

# Firefighters' Pension

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## Department Overview

The Firefighters' Pension Fund (FPEN) provides pension and medical benefit services to eligible active and retired firefighters and their beneficiaries. While the City pays into benefit funds for all Seattle firefighters, FPEN covers only firefighters who were hired before October 1, 1977 and therefore is a closed plan. Retiree benefits for firefighters hired more recently are primarily covered through a separate state-managed plan.

The management of firefighter benefits funds transitioned in the 1970s from local to state control. Prior to that time, the City paid into FPEN to provide for firefighter retiree benefits. In March 1970, the state created the Law Enforcement Officers and Fire Fighters Retirement System Plan 1 (LEOFF 1). Seattle firefighters hired between March 1970 and October 1977 enrolled in LEOFF 1, but also received additional benefit coverage through FPEN. As a result, this group of firefighters receives retiree benefits primarily from the state's LEOFF 1 plan, but also any earned increment from the City's FPEN that exceeds LEOFF 1 coverage. Both FPEN and LEOFF 1 closed to new enrollees in October 1977. Firefighters hired after that date enroll in the state's LEOFF 2 plan and do not receive benefits from FPEN.

The Seattle Firefighters' Pension Board is a five-member quasi-judicial body chaired by the Mayor or his/her designee, which formulates policy, rules on 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 FPEN 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 to pay future pension liabilities of the Fund.

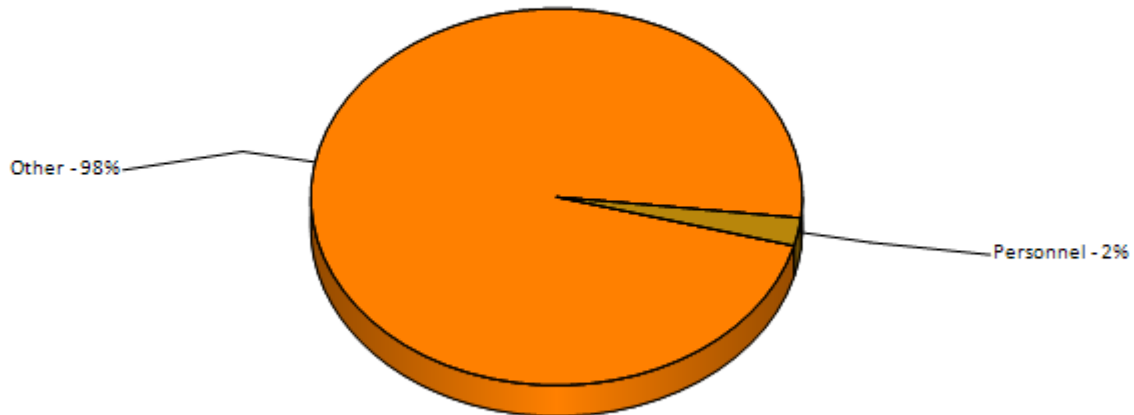
## Firefighters' Pension

### Budget Snapshot

Department Support	2015 Actual	2016 Adopted	2017 Adopted	2018 Endorsed
General Fund Support	\$17,311,984	\$17,163,500	\$18,787,000	\$19,481,248
Other Funding - Operating	\$1,313,697	\$1,293,500	\$1,300,000	\$1,319,000
<b>Total Operations</b>	<b>\$18,625,681</b>	<b>\$18,457,000</b>	<b>\$20,087,000</b>	<b>\$20,800,248</b>
<b>Total Appropriations</b>	<b>\$18,625,681</b>	<b>\$18,457,000</b>	<b>\$20,087,000</b>	<b>\$20,800,248</b>
Full-time Equivalent Total*	4.00	4.00	4.00	4.00

