



Office of the City Auditor

**Report to the City Council
City of San José**

**AN AUDIT OF THE SAN JOSÉ
POLICE DEPARTMENT'S
METHOD OF PROJECTING
SWORN OFFICER RETIREMENTS
AND OTHER SEPARATIONS**

**The San José Police Department Can
Improve Upon Its Method For Projecting
Future Sworn Officer Retirements**

**The City Of San José And San José Police
Department Need To Address Other Sworn
Officer Retirement Issues**

**Report 02-04
June 2002**

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Executive Summary

In accordance with the City Auditor's 2001-02 Workplan, we performed an audit of the San Jose Police Department's (SJPD) method of projecting sworn officer retirements and other separations. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

Finding I The San Jose Police Department Can Improve Upon Its Method For Projecting Future Sworn Officer Retirements

A review of SJPD sworn officer retirements information indicates that the SJPD's current methodology for estimating sworn officer retirements is adequate in the short-term. However, sworn officer demographics indicate the potential for a significant increase in the retirement-eligible population in the moderate to long-term. Because the SJPD's current methodology lacks demographic considerations, there is a risk of underestimating future retirements.

In our opinion, the SJPD can address this risk by expanding its current methodology for projecting sworn officer retirements to include the longer-term impact of retirements using demographic considerations.

RECOMMENDATIONS

We recommend that the SJPD:

- Recommendation #1 Expand its current attrition-based approach for projecting sworn officer retirements to include the longer-term impact of retirements using demographic considerations. (Priority 3)**

Finding II The City Of San Jose And San Jose Police Department Need To Address Other Sworn Officer Retirement Issues

During our audit of the San Jose Police Department (SJPD) approach for estimating sworn officer retirements, we identified the following additional sworn officer retirement issues:

- The effect retirement plan changes can have on sworn officer retirements and
- A Regular Deferred Retirement Option could potentially improve sworn officer retirement predictability and retention.

In our opinion, the SJPD can address these sworn officer retirement issues by 1) evaluating the impact that any proposed retirement plan changes could have on future sworn officer retirements and 2) determining the feasibility of designing a Regular Deferred Retirement Option Plan that improves sworn officer retention and retirement predictability without being cost prohibitive.

RECOMMENDATIONS

We recommend that the SJPD:

Recommendation #2 Evaluate the impact of any proposed retirement plan changes on future sworn officer retirements. (Priority 3)

We recommend that the City Administration:

Recommendation #3 Determine the feasibility of designing a Regular Deferred Retirement Option Plan that improves sworn officer retention and retirement predictability without being cost prohibitive. (Priority 3)

Introduction

In accordance with the City Auditor's 2001-02 Workplan, we performed an audit of the San Jose Police Department's (SJPD) method of projecting sworn officer retirements and other separations. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

The City Auditor's Office thanks the management and staff of the City Manager's Office, SJPD, Police Officers' Association (POA), the Departments of Human Resources and Retirement Services, and the Payroll Division of the Finance Department who gave their time, information, insight, and cooperation during the audit process.

Scope And Methodology

The objective of this audit was to determine if the SJPD is adequately prepared to maintain a fully staffed workforce due to sworn officer retirements and other separations over the next three years - 2002-03, 2003-04, and 2004-05.

We met with officials from the SJPD, the POA, the Department of Retirement Services, the City Manager's Budget Office, and the Payroll Division of the Finance Department to gather information on active and retired SJPD sworn officers.

We used data from Retirement Services and the SJPD to identify the demographic and environmental trends, such as retirement plan changes, that affect sworn officer retirements and other separations. Specifically, for each active SJPD sworn officer and for each SJPD sworn officer who retired between 1990-91 to 2000-01, we obtained information on age, service time, birth date, hire date, retirement date (for retirees only), and type of retirement.

We familiarized ourselves with the SJPD's approach for estimating sworn police officer retirements and found ways to improve the SJPD's ability to maintain full staffing.

In order to identify best practices, we also surveyed the approaches and projection methodologies other police departments and sheriff offices use to project sworn officer retirements, respond to actual sworn officer attrition, and encourage retention of those sworn officers eligible to retire.

We contacted the police departments or sheriff offices in the following jurisdictions: Santa Clara County, San Francisco, Oakland, Sacramento, Los Angeles, San Diego, Phoenix, and Portland.

We also identified other issues for future consideration. These other issues, such as retirement plan changes, have the potential for affecting the SJPD's ability to retain or replace retirement-eligible sworn officers.

We performed only limited testing of the various computer reports and databases we used during our audit. We did not review the general and specific controls for the computer systems used in compiling the various computer reports and databases we used.

Background

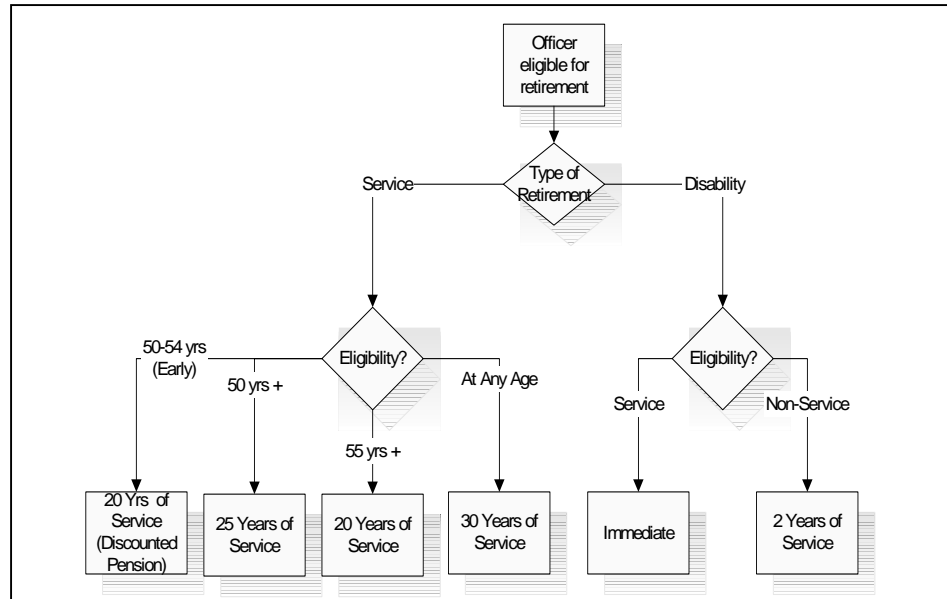
According to the 2001-02 adopted budget, the SJPD has a budget of \$203,155,712 of which \$181,244,671 is for personal salaries, benefits, and overtime. This budget includes 1,887 authorized positions of which 1,379 are sworn officer positions.

