

City Beat: Thoughts on DROP and the Keith Foster situation



Fresno City Manager Bruce Rudd, left, Police Chief Jerry Dyer, right, and Deputy Chief Pat Farmer, rear, arrive at the federal courthouse Friday afternoon, March 27, 2015 in Fresno, Calif. They were there for the arraignment of Fresno police Deputy Chief Keith Foster on drug-conspiracy charges.

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THE CITY BEAT GEORGE HOSTETTER

Posted by George Hostetter on March 30, 2015 Updated 3 hours ago

How does DROP impact a Fresno police chief's ability to manage the department's deputy chiefs and, by extension, the department itself?

I hope that question is among those that get answered by various investigations in the wake of Deputy Chief Keith Foster's arrest last week on federal drug charges. (Foster pleaded not guilty.)

DROP stands for Deferred Retirement Option Program. The Bee has written about DROP about a dozen times since

2009.

City of Fresno civilian and public safety employees are eligible for DROP. I'm focused in this blog only on deputy police chiefs.

By way of explaining DROP, let's say you are a man who became a sworn Fresno police officer at age 20. You became a deputy chief at age 49. You celebrated your 30th year with the department at age 50. You were making \$160,000 a year of pensionable income at the time.

You decide to retire at age 50. Based on the public-safety retirement formula, your annual pension as a 30-year employee would be \$120,000 -- 75% of \$160,000.

Fresno has a defined benefit pension system. This means you'll receive \$120,000 a year until you die.

Fresno has a well-funded pension system.

But in this case, your retirement at age 50 is really a DROP retirement.

This means you don't actually leave your job. DROP enables you to continue working as deputy police chief and making \$160,000 a year. But instead of collecting your annual pension of \$120,000 a year, this money is deposited into an account in your name at the City of Fresno public safety retirement system.

This money is invested by the retirement system's experts.

Fresno allows you to be in DROP for a maximum of 10 years.

You do the math and decide you very much want to be in DROP for all 10 years. You want to work as deputy chief from age 50 to age 60. You want to collect \$160,000 a year in pay. You want to see your DROP account's principal grow \$10,000 every month for 120 straight months.

You realize that \$10,000 times 120 equals \$1.2 million. That's just the principal. And it's all yours if stay in DROP for the full 10 years.

You realize that those investment experts handling your money (and billions more in City of Fresno retirement funds) are among the world's best. You figure that it's not unreasonable to expect a 10% annual return on your DROP account over the 10 years.

So, you've got an account with your name on it whose principal grows by \$120,000 every year for 10 years and is blessed with an 10% annual investment return every year for 10 years.

You as deputy police chief can do the math.

You permanently retire from the Fresno Police Department as a deputy police chief at age 60. You now start to receive your \$120,000 annual pension in actual pension checks made out to you. And you've got a DROP account, thanks to wise investments, worth \$2.1 million.

You started your Fresno police career as a young and dedicated (but essentially penniless) cop. You retire a millionaire.

At this point, let me re-emphasize my main point.

My main point has nothing to do with the courage and professionalism of Fresno's public-safety employees. They have dangerous jobs. They are brave and professional. Fresno is fortunate.

My main point has nothing to do with the economics of DROP. The program is called "cost neutral" by its advocates.

In other words, it doesn't harm taxpayers.

My main point has nothing to do with past City Hall battles over DROP. Former City Manager Mark Scott once viewed parts of the program with a skeptical eye. He took a lot of heat. (I remember Scott telling me he'd never heard of a city with a DROP program that went for 10 years; he said DROP in most cities was for three to five years.)

My point is about management and leadership at the Fresno Police Department.

It doesn't seem unreasonable to me to suggest that Fresno's DROP program could pose complex and unique managerial challenges for a police chief who 1.) has a command staff full of people in DROP or on the verge of joining DROP, and 2.) is himself an avid participant in DROP.

Fresno Police Chief Jerry Dyer is in DROP. He says he has about five years seven months in DROP. He says he'd loved to stay as chief until September 2019, when he'd have a full 10 years in DROP.

The police department's four deputy chiefs are Foster (currently on paid administrative leave), Pat Farmer, Sharon Shaffer (soon to retire) and Robert Nevarez. I don't know if they are in DROP. From what I can gather, all are in their 50s and all have been Fresno police officers for a long time. In other words, they're prime DROP material.

(As an aside, I think Foster at age 51 was about a year away from being a 30-year cop and eligible for the 75% pension and his 10-year journey in DROP. Should his arrest and legal issues end his career with Fresno police, Foster's biggest financial loss may be the potential of \$2 million-plus from 10 years in DROP.)

Fresno didn't start its DROP program until 1998. Dyer became chief in 2001. So, Dyer in essence has been chief for 14 of the program's 17 years of existence. I mention this to emphasize that Dyer is pretty much breaking new ground when it comes to figuring out how to manage a command staff with access to a DROP program with a 10-year maximum.

Dyer needs to stay in the chief's chair if he expects to be in DROP for 10 years. To do so might mean a drop account of \$2.5 million or more.

Dyer needs a talented roster of deputy chiefs if he is to run an effective department and remain chief for the full 10 DROP years.

The deputy chiefs need to remain with the department if they expect to get in 10 years in DROP. Of course, one of them might serve part of those 10 years as chief. Most likely, the deputy chiefs hope to remain as deputy chiefs for their full 10 years in DROP.

Dyer needs the deputy chiefs to be on his side. A rebellion by all four might cause the mayor and the city manager to decide it's time for a new chief.

The deputy chiefs need to position themselves in ways that convince Dyer that, no matter what happens, they get to stay in the DROP program for the full 10 years (or as many years as possible). That would mean they have to stay employed. That means they have to either keep Dyer on their side or convince him that it's too dangerous for him to boot them out of their deputy chief job.

What an interesting dynamic all this might create in the command ranks of a Fresno police department that is supposed to be flexible as well as professional.

I can imagine situations in which Jerry Dyer and his four chiefs might pretend things were A-OK when they really weren't. After all, who wants to rock the boat when each of the five can grab a jackpot of \$2 million or more if only things stay smooth.

I'm not saying this explains the Foster mess.

I am saying that, 17 years into DROP's existence in Fresno and 14 years into the Dyer-as-police-chief era, it's time someone with authority and expertise explored how DROP might impact managerial challenges at City Hall's command levels.