assumptions ($1.1 billion). However, the principal underlying
cause is the estimated $3.5 billion in retroactive retirement benefit increases implemented by
voter-approved propositions between 1996 and 2008;” and

WHEREAS, Finding No. F2 states: “1) That the City's Retirement System diligently
protects the retirement-related interests of the City's employees and retirees; 2) that the
Retirement Board has a majority of members who are also members of the Retirement
System (they receive, or will receive, pensions); 3) that when it came to retroactive retirement
benefit increase propositions between 1996 and 2008, the Mayor, Board of Supervisors,
Retirement Board, and Controller did not fulfill their responsibility to watch out for the interests
of the City and its residents; and 4) that despite previous Retirement System-related
propositions (2010 Proposition D and 2011 Proposition C) that reduced future pension
liabilities, the Retirement System remains seriously underfunded, threatening the fiscal status
of the City;” and
WHEREAS, Recommendation No. R1.1 states: “That the Mayor and Board of Supervisors fully disclose the financial details of any future retirement benefit increases or decreases to the public;” and

WHEREAS, Recommendation No. R1.2 states: “That by the end of 2018, the Retirement Board produce an annual report for the public showing each component of the debt owed by the City to the Retirement System, including the full history of each component and descriptions of all calculations;” and

WHEREAS, Recommendation No. R2.1 states: “That the Board of Supervisors establish a permanent Retirement System Oversight Committee to develop a comprehensive, long-term solution for the Retirement System that is fair to both employees and taxpayers, and present it to the voters in a proposition by 2018. All options for reducing pension liabilities must be considered, including a hybrid Defined Benefit / Defined Contribution plan. The details of the committee are:

1. Name: Retirement System Oversight Committee

2. Purpose

   a. Develop a comprehensive, long-term solution for the Retirement System’s unfunded liabilities that is fair to both employees, retirees, and taxpayers, and present it to voters in a proposition by the end of 2018. All options should be on the table, including a Hybrid Defined Benefit / Defined Contribution plan.

   b. Inform and educate the public concerning the finances of the Retirement System.

   c. As needed, develop solutions to future problems the Retirement System encounters and, if necessary, present them to voters in a proposition. All
options should be on the table, including a Hybrid Defined Benefit / Defined Contribution plan.

d. The Committee shall provide oversight to ensure that: (1) actions taken by the Retirement System are in the best interest of the residents of San Francisco; (2) all propositions that modify the Retirement System are adequately described to voters in the Voter Information Pamphlet.

e. In furtherance of its purpose, the committee may engage in any of the following activities:

   i. Inquire into the actions of the Retirement System by reviewing reports, analyses, financial statements, actuarial reports, or other materials related to the Retirement System.

   ii. Holding public meetings to review the effect on San Francisco residents of actions taken by the Retirement System.

3. Public Meetings

   a. The Board of Supervisors shall provide the committee with any necessary technical assistance and shall provide administrative assistance in furtherance of its purpose and sufficient resources to publicize the conclusions of the committee.

   b. All committee proceedings shall be subject to the California Public Records Act (Section 6254, et seq., of the Government Code of the State of California) and the City's Sunshine Ordinance (Chapter 67 of this Code). The committee shall issue regular reports on the results of its activities. A report shall be issued at least once a year. Minutes of the proceedings of the committee and all documents received and reports issued shall be a matter of public record and be made available on the Board's website.
4. Membership
   
a. Two-thirds of the members will be Public members and one-third will be Representative members.

b. Public members.
   
i. Public members must be voters.

ii. Public members cannot be members of the Retirement System.

iii. Each Supervisor will appoint a single Public member.

iv. The Mayor will appoint all other Public members.

v. Public members can only be removed for cause.

vi. Public members shall be experienced in life insurance, actuarial science, employee pension planning, investment portfolio management, labor negotiations, accounting, mathematics, statistics, economics, or finance.

vii. Public members will receive no compensation.

viii. Four-year term, staggered so that one-fourth of the Public members' terms expire each year.

ix. No more than two consecutive terms.

c. Representative members
   
i. Mayor's Office representative.

ii. Board of Supervisors' representative.

iii. Controller's Office representative.

iv. Human Resources Department representative.

v. Safety Unions' representative.

vi. Miscellaneous Unions' representative.
5. Committee Costs

   a. The Board of Supervisors will decide how best to fund the Committee;" and

   WHEREAS, Recommendation No. R2.2 states: "That by the end of 2018, the Mayor
   and Board of Supervisors submit a Charter amendment proposition to the voters to add three
   additional public members who are not Retirement System members to the Retirement
   Board;" and

   WHEREAS, In accordance with California Penal Code, Section 933.05(c), the Board of
   Supervisors must respond, within 90 days of receipt, to the Presiding Judge of the Superior
   Court on Finding Nos. F1 and F2 as well as Recommendation Nos. R1.1, R1.2, R2.1, and
   R2.2 contained in the subject Report; now, therefore, be it

   RESOLVED, That the Board of Supervisors reports to the Presiding Judge of the
   Superior Court that they disagree partially with Finding No. F1 for reason as follows: The
   primary causes of the greater than expected unfunded liabilities were the lower returns on
   investments due to the dot-com bust and the Great Recession, the changes in demographic
   assumptions, and the court ruling on the Supplemental Cost of Living Adjustments in the 2011
   Proposition C, but not the voter-approved propositions between 1996 and 2008; and, be it

   FURTHER RESOLVED, That the Board of Supervisors reports to the Presiding Judge
   of the Superior Court that they disagree partially with Finding No. F2 for reason as follows:
   The City departments did fulfill their responsibilities in overseeing the interests of City
   residents regarding retirement benefits-related ballot initiatives between 1996 and 2008, and
   that the Retirement System is not seriously underfunded, nor does it threaten the fiscal health
   of the City; and, be it

   FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation
   No. R1.1 has not been implemented but will be; For any future retirement benefit increases or
   decreases, the Mayor and the Board of Supervisors shall provide information in lay-person
terms that is available and easily accessible on the City’s website and that clearly presents projected financials including unfunded liabilities; in addition, when there is a ballot initiative that addresses retirement benefits, the Voter Information Pamphlet shall include an introductory paragraph written by the Controller explaining in lay-person terms the assets, liabilities, projected financials, including unfunded liabilities, and health of the retirement system; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R1.2 has not been implemented but will be; The 2017 Retirement System’s annual report shall include information about the Retirement System’s projected finances, including unfunded liabilities; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R2.1 will not be implemented because it is not warranted or reasonable; The Mayor and Board of Supervisors have oversight over the Retirement System and review financials and projections regularly, including during the annual City budget process; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R2.2 requires further analysis as the Board of Supervisors needs to investigate the consequences of adding members to the Retirement Board, and will report back to the Civil Grand Jury by December 16, 2017; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges the Mayor to cause the implementation of the accepted findings and recommendations through his/her department heads and through the development of the annual budget.
Resolution responding to the Presiding Judge of the Superior Court on the findings and recommendations in the 2016-2017 Civil Grand Jury Report entitled "The San Francisco Retirement System - Increasing Understanding and Adding Voter Oversight," and urging the Mayor to cause the implementation of accepted findings and recommendations through his/her department heads and through the development of the annual budget.

September 20, 2017 Government Audit and Oversight Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

September 20, 2017 Government Audit and Oversight Committee - RECOMMENDED AS AMENDED

September 26, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE
Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

September 26, 2017 Board of Supervisors - ADOPTED AS AMENDED
Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

File No. 170663

I hereby certify that the foregoing Resolution was ADOPTED AS AMENDED on 9/26/2017 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Date Approved 10/5/2017