Current sworn police officers are members of the 1961 San Jose Police and Fire Department Retirement Plan¹ (Police and Fire Plan). Under the Police and Fire Plan, retiring SJPD sworn officers receive either a service retirement or disability retirement. Sworn officers leaving the SJPD before they are eligible for retirement are classified as "Other Separations".

Exhibit 1 summarizes the pertinent retirement age and service time eligibility provisions for SJPD sworn officers. Each type of retirement maintains separate eligibility provisions.

¹ Municipal Code section 3.36.010 establishes the "1961 Police and Fire Department Retirement Plan".

Exhibit 1 Summary Of Pertinent Retirement Age And Service Eligibility Provisions For SJPD Sworn Officers



Source: Retirement Service's Fact Sheet and Municipal Code.

Additionally, to qualify for disability retirement, an officer must have an acceptable service or nonservice disability.

Service Retirement

A SJPD sworn officer may retire from service under the Police and Fire Plan if he or she satisfies the specified age and service time requirements. A SJPD sworn officer qualifies for retirement:

- At age 50, with over 25 years of service credit,
- At age 55, with over 20 years of service credit,
- At any age, with over 30 years of service credit, or
- Between the ages of 50 and 54, if the officer has 20 to 24 years of service credit².

² Early Retirement: Officer receives a discounted pension as set forth in Section 3.36.810 of the Municipal Code.

Upon retirement, a SJPD sworn officer receives a retirement allowance that is based upon a percentage of the sworn officer's final average salary (FAS). Eligible sworn officers with 20 years of service receive 50 percent of their average monthly salary calculated on their final 12 months of service³. After 20 years of service, sworn officers receive an additional three percent for each of the next five years. For each year after the 25th year, sworn officers receive an additional four percent per year of service. The maximum retirement allowance a sworn officer can receive is 85 percent of his or her FAS, which a sworn officer earns with 30 years of service. Exhibit 2 is an example of a SJPD sworn officer retirement allowance calculation.

Exhibit 2 Example Of A SJPD Sworn Officer Retirement Allowance Calculation

If Officer John Doe completed 27 years of service and retired, he would receive 73% of his FAS (*FAS is based on the previous 12 months salary*).

The rate of 73% is calculated as follows:

Years of Service Categories	Allowance per Year of Service		Actual Years of Service	=	Cumulative Retirement Percentage
20	2.50%	x	20 years	=	50%
20-25	3%	x	5 years	=	15%
26-30	4%	x	2 years	=	8%
			27 years	=	73% of final compensation

Source: Auditor's Office.

³ This amount is capped at 108% of the 12 months preceding the last 12 months of service and assumes the last 12 months are the highest earning months.

*Disability
Retirement*

Disability retirement is granted to SJPD sworn officers who suffer a qualifying injury or disease and satisfy the service requirements outlined in the Municipal Code. A qualifying injury is one:

“...which renders a person physically or mentally incapable of assuming the responsibilities and performing the duties of the position then held by him and of any other position in the same classification of positions to which the city may offer to transfer him.”

After receiving an application for disability retirement, the City of San Jose’s Retirement Board uses medical information to determine if the sworn officer qualifies for disability, and to determine whether such disability is a service-connected or nonservice-connected disability. A service-connected disability is one in which the disability occurs while the sworn officer is on-duty, while a nonservice-connected disability may occur at any other time.

Because the qualifying injury prohibits a sworn officer from continuing duty, both service-connected and nonservice-connected disabilities qualify for retirement benefits if the sworn officer is a paid City employee. With a service-connected disability, a sworn officer is immediately eligible for retirement regardless of the sworn officer’s age or years of service. For a nonservice-connected disability retirement (a non-work related disability), a sworn officer must have at least two years of service. Exhibits 3 and 4 outline the retirement allowances for sworn officers receiving disability retirements:

Exhibit 3 Service-Connected Disability Retirement Allowances For SJPD Sworn Officers

Years Of Service	Allowance
Within first year	50% of FAS
20 years or less	50% of FAS
Between 21 and 25 years	50% of FAS plus 3% for each year over 20
More than 25 years	65% of FAS plus 4% for each year over 25 (capped at 85%)

Source: Retirement Service’s Fact Sheet and Municipal Code.

Exhibit 4 Nonservice-Connected Disability Retirement Allowances For SJPD Sworn Officers

Years Of Service	Allowance
Under 2 years	Not Eligible for Retirement
From 2 to 20 years of service	32% of FAS plus 1% for each year above 2 years (50% at 20 years)
Between 21 and 25 years	50% of FAS plus 3% for each year over 20
More than 25 years	65% of FAS plus 4% for each year over 25 (capped at 85%)

Source: Retirement Service's Fact Sheet and Municipal Code.

Other Separations

Since 1990-91, Other Separations represent the majority of SJPD sworn officer attrition. SJPD sworn officers or recruit Other Separations include forced terminations, deaths, and officer resignations. As shown in Exhibit 5, from 1990-91 through 2000-01, Other Separations comprise the majority of all sworn officer attrition for seven of those years.

Exhibit 5 Other Separations As A Percent Of SJPD Sworn Officer Total Attrition⁴

	Fiscal Year										
	1990/91	1991/92	1992/93 ⁵	1993/94	1994/95	1995/96	1996/97	1997/98 ⁵	1998/99	1999/00	2000/01 ⁵
Other Separations	41	26	37	34	31	35	31	28	38	31	37
Total Separations	52	35	91	69	68	60	59	82	67	57	72
% Of Other Separations To Total Separations	79%	74%	41%	49%	46%	58%	53%	34%	57%	54%	51%

Source: SJPD And Retirement Services Records.

Major Accomplishments Related To This Program

In Appendix B, the Chief of Police informs us of significant recruiting accomplishments.

⁴ Other Separation data was provided by the SJPD, while retirement data was received from Retirement Services.

