



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

---

### Agenda Item 14

**MEETING DATE:** September 20, 2017

**SUBJECT:** Consent to Rio Linda Elverta Recreation and Park District's Inclusion in SCERS as a Participating Employer

**SUBMITTED FOR:** \_\_\_ Consent      X Deliberation and Action      \_\_\_ Receive and File

---

### **RECOMMENDATION**

Staff recommends the Board adopt proposed Resolution 2017-07 consenting to the inclusion of Rio Linda Elverta Recreation and Park District (hereinafter "the District") as a new Participating Employer in the Sacramento County Employees Retirement System (SCERS). It is anticipated that such participation would commence with the first biweekly pay period beginning on or after October 1, 2017.

### **PURPOSE**

To comply with California Government Code §31557 requiring the Retirement Board to consent by majority vote to the resolution of a district's governing body providing for inclusion of the district in the county retirement system. If adopted, the eligible employees of the new Participating Employer become members on the first day of the calendar month following inclusion.

### **DISCUSSION**

#### **District's Request**

In February 2017, the District, contacted SCERS via email about the District's renewed interest in joining SCERS. (The District made some inquiries and requested information in past years.) The District currently has seven full-time employees (FTEs), no permanent part-time employees, and provides only an employer-sponsored defined contribution plan. No employees have prior service District credit from a defined benefit retirement plan.

The District Administrator explained that Rio Linda Elverta Recreation and Park District is a small district, but anticipates growth in membership as new housing projects come to fruition in the Rio Linda Elverta area. Based on the projected growth of the area, the District anticipates

---

it will triple its staff in the next five to ten years (not including the use of potential permanent part-time employees). The District believes a defined benefit plan is essential for recruitment and retention if the District hopes to compete for employees with the several other city, county and state parks districts in the area.

### **SCERS' Response**

SCERS conducted phone calls and meetings with District staff, and noted that no new employers had joined SCERS in the past 30 years, so there is no well-established protocol for addressing this request. The process would require coordination between SCERS, the District, and the plan actuary to understand and define the process for how a new participating employer would be incorporated into the SCERS plan.

SCERS informed the District it would need to pay for any additional costs associated with Segal's analysis and methodology (including related one-time programming costs) for determining contribution rates for the District in future years. Segal estimated the costs would range from \$5,000 to \$8,000, and the District agreed.

In a letter to the District dated March 21, 2017, SCERS explained the likely next steps for working through the questions and issues to establish the District's participation in SCERS.

### **Establishing a Process**

There currently is no comprehensive document that describes and defines the requirements and responsibilities of the SCERS and Participating Employer relationship. As a result of the District's request, staff drafted a document that includes historical, technical, legal and administrative parameters that will govern the District's inclusion in SCERS. A draft of the "Roles and Responsibilities of SCERS Participating Employer" is included in the material for this agenda item. This document will be finalized in the next week. SCERS' goal is to ensure the District is well informed and understands the conditions of its inclusion in the plan. The District will be required to acknowledge and agree to this document and the letter from Segal prior to commencing its participation in SCERS.

It should be noted that SCERS intends to use the "Roles and Responsibilities" document drafted for this situation, to develop a more general SCERS Participating Employer Handbook for use and reference by all of SCERS Participating Employers.

Staff has also been working with the District to ensure that payroll transmittals comply with SCERS' requirements. It is helpful that the District uses the County payroll system, which gives SCERS greater confidence that the technical requirements will be met. Over the next couple of weeks, SCERS will confirm that the District has been working with the County to implement any necessary changes to the payroll system to correctly program the District's contribution rates and include the District's payroll information in the data set provided/available to SCERS.

---

SCERS will request and audit timesheet information for each of the District's current fifteen employees to confirm proper classification and SCERS membership enrollment. SCERS will set up meetings with the District employees who will be new members of SCERS to introduce them to SCERS and explain the benefits provided. Beginning with the first full pay period of October 2017, SCERS will begin collecting employer and member contributions from District employees.

### **District's Formal Action**

On July 19, 2017, the District Board of Directors unanimously passed a resolution requesting inclusion in SCERS as a new Participating Employer for its current and future employees eligible for membership. Section 31557 requires that the Retirement Board adopt a resolution by a majority vote accepting the inclusion request. Proposed Board Resolution 2017-07 is included in the material for this agenda item.

### **Plan Actuary's Recommended Procedure**

When staff discussed the proposal with Segal, Segal noted that although there have been multiple inquiries through the years, Segal has never been involved with a special district or joint powers authority (JPA) actually joining a CERL system as a new participating employer. Segal would need to develop procedures to incorporate a new employer into the SCERS plan. Because none of the District's current employees have any legacy defined benefit plan accruals, SCERS will not have to deal with any issues associated with such a transfer of past service or alternative benefit tiers for "reciprocal" service.

On September 14, 2017, SCERS received the final version of a letter from Segal specifying the employer and member contribution rates that would apply to the District for the current fiscal year (equal sharing of current Normal Cost only, as the District has no past unfunded liability), and describing how contribution rates would be determined for the District in future years. In summary, the District will not be allocated any share of the UAAL as determined by the annual actuarial valuation as of June 30, 2017, because the District was not in the plan as of that valuation date. However, in future valuation reports, the District will be responsible for its share (based on covered payroll) of the actuarial experience, including investment experience, starting in fiscal year 2017-18, which will be allocated (after asset smoothing).

