



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 14

MEETING DATE: April 17, 2019

SUBJECT: Service Credit Policy

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

RECOMMENDATION

Staff recommends the Board adopt the proposed policy, which establishes that, beginning with the pay period commencing on April 28, 2019, SCERS will limit service credit to one (1) year in a 12-month period.

PURPOSE

This item supports the 2018-19 Strategic Management Plan initiative to review and update Board policies and communicate to employers and members the standards by which SCERS administers the retirement plan. This policy also supports the initiative to maintain prudent funding practices that support plan sustainability.

DISCUSSION

In 1997, the California Supreme Court issued its seminal decision, *Ventura County Deputy Sheriffs' Assoc. v. Board of Retirement, et al.* (1997) 16 Cal.4th 483 (“*Ventura*”) interpreting, for the first time, the definition of “compensation earnable” in section 31461 of the County Employees Retirement Law of 1937 (“CERL”) (Gov. Code §31450 et seq.). In *Ventura*, the Court held that, comparing the County Systems operating under CERL to CalPERS, various types of pay should be included in the retirement allowance calculations of CERL members.

History of practice

In the course of implementing the *Ventura* decision, the SCERS Board considered the issue of service credit accruals as well as “compensation earnable” for members on a 7/12 work schedule, who work 7, 12-hour shifts during a biweekly pay period for a total of 84 hours. On August 6, 1999, SCERS staff presented an item to the Board recommending that the “extra hours” worked on a 7/12 schedule be treated as compensation earnable because they were part of the regular work schedule and not considered or paid as overtime. Staff also recommended providing additional service credits for the “extra hours.” In other words, hours scheduled and

worked under a 7/12 arrangement would confer additional service credit relative to the more common work schedule of five days per week and eight hours per day (80-hour schedule for a biweekly pay period). Thus, a member working under a 7/12 schedule could earn as much as 2,192.4 hours of service credit per year, instead of the usual 2,088 hours that SCERS benchmarks for full-time employment on a more traditional 80-hour biweekly schedule. Staff also explained that, upon Board approval, SCERS would begin to collect member contributions on the “extra hours” ascribed to a 7/12 arrangement and recognize those hours as compensation earnable and for service credit accrual (See attached – SCERS Board of Retirement Agenda Item 8 (August 6, 1999), and Resolution No. 99-08).

The Board accepted Staff’s recommendations at the August 19, 1999 meeting and adopted Resolution No. 99-08, stating that it was a means to further implement *Ventura*. Resolution No. 99-08 expressly addresses the “compensation earnable” topic that the *Ventura* decision considered, providing that 7/12 work schedule hours are included in “compensation earnable.” Although Resolution 99-08 is silent on the service credit issue, the Board approved the Staff recommendation to grant additional service credit for the 81st-84th hours worked on a 7/12 work schedule. This decision allows members on this schedule to earn more than one year of service credit with SCERS for one year of work with the County. While *Ventura* may reasonably be interpreted as providing the Board with authority to include the 81st-84th hours in compensation earnable, *Ventura* did not address the additional service credit issue. The Board made the determination to provide additional service credit independent of the court ruling. It is this practice of awarding more than a year of service during a 12-month period that staff is now recommending the Board discontinue.

Qualified Plan Requirements, CERL Provisions, and Related Authorities

Like many other qualified retirement plans, SCERS recently submitted its plan document—consisting of the County Employees Retirement Law of 1937 and a series of model regulations developed by outside tax counsel—to the Internal Revenue Service (IRS) for a letter of determination. The set of regulations was ratified by the Sacramento County Board of Supervisors in 2015. One of these regulations was developed to show that SCERS is designed and administered to comply with the annual benefit limit that applies to pension distributions. For reference, this regulation is titled “Regulations for IRC Section 415(b) Limit on Annual Benefits” and included with the materials attached to this memorandum.

Because the regulation adopted for SCERS considers IRC Section 415(b) and the corresponding Treasury Regulations, it offers direction into how the IRS defines a “year of service” for benefit testing, as well as how a year of service could and should be construed for other plan purposes. The regulation that governs annual benefit testing provides that members with less than 10 years of service in SCERS are subject to a lower, prorated limit than other members. In articulating this rule, the regulation further explains, “In no event shall more than one Year of Participation be credited for any 12-month period.”

Although the topic is not explicitly addressed in the CERL, a review of various CERL sections and the analogous Public Employees' Retirement Law (PERL) and Teachers' Retirement Law (TRL), also leads to the conclusion that the most reasonable application of service credit is to award a member with no more than one year for every 12-month period.

As explained in *Ventura*, the retirement allowance provided under the CERL is a "combination of a retirement annuity based on the employee's accumulated contributions supplemented by a pension ... sufficient to equal a specified fraction of the employee's 'final compensation.'" (*Ventura*, 16 Cal.4th at 490.) The fraction applied to final compensation is based on the factors set forth in the applicable retirement formula (and based on age at retirement), multiplied by "the number of years of current and prior service with which the member is entitled to be credited at retirement..." (See, e.g., § 31664 (safety members) (emphasis added).) Thus, service credited at retirement, or service credit, is measured in years of service.

Section 31640.5 establishes the means of calculating service credit for members who do not work full-time or full year schedules. In these situations, service credit is calculated and accrued as follows:

[T]he member shall receive credit as continuous service for that *proportion* of the time he or she held the position as the time he or she actually was engaged in the performance of the duties of the position *bears to the time required to perform the same duties in a full time position.* [¶] A 'year of service' in the position shall be construed to mean the time during which the member has *one full year of credit*, calculated as provided in this section. (Emphasis added.)

Under this statute, less than full-time service credit is calculated as a *percentage* of one full year of credit and not by simply adding up the number of hours actually worked.

Thus, a "year" in service means what it says: full-time employment for that period of time. The plain meaning of the term "year," combined with other regulations and case law interpreting the PERL and TRL, strongly support limiting service credit accruals in this manner.

K-9 Differential

As part of outreach with Sacramento County regarding this policy, SCERS identified a payroll programming decision made several years ago regarding the K-9 differential that affects service credit. The K-9 differential provides supplemental income to public safety officers who are assigned and care for a dog outside of regular working hours. The COMPASS system provides an additional 10 service-credit hours a month to those safety members receiving the K-9 differential. Providing 10 service-credit hours a month has the effect of providing more than a year of service credit in a one-year period. While the SCERS Board has affirmed the inclusion of the K-9 differential pay in compensation earnable and pensionable compensation, the SCERS Board has not considered or approved an alternate service-credit methodology regarding the

K-9 differential. By limiting service credit to one year, this policy would require Sacramento County to discontinue awarding the additional service credit for K-9 officers.

Decoupling of Compensation Earnable and Service Credit

So long as the member is considered a full-time employee, the measure of service credit should not be affected by the number of actual hours that he or she may work, whether through overtime, a 7/12 workweek, a K-9 differential, or other work schedule that is more or less than the traditional 40-hour workweek. In reviewing the Board agenda materials from 1999, it appeared that staff incorrectly equated the additional compensation earnable available to a member working a 7/12 schedule with additional service credit—specifically, the 81st through 84th hour of shift work.

On page 3 of the attachment, “SCERS Board of Retirement Agenda Item 8 (August 6, 1999), and Resolution No. 99-08,” Staff’s recommendation stated that if the 81st through 84th hours were determined to be compensation earnable, then they should also apply towards service credit. It is this concept that each hour worked carries with it a compensation earnable component and a service credit component that seems to have influenced the 1999 decision to award additional service credit. In actuality, the CERL provides a long precedent of decoupling compensation earnable from service credit, especially for hours worked in excess of a standard 40-hour workweek schedule. While regular hours worked typically go hand-in-hand with service credit, there are instances where an hour utilized in a retirement calculation increases compensation earnable or service credit, but not necessarily both. For example, when a member takes advantage of a vacation sell back, the compensation received by the member as a result of the sale is attributed towards compensation earnable; however, there is no corresponding award of service credit for the vacation hours purchased. Conversely, when a member of SCERS retires, the member can convert his or her unused sick leave to service credit; however, those same hours are not converted into a dollar value and included in compensation earnable (nor were contributions directly paid on those sick-leave hours).

Changing the Practice

Changing SCERS’ practice on this topic retrospectively would require the recalculation of almost every retirement allowance awarded since October 1997, the effective date of SCERS’ practice per Resolution 99-08. However, that approach would likely expose SCERS to significant litigation risk from impacted retirees and current members, and a court would likely apply estoppel to prevent SCERS from applying its change in interpretation of its own plan document retroactively.

To balance fairness to members who already have service provided under the Board’s prior policy with the Board’s fiduciary obligation to administer the plan prudently in accordance with governing documents, Staff recommends discontinuing the practice of awarding service credit to the 81st through 84th hours of members that work a 7/12 alternate work schedule after the pay period ending April 27, 2019. Effective with the pay period beginning April 28, 2019, SCERS

will no longer award service credit for hours worked in excess of a standard 80-hour biweekly work schedule. Under the proposed policy, one year of service credit will reflect the regular, full-time hours worked under a particular work schedule for that year, not to exceed one year. This policy effectively discontinues the practice of awarding additional service credit for those safety members receiving the K-9 differential.

Because SCERS will continue to honor Resolution 99-08 and award extra service credit to members who work a 7/12 work schedule through April 27, 2019, that service credit will continue to be included in retirement calculations, as long as the service credit was earned no later than April 27, 2019. SCERS will also honor the service credit previously attached to the K-9 differential, as long as the service credit was earned no later than April 27, 2019.