⁵ Fiscal years in which a retirement plan change significantly affected retirement patterns.

Finding I

The San Jose Police Department Can Improve Upon Its Method For Projecting Future Sworn Officer Retirements

A review of SJPD sworn officer retirements information indicates that the SJPD's current methodology for estimating sworn officer retirements is adequate in the short-term. However, sworn officer demographics indicate the potential for a significant increase in the retirement-eligible population in the moderate to long-term. Because the SJPD's current methodology lacks demographic considerations, there is a risk of underestimating future retirements.

In our opinion, the SJPD can address this risk by expanding its current methodology for projecting sworn officer retirements to include the longer-term impact of retirements using demographic considerations.

City Council Resolution 66023

In 1995, the San Jose City Council passed Resolution 66023, articulating their firm goal and commitment to achieve full sworn officer staffing within the SJPD. Specifically, Resolution 66023 states, "*whereas, adequate staffing of the Police Department with sworn personnel is an issue of primary concern to this Council and the citizens of this city.*" This resolution also established a Sworn Police Training and Recruitment Program. Through this Program, the SJPD hires and trains sworn officers before they are needed in order to provide street-ready replacements for retiring sworn officers.

The SJPD's Current Methodology For Estimating Sworn Officer Retirements Is Adequate In The Short-Term

Several times a year, the SJPD estimates sworn officer attrition and requests authorization from the City Manager's Budget Office for overstrength Police Recruit hires (*officers above the authorized level*) for the San Jose Police Recruit Academy. Because it requires about 11 months to select and train Police Recruits to become street-ready, the SJPD estimates future sworn officer attrition to determine the number of new hires needed as overstrength positions to replace separating sworn officers. Lateral Police Officer hires, or transfers from other

police departments, augment these new Recruit hires in order to minimize the number of days authorized sworn officer positions remain vacant.

The SJPD uses a five-year average (by month) to project future sworn officer needs. For example, to determine the number of sworn officers leaving in May 2002, the SJPD would use a five-year average of separations occurring in the previous five year's months of May as an estimate of separations to occur in May 2002. This calculation is shown in Exhibit 6.

Exhibit 6 Example Of SJPD Attrition-based Calculation

	Number Of Separations	<i>Estimate</i>
May 1997	8	
May 1998	7	
May 1999	4	<i>(average of the past five months of May)</i>
May 2000	3	
May 2001	4	
May 2002		5

Source: SJPD.

An aggregate of monthly averages from the point of recruit selection to the point of being street-ready is used to project the hiring needs for the up-coming training cycle. To illustrate, if the SJPD is selecting recruit candidates in November for a January Academy, monthly attrition averages for November through September (*the point of street-ready*) would be calculated and totaled to determine the number of recruits to be hired, less any overstrength still on board at the time of selection. In addition, the number of overstrength to be hired is increased above the monthly averages if actual retirements on file exceed the average number of retirements. This adjustment allows the SJPD to address any potential spikes in the number of up-coming retirements within the latest training cycle.

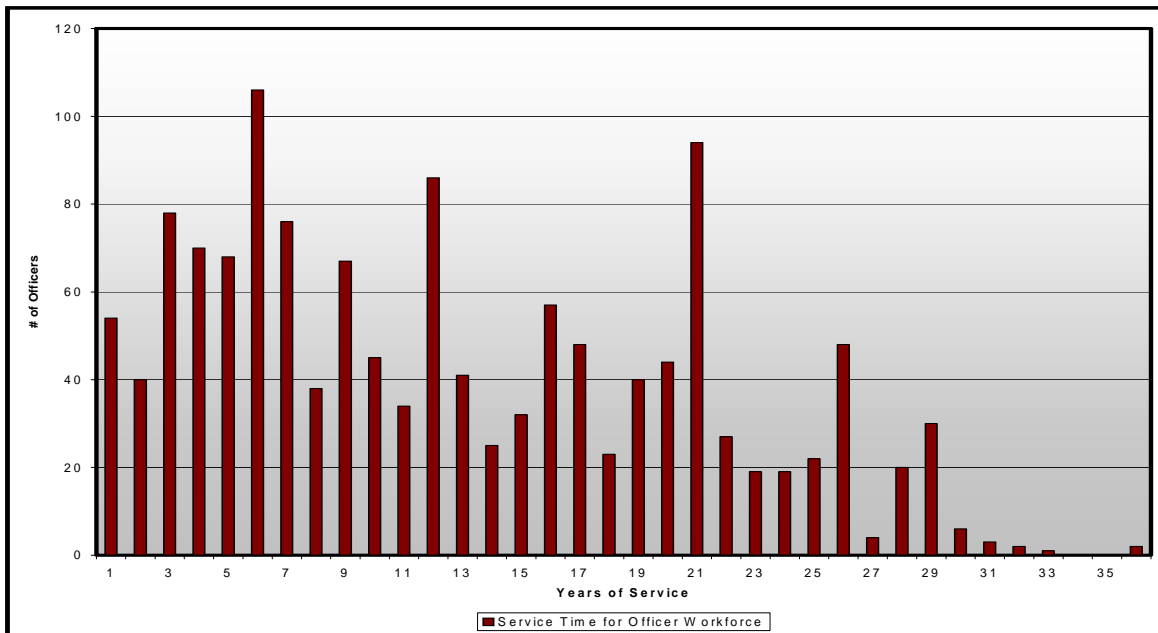
In our opinion, the SJPD's attrition-based approach for projecting sworn officer retirements appears to be adequate for short-term estimates. However, the lack of demographic considerations in the attrition-based approach increases the risk of underestimating future retirements. With the lead time necessary to recruit, train, and street-ready new sworn officers,

the SJPD may not have sufficient time to accommodate large increases in sworn officer retirements, leading to vacant sworn officer positions.

SJPD Sworn Officer Demographics Indicate The Potential For A Significant Increase In The Retirement-Eligible Population In The Moderate To Long-Term

Our analysis of Retirement Services data indicates that the SJPD will experience a significant increase in the number of retirement-eligible sworn officers. As shown in Exhibit 7 and Exhibit 8, demographic spikes in age and service time of the current sworn officer population contribute to the increase in retirement-eligible sworn officers. For example, there are 94 officers that will achieve 21 years of service during 2001-02. These officers range from age 42 to 58 with about 62% of them being within four years from full retirement eligibility⁶. As a result, demographic spikes, such as this one, will impact the number of retirements experienced in those future years where an increased number of sworn officers are eligible to retire.

