



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 18

MEETING DATE: October 19, 2022

SUBJECT: Interagency Agreements

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

RECOMMENDATION

Staff recommends the Board authorize the Chief Executive Officer to negotiate and execute agreements with County departments concerning operational issues related to the implementation of the new Pension Administration System.

PURPOSE

This item supports the Strategic Management Plan goals regarding stakeholder relations by promoting transparent policies and communications to employers about roles and responsibilities.

DISCUSSION

There is currently a need for SCERS to enter into interim agreements with the Department of Finance (DOF) and the Department of Personnel Services (DPS) concerning various operational processes. This need arises in the following context.

Background

Over the years, SCERS, DPS, and DOF have developed a general understanding of their respective roles and responsibilities in pension payroll processes. But that arrangement was imperfect in several ways. Foremost, that arrangement developed over time from custom and practice rather than by deliberate design. As a result, some dated practices from decades past have carried over to the present day. In addition, the arrangement was never reduced to writing, with the result that staff has been transmitting it verbally without the benefit of an authoritative document. And because SCERS initially operated within the County Treasurer's Office (SCERS did not become an independent entity until 1980's), some operational responsibilities overlap, resulting in blurred departmental lines to this day. For example, SCERS continues to operate legacy technology platforms it shares with the County.

The payroll process status quo will soon be upended by the launch of SCERS' new Pension Administration System (PAS). This new end-to-end software system – which will encompass everything from benefit calculations to financial transactions – will call for new business processes in some key areas affecting members. These areas include:

- Payment of retiree pensions directly through SCERS' new system instead of through the County's payroll system;
- Deduction of medical premiums for retirees and transmittal of deduction files so the County can directly pay its insurance companies;
- Deductions of income taxes for retirees and transmittal of tax files to appropriate agencies;
- End-of-Year Tax reporting and issuing 1099-R's;
- Garnishments and transmittal of funds to garnishing agencies;
- Coordination of pensions limited by IRC 415 with the County's Replacement Benefit Plan;
- Corrections to retirement tiers, retirement contributions, and service-purchase payments through the County payroll system and SCERS' new "employer portal."

This PAS-driven business process "refresh" presents an excellent opportunity for SCERS, DPS, and DOF to modernize – by documenting operational procedures, defining separation of duties, and providing better business-process controls.

Interim Operational Process Agreements

SCERS staff has been working with DOF and DPS to draft interagency agreements that spell out the new payroll processes (including for the areas identified above) and each department's roles and responsibilities within them. The parties are drafting these agreements with an eye towards creating new efficiencies – by tailoring the new processes to the new PAS functionality, eliminating the uncertainties caused by responsibility-overlap, and improving business continuity with clearly-written documentation. Significantly, the agreements will define a clear separation of duties befitting each party's departmental mission and SCERS' independent status.

The parties' long-term plan is for these written agreements to be part of a larger Memorandum of Understanding that will get approved by both the Board of Supervisors and the Board of Retirement. However, that contemplated MOU will be a broad one, addressing not only technical operational issues but also fundamental personnel issues (e.g., hiring, workplace complaints, insurance coverage, temporary worker contracting, and more). Due to its scope, that contemplated MOU is unlikely to get finalized until the first quarter or second quarter of 2023.

In the short term, the ongoing implementation of the PAS calls for SCERS, DPS, and DOF to establish new business processes and assign roles and responsibilities as soon as possible. Therefore, it will be necessary for SCERS to enter into interim interagency agreements in the coming weeks.

Delegation of Authority to CEO

Staff recommends the Board authorize the CEO to negotiate and execute these interim interagency agreements. To be clear, this recommendation extends only to authority to enter into agreements on operational issues, such as the ones described above. The CEO does not intend to unilaterally enter SCERS into – and will studiously avoid – interagency agreements concerning more substantive legal, policy, or fiscal issues.

So circumscribed, this recommendation does not call for a significant expansion – if any expansion at all – of the CEO’s existing delegated authority. Since 2018, SCERS’ *CEO Delegated Authority Policy for Expenses* has recognized that the CEO “is responsible for the management of SCERS including the retirement fund, operating budget, appointment and management of personnel, and the other day-to-day activities of the retirement system.” That Policy also states that “the CEO has authority on behalf of the Board . . . to sign all documents, including contracts, necessary to carry out any decision, including investment decisions, made or approved by the Board; to negotiate and sign contracts with vendors, consultants, and payees of the system as required by contract or applicable law; and any other decision made or approved by the CEO pursuant to a delegation of authority granted by the Board to the CEO for such decisions.” Authorizing the CEO to enter into interagency agreements concerning technical matters of day-to-day operations is consistent with that pre-existing authority.

Prepared by:

/S/

Stephen Lau
General Counsel

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
October 19, 2022**

MOTION:

Interagency Agreements

THE BOARD OF RETIREMENT hereby accepts the recommendation of Staff to authorize the Chief Executive Officer to negotiate and execute agreements with County departments concerning operational issues related to the implementation of the new Pension Administration System.

I HEREBY CERTIFY that the above order was passed and adopted on October 19, 2022 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

Keith DeVore
Board President

Eric Stern
Chief Executive Officer and
Board Secretary