Please note that no changes are being proposed—retroactively or prospectively—regarding the treatment of compensation earned on the 7/12 work schedule or the K-9 differential for purposes of determining a member’s compensation earnable and final compensation. Because those additional hours are part of the regular schedule, SCERS will continue to collect retirement contributions and include those earnings as pensionable for all retirement tiers.

FISCAL AND ADMINISTRATIVE IMPACT

Staff anticipates minor financial savings as a result of this policy change. Both employers and members will continue to pay contributions on hours 81-84 of a 7/12 schedule and those hours will continue to be included in compensation earnable or pensionable compensation, and included in their final compensation if earned during that period. For payroll periods that coincide with and follow the effective date of this policy, employers will not experience the liability associated with allowing members to receive more than a year of service for just a single year of plan participation.

ACTIVITY FOLLOWING SUBMISSION OF DISCUSSION DRAFT

Following the Board’s approval of the Discussion Draft on November 5, 2018, Staff distributed the draft and related FAQs to employers and employee groups for comment. Staff also shared the expectation that the Board would receive a final version of the policy for consideration at their regular meeting on December 19, 2018, and established a timeframe and mechanism for interested parties to submit written comments ahead of the referenced meeting.

In response to the Discussion Draft and the FAQs distributed by Staff, the County of Sacramento and counsel to the Deputy Sheriffs’ Association (DSA) have asked the Board to delay implementation of this policy and another policy scheduled for consideration at the same time (which is known as the “Compensation Earnable Policy for Overtime, CTO-Expired, and CTO-Over-Max”).

Since the first week of November 2018, senior staff at SCERS have been working with the COMPASS team on the technical requirements to determine how the County’s payroll

programming will be affected by this policy, as well as another policy regarding overtime and CTO.

At the December 19, 2018, Board meeting, the Board President removed this policy from the agenda and requested it be added to the April 17, 2019, Board meeting agenda. Staff has continued to assist the COMPASS team on the technical changes to the payroll system, which will be completed by April 27, 2019, to accommodate this policy. No material changes have been made to the policy since the November 2018 version.

ATTACHMENTS

- Service Credit Policy.
- FAQs regarding "Service Credit Policy" April 2019 Update.
- Sacramento County Board of Supervisors Agenda Item 17 (September 22, 2015) and SCERS' Regulations for IRC Section 415(b) Limits on Annual Benefits.
- SCERS Board of Retirement Agenda Item 8 (August 6, 1999), and Resolution No. 99-08.
- DSA correspondence dated November 30, 2018, regarding "Position Statement on Proposed Changes to Compensation Earnable and Service Credit Calculation."

Prepared by:

/S/

Mario Sierras
Chief Benefits Officer

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



SERVICE CREDIT POLICY

Revision Date: April 17, 2019

Policy Number: 026

PURPOSE

The purpose of this policy is to establish that service credit cannot exceed one (1) year in a 12-month period.

POLICY

The number of hours worked by SCERS members during a normal/scheduled workweek varies by different job classification, bargaining unit, and/or worksite. Regardless, the service credit accrued or available for a normal, scheduled workweek is referred to as "regular service" and excludes overtime. One (1) year of service credit shall reflect the regular, full-time hours worked under a particular work schedule for that year. Service credit cannot exceed one (1) year in a single calendar year or other 12-month period.

EFFECTIVE DATE

Beginning with the pay period commencing on or after April 28, 2019, SCERS will limit service credit to one (1) year in a 12-month period.

APPLICATION

Regular service at SCERS is benchmarked to a standard schedule of 40 hours per week, or 80 hours per biweekly pay period. Accordingly, those members who work a standard schedule can expect to accrue one year of service credit by working 40 hours per week for 52 weeks (and making all the contributions required of full-time employees).

Members who work any full-time, alternate schedule that is more or less than 40 hours per week can also expect to accrue one year of service credit by working that alternate schedule for 52 weeks (and making all the contributions required of full-time employees).

For example, members who work a 7/12 schedule (the equivalent of 84 hours per biweekly pay period) can accrue one year of service credit by working that schedule for 52 weeks. Service credit under the 7/12 schedule cannot exceed one (1) year.

If a member works a full-time, standard schedule for part of a year and also works a full-time, alternate schedule for the other part of year, the member will receive one (1) year of service credit.

After this policy is adopted by the Board of Retirement and goes into effect on April 28, 2019, SCERS will not allow or recognize service accruals in excess of one (1) year for any calendar year or other 12-month period.

BACKGROUND

In accordance with Board policy adopted in August 1999, SCERS has been crediting additional service to members who work under a 7/12 schedule. Under the policy, these members have been able to earn more than one year of service credit for each year of service. The SCERS Board has concluded that this administrative practice should be discontinued prospectively. This policy supersedes the Board action on August 19, 1999, that authorized additional service credit for 7/12 schedules, and applies to any alternate schedule, for service accrued on or after December 23, 2018.

RESPONSIBILITIES

Executive Owner: Chief Benefits Officer

POLICY HISTORY

Date	Description
04/17/2019	Board reviewed final policy.
11/05/2018	Board approved Discussion Draft for comment.
08/19/1999	Board approved Agenda Item 8.



SCERS POLICY ON SERVICE CREDIT: FREQUENTLY ASKED QUESTIONS

Updated April 2019

1.Q. What action did the SCERS Board take?

The SCERS Board approved a discussion draft for a new Service Credit Policy at their regular meeting on November 5, 2018. The Board is considering the policy for final adoption on April 17, 2019.

2.Q. What does the Service Credit Policy do?

The policy limits service credit to one year in a calendar year or other 12-month period, regardless of workweek schedule. The policy is effective for the pay period beginning April 28, 2019.

3.Q. Why is the policy needed?

SCERS staff has concluded that a better interpretation of the state and federal laws that apply to SCERA warrant changing the Board's policy with respect to that maximum amount of service credit members may accrue in a twelve month period. On that basis, it is recommend a change in policy to the Board.

4.Q. What is changing?

The policy amends an administrative interpretation of CERL that the SCERS Board endorsed in 1999 regarding the 7/12 work schedule for County employees. Persons subject to the 7/12 schedule work seven (7) days of twelve (12) hour shifts over the course of a two-week pay period, for a total of 84 hours. While most employees work an 80-hour biweekly schedule, the SCERS Board agreed to include the additional four hours of the 7/12 schedule as compensation earnable and provide an additional four hours of service credit. This policy discontinues the additional service credit based on the conclusion that a more sound interpretation of CERL and applicable federal tax law permits the accrual of no more than one

year of service over a 12-month period. The additional wages a member receives will still count toward his or her Final Compensation.

5.Q. Does the Service Credit Policy create a single or uniform service standard for all members of SCERS?

Yes. In consideration of the the SCERS Board's revised interpretation of pertinent plan authorities, including the County Employees Retirement Law of 1937 (which applies to SCERS and 19 other county retirement systems) and key provisions of the Internal Revenue Code (which apply to SCERS and all governmental defined benefit plans), the Service Credit Policy sets a maximum rate of service accrual for all members of SCERS. Specifically, the policy states that members may not accrue more than one (1) year of service credit with SCERS in a single calendar year or other 12-month period.

6.Q. Does the Service Credit Policy affect individual service credit earned before the proposed effective date?

No. The maximum accrual rate established by the Service Credit Policy does not go into effect until the pay period beginning April 28, 2019, and it only applies to pay periods beginning on and after that date. All service credit earned under 7/12 schedules up to and including April 27, 2019, will not be affected.

7.Q. Does the Service Credit Policy affect individual contributions to SCERS or the final average salary calculations used to determine pension benefits?

No. The Service Credit Policy does not affect individual contributions or final average salary calculations because it does not modify the compensation earnable identified in Resolution No. 99-08 or any other components of the post-*Ventura* settlement agreement.

8.Q. Does the Service Credit Policy affect the K-9 Differential?

Yes and no. Compensation earnable attributable to the K-9 differential will not be affected. However, SCERS has identified a COMPASS payroll programming decision made several years ago regarding the K-9 differential that affects service credit. The COMPASS system provides an additional 10 service-credit hours a month to those safety members receiving the K-9 differential. Providing 10 service-credit hours a month has the effect of providing more than a year of service credit in a one-year period. While the SCERS Board has previously affirmed the inclusion of the K-9 differential pay in compensation earnable and pensionable compensation, the SCERS Board has never approved an alternate service-credit methodology regarding the K-9 differential. By limiting service credit to one year, this policy effectively discontinues additional service credit for K-9 officers, effective April 28, 2019.

SEP 22 2015

**COUNTY OF SACRAMENTO
CALIFORNIA**

By Cyndi Lee
Clerk of the Board

For the Agenda of:
September 22, 2015

To: Board of Supervisors

From: The Sacramento County Employees' Retirement System (SCERS)

Subject: Approval Of Model Tax Regulations Adopted By Sacramento County Employees' Retirement System Board To Insure Compliance With Internal Revenue Service (IRS) Laws And Regulations

Supervisory District(s): All

Contact: Richard Stensrud, SCERS Chief Executive Officer, (916) 874-2486

Overview

California Government Code Section 31525 states that regulations adopted by the Board of Retirement become effective upon approval by the Board of Supervisors. In October 2014, the Board of Retirement adopted Model Tax Regulations (Regulations) to satisfy the conditions set forth in the Voluntary Correction Program Compliance Statement (Statement) submitted to and approved by the Internal Revenue Service as part of the application for a qualified plan determination letter. The Board of Retirement now seeks approval of the Regulations by the Board of Supervisors

Recommendation

Approve the Regulations adopted by the Board of Retirement and attached as Attachment 2 to assist the Board of Retirement in preserving SCERS' tax qualifications status.