Exhibit 7 Service Time⁷ Distribution Of SJPD Sworn Officer Force

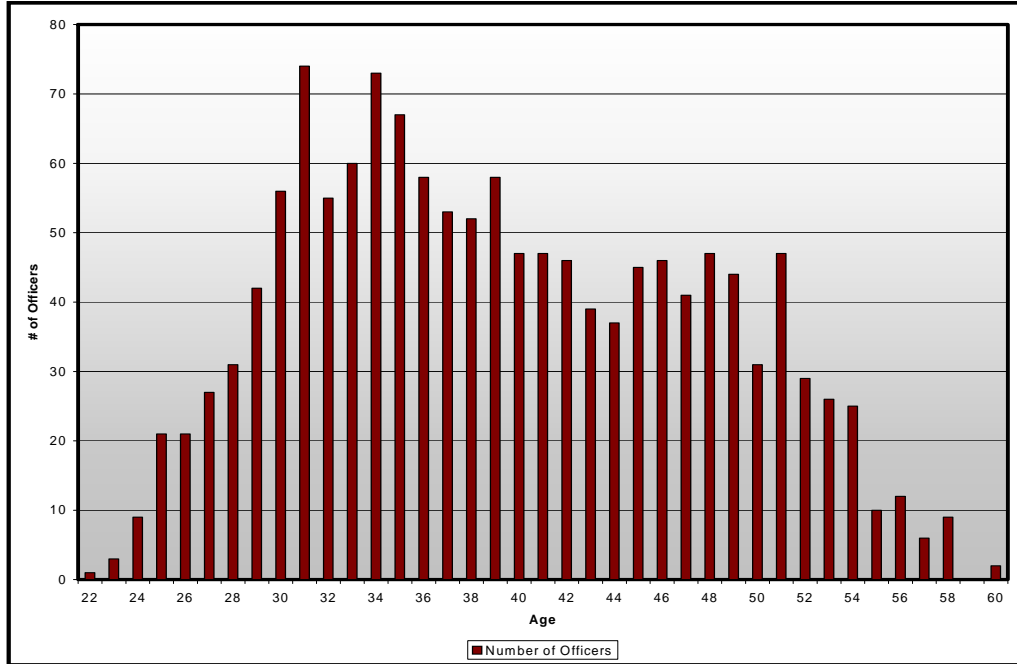


Source: Retirement Services Records.

⁶ Full retirement eligibility excludes early retirements (ages 50-54 with 20-24 years of service).

⁷ Based on Retirement Services hire date and may not reflect leaves of absence or reciprocal service time.

Exhibit 8 Age Distribution Of SJPD Sworn Officer Force



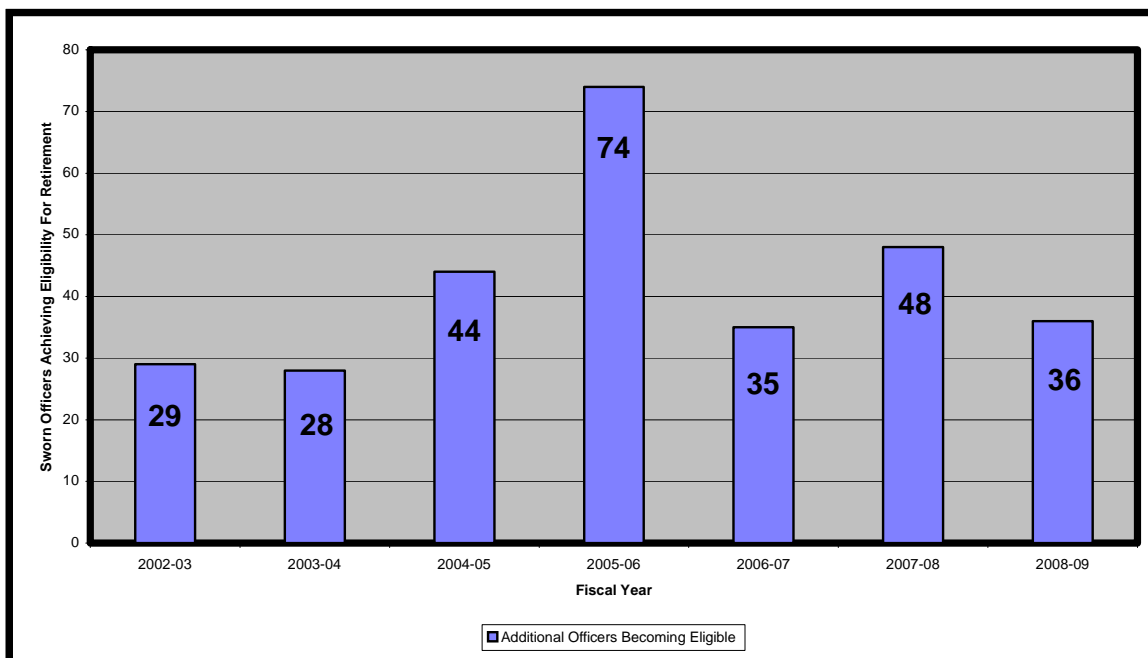
Source: Retirement Services Records.

Knowing when these demographic spikes of sworn officers become eligible for retirement and accommodating the expected increased future retirements becomes key to mitigating the risk of not recruiting enough officers. Exhibit 9 and Exhibit 10 show the number of sworn officers that will become eligible during the 2002-03 through 2008-09 fiscal years and the yearly percent change in officers entering eligibility. Our analysis assumed that no new officers enter or leave the force.

Exhibit 9 SJPD Sworn Officers Who Will Achieve Full Retirement Eligibility

	Fiscal Year							Average
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	
Number Of Sworn Officers Achieving Retirement Eligibility	29	28	44	74	35	48	36	42
% Change From Previous Year	20.8%	(3.4%)	57.1%	68.2%	(52.7%)	37.1%	(25%)	14.6%

Source: Auditor’s Analysis of Retirement Services Records.

Exhibit 10 Summary Of The Year In Which SJPD Sworn Officers Achieve Full Retirement Eligibility

Source: Auditor's Office Analysis of Retirement Services Records.