### **BACKGROUND**

The District is an independent recreation and park district of Sacramento County. SCERS currently has both dependent (Mission Oaks, Carmichael and Sunrise) and Independent (Orangevale) recreation and park districts as participating employers. The major difference between the two designations, as the name would imply, is the independence of the governing body. The County Board of Supervisors serves as an advisory board to dependent districts, but not so for independent districts. Thus, the decision to pursue inclusion in SCERS as a participating employer rests with the District Board of Directors, and is conditioned upon the Retirement Board's consent.

At the regular bimonthly meeting between SCERS CEO and County Administration on June 28, 2017, Interim CEO St. Urbain advised the Deputy County Executive of Administrative Services and the Director of Personnel Services of the District's interest and intent to join SCERS as a new Participating Employer during the 2017-18 fiscal year.

**ATTACHMENTS**

Letter from SCERS' to the District dated March 21, 2017 re Participation in SCERS  
Letter from Segal to SCERS dated September 14, 2017 re 2017/18 Contribution Rates for the District  
Draft Roles and Responsibilities of SCERS Participating Employer  
District Board of Directors Resolution 2017-05 Requesting Inclusion in SCERS  
Proposed Resolution 2017-07 for Retirement Board Consent to the District's Request

Prepared by:

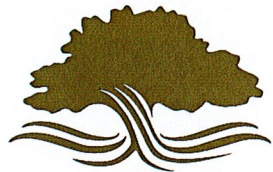
Reviewed by:

/s/

\_\_\_\_\_  
Robert L. Gaumer  
General Counsel

/s/

\_\_\_\_\_  
Annette St. Urbain  
Interim Chief Executive Officer



**SCERS**

SACRAMENTO COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

Executive Staff  
Richard Stensrud  
Chief Executive Officer  
Steve Davis  
Chief Investment Officer  
Robert L. Gaumer  
General Counsel  
Kathryn T. Regalia  
Chief Operations Officer  
John W. Gobel, Sr.  
Chief Benefits Officer

March 21, 2017

David L. Wigginton  
District Administrator  
Rio Linda Elverta Rec & Park District  
810 Oak Lane  
Rio Linda, CA 95673

**Re: Participation in Sacramento County Employees' Retirement System**

Dear Mr. Wigginton:

Thank you for your inquiry about Rio Linda Elverta Recreation and Park District's (Rio Linda) potential participation in the Sacramento County Employees' Retirement System (SCERS) and thank you for meeting with me last week. During the meeting you disclosed that Rio Linda is a recreational park district that currently has seven fulltime employees and two permanent part-time employees. You also explained that Rio Linda does not have any job classifications that qualify as safety or fire suppression. Finally, you informed me that Rio Linda employees are all currently able to participate in an employer-sponsored defined contribution plan. You indicated that Rio Linda anticipates growing over the next few years and it is interested in participating in a defined benefit plan as a tool to help attract and retain talent.

SCERS is a cost-sharing multiple-employer public employee retirement system, administered in accordance with the provisions of the County Employees Retirement Law of 1937 (California Government Code Section 31450, et seq.) (1937 Act) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). Since its establishment by the Sacramento County Board of Supervisors in 1941, and under the Board of Retirement's leadership, SCERS has developed a nationally recognized investment department which helps to fund retirement, disability, and survivors' benefits to over 26,000 eligible active, deferred and retired members.

Benefit Tiers

Currently SCERS administers nine benefit tiers; four tiers for Safety members and five tiers for non-safety or "Miscellaneous" members. Because Rio Linda has no safety eligible employees and is not currently in a defined benefit plan, most if not all your current employees would be placed in the most recently created Miscellaneous Tier 5.

Effective January 1, 2013, the County Board of Supervisors established new benefit tiers as mandated by PEPRA for employees of the County, Superior Court and Member Districts who were hired on or after January 1, 2013. Members covered under Miscellaneous Tier 5 are eligible to

retire at age 52 with five years of service credit and are entitled to a retirement benefit, payable monthly for life, equal to 1 percent of their final average salary for each year of credited service. The benefit factor increases by 0.025% for each quarter-age increment, up to a maximum of 2.50% of final average salary at age 67 or older. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final average salary is the member's pensionable compensation earned for the highest thirty-six consecutive months of credited service.

### Contribution Rates

The benefits paid by SCERS are funded through employer and employee contributions and the investment earnings that SCERS is able to earn on the investment of contributions. In determining appropriate contribution rates, the overall goal is to establish employer and employee contribution rates which, together with investment earnings, will provide sufficient funding to pay the benefits earned by SCERS members. To accomplish this, the actuary identifies two cost components: the normal cost rate and the unfunded actuarial accrued liability (UAAL) amortization rate.

#### Normal Cost Rate

Normal cost is the amount of contributions as determined by the plan actuary and expressed as a percentage of covered payroll required to fund the level cost allocated to the current year of service. The normal cost is shared by the employer and employee, with the specific cost-sharing formula for legacy (pre-PEPRA) members established pursuant to collective bargaining or other labor agreements. State law requires that members in PEPRA benefit tiers pay a contribution that is not less than 50% of normal cost.