Fiscal Impact

Adopting the Model Regulations will have no fiscal impact upon the County of Sacramento or the General Fund. Failure to adopt the Model Regulations could result in loss of SCERS' tax exempt status, increased tax liability and higher contribution rates for all SCERS employees.

BACKGROUND/DISCUSSION

SCERS operates in compliance with many provisions of federal tax law applicable to public retirement systems. For example, under the Internal Revenue Code (Code) SCERS must meet the requirements of section 401a. Failure to do so will result in the loss of SCERS' tax qualification status and the imposition of serious sanctions up to and including the loss of 'pre-tax' treatment for employer and employee contributions and the 'tax-free' growth of assets within the pension trust.

Historically, the way in which the IRS discovers instances of non-compliance is through an audit. If problems are discovered in the course of an audit, they typically trigger more severe sanctions. To help avoid such an outcome, and to encourage pension plans to voluntarily come into and remain in compliance with federal tax law, the IRS has offered retirement systems the

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opportunity to apply for a 'Determination Letter' (Letter). A Letter is essentially a blessing from the IRS that a governmental benefit plan is operating in compliance with its plan document and has met the tax qualification requirements. If, in the process of preparing for and submitting a Letter, a governmental plan concludes that either the plan document or the government plan's implementation of the plan document does not comply with federal tax law, the IRS allows systems to apply for the 'Voluntary Correction Program' (VCP), under which the system agrees to cooperate with the IRS in correcting any plan document or operational deficiencies identified by the IRS.

Typically, Governmental plans do not operate under a written plan document as is seen in the private sector. In the government arena the plan document tends to be a body of law, regulations, or a city charter. Having plan documents rooted in state law, county ordinances and city charters creates compliance problems for the IRS, especially when the IRS requests that changes be made to the plan document. For SCERS, the plan document is based on the general provisions of the County Employees Retirement Law of 1937 ('37 ACT), the specific county option provisions that have been adopted by the Sacramento Board of Supervisors (BOS) and Board of Retirement (BOR) and BOR resolutions defining plan benefits. As you are aware, it can take up to a year to amend California legislation and the process lacks control and specificity that the IRS seeks when it attempts to bring a plan document into compliance.

Whether it is the slow, uncertain political process, budget constraints, low staffing levels, a lack of understanding of the public pension plan or a combination of all these factors, for the past several decades the IRS has not focused on the oversight of public pension plans. It has conducted very few audits of such plans in that time. With little oversight, most public pension plans have not seen a need to apply for a qualified plan Determination Letter. Unlike most of our '37 Act counterparts, SCERS applied for and received a qualified plan Determination Letter in the late 1980's based on the 1937 ACT as it was then written. Over time, a number of other 1937 Act systems came to view that Determination Letter as support for the position that the 1937 Act complied with federal tax law.

Five years ago the IRS' approach towards governmental plans changed. After a 30-year period of indifference, the IRS announced that it was going to "better serve" the governmental pension plan community and require all governmental employee benefit plans to submit applications for Tax Determination Letters (Letter) on a five-year rolling cycle. In January 2012, Sacramento County Employees' Retirement System (SCERS) submitted applications for a Letter and the assistance from the VCP of the IRS.

In preparation for the Letter application, SCERS spent the better part of a year conducting an audit of its internal procedures evaluating whether these procedures were in compliance with federal tax law and regulations. This included working with outside tax counsel, gathering documents that represent the Plan Document (essentially the contents of the '37 ACT), reviewing operational procedures versus the federal requirements and participating with the State Association of County Retirement Systems (SACRS) Task Force. The SACRS Task Force was an association of '37 ACT systems and outside counsel that worked directly with the IRS through the early submission of a Letter application from Orange County (OCERS) on behalf of the group. The IRS worked with outside counsel and OCERS and identified areas where the '37

ACT was lacking compliance with the Code. Where noncompliance was found, outside counsel proposed two solutions to the IRS: 1) statutory changes to the '37 ACT, and 2) where statutory amendments were inefficient, adoption of Model Regulations which memorialized system operations and became part of the system Plan Document.

Benefiting from the efforts of the Task Force and almost two years after submitting its Letter application, in December 2013, SCERS received a favorable determination from the IRS. In addition, SCERS received a Statement in response to its VCP submission. In the Statement, the IRS noted eleven areas within the '37 ACT statutory framework that the IRS expects SCERS to remedy through amendment to the '37 ACT. Those amendments became law with the signing of AB 2473 by Governor Brown in September 2014. All that remains for SCERS to adequately respond to the Statement is the adoption of seven Model Regulations.

A brief summary of each Regulation follows:

Model Regulation for Internal Revenue Code (IRC) §401(a)(9)

Model Regulation for IRC §401(a)(9) sets forth the requirements for the time and manner of minimum required distributions beginning during the member's life and when the member dies prior to commencement of benefits. It also provides guidance regarding cost of living increases, domestic relations orders, reciprocity and rollovers. (See Attachment 2)

Model Regulation for IRC §401(a)(17)

Model Regulation for IRC §401(a)(17) sets forth the operational rules for identifying and implementing the limitation on annual compensation earnable. (See Attachment 2)

Model Regulation for IRC §§401(a)(31) and 402(c)

Model Regulations for IRC §§401(a)(31) and 402(c) set forth the rules governing rollover distributions from SCERS and rollover contributions to SCERS. (See Attachment 2)

Model Regulation for IRC §401(h)

Model Regulation for IRC §401(h) sets forth the requirements to operate a 401(h) account for the provision of medical benefits. (See Attachment 2)

Model Regulation for IRC §415

Model Regulation for IRC §415 sets forth comprehensive requirements for identifying and calculating annual benefit limits. (See Attachment 2)

Model Regulation for IRC §401(a)

Model Regulation for IRC §401(a) sets forth distribution requirements related to death, disability, severance from employment and plan termination. (See Attachment 2)

Model Regulation for IRC §401(a)(36)

Model Regulation for IRC §401(a)(36) sets for the definition and requirements for establishing a Normal Retirement Age. (See Attachment 2)

Approval Of Model Tax Regulations Adopted By Sacramento County Employees' Retirement System Board To Insure Compliance With Internal Revenue Service (IRS) Laws And Regulations
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At the October 2014, BOR meeting, the BOR reviewed and adopted the Model Regulations. Attachment 1 is the BOR resolution formally adopting the Model Regulations. California Government Code Section 31525 states that regulations adopted by the BOR become effective upon approval by the BOS. Attachment 2 are the 7 Model Regulations that the BOR adopted and now request that the BOS formally approve, making them effective and assisting SCERS in retaining its tax qualification status.

FINANCIAL ANALYSIS

Adopting the Model Regulations will have no fiscal impact upon the County of Sacramento or the General Fund. Failure to adopt the Model Regulations could result in loss of SCERS' tax exempt status, increased tax liability and higher contribution rates for all SCERS employees.

Respectfully Submitted,

APPROVED:
BRADLEY J. HUDSON
County Executive

RICHARD STENSRUD
Chief Executive Officer
Sacramento County Employees'
Retirement System (SCERS)

By: _____
DAVID VILLANUEVA
Chief Deputy County Executive

Attachments:

- (1) October 15, 2014 Board of Retirement Resolution adopting Model Regulations
- (2) Model Regulations

RESOLUTION NO. SCERS 2014-08

**RESOLUTION OF THE BOARD OF RETIREMENT
OF THE SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
TO ADOPT MODEL TAX REGULATIONS TO INSURE COMPLIANCE WITH THE
FAVORABLE DETERMINATION LETTER AND VOLUNTARY CORRECTION PROGRAM
COMPLIANCE STATEMENT**

WHEREAS, Sacramento County Employees' Retirement System (SCERS), in preparation for applying for a Tax Determination Letter from the Internal Revenue Service (IRS) audited of its internal procedures evaluating whether these procedures were in compliance with federal tax law and regulations.

WHEREAS, following the audit, SCERS worked with tax counsel and the State Association of County Retirement Systems (SACRS) Task Force in seeking a uniform resolution from the IRS to identify tax compliance issues that existed within the County Employees' Retirement Law (CERL).

WHEREAS, in January 2011, SCERS submitted applications to the IRS for a Tax Determination Letter and the Voluntary Correction Program.

WHEREAS, in December 2013 SCERS received a favorable Determination from the IRS, pending statutory changes to the CERL and adoption of Model Tax Regulations by the SCERS Board.

THEREFORE, BE IT RESOLVED AND ORDERED that this Board:

- (1) Adopt Model Regulation for Internal Revenue Code (IRC) §401(a)(9)
- (2) Adopt Model Regulation for IRC §401(a)(17)
- (3) Adopt Model Regulation for IRC §§401(a)(31) and 402(c)
- (4) Adopt Model Regulation for IRC §401(h)
- (5) Adopt Model Regulation for IRC §415
- (6) Adopt Model Regulation for IRC §401(a)
- (7) Adopt Model Regulation for IRC §401(a)(36)

On motion made by Member O'Neil, Seconded by Member Valverde, the foregoing Resolution was passed and adopted by the Board of the Sacramento County Employees' Retirement System this 15th day of October, 2014, by the following vote:

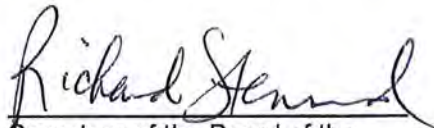
AYES: Fowler, Kelly, DeBord, Gin, O'Neil, Pittman, and Valverde

NOES: None

ABSTAIN: None

ABSENT: DeVore and Diepenbrock

ATTEST:


Secretary of the Board of the
Sacramento County Employees'
Retirement System


President of the Board of the
Sacramento County Employees'
Retirement System

Sacramento County Employees' Retirement System

REGULATIONS FOR IRC SECTION 415(b)

LIMITS ON ANNUAL BENEFITS

SECTION I. PURPOSE AND SCOPE

In accordance with section 31525 and section 31899 et. seq. of the California Government Code, the regulations set forth herein are effective as of [_____], and reaffirm and clarify the existing practices of the Sacramento County Employees' Retirement System (the "System") with respect to the limits on benefits under section 415(b) of the Internal Revenue Code (the "Code"). For these regulations, the Code includes Treasury regulations issued under section 415(b). To the extent there is a conflict between these regulations and the Code, the Code governs.

