



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 15

MEETING DATE: February 17, 2021

SUBJECT: Ratification of Retirement Applications Policy

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

RECOMMENDATION

Staff recommends the Board take the following actions: 1) amend the Ratification of Retirement Applications Policy to provide additional clarity regarding estimated benefit payments, and 2) rescind the Estimated Benefit Payment Policy for Service Retirement Requests by Deferred, Reciprocal Members.

PURPOSE

This item supports the Strategic Management Plan customer-service goal to provide timely, convenient, and accurate pension administration services, and ensures consistent application of retirement law.

DISCUSSION

In 2018 and 2019, the Board approved two new policies intended to minimize the time from a new retiree's last working paycheck to their first retirement payment. Staff recommends combining and updating these policies to assist Staff in meeting the SCERS' performance target for 75% of new retirees to receive their first payment with 45 days of retirement, and 90% within 60 days of retirement.

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

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

While this approach can be convenient for both SCERS and members on an ad hoc basis, it was impractical under SCERS' legacy systems to provide estimated benefits to the broader

membership. Manual adjustments to correct estimated benefits would have created significant workload and backlogs.

However, with the phased implementation of the new Pension Administration System in November 2020, SCERS can scale up and automate the adjustments to estimated benefits. This capability provides a better—and faster—path to help new retirees transition from biweekly paychecks to a monthly retirement allowance. Additionally, the approach of paying new retirees an estimate, with a subsequent adjustment, is a usual and customary business practice at other retirement systems with modern technological platforms.

Furthermore, there is an immediate business need to implement estimated benefit payments as Staff spends significant time working through and learning new data-validation processes with the Pension Administration System. New retirees who were entered into pay status in December 2020 and January 2021 waited a median of 52 days and 62 days, respectively, for their first checks, with more than half processed in excess of 60 days. SCERS is expecting the usual retirement surge in February and March, which will add to the queue.

Policy Amendments

The “Estimated Benefit Payment Policy for Service Retirement Requests by Deferred, Reciprocal Members,” adopted in August 2018, directed Staff to provide an expedited payment option for the population of members who previously worked for a SCERS employer but were retiring from a reciprocal retirement system.

When the deferred, reciprocal member retires, SCERS works with the subsequent retirement system to obtain Final Compensation information. However, that process can lead to a delayed payment from SCERS. The 2018 policy allowed SCERS to issue an estimated payment based on the member’s wage experience with SCERS while the final reciprocal systems gather the average salary information that SCERS requires to finalize a retirement calculation.

That policy can now be incorporated into the “Ratification of Retirement Applications Policy,” with amendments allowing for broader use of estimated benefit payments for new retirees. The proposed new language reads:

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

The ratification policy, adopted in January 2019, delegates authority to the Chief Executive Officer, or designate, to accept and process service retirement applications, approve effective retirement dates, and pay members their retirement benefits consistent with the County Employees Retirement Law of 1937 and the Public Employees’ Pension Reform Act of 2013.

Prior to the policy, SCERS staff processed and approved service retirement applications, and the SCERS Board was provided a monthly information report of retiring members. In *Wilmot v. Contra Costa County Employees' Retirement Association*, 29 Cal. App. 5th 846 (2018), which dealt with felony forfeiture, the question was raised as to when a member officially retires. The court of appeal, citing section 31670, held that a member was not retired until the Board formally approved the member's retirement application. (More recently, upon remand by the California Supreme Court, the court of appeal reiterated the same conclusion in *Wilmot v. Contra Costa County Employees' Retirement Association*, No. A152100, 2021 WL 404289 (Cal. Ct. App. Feb. 5, 2021).)

To ensure consistency with case law, SCERS responded by adopting a policy that Staff would process the retirement applications and provide a Board report for ratification at a subsequent meeting.

BACKGROUND

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

Retirement of a member who has met the requirements for age and service shall be made by the board pursuant to this article or pursuant to the California Public Employees' Pension Reform Act of 2013, whichever is applicable.

The State Association of County Retirement Systems (SACRS) sponsored legislation last year that mirrors SCERS' policy and further clarified the statutory ability for retirement administrators to facilitate payment of new retirees without delay. Under AB 2101 (Chapter 275, Statutes of 2020), section 31670 was expanded to read:

The board may authorize the system administrator or other personnel to exercise the board's power and perform its duty to retire members under this section. The system administrator or other personnel shall report service retirements to the board at the next public meeting of the board after the retirement.

ATTACHMENTS

- Ratification of Retirement Applications Policy – amended version
- Ratification of Retirement Applications Policy – clean version

Prepared by:

/S/

Eric Stern
Chief Executive Officer



AMENDED VERSION **RATIFICATION OF RETIREMENT APPLICATIONS**

PURPOSE

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

POLICY

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

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

APPLICATION

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

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

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

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

BACKGROUND

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

(a) Retirement of a member who has met the requirements for age and service shall be made by the board pursuant to this article or pursuant to the California Public Employees' Pension Reform Act of 2013, whichever is applicable.

(b) The board may authorize the system administrator or other personnel to exercise the board's power and perform its duty to retire members under this section. The system administrator or other personnel shall report service retirements to the board at the next public meeting of the board after the retirement.

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

RESPONSIBILITIES

Executive Owner: Chief Benefits Officer

POLICY HISTORY

Date	Description
02-17-2021	Board amended policy and rescinded Estimated Benefit Payment Policy for Service Retirement Requests by Deferred, Reciprocal Members (Policy No. 023)
01-16-2019	Board approved policy



RATIFICATION OF RETIREMENT APPLICATIONS

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

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