

# 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 I (LEOFF I). Seattle firefighters hired between March 1970 and October 1977 enrolled in LEOFF I, but also received additional benefit coverage through FPEN. As a result, this group of firefighters receives retiree benefits primarily from state's LEOFF I plan, but also any earned increment from the City's FPEN that exceeds LEOFF I coverage. Both FPEN and LEOFF I closed to new enrollees in October 1977. Firefighters hired after that date enroll in the state's LEOFF II 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.

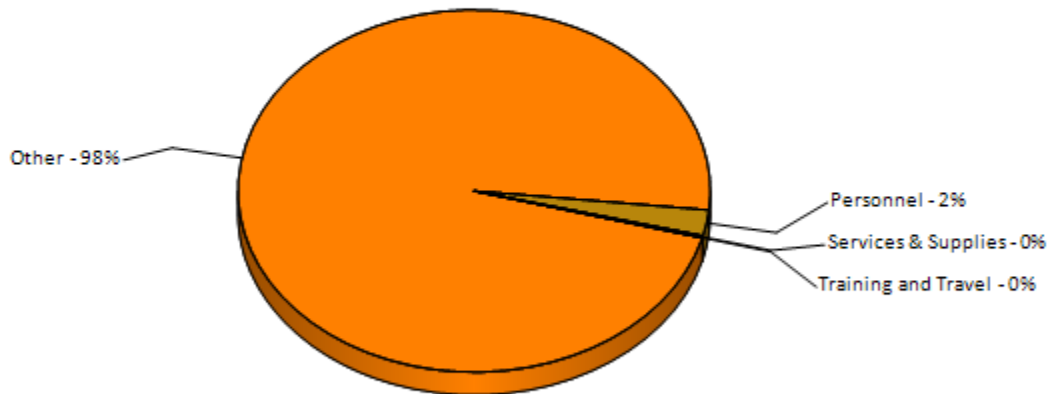
# Firefighters' Pension

## Budget Snapshot

Department Support	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Proposed
General Fund Support	\$18,454,377	\$18,272,658	\$18,060,246	\$18,047,539
Other Funding - Operating	\$0	\$1,744,100	\$1,769,022	\$1,272,854
<b>Total Operations</b>	<b>\$18,454,377</b>	<b>\$20,016,758</b>	<b>\$19,829,267</b>	<b>\$19,320,392</b>
<b>Total Appropriations</b>	<b>\$18,454,377</b>	<b>\$20,016,758</b>	<b>\$19,829,267</b>	<b>\$19,320,392</b>
Full-time Equivalent Total*	4.00	4.00	4.00	4.00

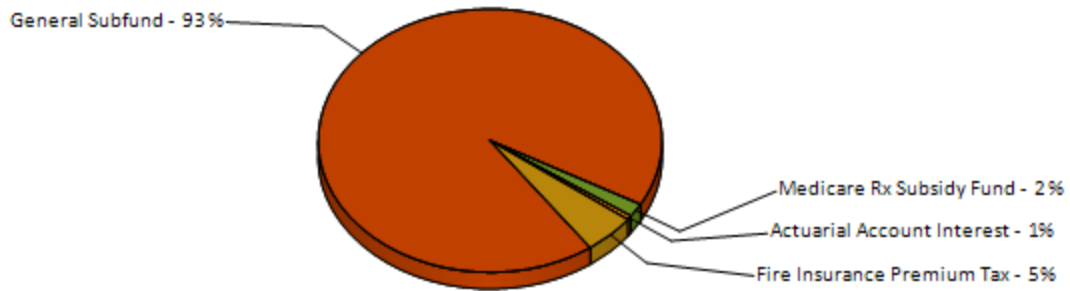
*\* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.*

## 2014 Proposed Budget - Expenditure by Category



# Firefighters' Pension

## 2014 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. Pension costs are driven by locally negotiated cost growth factors and offset in part by state LEOFF I entitlement payments which has its own growth rate.