The System may establish reasonable procedures for complying with the limits on benefits under section 415(b) of the Code that it deems necessary or advisable for complying with applicable tax laws or for administrative purposes.

Capitalized terms used in this Regulation are defined in Section VII. Terms defined in the County Employees Retirement Law apply here unless otherwise stated.

SECTION II. ANNUAL BENEFIT LIMIT

A. Annual Benefit Limit, In General

1. Annual Limit

Unless the alternative limit described in subsection E of this Section applies, the Annual Benefit payable to a Member under the System at any time shall not exceed \$210,000 (for 2014) or such other dollar limit specified under section 415(b)(1)(A) of the Code, automatically adjusted under § 415(d) of the Code, effective January 1 of each year, as provided by the Internal Revenue Service.

2. Maximum Payment

If the benefit the Member would otherwise be paid in a Limitation Year would be in excess of the limit in A.1, the benefit shall be limited to a benefit that does not exceed the limit.

3. COLA Adjustment

In the case of a Member who has had a severance from employment with the Employer, the Annual Benefit Limit applicable to the Member in any Limitation Year beginning after the date of severance shall be automatically adjusted under § 415(d) of the Code.

Sacramento County Employees' Retirement System4. Multiple Annuity Starting Dates

- a. For a Member who has or will have distributions commencing at more than one Annuity Starting Date, the Annual Benefit shall be determined as of each such Annuity Starting Date (and shall satisfy the limitations of these regulations as of each such date), actuarially adjusting for past and future distributions of benefits commencing at the other Annuity Starting Dates.
- b. For this purpose, the determination of whether a new starting date has occurred shall be made in accordance with section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Treasury regulations.

5. Actuarial Adjustment For Forms Of Benefit

Except as provided in paragraph 6 of this Section II.A, if the Member's benefit is payable in a form other than a Straight Life Annuity, then solely for purposes of applying the limits of Code section 415 and of this regulation, the actuarially equivalent Straight Life Annuity shall be determined in accordance with paragraph a or b below, whichever is applicable.

- a. Annuities. If the Member's benefit is payable in the form of a non-decreasing life annuity or other form of benefit described in Treasury regulation section 1.417(e)-1(d)(6) (e.g., other than a lump sum, installments, a decreasing annuity or a term certain), then the actuarially equivalent Straight Life Annuity is equal to the greater of:
 - i. The Straight Life Annuity (if any) payable to the Member under the System commencing at the same annuity starting date as the form of benefit payable to the Member, or
 - ii. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using:
 - A. The Applicable Mortality Table; and
 - B. A 5% interest assumption.
- b. Lump sums, installments, etc. If the Member's benefit is payable in the form of a lump sum, installments, a decreasing annuity, term certain or other form of benefit not described in Treasury regulations section 1.417(e)-1(d)(6), then the Straight Life Annuity that is actuarially equivalent to the Member's form of benefit is equal to the greatest of:

Sacramento County Employees' Retirement System

- i. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using the interest rate and the mortality table specified in the Plan for adjusting benefits in the same form;
- ii. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using a 5.5 percent interest rate and the Applicable Mortality Table; or
- iii. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using the Applicable Interest Rate and the Applicable Mortality Table divided by 1.05.

6. No Actuarial Adjustment (Or Limitation) Required For Certain Benefits.

In determining the Annual Benefit, no actuarial adjustment to the benefit shall be made for the following benefits or benefit forms:

- a. Qualified joint and survivor annuity. Survivor benefits payable to a surviving Spouse under a joint and survivor annuity that would qualify as a qualified joint and survivor annuity defined in section 417(b) of the Code. If benefits are paid partly in the form of a qualified joint and survivor annuity and partly in some other form (such as a single sum distribution), the rule of this paragraph applies only to the survivor annuity payments under the portion of the benefit that is paid in the form of a qualified joint and survivor annuity.
- b. Benefits that are not "retirement benefits". Benefits that are not directly related to retirement benefits (such as pre-retirement qualified disability benefits, preretirement incidental death benefits, and postretirement medical benefits). Additionally, these benefits shall not be subject to the Annual Benefit Limit.
- c. Certain automatic benefit increases. Benefits that meet the following requirements: (i) the System provides for automatic periodic increases such as a form of benefit that automatically increases the benefit paid according to a specified percentage or objective index (but not a benefit that is increased on an ad hoc basis or a basis that is separately determined by action of the System's Board of Retirement or the County's Board of Supervisors) and (ii) the form of benefit complies with Code section 415(b) without regard to the automatic benefit increase.

Sacramento County Employees' Retirement System

In no event shall the amount payable to the Member under the form of benefit in any Limitation Year be greater than the Annual Benefit Limit applicable at the Annuity Starting Date increased by the amounts provided in Code section 415(d). Also if the form of benefit without regard to the automatic benefit increase is not a Straight Life Annuity, then the Annual Benefit at the Annuity Starting Date is determined by converting the form of benefit to an actuarially equivalent Straight Life Annuity, as provided in section II.B.1 of this regulation.

7. Rules for Determining Annual Benefit.

- a. Social Security Supplements, Etc. The determination of the Annual Benefit shall take into account social security supplements described in § 411(a)(9) of the Code and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant § 1.411(d)-4, Q&A-3(c), of the Treasury regulations.
- b. Member Contributions. The determination of the Annual Benefit shall disregard benefits attributable to Member contributions or rollover contributions. Benefits attributable to Member contributions do not include any benefits that are made on a pre-tax basis such as pickups under Code section 414(h)(2) or such as Member contributions that are actually paid by the Member's employer.
- c. Rollovers. The amount of any benefits attributable to Member contributions and to rollover contributions shall be determined in accordance with Code section 415.
- d. Voluntary Contributions. Member contributions that are defined as "voluntary" contributions under Code section 415 (such as certain contribution under California Government Code section 31627) are not subject to the limits of this regulation but are subject to the limits of Code section 415(c) concerning defined contribution plans.

B. Reduction for Less Than 10 Years of Participation

1. Reduction

If the Member has less than 10 Years of Participation in the System, the Annual Benefit Limit shall be multiplied by a fraction -- (i) the numerator of which is the number of years (or part thereof, but not less than one year) of participation in the System, and (ii) the denominator of which is 10.

Sacramento County Employees' Retirement System

2. Counting Years of Participation

The Member is credited with a Year of Participation (computed to fractional parts of a year) for each accrual computation period for which the following conditions are met: (i) the Member is credited with at least the number of hours of service or period of service for benefit accrual purposes, required under the terms of the System in order to accrue a benefit for the accrual computation period, and (ii) the Member is included as a Member under the eligibility provisions of the System for at least one day of the accrual computation period. If these two conditions are met, the portion of a Year of Participation credited to the Member shall equal the portion of a year of benefit accrual service credited to the Member for such accrual computation period. A Member who is permanently and totally disabled within the meaning of § 415(c)(3)(C)(i) of the Code for an accrual computation period shall receive a Year of Participation with respect to that period. In no event shall more than one Year of Participation be credited for any 12-month period. For example, if under the System, a Member receives 1/10 of a year of benefit accrual service for an accrual computation period for each 200 hours of service, and the Member is credited with 1,000 hours of service for the period, the Member is credited with 1/2 year of participation for purposes of this subsection.

3. Disability and Death Benefits

The reduction described in paragraph 1 of this subsection shall not apply to disability benefits or death benefits as provided in the Code.

C. Reduction for Commencement Before Age 62 For Certain Members

1. No Reduction For Certain Safety Members

The adjustment described in this subsection shall not apply if the Member's benefit is based on at least 15 years as a full-time employee of any police or fire department of an Employer that maintains the System or as a member of the armed forces of the United States. Such police or fire department must be organized to provide police protection, firefighting services or emergency medical services for any area within the jurisdiction of such Employer.

2. Reduction For Benefits Commencing Before Age 62

If the Member's benefits commence before the Member attains age 62, the Annual Benefit Limit is equal to the lesser of:

- a. The Annual Benefit Limit reduced in accordance with Code section 415(b) to its actuarial equivalent using:
 - i. The Applicable Mortality Table; and
 - ii. A 5% interest rate; or

Sacramento County Employees' Retirement System

- b. The Annual Benefit Limit multiplied by the ratio of the immediately commencing Straight Life Annuity under the System at the Member's Annuity Starting Date to the annual amount of the Straight Life Annuity under the System commencing at age 62, both determined without applying the limitations of this regulation.

3. Probability of Death

No adjustment will be made to the annual benefit limit to reflect the probability of death between the Annuity Starting Date and age 62 unless the Member's benefit is forfeited at death before the Annuity Starting Date.

4. Death and Disability

The adjustment described in paragraph 1 of this subsection shall not apply to disability benefits or death benefits.