#### UAAL Amortization Rate

The UAAL is the annual amount of contributions as determined by the plan actuary and expressed as a percentage of covered payroll required to be paid for a period of years to amortize the plan's UAAL pursuant to the Board's amortization policy. The cost of amortizing the UAAL is borne solely by participating employers.

The UAAL represents the amount by which the actuarial accrued liability of the plan exceeds the assets of the plan as of the measurement, or valuation, date. Under the Board's amortization policy, any new UAAL as a result of actuarial losses due to the demographic or economic experience of the plan differing from plan assumptions, or as a result of changes in actuarial assumptions or methods, is amortized over a period of 20 years. Changes in UAAL as a result of plan amendments are amortized over a period of 15 years. Changes in UAAL resulting from retirement incentive programs are amortized over a period of up to 5 years.

As of the June 30, 2016 actuarial valuation, the employer contribution rate for Miscellaneous Tier 5 totals 22.19% of covered payroll, comprised of a 7.93% normal cost rate and a 14.26% UAAL amortization rate. The member contribution rate for Miscellaneous Tier 5 is 7.93% of covered payroll.

### Additional Information

As stated above, SCERS is a multi-employer cost sharing retirement plan. That means upon entering the plan, eligible Rio Linda employees would be placed into the SCERS' Miscellaneous

Tier 5. Your employees would be pooled with employees of the other special districts and you would share in the combined experience of the plan. Upon entering the plan, Rio Linda would be required to pay the current Normal Cost contribution rate (with both the employer and the employees each paying approximately 8% of covered payroll). Because Rio Linda will have no actuarial accrued liability upon joining SCERS, initially there would be no UAAL amortization rate. However, as your plan matures, and because your participants and experience would be pooled with the employees of other Member Districts in Tier 5, we would expect Rio Linda to accrue a UAAL at some point in the future. UAAL can result when actual plan experience (terminations, retirements, disabilities, deaths, return on investments) varies significantly or unfavorably from the plan's demographic or economic assumptions. UAAL can also result when the Board of Retirement changes the actuarial assumptions that are used by the actuary to calculate current and projected plan liabilities. SCERS would anticipate that Rio Linda's UAAL amortization rate would approach at some point in the future the 10-15% of covered payroll that other Member Districts now pay, bringing the total employer contribution rate to the range of 18-23% of covered payroll. How quickly that occurs would depend on many factors that cannot be quantified at this time.

Please visit SCERS website at [www.SCERS.org](http://www.SCERS.org) to obtain detailed financial information about SCERS for the latest actuarial valuation report. Under the "Financial Information" link you will find our Comprehensive Annual Financial Report (CAFR) and under the "Actuarial Information" link you will find our most recent actuarial valuation.

SCERS is pleased that you would inquire about joining our retirement plan. Perhaps next steps would include setting up a conference call or meeting to discuss further. I can be reached by phone at 916-874-9119 and email at [gaumerr@saccounty.net](mailto:gaumerr@saccounty.net). We look forward to hearing from you in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert L. Gaumer", with a stylized flourish at the end.

Robert L. Gaumer  
General Counsel



100 Montgomery Street Suite 500 San Francisco, CA 94104-4308  
T 415.263.8200 www.segalco.com

September 14, 2017

Ms. Annette St. Urbain  
Interim Chief Executive Officer  
Sacramento County Employees' Retirement System  
980 9th Street, Suite 1900  
Sacramento, CA 95814-2738

**Re: Sacramento County Employees' Retirement System  
2017/2018 Contribution Rates for Rio Linda Elverta Recreation and Parks District**

Dear Annette:

We have been requested by your office to provide the 2017/2018 contribution rates for Rio Linda Elverta Recreation and Parks District (the District). We have also been asked by your office to outline the steps that we would take in the future valuations to isolate the Unfunded Actuarial Accrued Liability (UAAL) that is known as of June 30, 2017<sup>1</sup> (i.e., was accrued before the District joins the System) so that that UAAL would not be allocated to the District. The District will be a new participating employer with the Sacramento County Employees' Retirement System (SCERS).

#### **BACKGROUND**

The District will become a participating employer in SCERS effective October 1, 2017. Employees of the District will be enrolled in Miscellaneous Tier 5, regardless of any reciprocity with other retirement systems. Both members and the employer will begin paying contribution rates upon participation.

#### **FISCAL YEAR 2017/2018 CONTRIBUTION RATES FOR THE DISTRICT**

Pursuant to Section 7522.20(a) of the Government Code, Miscellaneous Tier 5 members and the District are each required to contribute 50% of the total Normal Cost rate. The contribution rate for fiscal year 2017/2018 was determined in the June 30, 2016 actuarial valuation based on all County and other district members enrolled in that Tier. As there are relatively few District

---

<sup>1</sup> We choose June 30, 2017 as the date used in this determination because this is the valuation date that is closest to the date the District will begin its participation in the System as of October 1, 2017. Therefore, none of the UAAL in the June 30, 2017 actuarial valuation report that is comparable to that shown on page 82 of our June 30, 2016 actuarial valuation report will be allocated to the District. Similarly, none of the deferred investment gains/losses in the June 30, 2017 actuarial valuation report that is comparable to that shown on page 6 of our June 30, 2016 actuarial valuation report will be allocated to the District.



employees joining that Tier on October 1, 2017, we do not anticipate any material change in the total Normal Cost rate in the 2016 valuation even if we were to include the District employees in that valuation.

