



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: August 15, 2018

SUBJECT: Estimated Benefit Payment Policy for Service Retirement Requests by Deferred, Reciprocal Members

SUBMITTED FOR: ___ Consent X Deliberation and Action ___ Receive and File

RECOMMENDATION

Staff recommends that the Board adopt the proposed Estimated Benefit Payment Policy for Service Retirement Requests by Deferred, Reciprocal Members in order to issue estimated benefit payments for service retirement and establish payment procedures that are specific to deferred, reciprocal members.

PURPOSE

This policy supports the 2018-19 Strategic Management Plan to enhance the services provided to SCERS' customers by improving efficiency, effectiveness, and accountability. The policy authorizes staff to issue estimated benefit payments to deferred, reciprocal members who are eligible to retire from SCERS and to develop the processes needed to calculate these estimates consistently and pay them within a standard timeframe.

DISCUSSION

In addition to preparing retirement calculations for members who spend their entire career with a SCERS employer and retire immediately upon termination of employment, staff processes calculations for members who spend just a portion of their career with a SCERS employer and leave their contributions in trust after terminating employment. If any of these "deferred" members accepts a job with another public employer within 180 days of leaving SCERS and enrolls in another eligible retirement system (such as CalPERS or one of the 19 other retirement systems established under the County Employees Retirement Law of 1937), they can then establish "reciprocity" between SCERS and their new retirement system. Once deferred members of SCERS establish reciprocity, they are eligible to have both retirement systems compute their retirement benefits using the same wage history (which is usually the wage history with the final public employer).

When the deferred, reciprocal member retires, SCERS works with the subsequent retirement system to obtain Final Compensation information. However, that process can lead to a delayed payment from SCERS. This policy allows SCERS to issue an estimated payment based on the member's wage experience with SCERS.

Providing an estimated payment for deferred, reciprocal members who are eligible to retire from SCERS will allow staff to offer limited, monthly payments to these members while their final reciprocal systems gather the average salary information that SCERS requires to finalize a retirement calculation. While some of the internal processes required for this change will require further action by staff and may be revised over time, it is expected that certain actions or communications will always occur before SCERS issues estimated benefit payments to any deferred, reciprocal members.

Estimated payments to members with reciprocity will be finalized after SCERS receives the necessary wage data and other information from the final reciprocal retirement system. Because SCERS will only use the older data on record to estimate benefit payments and because reciprocal retirement systems often deliver newer, higher wage data within just a few months, staff does not expect to provide limited monthly payments to deferred, reciprocal members for extended periods of time.

ATTACHMENT

- Estimated Benefit Payment Policy for Service Retirement Requests by Deferred, Reciprocal Members

Prepared by:

/S/

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Chief Benefits Officer

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



ESTIMATED BENEFIT PAYMENT POLICY FOR SERVICE RETIREMENT REQUESTS BY DEFERRED, RECIPROCAL MEMBERS

Revision Date:	N/A – New Policy	Policy Number:	023
Revision Number:	N/A – New Policy		

PURPOSE

This policy establishes a mechanism for deferred, reciprocal members to begin receiving monthly benefit payments from SCERS after a fixed period, regardless of whether or not their final retirement systems report wages and other data within expected timeframes.

OBJECTIVE

This policy establishes specific criteria for providing estimated benefit payments to deferred, reciprocal members of SCERS. This policy addresses two key goals:

- Help SCERS in the delivery of consistent processing times for deferred, reciprocal members.
- Help deferred, reciprocal members maintain cash flow while SCERS and final, reciprocal retirement systems are still exchanging information.

POLICY

Deferred reciprocal members who are eligible to retire from SCERS (regardless of service with any subsequent retirement systems) may receive estimated benefit payments while SCERS is awaiting reciprocal wage and service information.

APPLICATION

This policy contemplates that deferred, reciprocal members will receive benefit information and be able to request limited, estimated pension payments if they are able to retire from SCERS on a stand-alone basis. In those particular cases (which typically require members to have 5 years of service credit with SCERS, 10 years of plan participation, and a minimum age of 50), staff will develop communications, processes, and timelines to ensure consistent outcomes for all similarly situated members. Estimated payments to members with reciprocity will be finalized within 10 business days of SCERS receiving the wage data and other information required from the final reciprocal retirement system. Thereafter, staff will update the retiree's "pension payroll" record to reflect the final benefit amount and issue all required adjustments within the next monthly payroll cycle.

BACKGROUND

The current service retirement process at SCERS allows staff to estimate benefits for active members by projecting wages, contributions, and service through their requested retirement dates. However, this approach is not practical for deferred, reciprocal members because the wages used to determine final average salaries are not available until sometime after these members terminate employment with their final, reciprocal employers. The result is that deferred, reciprocal members often wait longer to receive their first payments from SCERS than active members.

Expanding the current estimate process to consider deferred, reciprocal members who are already eligible to retire from SCERS will give these members the opportunity to receive limited, monthly payments from SCERS while their final reciprocal systems are still gathering wage records and other information. Establishing formal criteria and timeframes for these estimates will also ensure that processing times are uniform for the affected membership and that deferred, reciprocal members receive benefits from SCERS much closer to their selected retirement dates.

RESPONSIBILITIES

Executive Owner: Chief Benefits Officer

POLICY HISTORY

Date	Description
08-15-2018	Board approved new policy