

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 118200

AN ORDINANCE relating to the Seattle City Employees' Retirement System; clarifying and simplifying the calculations for final compensation and creditable service; amending Sections 4.36.040, 4.36.050, and 4.36.555 of the Seattle Municipal Code.

WHEREAS, the Seattle Municipal Code ("SMC") Chapter 4.36 includes instructions for calculations of the Final Compensation and Service Credit for a member;

WHEREAS, the outcome of these calculations is used to determine the retirement benefit for retirement system members;

WHEREAS, the current SMC descriptions for some of the calculations may be considered ambiguous or incomplete;

WHEREAS, clarified and simplified methods for calculating Final Compensation and Service Credit will make the process easier for members to understand and improve efficiency;

WHEREAS, the effect of implementing the new calculation methods on retirement benefits will be de minimis; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 4.36.040 of the Seattle Municipal Code, last amended by Ordinance 124392, is amended as follows:

4.36.040 Definitions — Alphabetical "C" through "D"

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

* * *

~~("Compensation earnable" by a member means the average compensation as determined by the Board of Administration upon the basis of the average period of employment of members in~~

1 ~~the same group or class of employment and at the same rate of pay. Any other provisions of this~~
2 ~~chapter, particularly subsection 4.36.540.B, insofar as in conflict herewith are hereby~~
3 ~~superseded.))~~

4 * * *

5 **Section 2.** Section 4.36.050 of the Seattle Municipal Code, last amended by Ordinance
6 **123871**, is amended as follows:

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8 **4.36.050 Definitions — Alphabetical "E" through "M"**

9 Unless a different meaning is plainly required by the context, the terms used in this
10 chapter shall have the following meanings:

11 * * *

12 "Final compensation" means the average annual compensation (~~((earnable by a member during~~
13 ~~his 24 highest consecutive months))~~ earned during a member's 52 highest consecutive biweekly
14 pay periods prior to termination of employment with the City. (~~((The "final compensation" of a~~
15 ~~member who retires from a temporary, interim, provisional, intermittent or part-time position is~~
16 ~~determined by multiplying the member's average hourly rate during his or her highest~~
17 ~~consecutive 4,176 hours of service by 2,088 hours.))~~)

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21 **Section 3.** Section 4.36.555 of the Seattle Municipal Code, last amended by the
22 Ordinance introduced as Council Bill _____, is amended as follows:

23 **4.36.555 Determination of creditable service**

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25 A. A member (~~((in an eligible full-time position, with creditable service for every day,))~~ who
26 has served continuously in a full-time position and not realized any time loss will accrue a
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Filed by me this ____ day of _____, 2014.

Monica Martinez Simmons, City Clerk

(Seal)

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Retirement	Tim Morrison/684-0117	Jessica Wang/615-1759

Legislation Title:

AN ORDINANCE relating to the Seattle City Employees' Retirement System; clarifying and simplifying the calculations for final compensation and creditable service; amending Sections 4.36.040, 4.36.050, and 4.36.555 of the Seattle Municipal Code.

Summary of the Legislation:

Final compensation and service credit are central elements in the calculation the retirement allowance for a member of the system. The ordinance removes ambiguities and gaps in the code regarding the definition of these terms, and clarifies how they should be applied in the benefit calculation.

The effect of implementing the new calculation methods on retirement benefits will be de minimis.

Background:

Currently the code describes two methods for calculating final compensation: one method for members retiring from temporary, intermittent or part-time positions, and the other method for all other members. The latter method uses the concept of "compensation earnable" which is not well-defined in the code. The ordinance removes the term "compensation earnable" from the code, and specifies a single method of calculating final average salary. The method gives essentially the same result as the current methods for almost all employees. For a small group – part-time employees who earn differential or premium pay – the new method will result in a slightly higher final average salary. The resulting benefit increase is actuarially insignificant, i.e. it has no impact on the fund's valuation.

As with the calculation of final compensation, the code describes two methods for calculating service credit: one for members in temporary, intermittent or part-time positions, and another for members in regular full-time positions. The code's descriptions of the two methods are clear although not entirely complete, i.e. there are frequently cases for which the code does not give direction on how to calculate service credit. The most common case is full-time employees who have had some time loss during their service. The ordinance modifies the method for calculating service credit for members in temporary, intermittent or part-time positions and extends the application of the method to members in full-time positions who have time loss. The result will be a calculation that is simpler for the system to execute and easier for members to understand. The differences between the results using the old and new methods will be insignificant.

Please check one of the following:

X This legislation does not have any financial implications.

(Please skip to "Other Implications" section at the end of the document and answer questions a-h. Earlier sections that are left blank should be deleted. Please delete the instructions provided in parentheses at the end of each question.)

_____ This legislation has financial implications.

(If the legislation has direct fiscal impacts (e.g., appropriations, revenue, positions), fill out the relevant sections below. If the financial implications are indirect or longer-term, describe them in narrative in the "Other Implications" Section. Please delete the instructions provided in parentheses at the end of each title and question.)

Other Implications:

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

No

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

None

- c) **Does this legislation affect any departments besides the originating department?**

The legislation will be of help to retirement system members and to the HR staff that support them, in that it will make the retirement calculation simpler to understand.

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

The objective of the ordinance is to simplify and clarify the calculation of the retirement allowance. This cannot be done without an ordinance

- 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:

No attachments

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