Based on the above discussion, the member Normal Cost contribution rate for the District's members is 7.93% of payroll as shown on page 78 of the June 30, 2016 actuarial valuation report.

Similarly, the employer Normal Cost contribution rate is 7.93% as shown on page 19 of the June 30, 2016 actuarial valuation report.

The table below shows the member and the employer contribution rates payable in fiscal year 2017/2018 for the District.

<b>2017/2018 Fiscal Year</b>	<b>Member</b>	<b>Employer</b>
Normal Cost	7.93%	7.93%
UAAL	0.00%	0.00%
Total	7.93%	7.93%

#### **FUTURE CONTRIBUTION RATES FOR THE DISTRICT**

The District and its members will continue to pay only the Normal Cost rate for fiscal year 2018/2019, based on the contributions for that fiscal year as determined using the membership demographics of all County and other district members enrolled in Tier 5 in the June 30, 2017 actuarial valuation. Since there are no District members enrolled in SCERS as of June 30, 2017, there would continue to be no UAAL allocated to the District in the 2017 valuation. The Normal Cost rates for the District's members and the District will be provided later this year as part of the June 30, 2017 actuarial valuation report.

In future actuarial valuation reports, the District will be responsible for their share (based on payroll) of the actuarial experience. This will include investment experience starting in fiscal year 2017/2018, which will be allocated (after smoothing) to the District based on payroll. Starting in the June 30, 2018 valuation,<sup>2</sup> to determine the share of the investment gains/losses to be allocated to the District, we will first identify the deferred return to be recognized in each

---

<sup>2</sup> Since SCERS smoothes its investment gains/losses over 7 years, we will continue the above process until the June 30, 2023 valuation.

valuation, as determined in the June 30, 2017 actuarial valuation (these are comparable to those shown in footnote (2) at the bottom of page 6 in the June 30, 2016 valuation). Those prior recognized deferred returns are then subtracted from the investment gain or loss on a valuation value of assets basis as calculated in the June 30, 2018 valuation (that is comparable to that shown on page 9 in the June 30, 2016 valuation).<sup>3</sup> The District will be allocated a portion of that amount based on payroll. The balance of the investment gain or loss will be allocated to all other employers excluding the District.

In addition, any demographic actuarial experience starting in fiscal year 2017/2018 that differs from the assumptions for all Miscellaneous members as measured in the June 30, 2018 valuation will be allocated to the District based on payroll as well. Note that this amount may include demographic actuarial experience for members at other employers who were members of the System prior to when the District becomes a participating employer.

As discussed earlier, none of the UAAL in the June 30, 2017 actuarial valuation report that is comparable to that shown on page 82 of our June 30, 2016 actuarial valuation report will be allocated to the District.

We are members of the American Academy of Actuaries and we meet the qualification requirements to render the actuarial opinion contained herein.

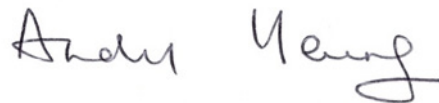
If you have any questions, please do not hesitate to give us a call.

Sincerely,



---

Paul Angelo, FSA, MAAA, FCA, EA  
Senior Vice President and Actuary



Andy Yeung, ASA, MAAA, FCA, EA  
Vice President and Actuary

MYM/bbf

cc: Thuyet Dang  
Robert Gaumer  
Kathryn T. Regalia

---

<sup>3</sup> Note that there are still going to be some amounts of asset gains or losses due to experience prior to June 30, 2017 that are difficult to separate out of this calculation and therefore will be allocated to the District based on payroll. These amounts include gains/losses due to investment income not earned on the difference between the actuarial or valuation value of assets and the market value of assets and changes in the value of the contingency reserve, the balance of the reserve to offset member COLA rate and the surplus/deficit for withdrawn employer.



Executive Staff  
Annette St. Urbain  
Interim Chief Executive Officer  
Steve Davis  
Chief Investment Officer  
Robert L. Gaumer  
General Counsel  
Kathryn T. Regalia  
Chief Operations Officer  
John W. Gobel, Sr.  
Chief Benefits Officer  
Stephen Hawley  
Chief Strategy Officer

## **Roles and Responsibilities of SCERS Participating Employer**

Rio Linda Elverta Recreation and Parks District (Rio Linda) seeks to join the Sacramento County Employees' Retirement System (SCERS) as a new Participating Employer. SCERS has prepared this document to provide Rio Linda with a general overview of SCERS, set forth current membership standards and communicate some of the responsibilities of a SCERS Participating Employer. For a detailed description of the benefits provided by SCERS, please refer to the SCERS Member Handbook.

While intended to be instructive, no statement in this document is a legally binding interpretation, enlargement, or amendment of the provisions in the CERL or SCERS' policies. If conflict arises between this document and the CERL, the decision will be based on the CERL, Board Policies, Board Resolutions, and other governing law, and not on information contained in this document.

