

ORDINANCE No. 118497

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Council Bill No. 111623

AN ORDINANCE relating to the City Employees' Retirement System; amending the provisions for optional retirement allowances; permitting partial lump sum payments upon retirement; amending the Seattle Municipal Code Sections 4.36.030 and 4.36.260; and adding a new Section 4.36.410 in connection therewith.

OK

Law Department

INDEXED

The City

Honorable President:

Your Committee on _____

to which was referred the within report that we have considered the

COMPTROLLER FILE No. _____

Introduced: FEB 10 1997	By: CHOE
Referred: FEB 10 1997	To: Finance & Budget Committee
Referred:	To:
Referred:	To:
Reported: FEB 24 1997	Second Reading: FEB 24 1997
Third Reading: FEB 24 1997	Signed: FEB 24 1997
Presented to Mayor: FEB 24 1997	Approved: FEB 24 1997
Returned to City Clerk: FEB 27 1997	Published: <i>Full 6 pp.</i>
Vetoed by Mayor:	Veto Published:
Passed over Veto:	Veto Sustained:

Full Council

FILED

passed, 2-0

The City of Seattle--Legislative Department

Date Reported
and Adopted

REPORT OF COMMITTEE

City President:

Committee on _____

_____ was referred the within Council Bill No. _____

_____ that we have considered the same and respectfully recommend that the same:

Full Council vote 9-0

Committee Chair

ORDINANCE 118497

1
2
3 AN ORDINANCE relating to the City Employees' Retirement System; amending the provisions for
4 optional retirement allowances; permitting partial lump sum payments upon retirement;
5 amending the Seattle Municipal Code Sections 4.36.030 and 4.36.260; and adding a new Section
6 4.36.410 in connection therewith.

7 BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

8 Section 1. Section 4.36.030 of the Seattle Municipal Code (Ordinance 78444, as last amended
9 by Ordinance 107228) is further amended as follows:

10 **4.36.030 Definitions -- Alphabetical "A" through "B."**

11 Unless a different meaning is plainly required by the context the terms used in this chapter shall
12 have the following meaning:

13 A. "Accumulated additional contributions" means the sum of all additional contributions
14 deducted from the compensation of a member, standing to the credit of his individual account, together
15 with regular interest thereon.

16 B. "Accumulated contributions" means accumulated normal contributions plus accumulated
17 additional contributions but shall not include death benefit assessments.

18 C. "Accumulated normal contributions" means the sum of all normal contributions, deducted
19 from the compensation of a member, standing to the credit of his individual account, together with
20 regular interest thereon.

21 D. "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such
22 mortality tables and regulations as shall be adopted by the Board.

1 E. "Additional contributions" means the contributions provided for in subdivision (d), Section 5,
2 of this ordinance.

3 ~~((E))~~E. "Annuity" means the payments derived from contributions made by a member as
4 provided in Sections 4.36.210 and 4.36.230.

5 ~~((F))~~G. "Basic pension" means the annuity derived from normal contributions of members; the
6 pension derived from matching contributions of the City and the pension for prior service, if any.

7 ~~((G))~~H. "Beneficiary" means any person in receipt of a pension, annuity, retirement allowance,
8 disability allowance, or any other benefit provided in this chapter.

9 ~~((H))~~I. "Board" means "Board of Administration" as provided in Section 4.36.130.

10 Section 2. Section 4.36.260 of the Seattle Municipal Code (Ordinance 78444 as last amended by
11 Ordinance 116069) is further amended as follows:

12 **4.36.260 Optional lesser retirement allowances.**

13 A member may elect to receive, in lieu of the retirement allowance provided for in Section
14 4.36.210, its actuarial equivalent in the form of a lesser retirement allowance, payable in accordance
15 with the terms and conditions of one (1) of the options set forth in options A through E of this section.
16 Options F and/or G may be elected alone or in conjunction with one (1) of the options set forth in
17 options A through E. The election of option F or G will result in the actuarial equivalent of the
18 retirement allowance otherwise payable. Option G includes the lump sum payment of a partial refund.
19 If a combination is elected, the lesser retirement allowance shall be determined by first applying the
20 option G factor, if applicable, then the option F factor, if applicable, and then finally the option A-E
21 factor. Upon the death of a retired member, any death benefits will be payable in accordance with the
22 provisions of the options elected under this section if any. Election of any option must be made by
23
24

1 written application filed with the Board of Administration at least thirty (30) days in advance of
2 retirement as provided in Section 4.36.200, and shall not be effective unless approved by the Board prior
3 to retirement of the member. The amount paid to a member, a beneficiary or a surviving spouse shall be
4 reduced by payments made to an alternate payee under a court or department order as contemplated by
5 Section 4.36.295.

