



## **SCERS POLICY ON SERVICE CREDIT: FREQUENTLY ASKED QUESTIONS**

**Updated April 2019**

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**1.Q. What action did the SCERS Board take?**

The SCERS Board approved a discussion draft for a new Service Credit Policy at their regular meeting on November 5, 2018. The Board is considering the policy for final adoption on April 17, 2019.

**2.Q. What does the Service Credit Policy do?**

The policy limits service credit to one year in a calendar year or other 12-month period, regardless of workweek schedule. The policy is effective for the pay period beginning April 28, 2019.

**3.Q. Why is the policy needed?**

SCERS staff has concluded that a better interpretation of the state and federal laws that apply to SCERA warrant changing the Board's policy with respect to that maximum amount of service credit members may accrue in a twelve month period. On that basis, it is recommend a change in policy to the Board.

**4.Q. What is changing?**

The policy amends an administrative interpretation of CERL that the SCERS Board endorsed in 1999 regarding the 7/12 work schedule for County employees. Persons subject to the 7/12 schedule work seven (7) days of twelve (12) hour shifts over the course of a two-week pay period, for a total of 84 hours. While most employees work an 80-hour biweekly schedule, the SCERS Board agreed to include the additional four hours of the 7/12 schedule as compensation earnable and provide an additional four hours of service credit. This policy discontinues the additional service credit based on the conclusion that a more sound interpretation of CERL and applicable federal tax law permits the accrual of no more

than one year of service over a 12-month period. The additional wages a member receives will still count toward his or her Final Compensation.

**5.Q. Does the Service Credit Policy create a single or uniform service standard for all members of SCERS?**

Yes. In consideration of the the SCERS Board's revised interpretation of pertinent plan authorities, including the County Employees Retirement Law of 1937 (which applies to SCERS and 19 other county retirement systems) and key provisions of the Internal Revenue Code (which apply to SCERS and all governmental defined benefit plans), the Service Credit Policy sets a maximum rate of service accrual for all members of SCERS. Specifically, the policy states that members may not accrue more than one (1) year of service credit with SCERS in a single calendar year or other 12-month period.

**6.Q. Does the Service Credit Policy affect individual service credit earned before the proposed effective date?**

No. The maximum accrual rate established by the Service Credit Policy does not go into effect until the pay period beginning April 28, 2019, and it only applies to pay periods beginning on and after that date. All service credit earned under 7/12 schedules up to and including April 27, 2019, will not be affected.

**7.Q. Does the Service Credit Policy affect individual contributions to SCERS or the final average salary calculations used to determine pension benefits?**

No. The Service Credit Policy does not affect individual contributions or final average salary calculations because it does not modify the compensation earnable identified in Resolution No. 99-08 or any other components of the post-*Ventura* settlement agreement.

**8.Q. Does the Service Credit Policy affect the K-9 Differential?**

Yes and no. Compensation earnable attributable to the K-9 differential will not be affected. However, SCERS has identified a COMPASS payroll programming decision made several years ago regarding the K-9 differential that affects service credit. The COMPASS system provides an additional 10 service-credit hours a month to those safety members receiving the K-9 differential. Providing 10 service-credit hours a month has the effect of providing more than a year of service credit in a one-year period. While the SCERS Board has previously affirmed the inclusion of the K-9 differential pay in compensation earnable and pensionable compensation, the SCERS Board has never approved an alternate service-credit methodology regarding the K-9 differential. By limiting service credit to one year, this policy effectively discontinues additional service credit for K-9 officers, effective April 28, 2019.