## **GENERAL INFORMATION**

### **What is SCERS**

The Sacramento County Employees' Retirement System (SCERS) is a defined benefit plan governed by the County Employees Retirement Law of 1937 (CERL), found in sections 31450–31898 and 7522–7522.74 of the California Government Code. The Sacramento County Board of Supervisors established SCERS in 1941 to provide retirement, survivor, disability, and death benefits to Sacramento County employees.

The SCERS retirement plan provides retirement, disability and death benefits to employees working in SCERS-covered positions (SCERS members) that meet the minimum age and length-of-service requirements or are eligible for disability retirement. The plan is a significant and fundamental part of the comprehensive benefits package that Participating Employers offer to eligible employees.

### **What we do**

The SCERS organization works to provide SCERS-covered employees (members) and Participating Employers with cost-effective benefits, to prudently manage investment of SCERS plan funds, and to provide superior service to our members.

SCERS is committed to carrying out its mission through a competent, professional, impartial and open decision-making process. Investments are managed to balance the

need for security with superior performance. Our personnel treats all people fairly, with courtesy and respect in providing SCERS benefits and services. We strive for excellence in all our activities.

### The Board

The SCERS Board of Retirement (Board) administers the pension plan in accordance with State and Federal laws including but not limited to the CERL, protecting the plan's assets and the interests of its beneficiaries and prudently managing the critical risks facing SCERS. The Board's responsibilities include:

- Establishing the policies that govern the administration of SCERS' retirement plan
- Setting investment strategies
- Selecting actuaries
- Selecting investment advisors and managers to invest the SCERS Fund's assets in stocks, bonds, real estate, and other high grade income-producing investments; and conducting reviews to ensure the trust's security and earnings
- Providing and reviewing processes for disability retirements
- Selecting a Chief Executive Officer who, under the Board's direction, is charged with operating the plan, implementing board policy and maintaining a competent staff to handle day-to-day operations

The Board has nine members and two alternate members; it operates under authority granted by CERL and Article XVI of the Constitution of the State of California. All Board members, with the exception of the Director of Finance, serve three-year terms.

### How Benefits Work

As mentioned, SCERS is a defined benefit pension plan qualified under Section 401(a) of the Internal Revenue Code. As a qualified defined benefit plan, employees working in SCERS-covered positions receive a guaranteed, lifetime benefit at retirement, calculated by a set formula. The plan's formula includes, but is not limited to, the employee's age, years of service, member type and salary.

SCERS also provides disability benefits for employees working in SCERS-covered positions who become permanently incapacitated while working for a Participating Employer and whose disability prevents them from performing their usual and customary job duties.

### Funding

The funding objective of the pension plan is to establish employee and Participating Employer contribution rates which are relatively stable as a percentage of payroll, unless plan benefit provisions are changed.

Pension plan benefits are funded through three sources: employee contributions, employer contributions, and the earnings on investments held by the plan. The earnings on investments provide approximately 67% of the funding for retirement benefits, and the remaining 33% of funds are provided through employee and employer contributions.

### Investment Earnings

The SCERS Board is responsible for the prudent investment and diversification of SCERS' assets to minimize the risk of loss and to maximize the rate of return on investments. To achieve SCERS' investment return and diversification objective, the Board invests SCERS's assets in a broad range of asset classes under the advice of professional investment consultants in collaboration with staff and with the investment services provided by external investment managers.

The Board establishes SCERS's general investment guidelines, policies, and procedures to prudently administer the assets invested and to effectively mitigate risk. The Board conducts periodic reviews of SCERS's investments to ensure that assets are invested in compliance with their policies. The Board also closely monitors its investment managers to ensure that they are complying with its policies and meeting SCERS's long-term investment return objectives.

### Employer and Member Contributions

Employer and employee contributions make up another source for funding the SCERS pension plan. Contribution rates are set by law according to factors determined by an annual actuarial study.

### Semi-Annual Interest Crediting

In accordance with the 1937 Act, SCERS updates its reserve balances on a semi-annual basis as of June 30 and December 31 each year. To the extent that net earnings are available, interest is credited pursuant to the Board's crediting policy.

## **MEMBERSHIP**

### Participating Employers

SCERS's active Participating Employers are

- Carmichael Recreation and Park District
- Elk Grove Cosumnes Cemetery District
- Fair Oaks Cemetery District
- Galt-Arno Cemetery District
- Mission Oaks Recreation and Park District
- Sacramento County
- Sacramento Employment and Training Agency
- Sunrise Recreation and Park District
- Superior Courts

All risks and costs, including benefit costs, are shared by the Participating Employers.

### Eligibility for SCERS Membership

#### Regular Full-Time Employees

Membership in SCERS requires appointment to a regular full-time or part-time position with a SCERS Participating Employer. The term "full-time employee" indicates employees who are classified as full-time by the Employer. Membership is continuous until termination or a change in employment that results in a change in eligibility status. SCERS membership is mandatory for eligible employees.

Membership is effective the first day of employment. As of the employee's effective entry date, payroll deductions for his/her retirement contributions will begin and the employee will earn service credit for each hour worked.

#### Regular Part-Time Employees

Regular Part-time employees are members of SCERS. Regular Part-Time is defined as working more than 20 hours per week and/or more than 1040 hours in a fiscal year.

#### Temporary Employees

Temporary employees (Seasonal or Intermittent) are classifications which are ineligible for SCERS membership. Such temporary employees do not accrue SCERS service.