D. Increase for Commencement After Age 65

1. Increase For Benefits Commencing After 65

If the Member's benefits commence after the Member attains age 65, the Annual Benefit Limit is equal to the lesser of:

- a. The Annual Benefit Limit increased in accordance with Code section 415(b) to its actuarial equivalent using:
 - i. The Applicable Mortality Table; and
 - ii. A 5% interest rate; or
- b. The Annual Benefit Limit multiplied by the ratio of the annual amount of the adjusted immediately commencing Straight Life Annuity under the System at the Member's Annuity Starting Date to the annual amount of the adjusted immediately commencing Straight Life Annuity under the System at age 65, both determined without applying the limitations of this regulation. For this purpose, the adjusted immediately commencing Straight Life Annuity under the System at the Member's Annuity Starting Date is the annual amount of such annuity payable to the Member, computed disregarding the Member's accruals after age 65 but including actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted immediately commencing Straight Life Annuity under the System at age 65 is the annual amount of such annuity that would be payable under the System to a hypothetical Member who is age 65 and has the same accrued benefit as the Member.

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2. Probability of Death

No adjustment will be made to the Annual Benefit Limit to reflect the probability of death between age 65 and the Annuity Starting Date unless the Member's benefit is forfeited at death before the Annuity Starting Date.

E. Minimum Benefit Permitted

The benefit otherwise accrued or payable to a Member under the System is treated as not exceeding the Annual Benefit Limit if:

1. Minimum Benefit Limit Allowed

The sum of the retirement benefits payable under any form of benefit with respect to the Member for the Limitation Year or for any prior Limitation Year under the System and all other defined benefit plans (without regard to whether a plan has been terminated) ever maintained by the Member's Employer does not exceed \$10,000 multiplied by a fraction – (i) the numerator of which is the Member's number of years (or part thereof, but not less than one year) of service (not to exceed 10) with the Member's Employer or an Affiliated Employer, and (ii) the denominator of which is 10; and

2. Condition

The Member has never participated in any qualified defined contribution plan maintained by the Member's Employer or an Affiliated Employer.

SECTION III. PARTICIPATION IN MULTIPLE DEFINED BENEFIT PLANS

A. Application of Limit to Aggregate Benefits

If the Member is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the Member's Employer, the sum of the participant's Annual Benefits from all such plans may not exceed the Annual Benefit Limit.

B. Multiple Plan Benefit Limit Coordination

Where the Member's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the Annual Benefit Limit applicable at that age, the benefits accrued under all such other plans shall be reduced first in order to avoid exceeding the limit and shall be reduced under the System only to the extent that the reduction under such other plans is insufficient to avoid exceeding the limit.

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SECTION IV. MULTIPLE EMPLOYER PLAN

Benefits attributable to the Member attributable to all of the Employers participating in the System are taken into account for purposes of applying the Annual Benefit Limit.

SECTION V. GRANDFATHER RULES

A. Annual Benefit Limit Equals Accrued Benefit

Notwithstanding anything herein to the contrary, the Annual Benefit Limit with respect to a Qualified Member shall not be less than the accrued benefit of the Qualified Member under the System determined without regard to any amendment made after October 14, 1987.

B. Qualified Participant

For purposes of this section, the term "Qualified Member" means a Member who first became a Member in the System before January 1, 1990.

C. Election

Pursuant to Section 31899 et. seq. of the California Government Code, the election has been made to have this Section apply.

SECTION VI. PURCHASE OF PERMISSIVE SERVICE CREDIT

A. General Rule

To the extent a Member is not prohibited by the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), if a Member makes one or more contributions to the System to purchase Permissive Service Credit under the System, then the requirements of this regulation will be treated as met only if:

1. The requirements of this regulation are met, determined by treating the accrued benefit derived from all such contributions as an Annual Benefit for purposes of this regulation; or
2. The requirements of the System's regulation governing the limits on annual additions applicable to defined contribution plans are met by treating all such contributions as annual additions.

B. Permissive Service Credit

1. Permissive Service Credit Defined

For purposes of this Section, "Permissive Service Credit" means credit:

- a. recognized by the System for purposes of calculating a Member's benefit under the System;

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- b. which such Member has not received under the System; and
- c. which the Member may receive only by making a voluntary additional contribution in an amount determined under the System, which does not exceed the amount necessary to fund the benefit attributable to the service credit purchased.

Permissive Service Credit also includes service credit for periods for which there is no performance of service and, notwithstanding subparagraph b of this paragraph, may include service credited in order to provide an increased benefit for service credit which a Member is receiving under the System, but only to the extent not prohibited by PEPRA.

2. Limitation on Nonqualified Service Credit

The System will fail to satisfy the requirements of this regulation if

- a. More than 5 years of Nonqualified Service Credit is taken into account for purposes of this Section; or
- b. Any Nonqualified Service Credit is taken into account under this Section before the Member has at least 5 Years of Participation under the System.

3. Nonqualified Service Credit

For purposes of paragraph 2 of this subsection, the term "Nonqualified Service Credit" means permissive service credit other than that allowed with respect to:

- a. Service (including parental, medical, sabbatical, and similar leave) as an employee of the government of the United States, an State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit which was obtained as a result of repayment described in subsection C of this Section);
- b. Service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee described in subparagraph (a) of this paragraph) of an educational organization described in Code section 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed,
- c. Service as an employee of an association of employees who are described in subparagraph (a) of this paragraph; or

Sacramento County Employees' Retirement System

- d. military service (other than qualified military service under Code section 414(u)) recognized by the Association.

In the case of service described in subparagraphs a, b or c of this paragraph, such service will be nonqualified service if recognition of such service would cause a Member to receive a retirement benefit for the same period of service under more than one plan.

Even if any proposed service credit purchase meets the above requirements, to the extent such proposed service credit purchase is prohibited under the terms of PEPRA, the System will not process such service credit purchase.

4. Trustee-to-Trustee Transfers

In the case of a trustee-to-trustee transfer to the System to which Code section 403(b)(13)(A) or 457(e)(17)(A) applies, (without regard to whether the transfer is made from a plan that is maintained by the same Employer):

- a. the limitations of paragraph 2 of this subsection shall not apply in determining whether the transfer is for the purchase of Permissive Service Credit; and
- b. the distribution rules applicable under the Code to the System shall apply to such amounts and any benefits attributable to such amounts.

C. Repayment of Cashouts

In the case of any repayment of contributions (including interest) to the System with respect to an amount previously refunded upon a forfeiture of service credit under the System or under another governmental plan maintained by a state or local government employer within the State of California, any such repayment shall not be taken into account for purposes of this regulation.

SECTION VII. DEFINITIONS

A. Annual Benefit

"Annual Benefit" means a benefit that is payable annually in the form of a Straight Life Annuity. Except as provided in Section II.A.5, where a benefit is payable in a form other than a Straight Life Annuity, the benefit shall be adjusted (solely for purposes of applying the limits of Code section 415 and of this regulation) pursuant to Section II.A.7 to an actuarially equivalent Straight Life Annuity that begins at the same time as such other form of benefit and is payable on the first day of each month.

B. Annual Benefit Limit

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"Annual Benefit Limit" means the limit described in Section II.A.1 of this regulation.

C. Annuity

"Annuity" for purposes of this regulation does **not** mean "annuity" as defined in the County Employee Retirement Law but instead means a retirement benefit that is payable by the System, as provided in section 415 of the Code.

D. Annuity Starting Date

"Annuity Starting Date" means the first day of the first period for which a retirement benefit is payable as an annuity or, in the case of a retirement benefit not payable in the form of an annuity, the first day on which all events have occurred which entitle the Member to payment under the System.

E. Applicable Interest Rate

"Applicable Interest Rate" means the "applicable interest rate" defined in section 417(e)(3)(C) of the Code and shall be such rate of interest determined as of the first month preceding the stability period, which shall be the month containing the Annuity Starting Date for the distribution and for which the Applicable Interest Rate shall remain constant.

F. Applicable Mortality Table

"Applicable Mortality Table" means the "applicable mortality table" defined in section 417(e)(3)(B) of the Code.

G. Employer

"Employer" means the participating County or District that participates in the System and employs the Member. The term "Employer" also includes any Affiliated Employer. Solely to the extent provided in the Code with respect to public agencies, the term "Affiliated Employer" means all members of a controlled group of an Employer.

H. Limitation Year

"Limitation Year" means the calendar year.

I. Spouse

Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-

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sex marriage. In accordance with Federal tax rules, the term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

J. Straight Life Annuity

"Straight Life Annuity" means an Annuity payable in equal installments for the life of the member and terminating on the Member's death.

ITEM 8

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM Departmental Correspondence

For Agenda of August 19, 1999

August 6, 1999

TO: President and Members
Board of Retirement

FROM: Linda Seher
Chief Benefits Officer

SUBJECT: STAFF RECOMMENDATIONS - ADDITIONAL ELEMENTS OF
COMPENSATION EARNABLE

RECOMMENDATION:

Adopt the attached Resolution No 99-08 which:

- a. establishes two new elements of compensation i.e., "equipment allowance" and "7/12 work schedule hours" as compensation earnable,
- b. considers the 81st-84th hour of a 7/12 work schedule as retirement service credits and compensation for those hours as compensation earnable to be included in a representative "year",
- c. establishes an operative date of October 1, 1997,
- d. directs staff to implement these changes.

PREVIOUS ACTIONS CONCERNING ELEMENTS OF COMPENSATION:

This action arose as a result of the California Supreme Court Decision in Re: Ventura County Deputy Sheriffs' Association et al v: Board of Retirement of Ventura County Employees' Retirement Association.