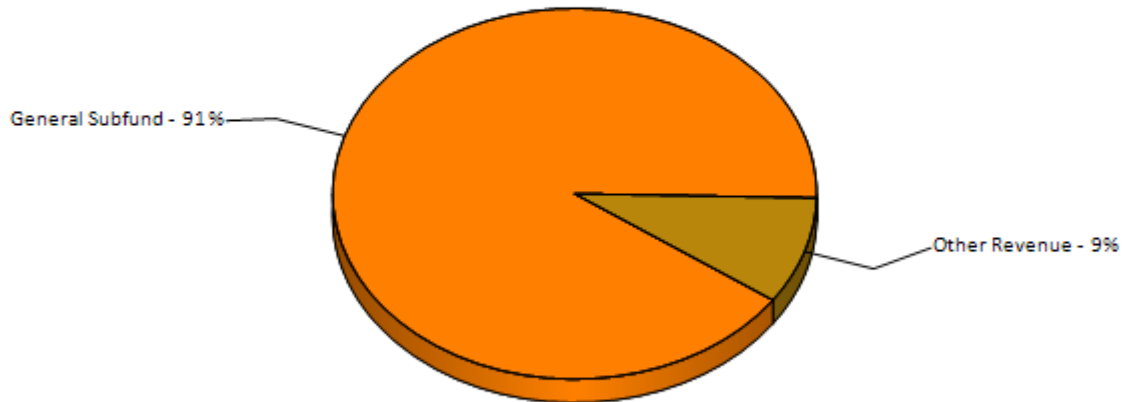
\* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.

### 2017 Adopted Budget - Expenditure by Category



# Firefighters' Pension

## 2017 Adopted Budget - Revenue by Category



### Budget Overview

The Firefighters' Pension Fund (FPEN) receives almost all of its revenue from the City's General Fund. FPEN's expenditures, in turn, are devoted to paying the legally-mandated pension and medical benefits to eligible active and retired firefighters and qualified beneficiaries. The total pension benefits for FPEN members are increased annually through locally negotiated cost of living adjustments (COLA) and then offset by benefits paid by the state's LEOFF 1 pension plan which has its own annual growth rate.

Most of FPEN's retirees are represented by either Local 27 (firefighters' union) or Local 2898 (fire chiefs' union) and their total pension benefits are increased annually with a COLA equal to the negotiated annual wage increases (AWI) for the active union members at the Seattle Fire Department.

In August 2016, the City and the firefighters union, Local 27, approved a collective bargaining agreement ([Ordinance 118728](#)) that includes COLA rates from 2015 through 2018 and expires on December 31, 2018. The estimated retroactive pension benefits for 2015 and 2016 is \$1.3 million and will be paid to affected FPEN members as a lump sum in 2016. Legislation will be submitted to the City Council to increase FPEN's 2016 appropriations to support the retroactive payments by the end of 2016. However, the on-going Local 27 pension impacts for 2017 and 2018 are included in the pension benefits expenditures in the 2017 Adopted and 2018 Endorsed Budget.

The contract for Local 2898 which includes the fire chiefs, however, expired on December 31, 2014 and a new agreement has not been reached yet. Since the COLA rates are currently unknown, the 2017 Adopted and 2018 Endorsed Budget does not assume any growth factors for Local 2898 member's pension benefits. Once their bargaining agreement is reached, the impacts will be incorporated into FPEN's budget to cover retroactive pension benefit costs due from January 1, 2015.

# Firefighters' Pension

The 2017 Adopted and 2018 Endorsed Budget includes an adjustment to reflect the growth of retiree medical and long-term care costs in the 2016 actuarial valuation report. The report anticipates the costs will increase over the next 15 to 20 years due to FPEN's aging membership and annual trend rates for medical and long-term care costs.

The actuarial account was previously invested in the City's cash pool and earned interest. In 2013, the funds from the actuarial account were placed into an investment portfolio managed by the Department of Finance and Administration Services. The 2017 Adopted and 2018 Endorsed Budget assumes an annual rate of return of 5.5% on the investment portfolio, and that the returns are continuously reinvested.