As shown in Exhibits 9 and 10, the SJPD will experience significant increases in the number of retirement-eligible sworn officers starting in 2004-05. The 74 sworn officers achieving retirement eligibility in 2005-06 is about three times the number that achieved retirement eligibility in 2003-04.

Because only some sworn officers retire once they become eligible, the effect of the increased retirement-eligible officers could carry over to the following years as well. The additional sworn officers becoming retirement-eligible in 2004-05, 2005-06, and 2007-08 indicates that the SJPD may experience increased retirements starting in 2004-05 that will carry over into the second half of the decade.

On average, service retirees reach about 28 years of service at age 53, and disability retirees reach about 25 years of service at age 51. While the distribution of individual retirees varies, patterns in retiree demographics help identify potential sworn officer retirements several years before they actually occur. Therefore, tracking age and years of service demographics will improve the SJPD's ability to anticipate significant increases in future sworn officer retirements.

We recommend that the SJPD:

Recommendation #1:

Expand its current attrition-based approach for projecting sworn officer retirements to include the longer-term impact of retirements using demographic considerations. (Priority 3)

CONCLUSION

We found that the SJPD's current approach for estimating sworn officer retirements is adequate in the short-term. However, our analysis of sworn officer demographics revealed that significant increases in retirement-eligible officers starting in the near future may cause increases in the number of SJPD sworn officer retirements. Accordingly, in our opinion, the SJPD should expand its current attrition-based approach for projecting sworn officer retirements to include the longer-term impact of retirements using demographic considerations. By so doing, the SJPD should be better prepared to anticipate future sworn officer retirements, and respond accordingly.

RECOMMENDATIONS

We recommend that the SJPD:

Recommendation #1

Expand its current attrition-based approach for projecting sworn officer retirements to include the longer-term impact of retirements using demographic considerations. (Priority 3)

Finding II

The City Of San Jose And San Jose Police Department Need To Address Other Sworn Officer Retirement Issues

During our audit of the San Jose Police Department (SJPD) approach for estimating sworn officer retirements, we identified the following additional sworn officer retirement issues:

- The effect retirement plan changes can have on sworn officer retirements and
- A Regular Deferred Retirement Option could potentially improve sworn officer retirement predictability and retention.

In our opinion, the SJPD can address these sworn officer retirement issues by 1) evaluating the impact that any proposed retirement plan changes could have on future sworn officer retirements and 2) determining the feasibility of designing a Regular Deferred Retirement Option Plan that improves sworn officer retention and retirement predictability without being cost prohibitive.

The Effect Retirement Plan Changes Can Have On Sworn Officer Retirements

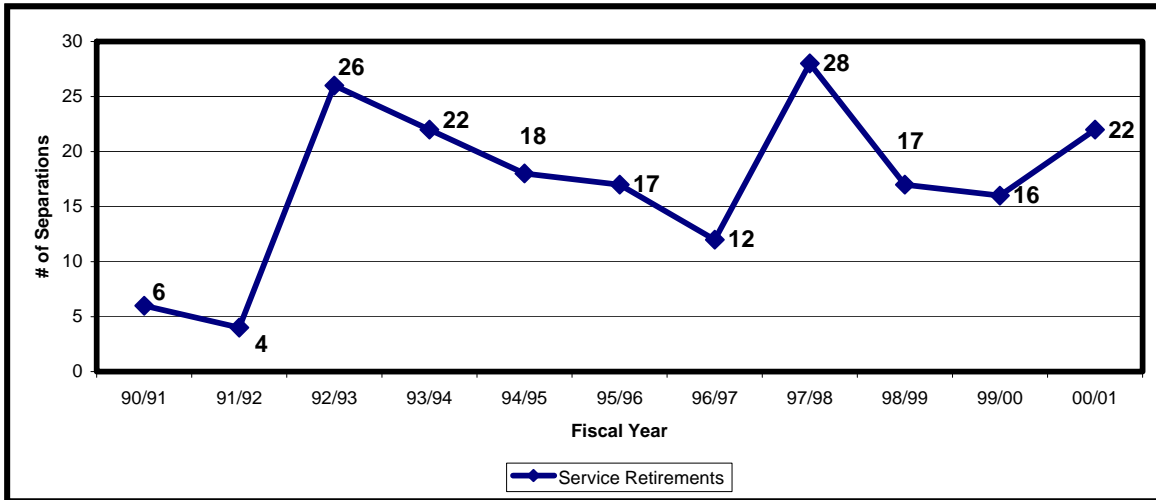
Since 1990-91, three SJPD Retirement Plan changes have caused increases in the number of SJPD sworn officer retirements. These three changes were as follows:

- (1992-93) Adding a fourth retirement eligibility category for officers age 50 with 25 years of service;
- (1997-98) Increasing retirement allowance from 2.5 percent per year to 3 percent *for each year of service over 20* – The maximum retirement allowance an officer may receive increased from 75 percent of their final average salary to 80 percent; and
- (2000-01) Increasing retirement allowance from 3 percent per year to 4 percent *for each year of service over 25* – The maximum retirement allowance an officer may receive increased from 80 percent of their final average salary to 85 percent.

In 1992-93, the minimum age for full retirement was dropped to age 50 for SJPD sworn officers with 25 years of service. Exhibit 11 shows that SJPD officer service retirements increased from four in 1991-92 to 26 in 1992-93 because of the

minimum age retirement plan change. In addition, this minimum age retirement plan change caused a more lasting increase in SJPD sworn officer retirements after 1991-92.

Exhibit 11 Summary Of SJPD Sworn Officer Retirements From 1990-91 To 2000-01



Source: Retirement Services Records.