On December 12, 1997, your Board adopted Resolution No 97-12 which, in addition to elements already treated as compensation earnable, established ten new elements of compensation as compensation earnable and established an operative date of October 1, 1997.

The ten new elements of compensation earnable were identified to the Department of Systems and Data Processing staff to implement the necessary changes in the payroll system and make the necessary changes to collect contributions from employees on these elements retroactive to October 1, 1997. In February 1998 contributions were withheld from the ten new elements of compensation earnable and in April 1998 the retroactive contributions were collected.

CURRENT DISCUSSION:

Both County Counsel and the County Office of Labor Relations were contacted concerning the additional elements of compensation earnable (equipment allowance and 7/12 work schedule hours) and agree with staff recommendations.

The following is being presented for consideration concerning the two additional elements of compensation earnable being recommended:

EQUIPMENT ALLOWANCE

The County of Sacramento has contract language which reimburses employees for maintenance costs when they are required to provide their own equipment, e.g., court reporters who provide their own transcribing machines. Staff believes that this equipment allowance should be included as compensation earnable under the Ventura decision. It was not specifically included previously because in the legacy system it was paid in the same manner and at the same time as the clothing and uniform allowance payments. However, with the new payroll system it became apparent that equipment allowance was not being included within the clothing and uniform allowance payment and was not being included as compensation earnable.

7/12 SHIFT

Compensation Earnable:

Your Boards' Bylaws Section 17 provides that regular employees who receive compensation based on rates per hour as provided in the salary ordinance shall be members and their retirement contributions shall be based on an eight (8) hour day, and eighty (80) hours per two-week period. However, the County of Sacramento has contract agreements with at least four unions (Non-Supervisors Law Enforcement Unit, Office Technical Unit, Health Service Unit, and Nurses) to allow employees to work a 7/12 workweek. The 7/12 workweek consists of three 12 hour shifts in one week and four 12 hour shifts in the next week for a total of eighty-four hours in a bi-weekly pay period. Some union contracts provide for the 81st-84th hours to be treated as straight time overtime and others provide for time and one-half overtime. When SCERS staff evaluated the various types of pay in relation to the Ventura decision, the 7/12 shift did not appear to be an issue because every indication was that it was overtime and overtime is excluded.

During the County's 1998 negotiations with the Sacramento County Deputy Sheriff's Association ("DSA"), Richard Chiurazzi, Attorney-at-law, raised questions regarding the validity of the contract language and specifically the impact of the Ventura decision on the contract language, particularly as it relates to 7/12 shifts. After reviewing the Ventura decision and seeking advice from County Counsel and consultation from the County Office of Labor Relations, SCERS staff concludes that earnings for eighty four hours on a 7/12 work schedule should be considered compensation earnable.

Additional Service Credits:

Mr. Chiurazzi also has requested that the Board of Retirement consider crediting the 81st-84th hour as retirement service credits if the Board determines that the earnings are indeed compensation earnable. Simply stated, a member on the 7/12 work schedule would accrue 84 hours bi-weekly (2,192.4 hours of service credits in a full year) whereas a member working a 10/8 work schedule would accrue 80 hours bi-weekly (2,088 hours of service credits in a full year).

As the Board is aware, service credits accrued in a given year are important because:

1. The thirty year cut-off (cessation of member contributions) occurs when a member has credit for 30 years' service providing the member was a member on March 7, 1973. Therefore, if the 81st-84th hours are counted as service credits a member would accumulate the equivalent of thirty years of service credits faster.
2. Final compensation is based upon the average annual compensation earnable by a member during any year (or if applicable any three year period) prior to the effective date of benefit payment. Service retirement and disability retirement allowances and death benefits are calculated on the basis of final compensation. Thus a 7/12 work schedule would enhance the compensation earnable and, therefore, the "final compensation" in a given year, resulting in higher benefits than other work schedules.
3. Under the existing non-vested Retiree Health Care Benefits Program, the amount of medical subsidy offset that a member receives at the time of retirement is based upon years of service credits with total credited service credits divided by 2088 to determine "years" of qualifying service credits. Again, the member on the 7/12 work shift would earn more service credits than other members and therefore be eligible for a higher medical premium offset.

After researching the matter of the service credits it appears that those "extra" hours should be treated as service credits. Again, the Board needs to be aware that when counting those hours as service credits an employee could earn more than 2088 hours of service credits within a representative year of compensation.

IMPLEMENTATION:

If the Board adopts the recommendation, staff will notify employees and responsible membership employer staff to 1) begin withholding contributions from the 81st-84th hours earnings, i.e. either straight time or time and one-half earnings, 2) report the 81st-84th hours as retirement service credits (only the four hours and not the rate of payment equivalency), 3) begin withholding contributions from the equipment allowance, 4) calculate the amount of contributions due retroactive to October 1, 1997, 5) establish the length of the repayment schedule, and 6) begin collection of the retroactive contributions.

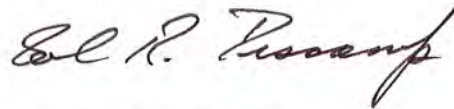
SCERS staff will identify any employee who retired since October 1, 1997 who worked the 7/12 shift or who received an equipment allowance differential, collect retroactive contributions, adjust the service credits if applicable, and adjust the monthly retirement allowance.

RESPECTFULLY SUBMITTED:

CONCUR:



LINDA SEHER
Chief Benefits Officer



JOHN R. DESCAMP
Chief Executive Officer

cc: Terry Schutten, County Executive
Robert A. Ryan, Jr., County Counsel
J. Steven Burris, Deputy County Counsel
Mike DeBord, Administrator, Human Resource Agency
Steve Lakich, Director of Labor Relations

COMPENSATION EARNABLE AS OF 8/19/99

EARNINGS	DESCRIPTION	PRE-VENTURA	VENTURA (10/1/97)	RECOMMENDED (8/19/99)	EXCLUDED
Regular Earnings	Hours of work	X			
One Time Bonus Payment	Payments normally made once a year as a result of bargaining		X		
Overtime-includes CTO expired	Hours worked in excess of normal work schedule				X
7/12 work shift	Regular work schedule of 12 hours per day; 84 hours per bi-weekly pay period			X	
Extra-help wages	Wages paid to employees who are not regular (permanent) county employees				X
Holiday-in-lieu paid after 104.0 hours	Hours paid over the maximum of 104.0		X		
Workers' Compensation Temporary disability	Workers compensation benefits integrated with existing leave balances for employees who have an accepted industrial injury and are temporary disabled.	X			
Shift differential	Differentials paid to employees working other than the day shift	X			
Standby pay	An assignment of an employee to remain on call if the need arises for emergency work.		X		
Food allowance	An allowance paid to employees hired or transferred into food service prior to July 1971 represented by Health Services Unit		X		
Terminal pay - vacation, holiday in lieu, CTO, and leave payout	Accumulated leave balances paid to an employee upon separation from employment.				X
Special pay allowances	Additional pay for performing work considered to be out of or in addition to the class	X			
Incentive pay allowances	Additional pay for possession of educational degrees or required certificates	X			
Miscellaneous allowances	Assignment differentials based upon a percentage of base pay.	X			
Management differential	Additional pay paid to managers in lieu of other benefits, i.e. tuition reimbursement	X			
Transcription fees for court reporters	Monies paid to court reports to transcribe their cases				X
Retirement offset	Additional pay for certain employees in-lieu of the county paying ½ retirement contributions	X			
Leave balance usage (vacation, compensating time off (CTO), holiday in-lieu, sick leave, etc.)	Payment received for absence from work due to use of leave balances or authorized paid absences.	X			

Vacation cash-in	Additional pay, twice a year, for cashing in accrued vacation.			X	
Payoff beyond maximum accrual	Additional pay for vacation hours over the maximum accrual			X	
Mental Health Retention	A recruitment differential paid twice a year to employees who work at the mental health facility			X	
Disability Pay	Used in conjunction with Workers' Compensation Disability Pay so that when combined together it equals 50% of the bi-weekly pay.	X			
4850 Time pay	Paid in lieu of temporary disability for Safety personnel in accordance with 4850 of the Labor Code – tax free – max one year.	X			
Clothing allowance	An allowance paid in two installments to cover the cost of maintaining a uniform			X	
Equipment allowance	An allowance paid in two installments to reimburse employees who are required to provide their own equipment, i.e., court reporters			X	
Animal allowance	Payments made to employees assigned to the K-9 and Mounted Patrol to maintain their animals				X
Insurance Subsidy	Cash payment of the amount of the county contribution towards health insurance over the premium, less the cost of social security.			X	
Fair Labor Standard Act adjustment	Differential paid when the value of overtime per FLSA guidelines is greater than that negotiated				X
Insurance Subsidy Offset	An amount paid in January of each year to refund the social security reduction of the insurance subsidy to employees who were at social security maximum.			X	
Vehicle taxation earnings	Taxation for the value of a home retention vehicle				X
Auto allowance	Payment for use of personal vehicle for county business			X	

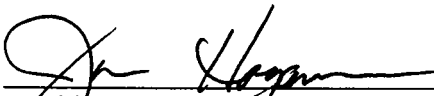
On a motion by Member KELLY, seconded by Member COX, the foregoing resolution was passed and adopted by the Board of Retirement of the Sacramento County Employees' Retirement System this 19th day of August 1999, by the following vote, to wit:

AYES: Members, Suter, Irish, Hoganson, Woods, Cox, Kelly, DeVore.


NOES: Members, None.

ABSENT: Members, Dipenbrock, Hickox.

