



# Seattle City Employees' Retirement System

## Summer 2007 Newsletter

### ***We have finally reached the 95% funding threshold.***

The Retirement Office is pleased to announce that the long awaited benefit enhancements will soon be in effect. These benefits include enhancements to the COLA and provisions for those who were hired by the City in 1988 through 1998 to be able to buy their first six months of service credit.

We will be sending out multiple mailings to keep our active and retired members apprised. This newsletter includes a brief summary of the changes.

#### **6-month Buyback**

Members who were hired by the City beginning in 1988 through 1998, did not make contributions to the Retirement System during their first six months of service to the City. Therefore, these members will not receive any Retirement Service Credit for the first six months, unless it is purchased.

There will be a one-year window beginning December 1, 2007 for these members to buy their first six months of service credit. Each member will receive a notice in the mail that will include a calculation of the amount that each member would need to pay, if they wished to buy this time. It will be based on the current pay data in the payroll system, multiplied by the contribution rate of 8.03%, multiplied by 1044 hours. If you receive a COLA adjustment, or a step increase, subsequent to our letter to you, and before you have purchased this time, your calculation will need to be adjusted. Your purchase will of course be based upon the rate that is current when you purchase the time. For members who miss the one-year window of opportunity, you will still have a future opportunity to buy the time, however, it will be calculated using the actuarial cost method, which is significantly more expensive. (See examples and info about actuarial cost calculations on the FAQ page of the website.) Members who no longer work for the City, but were employed by the City as of December 1, 2001 may be eligible for this benefit provided their accumulated contributions with interest remain with the System.

If you are one that will be eligible to purchase this time, you will be able to do so using a variety of methods: cash or check, payroll deduction or rollover. If you make arrangements to use payroll deduction to pay for this time, interest will accrue on the declining balance at a simple annual rate of 7.75%. If you do not already have a Deferred Compensation account, you may wish to consider establishing one to begin saving for this purchase. Payments by cash, check or payroll deduction are made after tax, whereas rollovers may be before tax, i.e. tax deferred.



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On August 2, 2007, at their regular monthly meeting, the Retirement Board accepted the results of an actuarial valuation that determined the Fund had sufficient assets to cover the cost of the planned-for benefit enhancements. Richard McIver signs the transmittal document to the City Clerk, making the benefit enhancements official. (Standing: Mary Norris, Dwight Dively, Frank Mathews, Mark McDermott, Rod Rich. Seated: Richard McIver. Lou Walter participated via speakerphone.)

## COLA's

We expect to be able to implement the new COLA structure, beginning on the retiree paycheck that is mailed on or about December 1st. There are several parts to implementing this benefit, one of which includes increasing the Floor COLA to 65% from its current level of 60%. Floor COLAs are designed to keep a retiree's monthly allowance from falling below a specified level, while taking into account the effects of inflation. In addition to the increase in the Floor COLA, those who retired in 1997 or before, will have their monthly allowance recalculated to begin paying an amount equivalent to what it would have been had it been compounded each year with a 1.5% COLA, back to the date of retirement. This will be a significant increase. This 1.5% COLA will replace the Bonus COLA, or what some call the 13th Check. (The annual income from the 1.5% COLA adjustments will be significantly more than the annual income that only included the Bonus COLA.) There will be no "retro pay"; it will only change the monthly amount on a going forward basis. However, the 1.5% COLA benefit will be effective January 1, 2007 and the December 1st check will include a one-time only "catch-up", that will include the amount of the increase from January. This catch-up is expected to be significantly more than the Bonus COLA.

Those who retired in 1998, and after, currently receive a 1.5% COLA each year.



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The examples below estimate what we believe the new COLA benefit will be. *(We are working with the actuaries to finalize these calculations.)*

1997	1995	1990	1985	1980	Year of Retirement
1000	1000	1000	1000	1000	Original monthly allowance
6	9	12	15	18	Bonus %
720	1080	1440	1800	2160	Bonus Amount <i>(Original monthly allowance x Bonus % x 12)</i>
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1178	1214	1307	1408	1517	New monthly allowance <i>(including 1.5% COLA adjustments from retirement)</i>
0	0	0	0	0	Bonus <i>(none)</i>
1780	2140	3070	4080	5170	One-time catch-up <i>(new monthly effective 1/1/07)</i> <i>(New monthly - Original monthly x 10)</i>
2958	3354	4377	5488	6687	December 1st Check 2007 <i>(New monthly allowance + One-time catch-up)</i>
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1195	1232	1326	1429	1539	December 1st Check 2008 <i>(includes 1.5% COLA adjustment)</i>

At this time we are not sure how the change in the Floor COLA from 60% to 65% will impact the monthly allowances, other than to say that it appears that the increase may be approximately 8%. However, there are some retirees that were receiving a Floor COLA adjustment that will find the new 1.5% adjustment to be greater, and therefore, they will rise above the level that meets the Floor COLA adjustment. We expect this may be the case for those that retired in 1980, hence the example above, where the benefit provided by the 1.5% adjustment may be greater than that of the new 65% Floor COLA.

This biggest change will be for those that retired in 1997 or before, and have not received a Floor COLA adjustment. Most of the retirees that have received the Floor COLA adjustments have already received more than what the new 1.5% adjustment provides. Those who retired in 1998 or after, have already received an annual 1.5% COLA adjustment.

The above examples are merely estimates to show how these adjustments may be applied. Please do not spend the extra money before it actually shows up in your retirement check. We are also not in a position to be able to answer questions about individual calculations prior to the mailing of the December 1, 2007 check.

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Seattle City Employees' Retirement System  
702 Third Avenue, Suite 1000  
Seattle WA 98104



## *In this Issue*

The wait is finally over. This year we will see the **Floor COLA being raised to 65% from 60%**. We will also see the **1.5% COLA benefit being extended to all of our retirees**. Both current and future retirees alike can be thankful for all the effort that has been made by a handful of retirees, the Board and staff. Members who were hired by the City in 1988 through 1998 are also getting good news, in that they will now have an **opportunity to buy their initial six months of service credit**.

Did you know? The City Retirement System currently serves almost 10,500 Active Employees and nearly 5,100 Retired Members.

### *Contact the Retirement Office*

We are located on the 10th Floor of the Pacific Building, at 702 Third Avenue. You can call us at **(206) 386-1293** or email us at [RetireCity@Seattle.gov](mailto:RetireCity@Seattle.gov). Answers to most retirement questions are on our website: [www.seattle.gov/retirement](http://www.seattle.gov/retirement).

### *2007 SCERS Board of Administration*

Mr. Richard McIver, Chair, City Council Member  
Mr. Dwight Dively, City Finance Director  
Mr. Mark McDermott, City Personnel Director  
Mr. Lou Walter, Employee Member  
Ms. Mary Norris, Retired Member  
Mr. Rod Rich, Employee Member  
Mr. Frank Mathews, Community Member  
Acting Executive Director  
Mel Robertson  
Acting Assistant Executive Director  
Lindsay Reid

The Board meets the first Thursday of every month.  
Board minutes are available online.