



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 19

MEETING DATE: July 19, 2018

SUBJECT: Member Contribution Underpayment Collections Policy

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

RECOMMENDATION

Staff recommends the Board adopt the proposed Member Contribution Underpayment Collections Policy (Policy) to clarify procedures for handling the underpayment of retirement contributions discovered during the retirement application process.

PURPOSE

The Policy provides Staff with the Board's authorization, in certain circumstances, not to pursue recovery of member contributions discovered during the retirement application process.

DISCUSSION

For the past several months, Staff has been reviewing the retirement application process looking for changes that might reduce the time needed to complete the process and deliver the member's first retirement check. One area that Staff identified is the reconciliation of member contributions during the retirement application process.

During the retirement application process, Staff reviews the member's employment history to determine whether the member has made the requisite member contributions over the course of his/her career. On occasion, there is a discrepancy. Often these discrepancies amount to only a few dollars. Currently, Staff notifies the member and requires the member to remedy the discrepancy, which delays the application process pending delivery of the payment. If the Board provides Staff with the authority to forgive these insignificant member contribution discrepancies, SCERS can forego delaying the application process for contribution amounts that have no impact on the member's retirement allowance.

The requested authority will be limited to the very specific instance of a member contribution discrepancy discovered during the retirement process. Staff pursues approximately 20-40 underpayment collections of this type annually, or less than 5 percent of total applications. Because this policy affects a small number of members, it is unlikely to materially reduce the average processing time for all service retirements; however, the policy would provide a significant benefit for the individuals affected by it, reducing turnaround time by potentially several weeks for those members.

This policy also is expected to be short lived. The practice of reconciling member contributions is a function of the existing manual application and review process, which will be replaced by a streamlined and automated process under the new Pension Administration System.

ATTACHMENT

- Member Contribution Underpayment Collections Policy

/S/

Robert L. Gaumer
General Counsel

/S/

Eric Stern
Chief Executive Officer



Member Contribution Underpayment Collections Policy

Creation Date: July 18, 2018	Policy Number: 00x
Revision Number: 0	

PURPOSE

The purpose of this Policy is to set forth procedures for handling the underpayment of member contributions discovered during the retirement application process.

POLICY

The Board of Retirement ("Board") has a fiduciary obligation to conserve retirement fund assets and protect the integrity of the fund for the benefit of the members and beneficiaries of the Sacramento County Employees' Retirement System ("SCERS").

The Board determines the required member contributions in accordance with law and in consultation with its actuary. Subject to all applicable laws, it shall be SCERS' policy to make every reasonable effort to recover from a member the amount of any underpayment of contributions consistent with this Policy and the procedures established by the Board.

During the retirement application process, SCERS Staff reviews the member's employment history to determine whether the member has made the requisite member contributions (not those contributions associated with service purchases) over the course of his/her career. On occasion, there is a discrepancy. Often these discrepancies amount to only a few dollars. Currently, Staff notifies the member and requires the member to remedy the discrepancy prior to continuing the application process. This can significantly delay the process.

This policy provides Staff the authority to exercise its discretion in resolving minor contribution discrepancies.

In the event of any inconsistency between applicable law and this Policy, the law shall take precedence.

APPLICATION

Underpayment of Member Contributions by Members

The Board believes that considerations of cost effectiveness make it prudent and reasonable to pursue recovery of underpayments only where the cumulative total amount underpaid by the member is \$100 or more. In the review of a member's employment history to determine whether the member has made the requisite member contributions (not those contributions associated with service-related purchases), the Board authorizes the SCERS' Chief Executive Officer (CEO) to not seek recovery of any underpayments where the total amount underpaid by the member is less than \$100.

RESPONSIBILITIES

Executive Owner: Chief Benefits Officer

POLICY HISTORY

Date	Description
7-19-2018	Board approved new policy