

Employees' Retirement System

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Department Description

The 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 10,400 active employee members and 5,000 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 from which 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.

Policy and Program Changes

The January 1, 2010 actuarial valuation of the Seattle City Employees' Retirement System showed an unfunded actuarial accrued liability of over \$1 billion, which is primarily due to investment losses in 2008 and the maturity of the plan's demographics. In response to the valuation, the 2011 Adopted Budget includes legislation that would increase both the City and employee contribution rates from 8.03% to 9.03%, effective January 5, 2011, and to 10.03%, effective January 4, 2012.

In 2011, the Board of Administration will complete its effort to develop a long-term investment strategy. The purpose of this effort is to ensure that the Retirement System's assets are allocated in a manner that maximizes investment returns given the likely future conditions of the economy and the Board's tolerance for investment losses. In addition, the Board will conduct a study to compare the Retirement System's current investment decision-making procedures and oversight practices regarding alternative investments with investment industry norms. Together, these assessments will provide the Board with information that will allow the Board to best address the System's significant challenges.

The 2011 Adopted Budget is \$151,000 less than the 2010 Adopted Budget. The Retirement System has adopted a more passive investment policy for certain asset classes within the fund's portfolio, which reduces the budget for professional services by \$476,000. This cost saving, in addition to savings in rent and other minor expenses, offset a \$184,000 increase in personnel services due to filled positions, a \$150,000 increase in outside attorney fees, and other minor expenses.

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	Summit	2009	2010	2011	2012
Appropriations	Code	Actual	Adopted	Adopted	Endorsed
Employees' Retirement Budget Control Level	R1E10	5,788,338	11,910,581	11,759,692	11,893,813
Department Total		5,788,338	11,910,581	11,759,692	11,893,813
Department Full-time Equivalents Total*		15.50	15.50	15.50	15.50

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

	2009	2010	2011	2012
Resources	Actual	Adopted	Adopted	Endorsed
Other	5,788,338	11,910,581	11,759,692	11,893,813
Department Total	5,788,338	11,910,581	11,759,692	11,893,813

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Employees' Retirement Budget Control Level

Purpose Statement

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

Summary

The Employees' Retirement budget is decreased by \$150,889 from the 2010 Adopted Budget to the 2011 Proposed Budget.

Expenditures/FTE	2009 Actual	2010 Adopted	2011 Adopted	2012 Endorsed
Employees' Retirement	5,788,338	11,910,581	11,759,692	11,893,813
Full-time Equivalents Total*	15.50	15.50	15.50	15.50

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

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2011 - 2012 Estimated Revenues for the Employees' Retirement System Fund

Summit Code	Source	2009 Actuals	2010 Adopted	2010 Revised	2011 Adopted	2012 Endorsed
469610	Employee Contribution	0	0	0	5,879,846	5,946,907
569510	Employer Contribution	0	0	0	5,879,846	5,946,907
Total Revenues		0	0	0	11,759,692	11,893,814