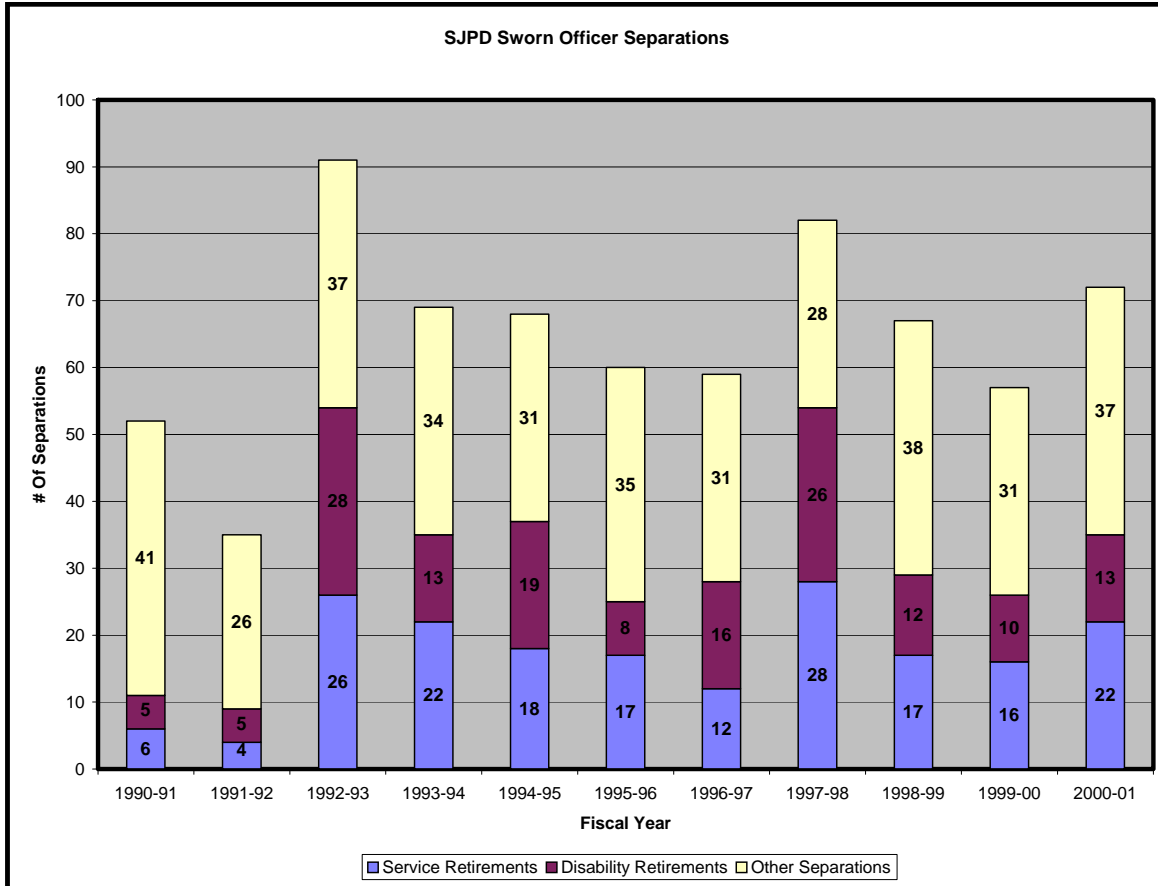
Two Other Retirement Plan Changes Caused SJPD Sworn Officer Retirements To Increase In 1997-98 And 2000-01

The 1997-98 and 2000-01 retirement plan changes noted above increased the percentage that is applied against a sworn officer’s final salary for retirement allowance calculation purposes. These changes increased 1) the percentage for each year of service for sworn officers with more than 20 years of service and 25 years of service, respectively and 2) the maximum retirement pay as a percentage of highest annual salary from 75 percent to 80 percent and, finally, to 85 percent. Exhibit 11 shows the impact of the 1997-98 and 2000-01 retirement plan changes. The 1997-98 retirement plan change more than doubled SJPD sworn officer service retirements from 12 in 1996-97 to 28 in 1997-98. The 2000-01 retirement plan change had a smaller effect, but it increased SJPD sworn officer service retirements from 16 in 1999-00 to 22 in 2000-01.

As shown in Exhibit 11, the 1997-98 and 2000-01 retirement plan changes resulted in increases in the year they were implemented.

Exhibit 12 breaks down past SJPD sworn officer separations into three categories: service retirements, disability retirements, and Other Separations.

Exhibit 12 Summary Of SJPD Sworn Officer Retirements And Other Separations From 1990-91 To 2000-01



Source: SJPD and Retirement Services Records.

The effects of the retirement plan changes in 1992-93, 1997-98, and 2000-01 are evident in the exhibit.

In addition to affecting the number of sworn officer retirements, retirement plan changes may change the demographic composition of sworn officer retirees and/or potential retirees. These demographic changes can affect future sworn officer retirement patterns. While some retirement plan changes may encourage sworn officers to retire at earlier ages, other changes may encourage sworn officers to remain on the force longer. Therefore, the SJPD should evaluate the impact of any proposed retirement plan changes on future sworn officer retirements.

We recommend that the SJPD:

Recommendation #2

Evaluate the impact of any proposed retirement plan changes on future sworn officer retirements. (Priority 3)

A Regular Deferred Retirement Option Plan Could Potentially Improve Sworn Officer Retirement Predictability And Retention

To retain retirement-eligible teachers, several states are employing a Deferred Retirement Option Plan (DROP). In essence, these programs allow retirement-eligible teachers to build up savings on a tax-deferred basis by diverting regular pension benefits into a separate account where the money accumulates while the teacher continues to work. Louisiana was one of the first states to provide this alternative to teachers to address their staffing shortfalls. Florida's DROP program was created to encourage retirement-age teachers to continue working for an additional five years⁸. Other cities and law enforcement agencies, such as San Diego and Los Angeles, also have DROP programs.

A DROP is an alternative for active members designed to allow members to receive a lump sum payment on retirement or to supplement their retirement benefits. A DROP member elects to remain in service and defer receipt of retirement benefits. The local agency continues to view the DROP member as an active employee, while the Retirement Plan views the DROP member as a retiree, with benefits paid into a temporary account until termination of employment. After termination, the employee can determine how the benefits are paid out. There are two common DROP variations: Regular and Retroactive. The DROP described above is a Regular DROP. A Retroactive DROP is similar in construction to the Regular DROP, but it allows the participant to immediately retire. Under a Retroactive DROP, the participant's monthly retirement benefit is set as if the participant entered the DROP at some point in the past. Therefore, the participant may retire today and collect the same benefits as he or she would in a Regular DROP.