#### Designation of Employees Upon Entering SCERS

All Rio Linda Employees that enter the system upon Rio Linda's inclusion in SCERS will be placed in SCERS' Miscellaneous Tier 5 (established upon the Public Employees' Pension Reform Act (PEPRA)). That tier is known as a 2.0% @ 62 benefit tier.

#### Placement of Reciprocal Member

Upon joining SCERS, should Rio Linda hire a new employee that qualifies for reciprocity benefits, the new employee will be placed in Tier 5 (because Rio Linda had no tier to place new employee on 12/31/12 – and adopted Tier 5 upon inclusion in SCERS).

#### Purchase of Prior Service – Type of Purchase

Employees that had prior public service prior to Rio Linda joining SCERS may be able to purchase some or all of that prior public service. Such a purchase will be conducted under Government Code section 31641.4 as a purchase of prior public service.

#### Limitation on the Amount of Prior Service Purchase

The County of Sacramento has placed a limit of four years on the amount of prior public service an employee can purchase. This Limit will be utilized for Rio Linda employees.

#### Job Status Change

##### Change from Regular to Temporary (Part-Time, Seasonal, Intermittent)

During the course of SCERS-covered employment, an employee's job status may change from regular to a temporary position (seasonal or intermittent). In the event of such a status change, the employee will no longer be a contributing SCERS member. The employee contributions will be discontinued and the employee will no longer earn SCERS service credit for hours worked.

##### Change from Temporary Status (Seasonal or Intermittent) to Regular Status

If an employee begins employment in a temporary position and then later begins working in a regular position, he/she becomes eligible for SCERS membership.

## Types of Membership

SCERS has two membership types, Safety and General, which are based on job classifications:

- Safety Members work in active law enforcement, firefighting, or positions that have been designated as Safety by the Board of Supervisors
- General Members are all other members.

Note, that employees working in retirement-ineligible positions may elect to purchase service credit for their previously ineligible service if they become eligible for membership at some point in the future (i.e., if an employee moves into a full-time position). Employers may contact SCERS for more information.

## **PARTICIPATING EMPLOYER RESPONSIBILITIES**

### Administrative Expenses

#### Settlor Expenses

It is the Participating Employers responsibility to pay for settlor expenses, which are generally defined as administrative expenses associated with establishing and setting up the new defined benefit plan. Such expenses will be discussed with the Participating Employer prior to being incurred.

#### Payroll Information

The Participating Employer will be responsible for any expenses associated with testing or programming to insure that the payroll interface file comports with SCERS' requirements and provides the necessary information for SCERS to calculate member contributions.

#### Audit Expenses

The Participating Employer will be responsible for audit expenses in the event that SCERS has to audit the Participating Employer as authorized by Government Code, including, but not limited to sections 31543, 7522.56, 7522.72 or 7522.74.

#### Error Correction

The Participating Employer may be responsible for expenses associated with error corrections, enrollment errors, back pay and contributions corrections and calculating of interest payments associated with any of these processes.

### Actuarial Expenses

#### Actuarial Report

SCERS' actuary will prepare a report which will describe how the Participating Employer will be incorporated into SCERS. For example, the report will note that the Participating

Employer member employees will be included in a pool with other Tier V miscellaneous employees. The report will describe how unfunded actuarial liability will be attributed to the Participating Employer over the first few years of inclusion. The report will describe how the Participating Employer will be phased in over its first few years to participate in the economic smoothing process.

### Programming Expenses

As a result of the Participating Employer's inclusion in SCERS, the actuary will be required to perform one-time programming activities that will incorporate the Participating Employer into the plan. The Participating Employer is responsible for the fees associated with these programming activities. SCERS estimates that the cost of the actuarial report and the programming activities to be between \$5,000 and \$8,000.

### Establishing and Reporting Newly-Eligible Employees (members) to SCERS

It is a Participating Employer's responsibility to distribute a SCERS Member Affidavit to all membership eligible employees upon hire and/or in the event they move into an eligible position. Participating Employers are responsible for instructing the employee to provide the following required information on the form:

- Name
- Address
- Social Security number
- Date of Birth (employees are also required to provide a valid proof of birth with an official document (e.g., birth certificate, passport, or naturalization papers))
- Designate the beneficiary(ies) to whom benefits are payable upon the employee's death

Participating Employers should submit these documents to SCERS within the first week of the employee's hire date or date of transfer to eligible position. The original, signed Member Affidavit should be submitted to SCERS.

### Maintaining and Transmitting Accurate Member Data to SCERS

Participating Employers are responsible for transmitting accurate member data to SCERS. SCERS reserves the right to charge Participating Employers administrative fees in the event of significant and continued preventable errors.

### Providing SCERS with Employer Program Information and Notification of Changes

Participating Employers are required to provide SCERS with information about their programs, processes and procedures, and Employers should notify SCERS when changes are made.

Participating Employers and SCERS need to communicate on a regular basis regarding the following processes and procedures:

- Payroll System Changes



- Collective Bargaining Agreements
- Job Classifications Changes
- Payroll and Processing Schedules
- Sick Leave Accrual
- Vacation Accrual
- Vacation Purchase (if applicable)
- Vacation Sell-Back and/or Cash-Out (if applicable)
- Resolutions regarding any items impacting retirement benefits
- Publicly Available Pay Schedules

Further information regarding each topic is included below.

