

**LETTER OF UNDERSTANDING
BETWEEN THE
COUNTY OF SAN DIEGO
AND THE
DEPUTY SHERIFFS' ASSOCIATION OF SAN DIEGO COUNTY
(DS/SM UNITS)**

**IN THE MATTER OF
DEFERRED RETIREMENT OPTION
PROGRAM (DROP)**

- I. This attests to and records the agreement of the parties to add a provision to the MOA allowing for a Deferred Retirement Option Program (DROP), subject to approval by San Diego County Employees' Retirement Association (SDCERA), the County's Board of Supervisors and all other safety bargaining units in the County. DROP must also be found to be cost-neutral to the County by actuaries hired by SDCERA before it can take effect.

ARTICLE 9. EMPLOYEE BENEFITS

Section 5. Deferred Retirement Option Program (DROP)

Agreed upon Provisions:

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 applicable to the employee's retirement Tier

- II. It is the intent of this LOU to provide a voluntary DROP for DS/SM-represented employees. DROP is an alternative method by which the Service Retirement Contributions are paid to a Retired Participant. DROP is required to be cost-neutral to SDCERA.
- III. Any eligible DS/SM-represented employee who has attained retirement eligibility based on their retirement Tier (I/II, A, B, C, or D) and is vested with SDCERA, is eligible to participate in DROP.
- For purposes of this Section, service credit accrued with a retirement system that is recognized by SDCERA for Reciprocity purposes, shall be recognized for purposes of establishing eligibility to participate in DROP. A Participant who previously participated in this DROP and who

reinstates from retirement shall not be eligible to participate in DROP again.

- The employee's election to participate in DROP is voluntary and irrevocable. Any employee who elects to participate in DROP must make their election on a form prescribed and retained by SDCERA. The employee's election will: (a) designate a period of participation in DROP of not more than 36 months; (b) affirm that the Employee agrees to terminate employment with the Employer no later than the completion of the designated DROP participation period noted in (a) above and acknowledges that participation in DROP is not a guarantee of continued employment for any period; (c) affirm that the Employee, on the date the Employee commences participation in DROP, ceases accruing Service Credit and that the Employee's Service Retirement Allowance at the end of the Employee's participation in DROP is the same as the Employee's Service Retirement Allowance at the beginning of the Employee's participation in DROP (plus any applicable Cost of Living Adjustments); and the Employee's Final Compensation for purposes of establishing the Employee's Service Retirement Allowance is the Final Compensation determined at the beginning of the Employee's participation in DROP and any changes in the compensation paid to the Employee by the County during the Employee's participation in DROP has no effect on the Service Retirement Allowance paid to the Employee at the end of the Employee's participation in DROP; and (d) constitute an application for a Service Retirement allowance to commence no later than the end of the designated DROP participation period. The Employee is not eligible to receive a refund of Accumulated Contributions upon termination of the Employee's employment with the County; the Employee's employment status during participation in DROP is not affected by the Employee's election to participate in DROP.

Prior to entering DROP, an eligible employee's sick leave balance may be converted into retirement service credits subject to the rules and regulations of the San Diego County Retirement Association, provided that:

- a. The employee has completed ten (10) or more years of continuous service during that employee's present employment; and
 - b. The employee's sick leave balance totals three hundred (300) hours or more; and therefore,
 - c. Employees with ten (10) or more years of service may convert one hundred percent (100%) of their total sick leave credits.
 - d. Waive receiving full cash payment (if applicable) and convert their eligible hours.
- The start date of an Employee's participation in DROP is the first of the month following the date SDCERA considers and approves the Employee's fully-completed DROP application. Upon the start date of an Employee's participation in DROP, the Employee ceases to make Normal Contributions to SDCERA. If an Employee becomes disabled while participating in DROP, the Employee is eligible to apply for

Disability Retirement and is subject to the same disability eligibility requirements as if the Employee were not in DROP. Upon approval by the SDCERA Board of Trustees of an Employee's Application for Disability Retirement, the Employee's participation in DROP ceases and the DROP account is available to the Employee for distribution. If an Employee dies while participating in DROP, the Employee is deemed to have died after retirement and the provisions of their Retirement Plan apply based on the amount of Service Retirement Allowance being credited to the DROP account. All the monies credited to the Employee's DROP Account will be paid to the designated DROP beneficiary.

