

# Firefighters' Pension

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## Department Overview

The Firefighters' Pension Fund provides responsive benefit services to eligible active and retired firefighters. Firefighters eligible for these services are those who, as a result of being hired before October 1, 1977, are members of the Law Enforcement Officers and Fire Fighters Retirement System Plan I (LEOFF I), and those who are pre-LEOFF, that is, those hired before March 1, 1970, the effective date of the Washington Law Enforcement Officers' and Fire Fighters' Retirement System Act. The City of Seattle Firefighters' Pension Fund is responsible for all pre-LEOFF pension benefits and for that portion of the previous municipal firefighter pension benefits that exceed LEOFF Plan I entitlements, including the pension benefits of their lawful beneficiaries, as well as for all medical benefits provided to qualifying active and retired Seattle firefighters. Both the Seattle Firefighters' Pension Fund and the LEOFF Plan I are closed systems and have not accepted new enrollments since October 1, 1977. Seattle firefighters hired after this date are automatically enrolled in the State's LEOFF Plan II, for which the Seattle Firefighters' Pension Fund has no pension or medical benefit obligation.

The Seattle Firefighters' Pension Board is a five-member, quasi-judicial body chaired by the Mayor of Seattle or his/her designee, which formulates policy, rules upon disability applications, and provides oversight of the Firefighters' Pension Fund. Four staff employees of the Board handle all of its operational functions. Staff positions associated with Firefighters' Pension Fund are not reflected in the City's position list.

The projections of annual pension and medical benefits, which comprise about 97% of the total annual budget, are based on the forecasts of an independent actuary. The Firefighters' Pension Fund has two statutory funding sources. The first is a component of the City's property tax levy. These revenues are placed in the City's General Fund, which funds the Fire Pension Fund's annual budget. The second statutory funding source is the State Fire Insurance Premium Tax. These statutory funding sources are in addition to other smaller funding sources that support the Firefighters' Pension Fund obligations.

The Firefighters' Pension Fund includes two funds: the Fire Pension Fund, which pays current pension, medical, and death benefits; and the Actuarial Account, which was established by Ordinance 117216 in 1994, and which was designed to pay future pension liabilities of the Fund.

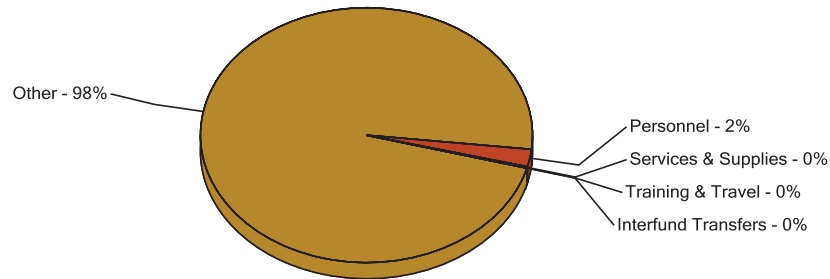
## Firefighters' Pension

### Budget Snapshot

Department Support	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
General Fund Support	\$18,748,722	\$18,874,973	\$18,272,658	\$18,060,246
Other Funding - Operating	\$906,236	\$1,313,825	\$1,744,101	\$1,769,022
<b>Total Operations</b>	<b>\$19,654,958</b>	<b>\$20,188,797</b>	<b>\$20,016,758</b>	<b>\$19,829,268</b>
<b>Total Appropriations</b>	<b>\$19,654,958</b>	<b>\$20,188,797</b>	<b>\$20,016,758</b>	<b>\$19,829,268</b>
Full-time Equivalent Total*	4.00	4.00	4.00	4.00

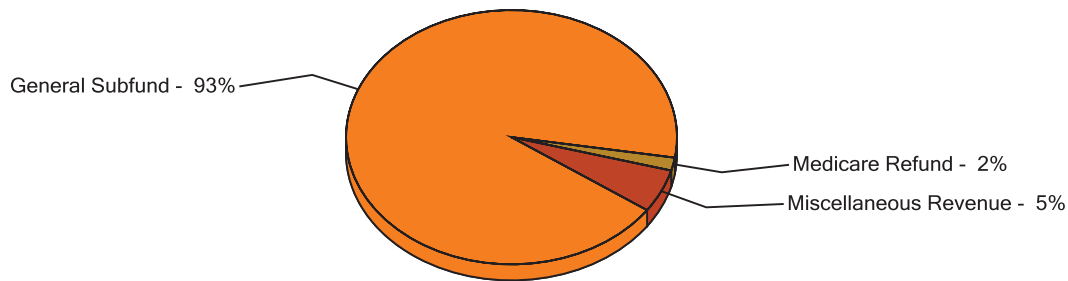
\* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.

### 2013 Proposed Budget - Expenditure by Category



# Firefighters' Pension

## 2013 Proposed Budget - Revenue by Category



### Budget Overview

The Firefighters' Pension Fund (FPEN) receives almost all of its revenue from the City's General Fund. FPEN expenditures, in turn, are devoted to paying legally mandated pension and medical benefits to eligible active and retired firefighters and (in the case of pension benefits only) their qualified beneficiaries.

