

Ordinance No. 124082

Council Bill No. 117642

AN ORDINANCE clarifying the disability retirement benefit formula in the Seattle City Employees' Retirement System (SCERS); amending Seattle Municipal Code section 4.36.230; providing a benefit that is directly proportional to City service for members making application for disability retirement after December 31, 2012 who have less than 10 years of City service but who otherwise may qualify for a disability retirement under portability.

Related Legislation File:

| | |
|---|---|
| Date Introduced and Referred: 10.29.12 | To: (committee): Government Performance & Finance Budget |
| Date Re-referred: | To: (committee): |
| Date Re-referred: | To: (committee): |
| Date of Final Action: 12.17.12 | Date Presented to Mayor: 12.18.12 |
| Date Signed by Mayor: 12.21.12 | Date Returned to City Clerk: 12.21.12 |
| Published by Title Only <input checked="" type="checkbox"/> | Date Vetoed by Mayor: |
| Published in Full Text | Date Passed Over Veto: |
| Date Veto Published: | Date Returned Without Signature: |

The City of Seattle – Legislative Department

Council Bill/Ordinance sponsored by: *Roby*

Committee Action:

| Date | Recommendation | Vote |
|-----------------|----------------|----------------------------|
| 12/13/12 | Adopt | 13 2 0 SC |

This file is complete and ready for presentation to Full Council.

Full Council Action:

| Date | Decision | Vote |
|-----------------|---------------|------------|
| 12.17.12 | Passed | 9-0 |

CITY OF SEATTLE

ORDINANCE 124082

COUNCIL BILL 117642

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4 AN ORDINANCE clarifying the disability retirement benefit formula in the Seattle City
5 Employees' Retirement System (SCERS); amending Seattle Municipal Code section
6 4.36.230; providing a benefit that is directly proportional to City service for members
7 making application for disability retirement after December 31, 2012 who have less than
8 10 years of City service but who otherwise may qualify for a disability retirement under
9 portability.

10 WHEREAS, the Seattle City Employees' Retirement System (SCERS) provides both service
11 retirement benefits and disability retirement benefits to eligible members of SCERS; and

12 WHEREAS, the Seattle Municipal Code (SMC) requires SCERS members to have 10 years of
13 City service over a period not to exceed 15 years to be eligible for a disability retirement
14 benefit, among other requirements; and

15 WHEREAS, the disability benefit formula in SMC 4.36.230 often results in a disability benefit
16 equal to one third of the member's final average compensation; and

17 WHEREAS, the City agreed to participate in portability with other Washington retirement
18 systems under Revised Code of Washington (RCW) 41.54, and under those provisions,
19 service in such other retirement systems may be combined for purposes of determining
20 eligibility for a disability retirement; and

21 WHEREAS, under portability, a non-vested member of SCERS may be eligible for a SCERS
22 disability retirement benefit worth up to one-third of final compensation, which would
23 result in disproportionate costs to SCERS; and

24 WHEREAS, earlier in 2012 the SCERS Board of Administration recommended and the City
25 Council adopted a modification to the disability and temporary disability retirement
26 provisions whereby the previous prohibition to pre-existing conditions was eliminated
27 from the eligibility requirements, thus making the disability benefit more valuable and
28 application of portability to a disability retirement more sensitive; and

WHEREAS, it is the belief of the SCERS Board of Administration and Seattle City Council that
this disproportionate allocation of disability retirement benefit in certain cases involving
portability is not in keeping with the intent of portability; and



1 WHEREAS, Seattle wishes to provide disability retirement benefits under portability that are
2 proportional to the member's "actually established" City service as envisioned in RCW
3 41.54.032.2(b); NOW, THEREFORE,

4 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

5 Section 1. Section 4.36.230.A of the Seattle Municipal Code, which section was last
6 amended by Ordinance 121366, is amended as follows:

7 A. Upon retirement for disability, as provided in Section 4.36.220, provided the disability
8 is not due to intemperance, willful misconduct or violation of law, of which the Board shall be
9 the judge, a member shall receive a retirement allowance calculated as follows:

10 For a member, making application for disability retirement after December 31, 2012,
11 with less than 10 years of actual City service, but who otherwise qualifies for a disability
12 retirement under the portability provisions of RCW 41.54.032, one and one-half (1 1/2) percent
13 of final compensation multiplied by years of creditable City service. For all other members with
14 at least 10 years of actual City service, ((~~Θ~~))one and one-half (1 1/2) percent of final
15 compensation multiplied by years of creditable service, if such retirement allowance exceeds
16 one-third (1/3) of his final compensation; otherwise one and one-half (1 1/2) percent of final
17 compensation multiplied by years of service which would be creditable to him were his services
18 to continue until attainment of age sixty-two (62) but such alternative disability retirement
19 allowance shall not exceed one-third (1/3) of such final compensation; provided, that no
20 disability retirement allowance shall exceed sixty (60) percent of final compensation.
21 Notwithstanding any provision of this section to the contrary, the minimum retirement allowance
22 shall be One Hundred Forty Dollars (\$140) per month.

23 The retirement allowance as above calculated shall consist of:

24 1. An annuity which shall be the actuarial equivalent of the member's accumulated
25 normal contributions;



1 2. A pension which shall be the actuarial equivalent of the City's matching contributions;

2 3. A pension for prior service, if any, calculated at the rate of one and one-half (1 1/2)
3 percent of final compensation for each year of prior service, which shall be provided by
4 contributions of the City;

5 4. An additional pension, provided by contributions of the City, should the calculation of
6 the allowance show that subsections A1, 2 and 3 above are not enough to produce the retirement
7 allowance indicated;

8 5. When use of proper annuity and pension rates results in a retirement allowance
9 amounting to more than would be realized by adherence to the formula indicated in the second
10 paragraph of this section the Board shall allow the higher amount.



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

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5 Passed by the City Council the 17 day of December, 2012, and
6 signed by me in open session in authentication of its passage this
7 17 day of December, 2012.

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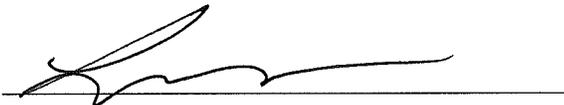
10 President _____ of the City Council

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12 Approved by me this 25 day of December, 2012.

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15 Michael McGinn, Mayor

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17 Filed by me this 21 day of December, 2012.

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20 *for* Monica Martinez Simmons, City Clerk

21 (Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

| Department: | Contact Person/Phone: | CBO Analyst/Phone: |
|------------------------------|------------------------------|---------------------------|
| Employees' Retirement System | Cecelia M. Carter (5-1423) | Jessica Wang (5-1759) |

Legislation Title: AN ORDINANCE clarifying the disability retirement benefit formula in the Seattle City Employees' Retirement System (SCERS); amending Seattle Municipal Code section 4.36.230; providing a benefit that is directly proportional to City service for members making application for disability retirement after December 31, 2012 who have less than 10 years of City service but who otherwise may qualify for a disability retirement under portability.

Summary of the Legislation: This ordinance adds a provision to the disability retirement benefit definition to address members with less than 10 years of City service who combine service in other retirement systems under portability. The goal is to establish a benefit in these cases that is directly proportional to the length of the member's actual City service.

Background: The Seattle City Employees' Retirement System (SCERS) offers its members a disability retirement benefit that replaces a share of their working income in the event that he or she becomes permanently and totally disabled. This benefit is in addition to the disability insurance benefits that are available from City personnel and the Federal Social Security program.

