



June 2010 – New Mortality Tables

Recently a variety of misunderstandings have circulated among City employees concerning the Seattle City Employees' Retirement System (SCERS). To make sure all employee members have correct information, we provide the following facts and guidance to those employees who may be nearing retirement in the coming months.

- At its January 2010 meeting, the SCERS board approved the use of a new mortality table that estimates the average life expectancy of its members. The table is part of the calculations for deciding how much money the City needs to contribute to the retirement system to pay future benefits.
 - The new table added about two years to the life expectancy of the average SCERS member.
 - This action was recommended by the SCERS' actuary, Milliman, Inc., because it more closely aligns the system's longevity assumptions with actual experience. Specifically, male City retirees are tending to live longer than the prior table had assumed. Now the SCERS longevity assumptions are comparable to those of other public pension systems.
 - The Seattle Municipal Code, SMC 4.36.140(A)(2), specifically empowers the board to update mortality tables as necessary. The board has updated these tables periodically throughout SCERS' history. This was a routine update, not a change to the system.
 - The board and the City Council consider the actuarial calculations when deciding how much money needs to be contributed to the retirement system in order to pay future benefits and keep the system solvent. The new mortality table is part of those calculations, so it is important for the actuary to use accurate assumptions.
- SCERS plans to implement the mortality table change for all retirements with an effective date of January 1, 2011. Employees retiring with a retirement effective date in the seven months between June 1, 2010, and December 31, 2010, may choose the mortality table under which they wish to retire. Retirements with an effective date after December 31, 2010, will be calculated based on the new mortality table.
- This action by the board **did not** change the way employee retirement benefits are defined.
 - There is absolutely no change to the benefit table that most members are familiar with from the employee handbook -- the one showing years of service, age and the percentage of their highest 24 months salary they can expect in retirement.
 - Members will still receive a benefit in retirement that is based on the same percentage of their highest 24 months salary.

- As noted earlier, the retirement benefit formula did not change. Think of the mortality table as the tool that determines how this benefit is paid over your lifetime. And remember, for the member, this is a lifetime benefit. The option a member selects at retirement will also determine how the benefit is further paid to the retiree's beneficiary.
 - Some members' checks will be slightly higher under the new mortality table. Others will be unchanged. Still others will be a bit lower.

 - Recall that, at retirement, members have an array of actuarially equivalent options from which to choose. Some options continue to pay benefits to a spouse or domestic partner after the member passes away. Others provide a lump sum payout of employee contributions at retirement and a pension payment based on the remainder. Members' expected longevity is a key factor in how these options are calculated.

- Employees considering retirement in 2010 should contact SCERS to request an estimate, which will include an explanation of the various benefit options that are available. For each option, the estimate will also show the dollar amount of payment using both the old and new mortality tables.

- To discuss your specific retirement plans, please contact the SCERS office at 206-386-1293, or stop by at 720 Third Avenue, 10th floor, between the hours of 9 a.m. and 5 p.m. to schedule a consultation, or print out an estimate request form at <http://www.seattle.gov/retirement/estimates.htm>

- There will be two versions of the retirement calculator on-line available on the retirement site after June 16, 2010. One noted as "Current Mortality" and one noted as "New Mortality." Members will be able to run their own simulations and what-ifs of estimates. This should give members a close idea of their options. Remember, everyone is different -- everyone has different factors (age, length of service, marital status, age of spouse / domestic partner). No two retirements are alike.