### Payroll System Changes

An upgrade or change to a Participating Employer's payroll and/or human resources record keeping systems can have a significant impact on the data provided to SCERS, the format in which the data is delivered, and the lead-time required for transmittal of the data to SCERS. As an Employer considers, plans, and implements changes to its systems the Employer must contact SCERS to discuss the implications.

### Collective Bargaining Agreements

When a new Memorandum of Understanding (MOU) is finalized, a Participating Employer must provide a copy to SCERS. Information regarding salary increases, retroactive increases, changes in accruals, and other areas are necessary for SCERS to administer program benefits accurately.

### Job Classifications

When changes in a Participating Employer's job classifications occur, the Employer needs to provide SCERS with documentation on the new job classification information.

### Sick Leave Accrual

Some bargaining units have negotiated agreements that allow for the inclusion of a portion of eligible unused sick leave hours as additional service credit at retirement. To appropriately administer this benefit plan feature, Participating Employers must provide SCERS with their organization's sick leave accrual caps.

### Publicly Available Pay Schedules

C-PEPRA has required Employers to submit a publicly available pay schedule providing substantive detail for each pay item/earnings code. This pay schedule must be adopted by the Employer's governing board in a public meeting and made available on their website.

### Service Purchase Contract Payments

Employees can pay service purchase contracts via lump sum payments, payroll deduction, or from rollovers from other qualified retirement plans.

If the employee elects to pay for the service purchase through payroll deduction, SCERS will provide the employee with a purchase agreement that details the payment amount, the number of payments and the amortization schedule.

Employees have the option to choose pre-tax or post-tax payments. SCERS advises employees of the status of payments upon initiation of a contract.

- Pre-tax service purchases. If an employee agrees to a pre-tax contract, the payroll deduction must be taken before taxes are withheld. Pre-tax contracts are irrevocable, meaning the payments and amount of payments cannot be altered or stopped for any reason as long as the employee is receiving a paycheck until payments are complete.

#### Notifying SCERS of Employee Terminations

Employees who terminate employment cease their contributions to SCERS and cease accruing service credit. When an employee terminates SCERS-covered employment before retirement eligibility, he/she must notify SCERS.

Following an employee's termination, it is the Participating Employer's responsibility to send the correct termination date to SCERS.

Employees who terminate employment have different options available to them.

- Employees who terminate with fewer than five years of credited service are considered non-vested employees. Non-vested employees may take a refund of contributions plus interest, or they may choose to leave funds on deposit with SCERS. However, members are not eligible for a monthly retirement benefit allowance payment unless funds are on deposit until age 70. Participating Employers should direct non-vested employees to SCERS for further information on their options for withdrawing contributions.
- Employees who terminate with more than five years of credited service are considered vested employees. Vested employees also may take a refund of contributions (plus interest). A vested employee, upon reaching a specified age, may also in the future be eligible to receive a lifetime benefit allowance if their funds remain on deposit with SCERS. Participating Employers should direct vested employees to SCERS for further information on the options available.

#### Reciprocity with Other Retirement Systems

Reciprocity is the joining or linking of similarly administered California public retirement systems. This allows employees who move between certain California retirement systems to preserve and enhance their total retirement benefits. All 1937 Act County Employee Retirement Systems and all Public Employees Retirement System (PERS) agencies have reciprocal agreements. As a result, SCERS has reciprocal agreements with most California counties, the State of California, and many of California's cities and public agencies. As discussed in prior sections, when a new employee enters SCERS membership under a reciprocal agreement, that new member is placed in the Tier the employer had in effect on December 31, 2012. For County of Sacramento employees, that

was Tier 4 for Miscellaneous members. However, Rio Linda did not have a membership Tier in effect on December 31, 2012, therefore, any members entering SCERS membership as a Rio Linda employee under a reciprocal agreement will be placed in Tier 5.

### Working After Retirement

Generally, working after retirement will not affect a retiree's retirement benefit:

- A retiree may work for any employer other than a SCERS Participating Employer for any amount of time without affecting his/her retirement benefit allowance.
- A retiree may work for a SCERS Participating Employer after retirement in a position requiring special skills or knowledge for no more than 120 working days (960 hours).
- A retiree may work for a SCERS Participating Employer off the payroll, either as an independent contractor or a temporary employee (employed through a temporary agency), for any amount of time without affecting his/her retirement allowance.
- Miscellaneous members who retire shall not be employed until after 180 days after their retirement date.

### Changes in Marital Status

In the event an employee marries or divorces after his/her SCERS membership entry date, the employee will need to update his/her plan beneficiary information. To do so, the employee completes and returns a Member Affidavit to SCERS. The form is available through the SCERS website, [www.SCERS.org](http://www.SCERS.org), or upon request from SCERS.

Also, while not required for enrollment, the employee may wish to provide SCERS with a copy of the marriage certificate and spouse's birth verification. This information will be required at the time of retirement and it may be needed in the event of the employee's death for benefit payment to his/her spouse.