In 2012, FPEN spent less than anticipated, resulting in \$2.0 million additional ending funding balance. In 2013, FPEN will also spend less on pensions than anticipated, resulting in an unanticipated fund balance of \$2.8 million. In addition, the 2013 Adopted Budget included a year-end Rate Stabilization Reserve of \$430,000. The 2014 Proposed Budget combines these balances and increases the Rate Stabilization Reserve to \$3.3 million in 2014. The out-year financial plan assumes this reserve is drawn down over 2015-2016, providing relief at that time to the General Fund in order to help mitigate future projected General Fund deficits.

To help ease pressure on the General Fund, the City has deferred voluntary contributions to the Actuarial Account in FPEN each year since 2009. The 2014 Proposed Budget continues this practice, preferring instead to fund FPEN on a pay as you go basis.

# Firefighters' Pension

## Incremental Budget Changes

### Firefighters' Pension

	2014	
	Budget	FTE
<b>Total 2014 Endorsed Budget</b>	<b>\$ 19,829,267</b>	<b>4.00</b>
<b>Proposed Changes</b>		
Pension Obligation Adjustment	-\$ 500,000	0.00
<b>Proposed Technical Changes</b>		
Citywide Adjustments for Standard Cost Changes	-\$ 8,875	0.00
<b>Total Incremental Changes</b>	<b>-\$ 508,875</b>	<b>0.00</b>
<b>2014 Proposed Budget</b>	<b>\$ 19,320,392</b>	<b>4.00</b>

## Descriptions of Incremental Budget Changes

### Proposed Changes

#### **Pension Obligation Adjustment - (\$500,000)**

This adjustment reflects the net impact of the change in City's pension benefit obligation in 2014, as provided by FPEN's 2013 actuarial projection.

### Proposed Technical Changes

#### **Citywide Adjustments for Standard Cost Changes - (\$8,875)**

Citywide technical adjustments reflect changes due to inflation, central cost allocations, retirement, healthcare, workers' compensation, and unemployment costs. These adjustments typically reflect updates to preliminary cost assumptions established in the 2014 Endorsed Budget.



# 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.

<b>Program Expenditures</b>	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
Administration	639,436	601,758	614,267	605,392
Death Benefits	15,500	15,000	15,000	15,000
Medical Benefits	9,470,923	10,699,999	10,699,999	10,699,999
Pensions	8,328,518	8,700,001	8,500,001	8,000,001
<b>Total</b>	<b>18,454,377</b>	<b>20,016,758</b>	<b>19,829,267</b>	<b>19,320,392</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.

<b>Expenditures/FTE</b>	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
Administration	639,436	601,758	614,267	605,392
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.

<b>Expenditures</b>	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
Death Benefits	15,500	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.

<b>Expenditures</b>	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
Medical Benefits	9,470,923	10,699,999	10,699,999	10,699,999

# 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.

<b>Expenditures</b>	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
Pensions	8,328,518	8,700,001	8,500,001	8,000,001

## Firefighters Pension Fund Table

### Firefighters Pension Fund (60200)

	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2013 Revised</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
<b>Beginning Fund Balance</b>	<b>10,876,732</b>	<b>11,011,389</b>	<b>13,007,465</b>	<b>10,673,829</b>	<b>13,496,199</b>
Accounting and Technical Adjustments	64,215	0	0	0	0
Plus: Actual and Estimated Revenues	20,520,895	19,679,198	19,605,492	19,492,671	19,417,790
Less: Actual and Budgeted Expenditures	18,454,377	20,016,758	19,116,758	19,829,267	19,320,392
<b>Ending Fund Balance</b>	<b>13,007,465</b>	<b>10,673,829</b>	<b>13,496,199</b>	<b>10,337,233</b>	<b>13,593,597</b>
Actuarial Account	9,643,400	9,739,834	9,739,834	9,837,232	9,837,232
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Rate Stabilization Reserve	867,990	433,995	3,256,364	0	3,256,364
<b>Total Reserves</b>	<b>11,011,390</b>	<b>10,673,829</b>	<b>13,496,198</b>	<b>10,337,232</b>	<b>13,593,596</b>
<b>Ending Unreserved Fund Balance</b>	<b>1,996,075</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>