In November 2016, Council passed [Ordinance 125190](#) which sets a level payment amount from the City to the Firefighters' Pension Fund each year between 2017 and 2028. The payment will first be used to pay pension obligations of that year. The remaining balance will be transferred to the actuarial account for FPEN's future pension obligations. Due to the timing of this ordinance, its impacts will not be reflected in FPEN's budget until the 2018 Adopted Budget.

## City Council Changes to the Proposed Budget

The Council made no changes to the 2017-2018 Proposed Budget.

## Incremental Budget Changes

### Firefighters' Pension

	2017		2018	
	Budget	FTE	Budget	FTE
<b>Total 2016 Adopted Budget</b>	<b>\$ 18,457,000</b>	<b>4.00</b>	<b>\$ 18,457,000</b>	<b>4.00</b>
<b>Baseline Changes</b>				
Citywide Adjustments for Standard Cost Changes	\$ 30,000	0.00	\$ 43,248	0.00
<b>Proposed Changes</b>				
Medical Benefit Obligation Adjustment	\$ 400,000	0.00	\$ 1,000,000	0.00
<b>Proposed Technical Changes</b>				
Local 27 Pension Obligation Adjustments	\$ 1,200,000	0.00	\$ 1,300,000	0.00
<b>Total Incremental Changes</b>	<b>\$ 1,630,000</b>	<b>0.00</b>	<b>\$ 2,343,248</b>	<b>0.00</b>
<b>2017 Adopted/2018 Endorsed Budget</b>	<b>\$ 20,087,000</b>	<b>4.00</b>	<b>\$ 20,800,248</b>	<b>4.00</b>

# Firefighters' Pension

## Descriptions of Incremental Budget Changes

### Baseline Changes

#### **Citywide Adjustments for Standard Cost Changes - \$30,000**

Citywide technical adjustments made in the initial planning phase reflect health care and retirement contribution rate changes. These adjustments reflect initial assumptions about these costs and inflators early in the budget process. Additionally, this adjustment includes the Annual Wage Increases (AWI) from 2015 through 2018 for employees at the Firefighters Pension department.

### Proposed Changes

#### **Medical Benefit Obligation Adjustment - \$400,000**

This adjustment reflects the net impact of the change in FPEN's expected medical benefit obligations in 2017, as provided by FPEN's 2016 actuarial valuation.

### Proposed Technical Changes

#### **Local 27 Pension Obligation Adjustments - \$1,200,000**

This adjustment increases the pension benefits for members in the firefighter union, Local 27. Local 27 retirees receive an annual cost of living adjustment (COLA) equal to the annual wage increase (AWI) for active Local 27 members at the Seattle Fire Department. In 2017, the COLA is 3.5%. In 2018, the COLA will be equal to 100% of the June 2017 Consumer Price Index with a 1.5% floor and 4.0% ceiling.

## City Council Provisos

*There are no Council provisos.*

# Firefighters' Pension

## Expenditure Overview

Appropriations	Summit Code	2015 Actual	2016 Adopted	2017 Adopted	2018 Endorsed
<b>Firefighters' Pension Budget Control</b>					
Administration		615,408	640,000	670,000	683,248
Death Benefits		9,500	17,000	17,000	17,000
Medical Benefits		11,108,355	11,000,000	11,400,000	12,000,000
Pensions		6,892,418	6,800,000	8,000,000	8,100,000
<b>Total</b>	<b>R2F01</b>	<b>18,625,681</b>	<b>18,457,000</b>	<b>20,087,000</b>	<b>20,800,248</b>
<b>Department Total</b>		<b>18,625,681</b>	<b>18,457,000</b>	<b>20,087,000</b>	<b>20,800,248</b>

<b>Department Full-time Equivalents Total*</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>
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\* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.

