



TITLE: Credit Interest Policy for Member Contributions

EFFECTIVE DATE: June 9, 2016

BOARD ADOPTION: June 9, 2016

PURPOSE

WHEREAS, the Seattle Municipal Code (SMC) Section 4.36.505 provides that the Board of Administration (Board) shall "make any necessary changes in the rate of interest" and that "nothing 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;"

POLICY

The Seattle City Employees' Retirement System (SCERS) Board of Administration adopts the following policy:

1. The Board intends to credit interest to eligible active and terminated member accounts as follows:
 - 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 – the credit interest rate, compounded annually, should be calculated in the manner specified below.
2. The Board intends to review annually the credit interest rate for all employee contributions made after December 31, 2011. To the extent practicable, the Board intends to adopt at its regular meeting in July the credit interest rate for the following year.
3. The Board will set the credit interest rate for employee contributions after 2011 with a view toward the market returns of other low-risk or risk-free investments. The policy target for the SCERS credit interest rate effective each January 1 for employee contributions made after December 31, 2011 will be the average yield on 30-year U.S. Treasury Bonds during the most recently preceding June 1 to May 31 period with a maximum credit interest rate equal to 5.75%.
4. 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 4.36.590 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).
5. 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.
6. 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 4.36.505 or any other provision of applicable law.