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John McCoy
LEG SCERS Interest Rate RES
October 17, 2011
Version #2

RESOLUTION 31333

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A RESOLUTION approving interest rates set by the Seattle City Employees' Retirement System (SCERS) Board of Administration for 2012.

WHEREAS, SCERS currently pays interest on employees' contributions at an annual rate of 5.75% (compounded annually); and

WHEREAS, Seattle Municipal Code section 4.36.140 gives the SCERS Board of Administration the power to "make any necessary changes in the rate of interest" and further provides that "[n]othing in this section shall be construed to limit the right of the Board, subject to approval of the City Council, to make changes in rates of interest whenever the Board deems it necessary or advisable"; and

WHEREAS, the SCERS Board of Administration, at its October 5, 2011 meeting, voted to recommend an annual interest rate of 4.47% (compounded annually) for all contributions received after December 31, 2011 and to continue the 5.75% annual rate (also compounded annually) for all contributions received on or before that date; and

WHEREAS, the SCERS Board also resolved to review and adjust the interest rate annually based on market conditions, for all contributions received after December 31, 2011;
NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE THAT:

Section 1. The City Council approves the interest rates for 2012 as recommended in the Statement of Credit Interest Policy adopted by the SCERS Board of Administration on October 5, 2011, a copy of which is attached hereto as Attachment A.



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Adopted by the City Council the ____ day of _____, 2011, and signed
by me in open session in authentication of its adoption this ____ day
of _____, 2011.

President _____ of the City Council

Filed by me this ____ day of _____, 2011.

Monica Martinez Simmons, City Clerk

(Seal)

Attachment A – Statement of Credit Interest Policy



FILED
CITY OF SEATTLE

STATEMENT OF CREDIT INTEREST POLICY

11 OCT 20 AM 11:37

Board of Administration

CITY CLERK SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Revised and Adopted: 10 | 5 | 2011

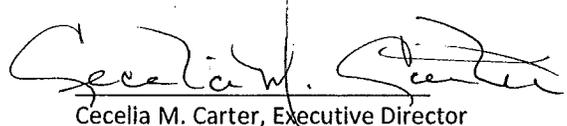
WHEREAS, the Seattle Municipal Code section 4.36.140 gives the SCERS Board of Administration (Board) the power to "make any necessary changes in the rate of interest" and goes on to say that "[n]othing in this section shall be construed to limit the right of the Board, subject to approval of the City Council, to make changes in rates of interest whenever the Board deems it necessary or advisable;"

The SCERS Board of Administration adopts the following policy and asks the Seattle City Council for its approval:

1. The Board intends to review the rate of interest paid on eligible member accounts annually. To the extent practicable, the Board intends to adopt an interest rate each year to be effective the following year by the date of its regular meeting in July.
2. The Board will set the interest rate with a view toward the market returns of other low-risk or risk-free investments. The policy target for the SCERS interest rate effective each January 1 will be the average yield on 30-year U.S. Treasury Bonds during the most recently preceding June 1 to May 31 period, plus 0.25%, with a maximum credit interest rate equal to 5.75%. For the period of June 2010 to May 2011, the 12-month average yield on 30-year U.S. Treasury Bonds was 4.22%.¹
3. For calendar year 2012, SCERS will pay the following rates of interest on eligible member accounts:
 - a. For all employee contributions made on or before December 31, 2011 – 5.75% annual rate, compounded annually.
 - b. For all employee contributions made after December 31, 2011 – 4.47% annual rate, compounded annually.
4. All employee contributions made after December 31, 2011 will be subject to the new rate set annually by the Board.
5. For all former employees of the City of Seattle with membership in SCERS who have less than five (5) years of creditable service (are not vested) and have not established dual membership as promulgated under SMC 4.36.400 and the RCW 41.54.061; after twenty-four (24) months from the date of separation from City employment, SCERS will cease applying compounding credit interest on the former employees' accumulated contributions with interest (ACWI).
6. The Board directs SCERS staff to communicate this policy to all non-retired members and make any necessary changes to the SCERS handbook, website, and other system publications and procedures.
7. This policy is subject to change as deemed necessary or appropriate by the Board, without reservation of any of the Board's rights or duties under Seattle Municipal Code section 4.36.140 or any other provision of applicable law.

Signed this 5th day of October, 2011


Jean Godden, Chair
SCERS Board of Administration


Cecelia M. Carter, Executive Director

¹ From the monthly series for nominal 30-year treasuries at <http://www.federalreserve.gov/releases/H15/data.htm>

2012 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Legislative	John McCoy 5-0768	Greg Hill 4-8049

Legislation Title:

A RESOLUTION approving interest rates set by the Seattle City Employees' Retirement System (SCERS) Board of Administration for 2012.

Summary of the Legislation:

Per Seattle Municipal Code 4.36.140.A.1, this resolution provides City Council approval of the 2012 interest rates on member contributions set by the SCERS Board of Administration.

Background:

Under the policy enacted by the SCERS Board, contributions received on or before December 31, 2011 will continue to earn 5.75% annual interest, compounded annually. Contributions received after that date will earn 4.47% interest in 2012, and the Board will review and adjust the interest rate annually, based on the performance of other interest rates in the market.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

By itself, this resolution has no financial implications for City spending, but in conjunction with the City's funding policy, the interest rate does have significant implications. For those, see the Fiscal Note for companion Resolution 31334.