



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 18

MEETING DATE: January 18, 2023

SUBJECT: Ratification of Retirement Applications Policy

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

RECOMMENDATION

Amend the Ratification of Retirement Applications Policy to clarify that estimated benefits for new retirees are based on payroll data on record.

PURPOSE

This item supports the Strategic Management Plan customer service goal to provide timely, convenient, and accurate pension administration services.

DISCUSSION

Generally, as a business practice, SCERS will not process a retirement application and put a new retiree into pay status until all final wage and service credit data has been received from the employer. This approach provides the new retiree with an accurate pension allowance when finalized; however, it can lead to processing delays if there are administrative or technical issues retrieving the final payroll data from the employer.

Under certain circumstances, SCERS will provide a new retiree an estimated benefit amount to avoid a gap in income, with a retroactive adjustment to be made later when all wage data is received and verified. Those situations can include, but are not limited, to members with Final Compensation under review for compliance with the Public Employees' Pension Reform Act, or for reciprocal members if SCERS is waiting for final wage data from another retirement system.

The approach of paying new retirees an estimate, with a subsequent adjustment, is a usual and customary business practice at other retirement systems with modern technological platforms. While this approach can be convenient for both SCERS and members on an ad hoc basis, it has been impractical under SCERS' legacy systems to provide estimated benefits to the broader membership. Manual adjustments to correct estimated benefits for a larger population will create significant workload and backlogs.

However, SCERS continues to explore methods to pay new retirees with an estimated benefit, and SCERS expects technology to improve in the future to scale up and automate estimated benefits and adjustments for all retirees. As SCERS heads into 2023, Staff is piloting the use of estimated benefits, and in reviewing this policy, Staff has determined that an amendment is necessary to clarify that an estimated benefit is based on payroll data on record. The current

policy suggests that an estimated benefit can be based on a projection of wages, contributions, and service through the member's retirement date, which is administratively impractical, may create unreasonable expectations for members, and is more prone to error.

ATTACHMENTS

- Board Order
- Ratification of Retirement Applications Policy – redlined version
- Ratification of Retirement Applications Policy – clean version

Prepared by:

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
January 18, 2023

AGENDA ITEM:

Ratification of Retirement Application Policy

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to amend the Ratification of Retirement Application Policy to clarify that estimated benefits for new retirees are based on payroll data on record.

I HEREBY CERTIFY that the above order was passed and adopted on January 18, 2023 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



Redlined Version RATIFICATION OF RETIREMENT APPLICATIONS

PURPOSE

The purpose of this policy is to authorize the SCERS Chief Executive Officer, or designate, to approve service retirement applications and to ratify these actions at the monthly Board meetings.

POLICY

The Chief Executive Officer, or designate, is delegated authority to accept and process service retirement applications, to approve effective retirement dates, and to pay members retirement benefits consistent with the County Employees Retirement Law of 1937 and the Public Employees' Pension Reform Act of 2013.

The Board of Retirement will ratify member retirements at its monthly Board Meetings.

APPLICATION

The Chief Executive Officer, or designate, shall ensure applications of members who are qualified for service retirement are timely processed and that retiring members are added to retirement payroll as soon as possible.

The Chief Benefits Officer shall provide a monthly report of finalized service retirement applications to the Chief Executive Officer for ratification by the Board of Retirement. The ratification of member retirements will be placed on the Board's Consent Calendar.

To help SCERS in the delivery of retirement payments and maintain cash flow for new retirees, SCERS may ~~estimate benefits for members by projecting wages, contributions, and service through their requested retirement dates~~ pay an estimated benefit based on payroll data on record. Furthermore, deferred reciprocal members who are eligible to retire from SCERS may receive estimated benefit payments while SCERS is awaiting reciprocal wage and service information from the reciprocal retirement system. SCERS shall develop communications, processes, and timelines to update the retiree's final benefit amount upon receipt of wage or other data and issue all required adjustments in a timely manner.

If, after final calculations are complete, any estimate-based retirement payments contain an overpayment, SCERS may recover such overpayments via adjustments in future payments. The Error Correction policy shall not apply to the collection of these overpayments.

BACKGROUND

The Board of Retirement has the duty to retire members who are qualified for retirement. Government Code section 31670 states:

- (a) *Retirement of a member who has met the requirements for age and service shall be made by the board pursuant to this article or pursuant to the California Public Employees' Pension Reform Act of 2013, whichever is applicable.*
- (b) *The board may authorize the system administrator or other personnel to exercise the board's power and perform its duty to retire members under this section. The system administrator or other personnel shall report service retirements to the board at the next public meeting of the board after the retirement.*

Members who qualify for retirement may retire at any time. In order not to delay member retirements, the Board will ratify service retirements approved by the Chief Executive Officer at their monthly Board meetings.

RESPONSIBILITIES

Executive Owner: Chief Benefits Officer

POLICY HISTORY

Date	Description
<u>01-18-2023</u>	<u>Board amended policy to clarify estimated benefits are based on payroll data on record</u>
02-17-2021	Board amended policy and rescinded Estimated Benefit Payment Policy for Service Retirement Requests by Deferred, Reciprocal Members (Policy No. 023)
01-16-2019	Board approved policy



RATIFICATION OF RETIREMENT APPLICATIONS

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