



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 10

MEETING DATE: October 15, 2025

SUBJECT: Temporary Annuity Eligibility

SUBMITTED FOR: X Action Information

RECOMMENDATION

Approve changes to administration of Temporary Annuity option regarding eligibility and terms of payment.

PURPOSE

This item supports Strategic Management Plan goals regarding transparency, compliance with laws and regulations, and effective oversight of Plan administration.

BACKGROUND

SCERS members often retire and begin receiving a pension before claiming Social Security benefits. To coordinate the timing of these benefits, the County Employees Retirement Law of 1937 (CERL) provides a Temporary Annuity option in Government Code section 31810. Under this option, members may receive an advance on their future SCERS pension in the years following retirement to approximate their anticipated Social Security benefit. Once Social Security begins, the SCERS pension is reduced accordingly. This option effectively levels income across both sources.

SCERS currently allows members to elect the Temporary Annuity with payments ceasing at either age 62 or 65. Relatively few members use this feature—about 10 new retirees annually. In total, only 266 of SCERS' 14,200 retirees (less than 2%) have elected it. While the Temporary Annuity increases income in the early years of retirement, it is irrevocable and results in a lower, actuarially reduced SCERS benefit later.

DISCUSSION

As part of a broader review of documentation and system requirements, staff examined SCERS' administration of the Temporary Annuity. After reviewing Government Code Section 31810 and consulting outside counsel, staff determined that the stronger statutory interpretation sets a single cutoff at age 62, without giving members the option of extending to age 65. The statute allows the Temporary Annuity "prior to the eligible age" for Social Security, which the Legislature

defined as the initial eligibility age, not the later “full retirement age.” While Social Security provides greater benefits for those who delay their start date, the Temporary Annuity provision in CERL appears to establish age 62 as the anticipated statutory benchmark.

It is unclear when SCERS began allowing age 65 as an option to continue to receive this benefit. A 1994 SCERS handbook referenced age 62 only, while the 1997 edition introduced age 65. Staff reviewed Board materials from that period and found no evidence of a Board decision authorizing the change, suggesting the shift was made administratively.

A survey of the other 19 CERL retirement systems confirmed that no other system offers an alternative to age 62. Aligning SCERS’ practice with statute and peer systems strengthens compliance, eliminates potential adverse selection, and reduces the risk of members receiving incorrect benefit amounts because of incorrect implementation of their elections.

Additionally, the Public Employees’ Pension Reform Act (PEPRA) eliminated Social Security integration provisions for members subject to its terms. In 2013, CERL was amended accordingly, sunsetting the Temporary Annuity for PEPRA members. As a result, no PEPRA members are eligible to elect this option, and no retired PEPRA members have done so at SCERS.

NEXT STEPS

Effective October 15, 2025, eligibility for the Temporary Annuity option will be restricted to age 62 only. SCERS staff will update the website, online member handbook, retirement application, and other materials to reflect this change and to further clarify that the Temporary Annuity option is not available to PEPRA members.

ATTACHMENTS

- Board Order
- Government Code Section 31810

Prepared by:

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
October 15, 2025**

AGENDA ITEM:

Temporary Annuity Eligibility

THE BOARD OF RETIREMENT hereby approves the Staff recommendation to approve changes to administration of Temporary Annuity option regarding eligibility and terms of payment.

I HEREBY CERTIFY that the above order was passed and adopted on October 15, 2025 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Chris Giboney
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

State of California

GOVERNMENT CODE

Section 31810

31810. A member who retires for service prior to the age of becoming eligible for retirement payments under the federal system and who at the time of retiring is fully insured under the federal system, may, with the approval of the Retirement Board, elect to have his retirement allowance increased prior to such eligible age and reduced after such age by amounts which have equivalent actuarial values. This modification is for the purpose of co-ordinating a member's retirement allowance with benefits receivable from the federal system.

(Amended by Stats. 1963, Ch. 642.)