- Upon termination of DROP participation and upon retirement from the County, an Employee will receive the amounts credited to the Employee's DROP Account. The Employee becomes a Retired Participant and begins receiving a monthly retirement allowance equal to the amount that was being credited to the Employee's DROP Account at the date of the Employee's end of participation in DROP. Upon the completion of the designated DROP participation period, an Employee becomes a Retired Participant and selects one of the following forms of distribution of the DROP Account funds: (a) a lump sum; or (b) a qualified rollover.
- No distribution is made from an Employee's DROP account until the Employee has terminated participation in DROP and ceased employment with the County. An Employee's participation in DROP automatically terminates upon the earliest occurrence of one of the following events: (a) completion of the Employee's designated DROP participation period; or (b) death of the Employee; or (c) approval by the SDCERA Board of Trustees of the Employee's Application for Disability Retirement; or (d) voluntary termination of the Employee's employment; or (e) involuntary termination of the Employee's employment, whether or not for cause, including layoffs or reductions in force and including the conclusion of any judicial or administrative appeals process.
- For employees in DROP, their participation in DROP will be suspended for any calendar month in which they do not spend at least 112 hours on active-duty status, and they are ineligible for the monthly pension deposit to their DROP account for that calendar month. This includes the first and last months of participation. Active-duty status includes: Regular hours worked, Vacation time, Comp Time, and Sick Leave Personal. EXCEPTION: If the employee sustains a serious injury on duty and is admitted to the hospital for a minimum of 3 consecutive days as a direct result of that injury, their participation will not be suspended during the first 12-calendar months following the date of injury starting with the month the injury is incurred. The Sheriff's Office will determine whether the injury meets the requirements and will record this information on payroll and timekeeping records accordingly.
- If the employee's DROP participation is suspended (as allowed above), they are eligible to participate in DROP for additional months beyond the original 3-year/36-month participation period. The participation period can only be extended for as many months as their participation was suspended. No interest will accrue or be credited to the DROP account following the initial 3-year/36-month participation period, including any

- periods of participation suspension or leaves without pay.
- For purposes of entering DROP, active-duty status includes light-duty status, but excludes sick, vacation, injured on duty, administrative leave and all other types of non-working status. If the employee is on a non-working status, the intended effective date of DROP participation will be adjusted to reflect the date the employee returns to active duty/working status.
- Sick time, vacation and overtime cannot be used beyond the end of the employee's DROP participation period.

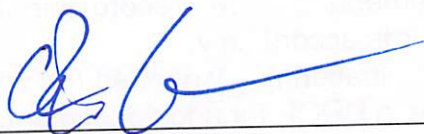
IV. The County must conduct an actuarial study at least every four years to determine whether DROP is maintaining SDCERA cost neutrality and meeting the County's goals of retaining sworn personnel. If the actuarial analysis determines that the program has not been cost neutral or the program does not meet the County's goal of retaining sworn personnel, the County can discontinue the program or the County can modify the program in a manner consistent with the actuarial analysis and the provisions of this LOU so that the program will be cost neutral. However, any changes to the provisions of DROP are only prospective and will not change the provisions of DROP after an employee has entered. The Employee's agreement to enter DROP is only subject to the provisions in effect on the day they entered DROP.

- It is intended that DROP does not jeopardize the tax-qualified status of SDCERA. Full rights are reserved to modify this LOU to the extent necessary or appropriate to ensure that DROP complies with applicable federal and state laws, regulations and administrative rulings.
- The DROP is subject to the County Employee's Retirement Law of 1937 (CERL) applicable to governmental plans, as amended, and the regulations and rulings regarding CERL. Full rights are reserved to modify this LOU to the extent necessary or appropriate to ensure that DROP complies with CERL.

Upon agreement by the Deputy Sheriffs' Association (DSA), this provision shall be effective upon all the following:

- 1) The design parameters are analyzed for cost neutrality by an SDCERA actuary and ensure the design meets the cost neutrality requirements provided in CERL.
- 2) All other County safety bargaining units approve DROP as set out in the LOU;
- 3) Board of Supervisor's approval and adoption of an ordinance for implementation of the DROP; and
- 4) SDCERA implements the Board's DROP ordinance.

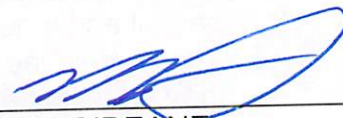
FOR THE COUNTY OF SAN DIEGO



CLINT OBRIGEWITCH
Labor Relations Manager

Date: 5/5/25

**FOR THE DEPUTY SHERIFFS'
ASSOCIATION OF SAN DIEGO COUNTY
(DS & SM UNITS)**



MIKE O'DEANE
President

Date: 5-5-25