ADOPTED: August 19, 1999



President of the Board of the
Sacramento County Employees'
Retirement System

ATTEST: 

Secretary of the Board of the
Sacramento County Employees'
Retirement System

RESOLUTION NO. 99-08

**RESOLUTION AMENDING THE BYLAWS OF THE
SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM**

WHEREAS, the Board of Retirement on November 19, 1980, adopted bylaws regulating the administration and operation of the Sacramento County Employees' Retirement System and the Board of Retirement; and

WHEREAS, the bylaws at Section 20 provide the definition of the term "compensation earnable" in accordance with Government Code section 31461; and

WHEREAS, on December 12, 1997, the Board of Retirement revised the definition of "compensation earnable" due to a decision by the Supreme Court; and

WHEREAS, it has come to the attention of the Board that an additional amendment is needed due to the Supreme Court decision;

NOW THEREFORE, BE IT RESOLVED by the Board of Retirement of the Sacramento County Employees' Retirement System, a retirement system formed under the Retirement Act of 1937, as follows:

Section 1. Section 20 of the Sacramento County Employees' Retirement System bylaws is hereby amended to read as follows:

Section 20. Compensation Earnable.

For purposes of determining the amount of contributions by a member, "compensation earnable" includes all remuneration paid in cash through the payroll warrant including: regular earnings, workers compensation temporary disability, shift differential, special pay allowances, incentive pay allowances, miscellaneous allowances, management differential, retirement offset, sick leave, disability pay, 4850 time pay, bonus pay, holiday-in-lieu paid after 104.0 hours, standby pay, food allowance, vacation cash-in and payoff beyond maximum accrual, mental health retention, clothing allowance, insurance subsidy, insurance subsidy offset, auto allowance, equipment allowance and 7/12 work schedule hours. All other elements of compensation not expressly included in "compensation earnable" are excluded.

Section 2. Section 1 of this Resolution shall be operative prospectively as of October 1, 1997. Staff is directed to implement the required changes.

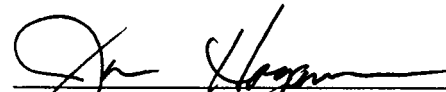
On a motion by Member KELLY, seconded by Member COX, the foregoing resolution was passed and adopted by the Board of Retirement of the Sacramento County Employees' Retirement System this 19th day of August 1999, by the following vote, to wit:

AYES: Members, Suter, Irish, Hoganson, Woods, Cox, Kelly, DeVore.


NOES: Members, None.

ABSENT: Members, Diepenbrock, Hickox.

ADOPTED: August 19, 1999



President of the Board of the
Sacramento County Employees'
Retirement System

ATTEST: 

Secretary of the Board of the
Sacramento County Employees'
Retirement System

DAVID P. MASTAGNI
JOHN R. HOLSTEDT
MICHAEL D. AMICK
CRAIG E. JOHNSON
BRIAN A. DIXON
STEVEN W. WELTY
STUART C. WOO
DAVID E. MASTAGNI
RICHARD J. ROMANSKI
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KATHLEEN N. MASTAGNI STORM
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ISAAC S. STEVENS
PAUL T. DOLBERG
DANIEL L. OSIER
JUDITH A. ODBERT
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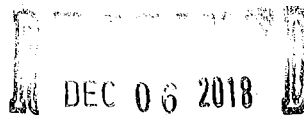


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November 30, 2018

BY: 

Via U.S. Mail & Email

Board of Retirement
Sacramento County Employees' Retirement System
980 9th Street, Suite 1900
Sacramento, CA 95814-2739
Email: retirement-policy@saccounty.net

RE: Position Statement on Proposed Changes to Compensation Earnable and Service Credit Calculation

I write on behalf of the Sacramento County Deputy Sheriffs' Association (SCDSA), to provide the organization's position statement with respect to SCERS' proposed changes to the Compensation Earnable Policy for Overtime and Expired CTO (Incentive Policy), as well as SCERS' proposed changes to the calculation of service credit (Service Credit Policy). As set forth herein, these changes contravene the representations SCERS and the County made to its employees, and reduce those employees' pension benefits - compelling the parties to litigate the legality of the changes.

While the parties may disagree over whether the County Employees' Retirement Law (CERL) mandates the proposed changes, the California Supreme Court is currently reviewing a pension case that deals with whether retirement associations have the authority to provide pension benefits beyond the statutorily mandated minimums in the CERL. If the Court rules that retirement associations have such authority, SCERS could continue calculating compensation earnable and service credits the way it has for years, without having to litigate whether such practices were more generous than those mandated by the CERL. Thus, the SCDSA urges SCERS' Board to reject its proposed changes or, in the alternative, postpone any action on these items until the Supreme Court issues its ruling in the case of *Alameda Co. DSA v. ACERA*, Case No. S247095 ("*Alameda*").

SCERS' draft Incentive Policy would exclude from compensation earnable allowances or differentials earned as a result of overtime or CTO cash outs, despite the fact that SCERS has treated such pay items as compensation earnable for years. Indeed, in SCERS' Member Handbook, SCERS advised members that Special Pay Allowances, Incentive Pay Allowances, and other pay items would:

SCERS Board of Retirement

RE: Position Statement on Proposed Changes to Compensation Earnable and Service Credit Calculation

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be included in their pension benefits.¹ As set forth in the Board's discussion draft on these policy changes, the County has collected - and SCERS has accepted - employer and employee contributions on these pay items regardless of whether they were attached to base wages or overtime hours. Members planned their retirements based on retirement calculations that included these pay items. Obviously, excluding these pay items from employees' pensionable income would significantly reduce the pension benefits employees have counted on receiving in planning their retirements.

Additionally, SCERS' proposed changes to the calculation of service credit contravene SCERS' representations to its members. SCERS has granted additional service credit for the 81st to 84th hours worked by employees working 7/12 schedules. As the SCERS Board noted when it adopted the resolution to treat these hours as additional service time in 1999, this practice allows employees to accumulate the service credit needed to retire faster.² This practice has remained in place for almost twenty years, and SCERS has advised members of it in various ways, including in its handbooks.³ For example, in SCERS' Member Handbooks, SCERS advises members "you are credited with one hour of Service Credit for every hour you work for a Participating Employer and for which retirement contributions have been deducted from your pension-eligible compensation; 2088 service credits equals one year of full-time service." Indeed, the worksheets SCERS provided members to help them estimate their retirement benefits contained this representation.⁴

Members have relied on SCERS' representations regarding service credits, planning their retirements based on the service credit SCERS told them they would receive for their 81st through 84th hours of work. Changing the policy now would require members to work longer to receive the benefits SCERS told them they would receive, impairing SCERS' obligations to those members.

SCERS' proposals to postpone implementing these changes until the pay period starting December 23, 2018 does not solve the issues at hand. With respect to the Incentive Policy, such a delay would only benefit a small handful of employees who likely have already submitted retirement

¹A copy of Appendix A: Summary of Pension-Eligible Pay Elements, from the Member Handbook for employees hired on or before December 31, 2012, is enclosed herewith.

²Staff Recommendations - Additional Elements of Compensation Earnable, dated August 6, 1999 - this document is attached to the Board's discussion draft for the revised policy.

³A copy of a page from SCERS' Member Handbook for pre-PEPRA employees reflecting this representation is enclosed herewith. SCERS' Handbook for post-PEPRA employees contains the same representation.

⁴A copy of Appendix B: Service Retirement Benefit Estimate, from the SCERS Member Handbook for employees hired on or after December 31, 2012, is enclosed herewith.

SCERS Board of Retirement

RE: Position Statement on Proposed Changes to Compensation Earnable and Service Credit Calculation

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paperwork, and are prepared to retire next month. For everyone else, it reduces the pension benefits they relied on SCERS providing, and grants SCERS a windfall in the form of contributions it collected for benefits it will not provide. Likewise, waiting until the pay period starting December 23, 2018 to implement the Service Credit Policy would only provide significant relief to employees planning to retire in the very near future. For everyone else, they will be forced to continue working past when they planned to work, because they will no longer earn the extra service credit SCERS promised them.

If SCERS begins excluding incentive pays from compensation earnable, or changes how it calculates service credits, the SCDSA would be forced to seek judicial intervention on behalf of itself and its members. Because SCERS and the County represented that these pay items would be included in members' pension calculations, and the members relied on these representations to their detriment, they would almost certainly prevail on a promissory estoppel claim.

While the legality of SCERS' treatment of overtime incentives and calculation of service credit are matters the SCDSA is ready to litigate, the California Supreme Court's anticipated decision in the *Alameda* case could render these issues moot. One of the issues in the *Alameda* case is whether the CERL allowed retirement systems to grant members retirement benefits over and above the statutorily required minimums. If the Court rules that retirement systems had such authority, SCERS could continue providing the benefits it promised its members without being forced to litigate their legality in court.

In the interest of avoiding protracted litigation on this issue, the SCDSA proposes that SCERS delay any decision on the implementation of the proposed Incentive Policy and Service Credit Policy until after the Supreme Court decides the *Alameda* case.

Thank you for your attention and courtesy in this matter. If you have any comments or questions, do not hesitate to contact me.

MASTAGNI HOLSTEDT, APC



ISAAC S. STEVENS

Attorney at Law

ISS/prb
Enclosures

As you progress through your career with your Participating Employer, you'll achieve various milestones as a SCERS member, like becoming Vested in plan benefits. Or, you may be eligible to purchase Permissive Service Credit upon your return from an unpaid leave of absence, or for service you performed prior to becoming a member of SCERS.

Earning Service Credit

You are credited with one hour of Service Credit for every hour you work for a Participating Employer and for which retirement contributions have been deducted from your pension-eligible compensation; 2,088 service credits equals one year of full-time service.