A Retroactive DROP would not improve the SJPD's ability to predict sworn officer retirements. Specifically, under a Retroactive DROP, the SJPD would not have advance warning

⁸ Source: Government Finance Review, Volume 17, Number 5, GFOA October 2001.

of a sworn officer initiating a Retroactive DROP and retiring. As a result, a Regular DROP is a better alternative than a Retroactive DROP for SJPD planning and recruiting purposes.

The financial implications and effect on retirement patterns is strongly affected by the DROP program design. As a result, one design may promote longevity and remain cost neutral, while another may negatively impact retirement patterns and increase costs significantly. Although a Regular DROP program may enhance the SJPD’s ability to maintain full staffing, further study is necessary to determine if the City can design a Regular DROP program that improves sworn officer retention and retirement predictability without being cost prohibitive.

We recommend that the City Administration:

Recommendation #3
Determine the feasibility of designing a Regular Deferred Retirement Option Plan that improves sworn officer retention and retirement predictability without being cost prohibitive. (Priority 3)

CONCLUSION

The SJPD needs to address additional sworn officer retirement issues. We found that three SJPD retirement plan changes caused increases in the number of SJPD sworn officer retirements. Consequently, the SJPD should evaluate the impact any proposed retirement plan changes could have on future sworn officer retirements. Finally, the City should determine the feasibility of designing a Regular Deferred Retirement Option Plan that improves sworn officer retention and retirement predictability without being cost prohibitive.

RECOMMENDATIONS

We recommend that the SJPD:

Recommendation #2 **Evaluate the impact of any proposed retirement plan changes on future sworn officer retirements. (Priority 3)**

We recommend that the City Administration:

Recommendation #3

Determine the feasibility of designing a Regular Deferred Retirement Option Plan that improves sworn officer retention and retirement predictability without being cost prohibitive. (Priority 3)

Other Pertinent Information

Other Jurisdictions' Methods Of Projecting Sworn Officer Retirements

We surveyed eight other jurisdictions to determine their approaches to projecting sworn officer retirements. We found that the approaches used by these jurisdictions fell into three categories:

- **Attrition-based Approaches**⁹: Jurisdictions that calculate future sworn officer retirements using historical information;
- **Eligibility-based Approaches** (*can be referred to as **Demographic Approach***): Jurisdictions that calculate future sworn officer retirements based on age/service time demographics; and
- **Other Approaches**: Approaches that are more subjective rather than based upon empirical evidence.

Exhibit 13 summarizes our survey results of other jurisdictions' retirement projection approaches.

⁹ Uses averages of the number of historical retirements as a predictor of future retirements. These averages are either based on sequential months (e.g., use Jan, Feb, Mar to estimate April), constant months (e.g. use Jan '99 and Jan '00 to estimate Jan '01), or are based on years (e.g., use '99 and '00 to estimate '01).

Exhibit 13 Survey Results Of Other Jurisdictions’ Sworn Officer Retirement Projection Approaches¹⁰

Jurisdiction	Do They Hire Officers Ahead Of Need?	Retirement Approach Used	Averages Based On (Sequential Or Constant Months) Or Yearly	How Far Into The Future Do They Project?	Do They Use Projections For Decision-Making?
San Jose	YES	Attrition	Constant	6/12 months	YES
Santa Clara County	NO	Other	-	-	NO
San Francisco	NO	Eligibility	Yearly	1 fiscal year	YES
Oakland	NO	Attrition	Sequential	1 calendar year	YES
Sacramento	YES	Eligibility	Yearly	2 calendar years	YES
Los Angeles	NO	Other	-	1 calendar year	NO
San Diego	NO	Attrition	Yearly	1 fiscal year	YES
Portland, OR	NO	Eligibility	Yearly	2 fiscal years	NO
Phoenix, AZ	NO	Attrition	Constant	-	NO

Source: Auditor Generated from Telephone Survey.

As shown in Exhibit 13, each jurisdiction we surveyed uses their own unique approach for projecting sworn officer retirements. Even those jurisdictions that use a similar approach apply it somewhat differently. While these application variations may be the result of different sworn officer retirement dynamics, the inherent risks of under- or over-estimating sworn officer retirements remains the same for each approach.

For example, attrition-based approaches have a risk of missing significant sworn officer demographic changes that could impact future retirement patterns. Accordingly, using an

¹⁰ Any blank entries indicate either: Does not Apply or Do not Use.

attrition-based approach that does not factor in sworn officer demographics such as age and service time, runs the risk of underestimating future sworn officer retirements.

Eligibility-based approaches that use sworn officer demographics to project sworn officer retirements reduce the risk of underestimating future sworn officer retirements. In theory, sworn officer demographics should follow a predictable retirement pattern, assuming no significant changes to retirement plans or economic conditions. Using these sworn officer retirement patterns, jurisdictions can better anticipate future changes in sworn officer retirement patterns and plan accordingly.

Some of the jurisdictions we surveyed use less structured approaches to predict sworn officer retirements. The Los Angeles Police Department and Santa Clara County Sheriff's Office use neither an attrition-based nor eligibility-based approach to project sworn officer retirements. Both of these jurisdictions have significant sworn officer vacancies and are in a constant hiring mode.

Both the Sacramento Police Department and the SJPD have Hire Ahead Programs. As such, both Sacramento and the SJPD hire sworn officers ahead, or before they are needed, in order to have street-ready officers ready to replace retiring sworn officers. These Hire Ahead Programs are designed to accommodate the long lead-time needed to train sworn officers and prevent vacant sworn officer positions.

Both Sacramento and the SJPD reduce the impact of increased sworn officer retirements by hiring overstrength positions (*sworn officers above authorized strength*) ahead of the need. However, Sacramento hires based on the number of sworn officers eligible for retirement, while the SJPD uses historical patterns to determine future sworn officer hires. As a result, the SJPD's approach retains the inherent risk identified with attrition-based approaches – not accounting for changing sworn officer demographics.

Memorandum

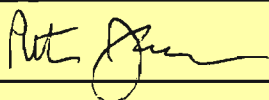
TO: Gerald Silva, City Auditor

FROM: William M. Lansdowne
Chief of Police

SUBJECT: Response to Audit, Police Department
Projections of Separations

DATE: May 30, 2002

Approved



Date

6-3-02

The Police Department has reviewed the final draft report of *An Audit of the San Jose Police Department's Methods of Projecting Sworn Officer Retirements and Other Separations*. We are generally in agreement with the results and recommendations of the report. We are pleased that the report is supportive of the current methodology used by the Police Department to forecast personnel vacancies. The report suggests manners in which the current process may be augmented and we view these suggestions as worthy of implementation and/or detailed exploration. Specific responses are provided below.