6 OPTION A. The lesser retirement allowance shall be payable to the member throughout his life;
7 provided, that if he dies before he receives in annuity payments pursuant to Section 4.36.210A1 a total
8 amount equal to the amount of his accumulated contributions as of the date of his retirement, the balance
9 of such accumulated contributions shall be paid in one (1) lump sum to his estate or to such person as he
10 shall nominate by written designation duly executed and filed with the Board.

11 OPTION B. The less retirement allowance shall be payable to a member throughout his life
12 provided that if he dies before he receives in annuity payments pursuant to Section 4.36.210A1 a total
13 amount equal to the amount of his accumulated contributions as of the date of his retirement, the annuity
14 payments resulting from his accumulated contributions shall be continued and paid to his estate or to
15 such person as he shall nominate by written designation duly executed and filed with the Board, until the
16 total amount of annuity payment shall equal the amount of his accumulated contributions as it was at the
17 date of his retirement.

18 OPTION C. The member shall elect a "guaranteed period" of any number of years. If he dies
19 before the lesser retirement allowance has been paid to him for the number of years elected by him as the
20 "guaranteed period," the lesser retirement allowance shall be continued to the end of the "guaranteed
21 period," and during such continuation shall be paid to his estate or to such person as he shall nominate
22 by written designation duly executed and filed with the Board.

1 OPTION D. The lesser retirement allowance shall be payable to the member throughout life, and
2 after the death of the member, one-half (1/2) of the lesser retirement allowance shall be continued
3 throughout the life of and paid to the wife or husband of the member. If the spouse predeceases the
4 member, then upon receipt of written notice of such death by the Board, the member's retirement
5 allowance shall increase to the amount that would have been provided as if the member had not selected
6 this option.

7 OPTION E. The lesser retirement allowance shall be payable to the member throughout life, and
8 after death of the member it shall be continued throughout the life of and paid to the wife or husband of
9 the member. If the spouse predeceases the member, then upon receipt of written notice of such death by
10 the Board, the member's retirement allowance shall increase to the amount that would have been
11 provided as if the member had not selected this option.

12 OPTION F. A member who retires from service prior to the age of becoming eligible for
13 retirement payments under the federal system, commonly known as Social Security, and who at the time
14 of retiring is fully insured under the federal system, may elect to have his retirement allowance payable
15 during his or her life only, increased prior to the age at which the member could elect an unreduced
16 Social Security retirement benefit and reduced after such age by amounts which have equivalent
17 actuarial values. Prior to retirement, the member shall obtain, and provide to the Board, a written
18 estimate of his Old-Age Benefit for the age at which the member could elect an unreduced Social
19 Security benefit. If option F is elected and the member's death occurs prior to the age at which the
20 member could have elected an unreduced Social Security retirement benefit, any death benefit payable
21 under any other option after the date the member would have attained such age, shall reflect the expected
22 lesser amount of option F.

1 OPTION G. The member may elect to receive a lump sum payment upon retirement, of either
2 fifty (50) percent or one-hundred (100) percent of his or her accumulated contributions. The member's
3 retirement allowance as provided for in Section 4.36.210 shall be reduced by the actuarial equivalent of
4 the withdrawn lump sum.

5 ((The amount paid to a member, a beneficiary or a surviving spouse shall be reduced by
6 payments made to an alternate payee under a court or department order as contemplated by Section
7 4.36.295.))

8
9 Section 3. There is added to the Seattle Municipal Code Chapter 4.36 a new Section 4.36.410 as
10 follows:

11 **4.36.410 Administration of Chapter - Construction - Severability.**

12 A. The retirement plan created by this chapter shall be administered so as to comply with the
13 federal Internal Revenue Code, Title 26 U.S.C., where applicable, and specifically with plan
14 qualification requirements imposed on governmental plans by section 401(a) of the Internal Revenue
15 Code.

16 B. Any section or provision of this chapter which may be susceptible to more than one
17 construction shall be interpreted in favor of the construction most likely to satisfy requirements imposed
18 on governmental plans by Section 401(a) of the Internal Revenue Code.

19 C. If any section or provision of this chapter is found to be in conflict with the plan qualification
20 requirements for governmental plans in section 401(a) of the Internal Revenue Code, the conflicting part
21 of this chapter is hereby inoperative solely to the extent of the conflict, and such finding shall not affect
22 the operation of the remainder of this chapter.

1 Section 4. This ordinance shall take effect and be in force thirty (30) days from and after its
2 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
3 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

4
5 Passed by the City Council the 24 day of February, 1997, and signed by me in open
6 session in authentication of its passage this 24 day of February, 1997.

7
8 Jan Drago
President _____ of the City Council

9
10
11 Approved by me this 24 day of February, 1997.

