



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: October 18, 2023

SUBJECT: Service Credit Policy

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

RECOMMENDATION

Approve amended Service Credit Policy.

PURPOSE

This item supports Strategic Management Plan goals regarding transparency, efficiency, and compliance with laws and regulations.

DISCUSSION

In April 2019, the Board approved the final Service Credit Policy to establish that service credit cannot exceed one (1) year in a 12-month period. The policy superseded the Board action of August 19, 1999, that authorized additional service credit for 7/12 schedules, and applied to any alternate schedule, for service accrued on or after April 28, 2019. Following the Board's adoption of the policy, the Sacramento County Deputy Sheriffs' Association (DSA) filed a lawsuit against SCERS related to this and other policies that clarified how pensions are calculated. In June 2023, the Sacramento County Superior Court issued a final ruling in *Sacramento County DSA v. SCERS, et al.*, resolving all disputed issues in SCERS' favor.

Pursuant to SCERS' practice of reviewing and refreshing policies approximately every three years, Staff has re-evaluated the policy to consider whether any amendments are necessary due to legal changes or practical experience. No changes are recommended regarding the limitation of service credit to one year. However, the adopted Service Credit Policy referenced a change in methodology of recording service credit with the implementation of the new Pension Administration System. The proposed amendment removes the reference to the new methodology as service will continue to be recorded in SCERS' legacy systems.

ATTACHMENTS

- Board Order
- Redlined version of policy with proposed amendments
- Clean version of policy with proposed amendments

Prepared by:

Reviewed by:

Keith Riddle
Chief Benefit Officer

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
October 18, 2023

AGENDA ITEM:

SERVICE CREDIT POLICY

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to amend the Service Credit Policy.

I HEREBY CERTIFY that the above order was passed and adopted on October 18, 2023, by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:
(Present but not voting)

James Diepenbrock
Board President

Eric Stern
Chief Executive Officer and
Board Secretary



SERVICE CREDIT POLICY

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, SCERS will not allow or recognize service accruals in excess of one (1) year for any calendar year or other 12-month period.

~~Pension Administration System Implementation~~

~~When the new, modernized Pension Administration System (Ariel) replaces the legacy MBase system (planned for November 2020), SCERS will record service credit in service years rather than the historical method of hours worked.~~

~~At the point SCERS cuts over from MBase to Ariel, the cumulative service credit hours for each member will be divided by 2088 (the annual hour base historically used by SCERS) to transfer service credit into the new system in units of service credit years. Employers will then report future service for each pay period as a fraction of full-time service (a number less than or equal to one (1)), independent of any employer defined work schedule (i.e., independent of whether the member is working a standard 40 hour schedule, a 7/12 schedule, or any other non-standard full-time schedule).~~

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 April 28, 2019.

RESPONSIBILITIES

Executive Owner: Chief Benefits Officer

POLICY HISTORY

Date	Description
<u>10/18/2023</u>	<u>Board amended policy</u>
04/15/2020	Board approved amendment to policy.
05/14/2019	Typo corrected in Background section regarding effective date.
04/17/2019	Board approved final policy.
11/05/2018	Board approved Discussion Draft for comment.
08/19/1999	Board approved Agenda Item 8.



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