The amount of General Fund support required for FPEN in 2013 is about \$600,000 less than in the 2012 Adopted Budget. Current projections suggest that the General Fund contribution to the fund can drop by \$800,000 in 2014 relative to the 2012 Adopted Budget. There are three main dynamics that impact the levels of General Fund support required in the 2013-2014 Proposed Budget.

- First, the recently completed labor negotiations with Local 27, the Seattle Fire Fighters union, lowers the total pension cost growth for current retirees. The key aspect here is the difference between the locally negotiated growth rates and the growth rate in LEOFF I entitlement payments made by the State. The net impact for 2013 is a small decline in total pension obligations covered by the City.
- Second, updated revenue estimates between 2011 and 2014 bring in additional non-General Fund revenue for FPEN, primarily related to refunds from Medicare drug subsidies.
- Third, updated estimates for administrative spending in 2012 are below 2012 Adopted Budget levels. This savings in 2012 results in fund balances that can be used to support spending in 2013 and 2014, reducing the need for General Fund support.

In response to General Fund deficits, in each year since 2009 the City has deferred voluntary contributions to the Actuarial Account in FPEN via Ordinance 122859 and Ordinance 123459. The 2013-2014 Proposed Budget continues that deferral. Contributions to the Actuarial Account are assumed to remain suspended through 2016 continuing the recent practice of funding FPEN on a pay as you go basis. Previous contribution levels to the Actuarial Account were designed to fully fund, by the end of 2023, all future anticipated pension costs that will be borne by the Fire Pension Fund, in accordance with Ordinance 117216. Deferrals of payments between 2009 and 2014 necessitate either substantially increased payments in years 2015-2023, an extension of the time required for the fund to reach full funding, or simply funding these obligations on a pay-as-you-go basis as is the current practice. In any case, the City will continue to meet its pension liabilities.

# Firefighters' Pension

## Incremental Budget Changes

### Firefighters' Pension

	2013		2014	
	Budget	FTE	Budget	FTE
<b>Total 2012 Adopted Budget</b>	<b>\$ 20,188,797</b>	<b>4.00</b>	<b>\$ 20,188,797</b>	<b>4.00</b>
<b>Baseline Changes</b>				
Citywide Adjustments for Standard Cost Changes	\$ 16,858	0.00	\$ 29,367	0.00
Restore Actuarial Account Funding	\$ 5,000,000	0.00	\$ 5,000,000	0.00
<b>Proposed Policy Changes</b>				
Continue Temporary Suspension of Actuarial Account Funding	-\$ 5,188,897	0.00	-\$ 5,388,897	0.00
<b>Total Incremental Changes</b>	<b>-\$ 172,039</b>	<b>0.00</b>	<b>-\$ 359,530</b>	<b>0.00</b>
<b>2013 - 2014 Proposed Budget</b>	<b>\$ 20,016,758</b>	<b>4.00</b>	<b>\$ 19,829,268</b>	<b>4.00</b>

## Description of Incremental Budget Changes

### Baseline Changes

#### Citywide Adjustments for Standard Cost Changes - \$16,858

Citywide technical adjustments made in the "Baseline Phase" reflect changes due to inflation, central cost allocations, retirement, health care, workers' compensation, and employment costs. These adjustments reflect initial assumptions about these costs and inflators early in the budget process.

#### Restore Actuarial Account Funding - \$5,000,000

This adjustment restores funding to the Actuarial Account. Funding of the Actuarial Account was temporarily suspended in 2009-2012 and was assumed to resume in the initial development of the 2013-2014 baseline funding levels. This amount was the estimated level of funding required as of the "Baseline Phase". As described below in a separate adjustment, the suspension of Actuarial Account funding is continued in the 2013-2014 Proposed Budget.

### Proposed Policy Changes

#### Continue Temporary Suspension of Actuarial Account Funding - (\$5,188,897)

In 2009-2012, the City temporarily deferred voluntary planned contributions to the Actuarial Account in the Fire Pension Fund. The City will continue to defer contributions to the Actuarial Account in 2013 and 2014. Additionally, this adjustment reflects updated actuarial estimates for pension obligations of the Firefighters' Pension Fund based on experience in the Fund and also on the outcome of labor negotiations with Local 27.

## Firefighters' Pension

### Expenditure Overview

Appropriations	Summit Code	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
<b>Firefighters' Pension Budget Control</b>					
Administration		561,658	584,901	601,759	614,268
Death Benefits		11,000	15,000	15,000	15,000
Medical Benefits		10,192,114	10,700,001	10,700,000	10,700,000
Pensions		8,890,186	8,888,897	8,700,001	8,500,001
Transfer to Actuarial Account		0	0	0	0
<b>Total</b>	<b>R2F01</b>	<b>19,654,958</b>	<b>20,188,797</b>	<b>20,016,758</b>	<b>19,829,268</b>
<b>Department Total</b>		<b>19,654,958</b>	<b>20,188,797</b>	<b>20,016,758</b>	<b>19,829,268</b>
<b>Department Full-time Equivalents Total*</b>		<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>

\* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.

