



BOARD OF RETIREMENT

Staff Report

File #: 19-1357

Agenda Date: 4/1/2021

Agenda #: 7.

FROM: Barbara Hannah, Chief Counsel

SUBJECT: Apply the Member Crediting Rate as outlined in Actuary & Audit Policy No. 002 to corrective distributions resulting from the Board's implementation of *Alameda County Deputy Sheriff's Assoc. v. Alameda CERA* (2020) 9 Cal.5th 1032.

RECOMMENDATION:

Approve and apply the Member Crediting Rate as outlined in Actuary & Audit Policy No. 002 to corrective distributions resulting from the Board's implementation of *Alameda County Deputy Sheriff's Association v. Alameda CERA* (2020) 9 Cal.5th 1032.

BACKGROUND:

On August 6, 2020, the SBCERA Board of Retirement adopted several Resolutions implementing the ruling in *Alameda County Deputy Sheriff's Association v. Alameda CERA* (2020) 9 Cal.5th 1032. For those affected by the implementation of the Court's ruling, the adopted Resolutions permitted a corrective distribution to active and deferred members, as well as retirees with a "PEPRA-excluded pay item", who retired prior to July 30, 2020, provided the member's contributions exceeded any retirement benefit payments associated with that portion of the payment. The adopted Resolutions also directed staff to make a corrective distribution for those active, deferred and retirees who retired on or after July 30, 2020, for the "Alameda-excluded pay items".

The Board's approach in determining the appropriate interest rate to credit the corrective distribution of contributions is a policy choice. Staff recommends applying the Member Crediting Rate as outlined in the Actuary & Audit Policy No. 002, at the historical rate applied during the years contributions were reported to SBCERA on a now excluded item. Exhibit A is a copy of the policy; Exhibit B is the historical crediting rate. The member Deposit Reserve is credited semi-annually at the Member Crediting Rate, which currently is the lesser of the assumed investment earnings or the six-month T-bill rate as of the last public auction.

Staff recommends this approach because it is the rate applied to refunds of contributions elected under Government Code section 31628, and it would be applied at the member crediting rate in effect at that time to the corrective distribution of contributions. This method is consistent with SBCERA's longstanding member interest crediting policy and may be applied fairly and uniformly to all members who receive a return of any of their contributions through the corrective distribution process.

BUDGET IMPACT:

None.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Operational Excellence & Efficiency

STAFF CONTACT:

Barbara Hannah

ATTACHMENTS:

Exhibit A: Actuary and Audit Policy No. 002 - Interest Crediting Procedures and Undesignated Excess Earnings Allocation (Effective 11/01/2018)

Exhibit B: Schedule-SBCERA History of Member Crediting Rate (1977-2021)