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13 Jan Drago
Pro Tem Mayor

14 Filed by me this 27 day of February, 1997.

15
16 Margaret Carter
Clerk

17 (Seal)

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Seattle City Employees' Retirement System

Board of Administration
Roger A. Howeller, Executive Director



January 24, 1997

Tom Tierney, Director
Office of Management and Planning
City of Seattle

Dear Mr. Tierney:

Attached is an ordinance request which will provide members with additional benefit payment options at the time of retirement. The three new options are as follows:

1. **Level Income Option**

This option allows a member who retires prior to the normal Social Security Age (SSA) to receive retirement benefits that are modified so that the combined income from the Retirement System and Social Security is level throughout the member's lifetime. This means the System's payments are higher before the Social Security payments begin and then lower after they begin. Depending on the amount of the retirement benefit and the estimated Social Security benefit payment, in some cases no retirement benefits remain payable after Social Security begins. Although the theory is that the member's income stream will be level, often it is not. This is because Social Security, and often the System as well, makes post retirement adjustments that upset the original "leveling out" feature of this option. This option would appeal to a member who retires early but still has significant financial obligations such as a mortgage, college tuition, or children still living at home.

2. **Joint and Survivor with Pop-up**

This is a variation of the joint and survivor form of payment and will modify the current option D & E (SMC 4.36.260). Under the "pop-up" option, if the beneficiary dies before the member, the member's benefit payment pops up to what it would have been had the member not elected the joint and

survivor feature. Under the normal joint and survivor option, the member elects a reduced monthly benefit in order to provide protection to a beneficiary. When the beneficiary dies before the member the protection is of no further value, yet the member's benefit is still reduced. In a sense, the member has paid for something that will not be received. Under this pop-up version, the member's benefit is restored once the protection is no longer needed. The reduction for the joint and survivor with pop-up option is greater than for the normal joint and survivor option, again to cover the financial cost of providing additional benefits.

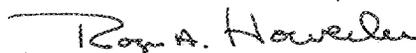
3. **Lump Sum Payment**

This option would allow members a partial lump sum payment at retirement which is equivalent to either the member's accumulated contributions with interest, or of one-half of this amount. The members normal monthly pension would be reduced by an amount to actuarially compensate for the funds withdrawn. This option would appeal to a member who wishes to purchase a retirement home or has other needs for cash at the time of retirement, or the retiree may be confident he has the ability to make more money than the reduced pension would pay him.

There is no cost to the City or to the Retirement System to provide these additional options as the member pension is reduced to actuarially compensate for any option selected.

Please forward the proposed legislation to Councilmember Drago.

Sincerely,
BOARD OF ADMINISTRATION



Roger A. Howeler
Executive Director

Seattle City Employees' Retirement System

Board of Administration
Roger A. Howeller, Executive Director



January 24, 1997

Jan Drago
President
Seattle City Council

Dear Council member Drago:

The Board of Administration of the Seattle City Employees' Retirement System respectfully request the passage of an ordinance which will provide members with additional benefit payment options at the time of retirement. The three new options are as follows:

1. **Level Income Option**

This option allows a member who retires prior to the normal Social Security Age (SSA) to receive retirement benefits that are modified so that the combined income from the Retirement System and Social Security is level throughout the member's lifetime. This means the System's payments are higher before the Social Security payments begin and then lower after they begin. Depending on the amount of the retirement benefit and the estimated Social Security benefit payment, in some cases no retirement benefits remain payable after Social Security begins. Although the theory is that the member's income stream will be level, often it is not. This is because Social Security, and often the System as well, makes post retirement adjustments that upset the original "leveling out" feature of this option. This option would appeal to a member who retires early but still has significant financial obligations such as a mortgage, college tuition, or children still living at home.

2. **Joint and Survivor with Pop-up**

This is a variation of the joint and survivor form of payment and will modify the current option D & E (SMC 4.36.260). Under the "pop-up" option, if the

beneficiary dies before the member, the member's benefit payment pops up to what it would have been had the member not elected the joint and survivor feature. Under the normal joint and survivor option, the member elects a reduced monthly benefit in order to provide protection to a beneficiary. When the beneficiary dies before the member the protection is of no further value, yet the member's benefit is still reduced. In a sense, the member has paid for something that will not be received. Under this pop-up version, the member's benefit is restored once the protection is no longer needed. The reduction for joint and survivor with pop-up option is greater than for the normal joint and survivor option, again to cover the financial cost of providing additional benefits.

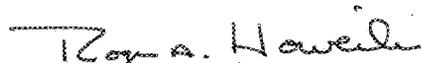
3. **Lump Sum Payment**

This option would allow members a partial lump sum payment at retirement which is equivalent to either the member's accumulated contributions with interest, or of one-half of this amount. The members normal monthly pension would be reduced by an amount to actuarially compensate for the funds withdrawn. This option would appeal to a member who wishes to purchase a retirement home or has other needs for cash at the time of retirement, or the retiree may be confident he has the ability to make more money than the reduced pension would pay him.