The Seattle Municipal Code already requires that members perform 10 years of City service before becoming eligible for a SCERS disability retirement. The benefit calculation is complex, but often results in a benefit that replaces 33% of the member's final compensation. However, under portability, service in other retirement systems may be combined when determining eligibility for a disability retirement. The SMC currently lacks any provision for determining a benefit when the member has less than 10 years of City service. As a result, a member with 10 years of service in a portable system but as little as one day of service in Seattle could be eligible for a Seattle disability retirement benefit worth 33% of salary. A case of this type recently came to light in the City of Tacoma's retirement system, which has a similar benefit formula and eligibility rules. In that case, even though the member had more far service with the State of Washington than with the City of Tacoma, the City was required to pay the vast majority of the member's disability retirement benefit under portability. The outcome is thought to be contrary to the spirit of portability as described in the Revised Code of Washington (RCW 41.54) which allows retirement systems to "[c]alculate the disability retirement allowance *based on service actually established in the current system*" [emphasis added].

To correct this oversight, this legislation would add a provision to the disability benefit definition for members making application for a disability retirement after December 31, 2012. The new piece of the benefit formula addresses members who have less than 10 years of City service but



who otherwise qualify for a disability pension under portability. It provides a benefit worth 1.5% of salary for each year of City service. This definition helps restore the proportionality that was intended when portability was enacted.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

This legislation has only small, indirect financial implications for the Retirement Fund and City pension costs. The legislation makes no appropriations or position changes and has no direct effect on City pension contributions or Retirement Fund revenues.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**

This legislation would reduce the Fund's benefit costs in the event of a disability-portability retirement where the member had less than 10 years of City service. Such cases are expected to be quite rare.

- b) **What is the financial cost of not implementing the legislation?**

The cost of not implementing the legislation is uncertain and would depend on member behavior. If this disability-portability "loophole" were to become widely known and abused, the Retirement Fund could be forced to grant disability pensions worth 33% of salary for members with very short City service, possibly as little as one day.

- c) **Does this legislation affect any departments besides the originating department?** No

- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**

Other mathematical solutions to this issue are possible. Tacoma's City Council enacted legislation limiting eligibility for City disability retirements under portability. Seattle, however, prefers to address the issue through the benefit formula.

- e) **Is a public hearing required for this legislation?** No

- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No

- g) **Does this legislation affect a piece of property?** No



h) Other Issues: None

List attachments to the fiscal note below:

None.



STATE OF WASHINGTON – KING COUNTY

--SS.

292351

No.

CITY OF SEATTLE, CLERKS OFFICE

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.

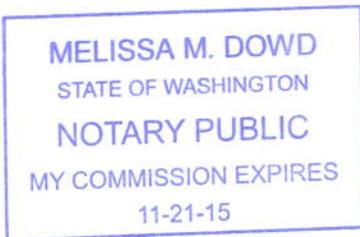
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:124082-124093 TITLE

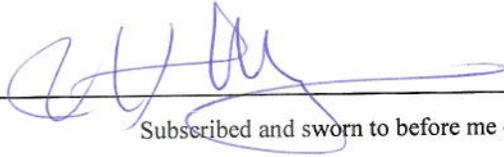
was published on

01/09/13

The amount of the fee charged for the foregoing publication is the sum of \$222.42 which amount has been paid in full.

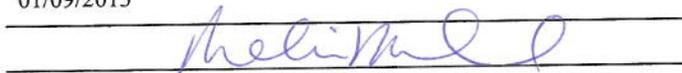


Affidavit of Publication



Subscribed and sworn to before me on

01/09/2013



Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

The full text of the following legislation, passed by the City Council on December 17, 2012, and published below by title only, will be mailed upon request, or can be accessed at <http://clerk.seattle.gov>. For information on upcoming meetings of the Seattle City Council, please visit <http://www.seattle.gov/council/calendar>. Contact: Office of the City Clerk at (206) 684-8344.

ORDINANCE NO. 124082

AN ORDINANCE clarifying the disability retirement benefit formula in the Seattle City Employees' Retirement System (SCERS); amending Seattle Municipal Code section 4.36.230; providing a benefit that is directly proportional to City service for members making application for disability retirement after December 31, 2012 who have less than 10 years of City service but who otherwise may qualify for a disability retirement under portability.

