

Employees' Retirement System

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<http://www.seattle.gov/retirement/>

Department Overview

The Seattle City Employees' Retirement System has two major functions: administration of retirement benefits and management of the assets of the Retirement Fund. Employee and employer contributions, as well as investment earnings, provide funding for the system. Approximately 9,000 active employee members, 3,300 terminated employee members and 7,300 retired employee members participate in the plan.

The provisions of the plan are set forth in [Chapter 4.36](#) of the Seattle Municipal Code. The plan is a "defined benefit plan" which means an employee's salary, years of service, and age at the time of retirement are used to determine the amount of retirement benefits. At retirement, members are given a choice of several payment options to collect their retirement benefit. The Retirement System is led by a seven-member Board of Administration and an Executive Director appointed by the Board.

Please note that the appropriations detailed in the following tables reflect only the costs to administer the system and do not reflect payment of retiree benefits.

Budget Snapshot

	2021 Actuals	2022 Adopted	2023 Proposed	2024 Proposed
Department Support				
Other Funding - Operating	264,859,181	8,685,358	10,474,069	10,525,831
Total Operations	264,859,181	8,685,358	10,474,069	10,525,831
Total Appropriations	264,859,181	8,685,358	10,474,069	10,525,831
Full-Time Equivalents Total*	28.00	27.00	30.50	30.50

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

Budget Overview

The Seattle City Employees' Retirement System (SCERS) relies on the long-term health of its assets to sustain its long-term financial obligations to SCERS members. The long-term health of SCERS is measured by the annual January 1 funding status, a percentage that represents the value of the asset portfolio over the reserves needed to pay retirement benefits to employees.

As of January 1, 2022, SCERS net assets are valued at \$3.7 billion with a 75.0% funded status. This is an increase from 71.6% in 2021, and is still higher than the low of 62% in 2010. SCERS funding status has generally increased steadily since 2010 due to changes SCERS has made to positively impact the funding status over the long-term.

Annual Contributions: The plan's actuaries determine an "annual required contribution" (ARC) into SCERS so its

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assets grow in tandem with pension costs, which rise as new employees join SCERS, wages increase, and retirees live longer. In response to the drop in the value of its invested assets and its funded status coming out of the 2008-09 recession, SCERS and the City enhanced the plan in 2013 by revising its ARC calculation so SCERS will be fully funded after a fixed 30-year period beginning January 1, 2013 and ending January 1, 2043. In addition to the employee and employer annual required contributions, the City pays an additional fluctuating amount to achieve the fully funded status by 2043. These amounts are reflected in departmental budgets throughout the 2023 Proposed Budget.

Investment Return Assumption: In January 2014, SCERS decreased its long-term investment return assumption from 7.75% to 7.50% in anticipation of slower asset growth over the next 30 years. Effective January 2020, SCERS decreased this assumption to 7.25% and effective January 2023, SCERS will decrease the assumption further to 6.75%. This assumption raises the ARC so the plan relies more on employee and employer contributions that are based on salaries, which are less volatile than the investment returns affected by portfolio experience and the economy.

Asset Smoothing: SCERS implemented an asset smoothing policy in 2011 to protect the funded status from volatile year-to-year swings by recognizing annual investment return gains and losses evenly over five years. This policy results in gradual changes in the ARC so the City's contribution is more stable.

Pension Plan for New Employees Hired On or After January 1, 2017: The City began evaluating plan changes in 2012 to reduce the cost of the plan for employees and the City, thereby enhancing SCERS' fiscal stability over the long run, while still maintaining an adequate retirement benefit for employees. In 2016, the City and labor unions agreed, and Council approved, a new defined benefit plan (SCERS II) for new employees hired on or after January 1, 2017. SCERS II has a similar structure to the existing plan (SCERS I).

Under SCERS II, there is an estimated 3.8% combined savings for annual employer and employee contributions. Members of the new plan will contribute 7% of their salary toward their retirement benefit, compared to 10.03% under SCERS I. Given the lower contributions into the plan, the new SCERS II plan will provide a retirement benefit lower than the SCERS I plan, but consistent with the design of the current SCERS I plan. The SCERS II benefit will still provide City retirees with an adequate retirement income when combined with Social Security.

The 2023 Proposed Budget for the management of SCERS includes total appropriation increases of \$1,788,711. This increase primarily consists of adjustments to bring the budget in line with the SCERS Board's approved 2023-2024 budget, as well as annual adjustments for internal City service costs and wage increase. The 2023 Proposed Budget addresses the increased costs and personnel demands of managing the pension administration system and the new Member Self Service Portal.

Incremental Budget Changes

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	Dollars	FTE
2022 Adopted Budget	8,685,358	27.00
Adds 1.5 staff positions	238,570	1.50
Alignment to SCERS Board Approved 2023-24 Budget	1,259,284	-
Annual Wage Increase Adjustment for Missed Positions	9,934	-

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Baseline

Appropriations for 2022 Annual Wage Increase (AWI)	165,146	-
Baseline Cost Adjustments	41,793	-
Citywide Adjustments for Standard Cost Changes	73,984	-
Correction to Positions Added in 2021 Year-End Supplemental	-	2.00
Healthcare Baseline Correction	-	-
Total Incremental Changes	\$1,788,711	3.50
Total 2023 Proposed Budget	\$10,474,069	30.50

Description of Incremental Budget Changes

Adds 1.5 staff positions

Expenditures	\$238,570
Position Allocation	1.50

This item adds one full-time Sr. Business Analyst and one part-time Customer Service Representative to SCERS Staff to handle the expanded workload of the pension administration system and new Member Self Service Portal. The addition of the full-time Sr. Business Analyst will help ensure that members' account data are accurate and complete and help optimize system and business processes. The addition of the part-time Customer Service Representative will help ensure timely communications with members encountering issues when using the Self Service Portal.