There is no cost to the City or to the Retirement System to provide these additional options as the member pension is reduced to actuarially compensate for any option selected.

Attached is a copy of the proposed legislation.

Sincerely,
BOARD OF ADMINISTRATION



Roger A. Howeler
Executive Director

TIME AND DATE STAMP

SPONSORSHIP

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

Martin C.

_____	_____
_____	_____
_____	_____
_____	_____

FOR CITY COUNCIL PRESIDENT USE ONLY

COMMITTEE(S) REFERRED TO: _____

PRESIDENT'S SIGNATURE

City of Seattle

Executive Department—Office of Management and Planning

Thomas M. Tierney, Director
Norman B. Rice, Mayor

January 28, 1997

The Honorable Mark Sidran
City Attorney
City of Seattle

Dear Mr. Sidran:

The Mayor is proposing to the City Council that the enclosed legislation be adopted.

REQUESTING
DEPARTMENT: Retirement

SUBJECT: AN ORDINANCE relating to the City Employees' Retirement System; amending the provisions for optional retirement allowances; permitting partial lump sum payments upon retirement; and amending the Seattle Municipal Code Sections 4.36.030, 4.36.260, adding a new Section 4.36.410 in connection therewith.

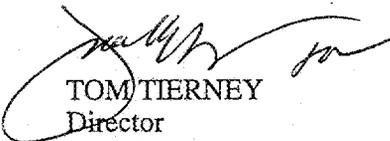
Pursuant to the City Council's S.O.P. 100-014, the Executive Department is forwarding this request for legislation to your office for review and drafting.

After reviewing this request and any necessary redrafting of the enclosed legislation, return the legislation to OMP. Any specific questions regarding the legislation can be directed to Jeanette Martin, 4-8071.

Sincerely,

Norman B. Rice
Mayor

by


TOM TIERNEY
Director

Enclosure

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97-016

OK
mud
1/29/97

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SEATTLE CITY ATTORNEY

STATE OF WASHINGTON - KING COUNTY

77857
City of Seattle, City Clerk

—ss.

No. ORDINANCE IN

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:ORD 118497

was published on

03/10/97

The amount of the fee charged for the foregoing publication is the sum of \$ _____, which amount has been paid in full.

R. Patterson
Subscribed and sworn to before me on
03/06/97
McCluney
Notary Public for the State of Washington,
residing in Seattle

mortality tables and regulations as shall be adopted by the Board.

E. "Additional contributions" means the contributions provided for in subdivision (d), Section 5, of this ordinance.

((B))E. "Annuity" means the payments derived from contributions made by a member as provided in Secti. as 4.36.210 and 4.36.230.

((F))G. "Basic pension" means the annuity derived from normal contributions of members; the pension derived from matching contributions of the City and the pension for prior service, if any.

((G))H. "Beneficiary" means any person in receipt of a pension, annuity, retirement allowance, disability allowance, or any other benefit provided in this chapter.

((H))I. "Board" means "Board of Administration" as provided in Section 4.36.136. Section 2, Section 4.36.260 of the Seattle Municipal Code (Ordinance 78444 as last amended by Ordinance 116069) is further amended as follows:

4.36.260 Optional lesser retirement allowances.

A member may elect to receive, in lieu of the retirement allowance provided for in Section 4.36.210, its actuarial equivalent in the form of a lesser retirement allowance, payable in accordance with the terms and conditions of one (1) of the options set forth in options A through E of this section. Options F and/or G may be elected alone or in conjunction with one (1) of the options set forth in options A through E. The election of option F or G will result in the actuarial equivalent of the retirement allowance otherwise payable. Option G includes the lump sum payment of a partial refund. If a combination is elected, the lesser retirement allowance shall be determined by first applying the option G factor, if applicable, then the option F factor, if applicable, and then finally the option A-E factor. Upon the death of a retired member, any death benefits will be payable in accordance with the provisions of the options elected under this section if any. Election of any option must be made by written application filed with the Board of Administration at least thirty (30) days in advance of retirement as provided in Section 4.36.200, and shall not be effective unless approved by the Board prior to retirement of the member. The amount paid to a member, a beneficiary or a surviving spouse shall be reduced by payments made to an alternate payee under a court or department order as contemplated by Section 4.36.295.

OPTION A. The lesser retirement allowance shall be payable to the member throughout his life; provided, that if he dies before he receives in annuity payments pursuant to Section 4.36.210A1 a total amount equal to the amount of his accumulated contributions as of the date of his retirement, the balance of such accumulated contributions shall be paid in one (1) lump sum to his estate or to such person as he shall nominate by written designation duly executed and filed with the Board.

OPTION B. The less retirement allowance shall be payable to a member throughout his life