## Revenue Overview

### 2017 Estimated Revenues

Summit Code	Source	2015 Actual	2016 Adopted	2017 Adopted	2018 Endorsed
587001	General Subfund	17,311,984	17,163,500	18,787,000	19,481,245
	<b>Total General Subfund</b>	<b>17,311,984</b>	<b>17,163,500</b>	<b>18,787,000</b>	<b>19,481,245</b>
436691	Fire Insurance Premium Tax	976,057	943,500	950,000	969,000
461320	Return on Actuarial Account	73,361	633,825	641,000	676,000
469990	Medicare Rx Subsidy Refund	445,054	350,000	350,000	350,000
	<b>Total Other Revenue</b>	<b>1,494,472</b>	<b>1,927,325</b>	<b>1,941,000</b>	<b>1,995,000</b>
	<b>Total Revenues</b>	<b>18,806,456</b>	<b>19,090,825</b>	<b>20,728,000</b>	<b>21,476,245</b>
379100	Use of (Contribution to) Fund Balance	-180,775	-633,825	-641,000	-676,000
	<b>Total Use of (Contribution to) Fund Balance</b>	<b>-180,775</b>	<b>-633,825</b>	<b>-641,000</b>	<b>-676,000</b>
	<b>Total Resources</b>	<b>18,625,681</b>	<b>18,457,000</b>	<b>20,087,000</b>	<b>20,800,245</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.

	2015	2016	2017	2018
<b>Program Expenditures</b>	<b>Actual</b>	<b>Adopted</b>	<b>Adopted</b>	<b>Endorsed</b>
Administration	615,408	640,000	670,000	683,248
Death Benefits	9,500	17,000	17,000	17,000
Medical Benefits	11,108,355	11,000,000	11,400,000	12,000,000
Pensions	6,892,418	6,800,000	8,000,000	8,100,000
<b>Total</b>	<b>18,625,681</b>	<b>18,457,000</b>	<b>20,087,000</b>	<b>20,800,248</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 Human Resources 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.

	2015	2016	2017	2018
<b>Expenditures/FTE</b>	<b>Actual</b>	<b>Adopted</b>	<b>Adopted</b>	<b>Endorsed</b>
Administration	615,408	640,000	670,000	683,248
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.

	2015	2016	2017	2018
<b>Expenditures</b>	<b>Actual</b>	<b>Adopted</b>	<b>Adopted</b>	<b>Endorsed</b>
Death Benefits	9,500	17,000	17,000	17,000

#### **Medical Benefits Program**

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

	2015	2016	2017	2018
<b>Expenditures</b>	<b>Actual</b>	<b>Adopted</b>	<b>Adopted</b>	<b>Endorsed</b>
Medical Benefits	11,108,355	11,000,000	11,400,000	12,000,000

## 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	2015 Actual	2016 Adopted	2017 Adopted	2018 Endorsed
Pensions	6,892,418	6,800,000	8,000,000	8,100,000

### Firefighters Pension Fund Table

#### Firefighters Pension Fund (60200)

	2015 Actuals	2016 Adopted	2016 Revised	2017 Adopted	2018 Endorsed
<b>Beginning Fund Balance</b>	<b>14,741,892</b>	<b>15,605,148</b>	<b>14,922,667</b>	<b>15,556,492</b>	<b>16,197,492</b>
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	18,806,456	19,090,825	19,090,825	20,728,000	21,476,245
Less: Actual and Budgeted Expenditures	18,625,681	18,457,000	18,457,000	20,087,000	20,800,248
<b>Ending Fund Balance</b>	<b>14,922,667</b>	<b>16,238,973</b>	<b>15,556,492</b>	<b>16,197,492</b>	<b>16,873,489</b>
Actuarial Account	11,016,172	12,157,908	11,649,997	12,290,997	12,966,997
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Rate Stabilization Reserve	3,406,495	3,581,065	3,406,495	3,406,495	3,406,495
<b>Total Reserves</b>	<b>14,922,667</b>	<b>16,238,973</b>	<b>15,556,492</b>	<b>16,197,492</b>	<b>16,873,492</b>
<b>Ending Unreserved Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3</b>