In general, the more Service Credit you have as a SCERS member, the higher your retirement benefit will be. SCERS also uses Service Credit to determine when you are eligible to retire and receive a benefit.

Becoming Retirement Eligible (Vested)

You become Vested in SCERS when you have credit for five (5) or more years of full-time service with SCERS or between SCERS and a Reciprocal System. When you are "Vested," you have earned a right to receive a monthly benefit upon retirement.

Vested members are eligible for Service Retirement after:

- 10 years of service, if you are age 50 or older; or
- 20 years of service, regardless of your age, if you are a Safety member; or
- 30 years of service, regardless of your age, if you are a Miscellaneous member; or
- Age 70, regardless of your number of years of service or Membership Category.

When determining your retirement eligibility, certain service purchases and reciprocal service can help meet these requirements; however, military leave, Public Service credit, or Additional Retirement Credit cannot help meet these requirements. *Refer to Section 5 of this handbook for more information on retirement eligibility.*

Service Credit

Earning Service Credit

Becoming Retirement Eligible (Vested)

Purchasing Permissive Service Credit

30-Year Membership—
Member Contributions Cease

Appendix A: Summary of Pension-Eligible Pay Elements

Earnings Type	Description	Included*	Excluded
Regular Earnings	Paid for hours worked	X	
One Time Bonus Payment	Payments normally made once a year as a result of bargaining	X	
Overtime - includes CTO Expired	Paid for hours worked in excess of normal work schedule		X
7/12 Work Shift	Paid for regular work schedule of 12 hours per day; 84 hours per bi-weekly pay period	X	
Extra-help wages	Paid to employees who are not regular (permanent) county employees		X
Holiday-in-lieu paid after 104 hours	Paid for hours over the maximum of 104	X	
Workers' Compensation Temporary Disability	Paid Workers' Compensation benefits integrated with existing leave balances for employees who have an accepted industrial injury and are temporarily disabled	X	
State Disability Integration	Paid State Disability benefits integrated with existing leave balances for employees who are temporarily disabled	X	
Shift Differential	Paid to employees working other than the day shift	X	
Standby Pay	Paid to employees assigned to remain on call if the need arises for emergency work	X	
Food Allowance	Paid to employees hired or transferred into food service prior to July 1971 represented by Health Services Unit	X	
Terminal Pay – vacation, holiday in lieu, CTO, and leave payout	Accumulated leave balances paid to an employee upon separation from employment.		X
Special Pay Allowances	Additional pay for performing work considered to be out of or in addition to the class	X	
Incentive Pay Allowances	Additional pay for possession of educational degrees or required certificates	X	
Miscellaneous Allowances	Assignment differentials paid as a percentage of base pay	X	
Management Differential	Additional pay to managers in lieu of other benefits, i.e., tuition reimbursement	X	
Transcription Fees for court reporters	Paid to court reporters to transcribe their cases		X
Retirement Offset	Additional pay for certain employees in-lieu of the county paying ½ retirement contributions	X	

Appendix A: Summary of Pension-Eligible Pay Elements

Earnings Type	Description	Included*	Excluded
Leave Balance Usage (vacation, compensating time off (CTO), holiday in-lieu, sick leave, etc.)	Paid leave for authorized absence from work	X	
Vacation Cash-In	Additional pay for cashing in accrued vacation that does not exceed what may be earned in each 12-month period during the final compensation period	X	
Payoff Beyond Maximum Accrual	Additional pay for vacation or holiday-in-lieu hours over the maximum accrual	X	
Mental Health Retention	Paid to employees who work at the mental health facility	X	
Disability Pay	Additional pay that, when combined with Workers' Compensation Disability Pay, equals 50% of an employee's bi-weekly pay	X	
4850 Time Pay	Paid for up to one year, tax free, in lieu of temporary disability for Safety personnel in accordance with Labor Code Section 4850	X	
Clothing Allowance	Paid to employees for the cost of maintaining a uniform	X	
Equipment Allowance	Paid to reimburse employees who are required to provide their own equipment; i.e., court reporters	X	
Animal Allowance	Paid to employees assigned as a canine handler for scheduled work of ten (10) hours per month for ordinary care and informal training	X	
Insurance Subsidy	Cash payment of the amount of the county contribution towards health insurance over the premium, less the cost of social security	X	
Fair Labor Standards Act Adjustment	Differential paid when the value of overtime per FLSA guidelines is greater than that negotiated		X**
Insurance Subsidy Offset	An amount paid in January of each year to refund the social security reduction of the health insurance subsidy to employees who were at social security maximum	X	
Auto Allowance	Payment for use of personal vehicle for county business	X	
<p>* Compensation can be excluded if: (a) Board of Retirement determines compensation had been paid to enhance retirement benefits, (b) compensation had previously been provided in kind and converted to cash payment in the final compensation period; (c) any one-time or ad-hoc payment made to a member, but not to similarly situated members in the member's grade or class, and (d) any payment for unused leave balances that exceed what may be earned in each 12-month period during the final compensation period.</p>			
<p>** Per prior, written agreement, one exception has been established to the standard exclusion of the pay element reserved for FLSA adjustments. That exception is the additional "half rate" payable for 12 hours of contractual overtime to members who work 24-hour schedules.</p>			

Appendix B: Service Retirement Benefit Estimate

Worksheet – Unmodified Allowance

Service Retirement Benefit Estimate Worksheet			
Line #	Descriptive Information	Example	Your Information
1	Estimated age at retirement: (to nearest quarter age)	55	
2	Estimated years of Service Credit at retirement: (use estimated number of calendar year of full-time service in SCERS-covered employment; 2,088 hours = 1 year of Service Credit)	25	
3	Retirement Benefit Age Factor: (refer to Appendix C or D to find percentage factor for Estimated age at retirement on Line 1)	1.947%	
4	Benefit Factor: (multiply Line 2 by Line 3 and enter result as a percentage)	48.675%	
5	Estimated monthly Final Compensation: (use Scenarios 1 or 2 on page 52 to estimate monthly Final Compensation)	\$2,022	
6	Estimated* monthly Unmodified Allowance for Service Retirement: (multiply the estimated monthly Final Compensation on Line 5 by the Benefit Factor on Line 4)	\$984.21*	
If you also pay into Social Security (FICA deduction) for your SCERS-covered employment, your SCERS service is "integrated" with Social Security and you should continue with the following steps:			
7	Social Security Reduction Factor: (based on age at retirement, refer to Appendix C or D)	\$ 2.272	
8	Enter years of Service Credit from Line 2:	25	
9	Social Security Reduction Amount: (multiply Line 7 by Line 8)	\$56.80	
10	Apply reduction amount: (enter the amount on Line 6 and subtract the amount on Line 9)	\$984.21 – \$56.80	
11	Estimated* monthly Unmodified Allowance for Service Retirement with the Social Security reduction:	\$ 927.41*	

*This is an estimate only. SCERS will calculate your actual benefit when you apply for retirement.

Appendix C: Retirement Benefit Age Factors Miscellaneous – Tiers 1, 2 and 3

Applies to Retiring Members Hired in SCERS-Covered Employment Prior to January 1, 2012 if employed by Sacramento County or Prior to January 1, 2013 if employed by any other Participating Employer

Age at Retirement	Benefit Factor § 31676.14 (2% @ 55 ½) Percentage	Soc. Sec Dollar Reduction Factor	Age at Retirement	Benefit Factor § 31676.14 (2% @ 55 ½) Percentage	Soc. Sec Dollar Reduction Factor
50	1.474%	\$1.721	56	2.060%	\$2.404
50 ¼	1.497%	\$1.748	56 ¼	2.091%	\$2.440
50 ½	1.520%	\$1.774	56 ½	2.121%	\$2.475
50 ¾	1.543%	\$1.801	56 ¾	2.151%	\$2.510
51	1.566%	\$1.828	57	2.182%	\$2.546
51 ¼	1.591%	\$1.857	57 ¼	2.203%	\$2.571
51 ½	1.616%	\$1.886	57 ½	2.225%	\$2.596
51 ¾	1.641%	\$1.915	57 ¾	2.246%	\$2.621
52	1.666%	\$1.944	58	2.268%	\$2.646
52 ¼	1.685%	\$1.966	58 ¼	2.289%	\$2.671
52 ½	1.703%	\$1.988	58 ½	2.310%	\$2.696
52 ¾	1.722%	\$2.010	58 ¾	2.332%	\$2.721
53	1.741%	\$2.031	59	2.353%	\$2.746
53 ¼	1.766%	\$2.061	59 ¼	2.375%	\$2.770
53 ½	1.791%	\$2.090	59 ½	2.396%	\$2.796
53 ¾	1.816%	\$2.119	59 ¾	2.418%	\$2.821
54	1.841%	\$2.148	60	2.439%	\$2.846
54 ¼	1.867%	\$2.179	60 ¼	2.461%	\$2.871
54 ½	1.894%	\$2.210	60 ½	2.482%	\$2.896
54 ¾	1.921%	\$2.241	60 ¾	2.504%	\$2.921
55	1.947%	\$2.272	61	2.525%	\$2.950
55 ¼	1.975%	\$2.305	61 ¼	2.546%	\$2.965
55 ½	2.004%	\$2.338	61 ½	2.568%	\$3.000
55 ¾	2.032%	\$2.371	61 ¾	2.589%	\$3.022
			62 & over	2.611%	\$3.047

NOTE: Retirement prior to age 50 is also permitted with 30 years of service, but the corresponding factors are subject to actuarial review and approval.