### An Active Employee's Death

When an employee dies while an active SCERS member, a range of death benefits may be available to the employee's beneficiary(ies) or surviving spouse/registered domestic partner and eligible minor children. Beneficiaries should be prepared to notify SCERS as well. Beneficiaries will need to take the following steps:

- Contact SCERS and report the employee's death
- Provide a certified copy of the employee's death certificate to SCERS
- Provide the employee's birth certificate if it is not already on file with SCERS

Refer to SCERS Member Handbook for more information regarding the death benefits that may be available to an employee's beneficiary(ies).

Termination

A Participating Employer may withdraw from SCERS pursuant to Government Code §31564. If the Participating Employer does terminate participation in SCERS, then the Participating Employer shall remain liable to SCERS for the Participating Employer's share of any unfunded actuarial liability of the system which is attributable to the officers and employees of the Participating Employer who either have retired or will retire under the retirement system.

DRAFT

**RESOLUTION NO. 2017-05**

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
RIO LINDA ELVERTA RECREATION AND PARK DISTRICT,  
TO REQUEST INCLUSION OF EMPLOYEES  
IN SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM**

**WHEREAS**, the Rio Linda Elverta Recreation and Parks District lies wholly within the County of Sacramento and serves the residents of the County of Sacramento; and

**WHEREAS**, the Rio Linda Elverta Recreation and Parks District Board of Directors has discussed the option of offering retirement benefits to eligible District employees; and

**WHEREAS**, it is the desire of the Rio Linda Elverta Recreation and Parks District Board of Directors that all eligible employees of said District be included in the Sacramento County Employees' Retirement System (SCERS), as authorized by Government Code §31557; and

**WHEREAS**, Government Code Section 31557 provides that Rio Linda Elverta Recreation and Parks District can begin the process of joining SCERS if its Board adopts a resolution by a two-thirds vote requesting inclusion in SCERS and the SCERS Board consents to inclusion by a majority vote.

**NOW, THEREFORE, BE IT RESOLVED AND ORDERED** that Rio Linda Elverta Recreation and Parks District Board of Directors hereby requests inclusion in SCERS effective the first day of the month following the adoption of a resolution consenting to Rio Linda Elverta Recreation and Parks District' participation in SCERS by the SCERS Board.

**THEREFORE BE IT ALSO RESOLVED**, that a certified copy of this Resolution be forwarded to the SCERS Board of Retirement for consideration.

On motion made by Director Gordon, Seconded by Director Morris, the foregoing Resolution was passed and adopted by the Board of the Rio Linda Elverta Recreation and Park District this 19<sup>th</sup> day of July, 2017, by the following vote:

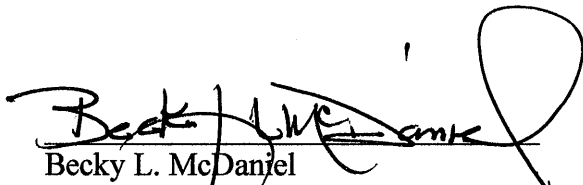
**AYES:** Gordon, McDaniel, Morris, Bastian, Moore

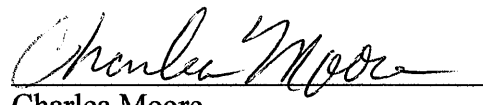
**NOES:**

**ABSTAIN:**

**ABSENT:**

**ATTEST:**

  
Becky L. McDaniel  
Chairperson, Board of Directors

  
Charlea Moore  
Secretary, Board of Directors



**RESOLUTION NO. SCERS 2017-07**

**RESOLUTION OF THE BOARD OF RETIREMENT  
OF THE SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACCEPTING REQUEST FOR INCLUSION OF OFFICERS AND EMPLOYEES OF  
RIO LINDA ELVERTA RECREATION AND PARKS DISTRICT INTO  
SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM**

**WHEREAS**, the Rio Linda Elverta Recreation and Parks District (Rio Linda) lies wholly within the County of Sacramento and serves the residents of the County of Sacramento; and

**WHEREAS**, it is the desire of the Rio Linda Board of Directors that all eligible officers and employees of said District be included in the Sacramento County Employees' Retirement System (SCERS), as authorized by Government Code §31557; and

**WHEREAS**, Government Code Section 31557 provides that Rio Linda Elverta Recreation and Parks District can begin the process of joining SCERS if its Board adopts a resolution by a two-thirds vote requesting inclusion in SCERS and the SCERS Board consents to inclusion by a majority vote; and

**WHEREAS**, on July 19, 2017, the Board of Directors of Rio Linda Elverta Recreation and Parks District unanimously adopted a resolution requesting that the SCERS Board consent to Rio Linda's inclusion in SCERS and provided a certified copy of the resolution to SCERS.

**NOW, THEREFORE, BE IT RESOLVED AND ORDERED** that the SCERS Board consents to Rio Linda's inclusion in SCERS under the terms of the document entitled SCERS Participating Employer Roles and Responsibilities and the Letter Report prepared by The Segal Company that were included as support materials to the memorandum to the Board that accompanied the agenda materials as Item 14 at the September 20, 2017 SCERS Board meeting.

On motion made by Member \_\_\_\_\_, Seconded by Member \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Board of the Sacramento County Employees' Retirement System this 20<sup>th</sup> day of September 2017, by the following vote:

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

ABSENT: \_\_\_\_\_

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

ATTEST: \_\_\_\_\_  
Secretary of the Board of the  
Sacramento County Employees'  
Retirement System