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| **Executive Decisions** | 1. **Whether to sign up the King County Regional Homelessness Authority for employee participation in Social Security:**
* Social Security is a U.S. Government program that acts as a source of income for retirees and those who cannot work due to disability. It can also support legal dependents with benefits after a beneficiary dies. The benefits are generally based on an employee’s earnings over a work lifetime. A newly formed government entity may opt into participation in Social Security, however it is not required. The Authority will need to decide if it wants to direct staff to sign up the Authority for employee participation.
	+ Costs: If Authority employees participate in social security, employees will have to contribute 6.2% of their earnings until they have reached a maximum level of earnings (in 2020 that amount of earnings is $137,000); the authority will need to match the employee’s contributions with a 6.2% contribution of its own.
	+ Pros: Ultimate benefits of social security are based on participation in the system. Employees who are unable to participate will likely receive less valuable social security benefits when they retire. They also risk not earning enough credit to participate at all. Generally employees expect to participate in social security and a choice to not enroll employees in social security could harm recruiting efforts.
	+ Cons: The cost of the employer’s contribution increases the costs of labor. If the Authority opts out of social security, both the employer and the employee benefit because they do not have to pay social security contributions. This allows the employee to take home more money and the employer to pay less for labor. As mentioned above, it also lessens the employee’s ultimate social security benefit and therefore can harm recruiting.
	+ If an employer opts out of social security participation, it must provide some sort of social security replacement mechanism. This can be accomplished by signing up for participation in the PERS system (see below). Though note that employees generally expect to participate both in social security and PERS.
	+ Recommendation: The workgroup recommends that the Authority direct staff to take those actions necessary to allow Authority employees to participation in Social Security.
1. **Whether to sign up the King County Regional Homelessness Authority for employee participation in the Public Employees’ Retirement System:**
* Public Employers in Washington State can participate in various state sponsored pension programs. Given the work performed by the Authority, if the Authority decides to participate, Authority employees would be part of the Public Employee’s Retirement System (PERS). PERS offers a mix of plans, including a defined benefit plan (PERS 2) and a mixed defined benefit and contribution plan (PERS 3). The default plan for a new employee at the Authority would be PERS 2. However, employees would also have the option of enrolling in PERS 3.
	+ Costs: The current contribution rates for PERS 2 are 7.90% for employees and 12.86% for employers.
	+ Program. Generally, PERS 2 has a benefit equal to 2 percent X number of years X highest paid 60 months. As an example, assume an employee’s highest paid 60 months are the last 5 years the employee is in the system. Assume that employee averaged earnings of $100,000 a year during that time. If the employee retired with 30 years in the system, the employee would receive a pension benefit of $60,000 a year. (2 percent times 30 years = 60 percent of average annual salary of $100,000 = $60,000).
	+ Pros: Participation in PERS provides a significant retirement benefit for employees. Participation is the norm in the industry. It also acts as an important recruiting tool Public sector employees generally trade off lower annual salaries for more generous pension benefits. Potential employees will expect to participate in the system.
	+ Cons: The employer contribution adds to the cost of labor. A decision to not participate would likely require higher wages to attract potential employees.
	+ Recommendation. The workgroup recommends the Authority direct staff to take those actions necessary to allow Authority employee participation in the PERS system.
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