### Revenue Overview

#### 2013 Estimated Revenues

Summit Code	Source	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
587001	General Subfund	17,758,533	18,874,972	18,272,660	18,060,246
	<b>Total General Subfund</b>	<b>17,758,533</b>	<b>18,874,972</b>	<b>18,272,660</b>	<b>18,060,246</b>
469990	Medicare Rx Subsidy Refund	351,122	0	325,000	325,000
	<b>Total Medicare Rx Subsidy Refund</b>	<b>351,122</b>	<b>0</b>	<b>325,000</b>	<b>325,000</b>
	Actuarial Account Interest	85,389	0	96,434	97,398
436691	Fire Insurance Premium Tax	906,236	939,174	985,104	1,010,027
	<b>Total Miscellaneous Revenue</b>	<b>991,625</b>	<b>939,174</b>	<b>1,081,538</b>	<b>1,107,425</b>
<b>Total Revenues</b>		<b>19,101,280</b>	<b>19,814,146</b>	<b>19,679,198</b>	<b>19,492,671</b>
	Use of (Contribution to) Fund Balance	553,678	374,651	337,562	336,597
	<b>Total Fund Balance</b>	<b>553,678</b>	<b>374,651</b>	<b>337,562</b>	<b>336,597</b>
<b>Total Resources</b>		<b>19,654,958</b>	<b>20,188,797</b>	<b>20,016,760</b>	<b>19,829,268</b>

# Firefighters' Pension

## Appropriations By Budget Control Level (BCL) and Program

### Firefighters' Pension Budget Control Level

The purpose of the Firefighters' Pension Budget Control Level is to provide benefit services to eligible active and retired firefighters and their lawful beneficiaries.

Program Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Administration	561,658	584,901	601,759	614,268
Death Benefits	11,000	15,000	15,000	15,000
Medical Benefits	10,192,114	10,700,001	10,700,000	10,700,000
Pensions	8,890,186	8,888,897	8,700,001	8,500,001
Transfer to Actuarial Account	0	0	0	0
<b>Total</b>	<b>19,654,958</b>	<b>20,188,797</b>	<b>20,016,758</b>	<b>19,829,268</b>
Full-time Equivalents Total*	4.00	4.00	4.00	4.00

\* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.

*The following information summarizes the programs in Firefighters' Pension Budget Control Level:*

#### **Administration Program**

The purpose of the Administration Program is to administer the medical and pension benefits programs for active and retired members.

Expenditures/FTE	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Administration	561,658	584,901	601,759	614,268
Full-time Equivalents Total	4.00	4.00	4.00	4.00

#### **Death Benefits Program**

The purpose of the Death Benefits Program is to disburse benefits and ensure proper documentation of deceased members' death benefits.

Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Death Benefits	11,000	15,000	15,000	15,000

#### **Medical Benefits Program**

The purpose of the Medical Benefits Program is to provide medical benefits to eligible members as prescribed by state law.

Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Medical Benefits	10,192,114	10,700,001	10,700,000	10,700,000

# Firefighters' Pension

## Pensions Program

The purpose of the Pensions Program is to administer the various facets of the members' pension benefits, which includes the calculation of benefits, the disbursement of funds, and pension counseling for active and retired members.

Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Pensions	8,890,186	8,888,897	8,700,001	8,500,001

## Transfer to Actuarial Account Program

The purpose of the Transfer to Actuarial Account Program is to fully fund the actuarial pension liability for the fund.

Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Transfer to Actuarial Account	0	0	0	0

## Firefighters Pension Fund Table

### Firefighters Pension Fund (60200)

	2011 Actuals	2012 Adopted	2012 Revised	2013 Proposed	2014 Proposed
<b>Beginning Fund Balance</b>	<b>11,430,410</b>	<b>10,451,227</b>	<b>10,876,732</b>	<b>11,011,389</b>	<b>10,673,829</b>
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	19,101,280	19,814,146	20,226,970	19,679,198	19,492,671
Less: Actual and Budgeted Expenditures	19,654,958	20,188,797	20,092,313	20,016,758	19,829,268
<b>Ending Fund Balance</b>	<b>10,876,732</b>	<b>10,076,576</b>	<b>11,011,389</b>	<b>10,673,829</b>	<b>10,337,232</b>
Actuarial Account	9,576,576	9,576,576	9,643,400	9,739,834	9,837,232
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Rate Stabilization Reserve			867,990	433,995	0
<b>Total Reserves</b>	<b>10,076,576</b>	<b>10,076,576</b>	<b>11,011,390</b>	<b>10,673,829</b>	<b>10,337,232</b>
<b>Ending Unreserved Fund Balance</b>	<b>800,156</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>