ORDINANCE NO. 124083

AN ORDINANCE authorizing the Director of the Department of Transportation to acquire, accept, and record on behalf of the City of Seattle; four permanent easements from abutting property owners located in portions of Lots 2, 3, 4, and 5, Block 6, of the Replat of Block 6 of the Lake Dell Addition to the City of Seattle; for the purposes of constructing, repairing, replacing, and maintaining a catchment wall in connection with Lake Dell Avenue; and ratifying and confirming prior acts.

ORDINANCE NO. 124084

AN ORDINANCE vacating a portion of the alley in Block 101, D. T. Denny's Fifth Addition to North Seattle on the petition of City Place IV LLC, a Washington limited liability company; accepting an Easement for Alley Turn-Around for public vehicle turn-around purposes; accepting an Agreement Regarding Stormwater Drainage Improvements to design and construct a new stormwater system to convey stormwater from the alley to the City's sewer system; and accepting a Property Use and Development Agreement as reflected in Clerk File 309170.

ORDINANCE NO. 124085

AN ORDINANCE vacating the alley in Block 102, D. T. Denny's First Addition to North Seattle on the petition of Lake Union III LLC, a Washington limited liability company; and accepting a Property Use and Development Agreement as reflected in Clerk File 304098.

ORDINANCE NO. 124086

AN ORDINANCE vacating a portion of the alley in Block 103, D. T. Denny's First Addition to North Seattle on the petition of City Place III LLC, a Washington limited liability company; accepting an Agreement Regarding Stormwater Drainage Improvements to design and construct a new stormwater system to convey stormwater from the alley to the City's sewer system; and accepting a Property Use and Development Agreement as reflected in Clerk File 308958.

ORDINANCE NO. 124087

AN ORDINANCE authorizing, in 2012, acceptance of funding from non-City sources; authorizing the heads of the Department of Neighborhoods, Executive Office, City Budget Office, Seattle Fire Department, Seattle Police Department, Department of Planning and Development, Department of Parks and Recreation, Human Services Department, Department of Transportation, Seattle City Light, and Seattle Public Utilities to accept specified grants and private funding and to execute, deliver, and perform corresponding agreements; and ratifying and confirming certain prior acts.

ORDINANCE NO. 124088

AN ORDINANCE related to the 2012 Budget; amending Ordinance 123758, which adopted the 2012 Budget, including the 2012-2017 Capital Improvement Program (CIP); creating a new appropriation, changing appropriations to various departments and budget control levels, and from various funds in the Budget; making cash transfers between various City funds; adding new projects; creating new positions; creating exempt positions; abrogating positions; revising project allocations for certain projects in the 2012-2017 CIP; revising project descriptions; and ratifying and confirming certain prior acts; all by a 3/4 vote of the City Council.

ORDINANCE NO. 124089

AN ORDINANCE relating to taxation; adopting amendments to the model business license tax ordinance; amending the Seattle Municipal Code due to changes in the Revised Code of Washington as it pertains to the taxation of digital products by local jurisdictions; and amending sections in chapters 5.30 and 5.45 of the Seattle Municipal Code.

ORDINANCE NO. 124090

AN ORDINANCE relating to City employment, to continue to provide a wage supplement and insurance benefits for employees who are mobilized by the United States Armed Forces for active military service; and ratifying and confirming prior acts.

ORDINANCE NO. 124091

AN ORDINANCE, relating to City employment, to be known as the 2013 Pay Zone Ordinance; adjusting the pay zone structures for the City's discretionary pay programs for the year 2013.

ORDINANCE NO. 124092

AN ORDINANCE relating to City employment commonly referred to as the Fourth Quarter 2012 Employment Ordinance; establishing new titles and/or salaries, amending Seattle Municipal Code Section 4.20.320, designating positions as exempt from Civil Service status, returning positions to Civil Service status, amending Seattle Municipal Code Section 4.13.010 and ratifying and confirming prior acts; all by a 2/3 vote of the City Council.

ORDINANCE NO. 124093

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

Date of publication in the Seattle Daily Journal of Commerce, January 9, 2013.

1/9(292351)