Recommendation #1

Expand its current attrition-based approach for projecting sworn officer retirements to include the longer-term impact of retirements using demographic considerations.

The Department concurs. We view this information as an important consideration in forecasting vacancies. While no single source of information is in itself a complete indicator of future separations, use of this data to augment existing processes will allow for a more thorough understanding of the composition of department personnel and its foreseeable future. The Department will include reviews of demographic information in future personnel separation projections. One manner in which the Department anticipates obtaining and incorporating this information is through a newly devised survey of retirement plans to be sent to those employees nearing retirement eligibility.

Recommendation #2

Evaluate the impact of any proposed retirement plan changes on future sworn officer retirements.

The Department agrees that it is important to remain sensitive to the effects of retirement plan changes. The Department strives to remain apprised of the impacts experienced by other agencies following changes in retirement plans. This information is monitored on a statewide basis. Additionally, information developed from Labor / Management Committee meetings will provide insight as to potential retirement system changes that may be sought during future negotiations.


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Projections of Separations
Page 2**

Recommendation #3

Determine the feasibility of designing a Regular Deferred Retirement Option Plan that improves sworn officer retention and retirement predictability without being cost prohibitive.

While a Deferred Retirement Option Plan (DROP) may be a valuable tool in managing personnel resources, the Department has concerns about its impact upon the working environment. Any programs considered for implementation will need to be comprehensively studied to determine its impacts on workplace issues, as well as the impacts to the retirement system. Recommended programs should be reviewed for their ability to address issues such as job performance, the impacts of disability leave while participating in a DROP, the effects of cumulative stress on the employee and ultimately, the ability to be accepted into, and to continue to participate in, a DROP. Additionally, "Hire Back" programs, wherein retirees are rehired for limited hours each year, should also be reviewed for their ability to alleviate the personnel concerns sought to be addressed by a DROP.

In summary, the Department appreciates the effort of the Auditor's Office in preparing this report. We feel the recommendations will assist us in making additional improvements to the methodology currently used to forecast vacancies. Ultimately, any improvements added to this process will increase our capacity to staff the Police Department at a level that ensures our ability to provide the quality of services to which this community has become accustomed.


WILLIAM M. LANSDOWNE
Chief of Police



APPENDIX A

DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The City of San Jose's City Administration Manual (CAM) defines the classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

Priority Class¹	Description	Implementation Category	Implementation Action³
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. ²	Priority	Immediate
2	A potential for incurring significant fiscal or equivalent fiscal or equivalent non-fiscal losses exists. ²	Priority	Within 60 days
3	Operation or administrative process will be improved.	General	60 days to one year

¹ The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number. **(CAM 196.4)**

² For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens.
(CAM 196.4)

³ The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration.
(CAM 196.4)

APPENDIX B



Memorandum

TO: Gerald Silva
City Auditor

FROM: William M. Lansdowne
Chief of Police

SUBJECT: Significant Recruiting Accomplishments **DATE:** May 28, 2002

Approved

Date

The Department is deeply committed to maintaining personnel staffing at a level which provides for the safe and efficient provision of police services in the City of San Jose. Accordingly, the Department has undertaken a series of measures aimed at recruiting qualified police officer candidates in sufficient numbers to offset forecasted vacancies. These strategies are designed to promote the Department and a law enforcement career to persons new to the field and to potential lateral entry candidates.

The following is a synopsis of recent, and continuing, efforts undertaken to maintain effective staffing levels within the Police Department:

Advertising The Department has advertised career opportunities through print, radio, internet and television media. Advertisements appear on network and cable television channels, on six well known area radio stations, on several internet job sites and in eight widely read publications. This advertising campaign specifically highlights the many differing job opportunities within the Department.

Career / Job Fairs Department staff has been extremely aggressive in attending career and job fairs. To date, recruiting personnel have attended over twenty career fairs statewide. To accentuate these efforts, the Department recently provided training in marketing and recruiting techniques to over forty patrol officers. This was accomplished through a strategic partnership with private enterprise and was made available to the Department at no cost. These cross-trained officers will be used to supplement Police Personnel staff at recruiting events. Additionally, these newly trained patrol officers are positioned to be valuable emissaries during the course of their daily field duties.

In April of this year, the Department hosted a large career fair in the Evergreen portion of the city. The well-received event showcased the myriad of opportunities with the Department. In excess of two hundred interested persons attended the event and over one hundred completed the initial personal history questionnaire, the first step in the testing process.

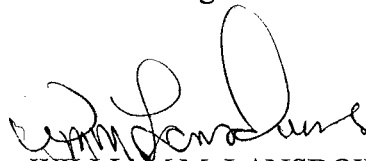
“Rapid Hiring”

In response to the competitive recruiting environment that exists amidst law enforcement agencies, the Department has recently begun reviewing background investigations of probable candidates in advance of the traditional hiring meeting. Responding to the loss of a number of potential employees to other agencies in the short time preceding the hiring meeting, the Department has begun to review backgrounds of those likely to be hired elsewhere earlier in the hiring process. This new practice prevented the loss of two newly hired employees to other agencies.

Retirement Survey

The Department is about to begin surveying those within five years of retirement for their anticipated dates of separation. Mirroring a questionnaire that was created by the San Antonio Police Department, the Department has developed a survey that will seek to ascertain one, three and five-year retirement plans of those nearing retirement eligibility. In order to lessen resistance to this process, the Department and the San Jose Police Officer’s Association will co-endorse the new assessment tool. This information will be used to supplement traditional methods of forecasting vacancies.

In sum, the Department’s recruiting efforts are showing a number of signs of success. At present, approximately eight hundred people have expressed interest in testing for positions in the January, 2003 police academy. This constitutes a significant increase in job interest over the recruiting cycles of the past several years. While the number of qualified candidates will most certainly be lower, it is clear that the Department is benefiting from the current economic climate and from a renewed interest in public service. These factors, in conjunction with the aforementioned strategies, will greatly assist the Department in addressing attrition concerns.


WILLIAM M. LANSDOWNE
Chief of Police