Alignment to SCERS Board Approved 2023-24 Budget

Expenditures	\$1,259,284
Revenues	\$2,037,056

This item adds funding to address increased maintenance costs of an update to the pension administration system, increased building rental costs, and costs of other supplies and services.

Annual Wage Increase Adjustment for Missed Positions

Expenditures	\$9,934
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This item adjusts wages for two positions funded in the 2021 Year-End Supplemental and manually added to 2023 to reflect 2022 annual wage increases.

Baseline

Appropriations for 2022 Annual Wage Increase (AWI)

Expenditures	\$165,146
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This centrally administered change adjusts appropriations to reflect an annual wage increase in 2022, as outlined in the agreements between certain City unions, for personnel costs included in this department. These agreements were not finalized until after the 2022 budget had been adopted. This change includes ongoing cost increases to salary, FICA, Medicare, retirement, overtime and temporary labor. There is no increase assumed from 2022 to 2023.

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Baseline Cost Adjustments

Expenditures \$41,793

This item adjusts baseline costs for pension contributions, FICA, Medicare, and Insurance (health, FML, and life) to the Adopted Central Cost Manual for 2023-2024.

Citywide Adjustments for Standard Cost Changes

Expenditures \$73,984

Citywide technical adjustments made in the baseline phase reflect changes to internal services costs, including rates from the Department of Finance & Administrative Services, Seattle Information Technology Department, Seattle Department of Human Resources, and for healthcare, retirement, and industrial insurance charges for the department. These adjustments reflect initial assumptions about these costs and inflators early in the budget process.

Correction to Positions Added in 2021 Year-End Supplemental

Expenditures -
 Position Allocation 2.00

This item is a net-zero change that formally adds the two staff positions that were funded in the 2021 Year-End Supplemental and corrects the expenditure account.

Healthcare Baseline Correction

Expenditures -

This item corrects employee healthcare costs to account for two positions added in the 2021 Year-End Supplemental that did not automatically roll over to 2023.

Expenditure Overview

	2021 Actuals	2022 Adopted	2023 Proposed	2024 Proposed
Appropriations				
RET - BO-RE-9RE00 - UNASSIGNED				
61030 - Employees' Retirement Fund	257,159,061	-	-	-
Total for BSL: BO-RE-9RE00	257,159,061	-	-	-
RET - BO-RE-R1E00 - Employee Benefit Management				
61030 - Employees' Retirement Fund	7,700,119	8,685,358	10,474,069	10,525,831
Total for BSL: BO-RE-R1E00	7,700,119	8,685,358	10,474,069	10,525,831
Department Total	264,859,181	8,685,358	10,474,069	10,525,831
Department Full-Time Equivalents Total*	28.00	27.00	30.50	30.50

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

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Budget Summary by Fund Employees' Retirement System

	2021 Actuals	2022 Adopted	2023 Proposed	2024 Proposed
61030 - Employees' Retirement Fund	264,859,181	8,685,358	10,474,069	10,525,831
Budget Totals for RET	264,859,181	8,685,358	10,474,069	10,525,831

Revenue Overview

2023 Estimated Revenues

Account Code	Account Name	2021 Actuals	2022 Adopted	2023 Proposed	2024 Proposed
360010	Investment Interest	20,825,367	-	-	-
360030	Securities Lending Revenue	102	-	-	-
360090	Realized Gains/Losses On Invm	374,912,340	-	-	-
360120	Security Lending Income Gasb 2	76,450	-	-	-
360230	Dividend Income	19,251,299	-	-	-
360240	Other Investment Income	12,208,596	-	-	-
360430	Employr Pnsn Contributions	139,503,263	5,314,394	6,600,119	6,632,790
360440	Employr Dth Ben Contribution	161,694	-	-	-
360450	Emplyee Pnsn Contribution	81,520,562	3,122,619	3,873,950	3,893,041
360460	Emplyee Dth Ben Contribution	161,694	-	-	-
360900	Miscellaneous Revs-Other Rev	333,516	-	-	-
397010	Operating Transfers In	21,500	-	-	-
Total Revenues for: 61030 - Employees' Retirement Fund		648,976,383	8,437,013	10,474,069	10,525,831
Total RET Resources		648,976,383	8,437,013	10,474,069	10,525,831

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Appropriations by Budget Summary Level and Program

RET - BO-RE-9RE00 - UNASSIGNED

Program Expenditures	2021 Actuals	2022 Adopted	2023 Proposed	2024 Proposed
Inv Mgmt Fees Unapp	13,036,782	-	-	-
Pension Benefits Paid	244,122,280	-	-	-
Total	257,159,061	-	-	-

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The following information summarizes the programs in UNASSIGNED Budget Summary Level:

Inv Mgmt Fees Unapp

Expenditures/FTE	2021 Actuals	2022 Adopted	2023 Proposed	2024 Proposed
Inv Mgmt Fees Unapp	13,036,782	-	-	-

Pension Benefits Paid

Expenditures/FTE	2021 Actuals	2022 Adopted	2023 Proposed	2024 Proposed
Pension Benefits Paid	244,122,280	-	-	-

RET - BO-RE-R1E00 - Employee Benefit Management

The purpose of the Employees' Retirement Budget Summary Level is to manage and administer retirement assets and benefits.

Program Expenditures	2021 Actuals	2022 Adopted	2023 Proposed	2024 Proposed
Employee Benefit Management	7,700,119	8,685,358	10,474,069	10,525,831
Total	7,700,119	8,685,358	10,474,069	10,525,831
Full-time Equivalents Total*	28.00	27.00	30.50	30.50

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