

# Police Relief and Pension

Dan Oliver, Executive Secretary

(206) 386-1286

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

## Department Overview

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

The management of police benefits funds transitioned in the 1970s from local to state control. Prior to that time, the City paid into PPEN to provide for police officer retiree benefits. In March 1970, the State of Washington took over the provision of certain police pensions through Revised Code of Washington (RCW) Section 41.26, the Law Enforcement Officers and Fire Fighters (LEOFF) Act Plan I. Seattle police officers hired between March 1970 and October 1977 enrolled in LEOFF I, but also received additional benefit coverage through PPEN. As a result, this group of police officers receives retiree benefits primarily from state's LEOFF I plan, but also any earned increment from the City's PPEN that exceeds LEOFF I coverage. Both PPEN and LEOFF I closed to new enrollees in October 1977. Police officers hired after that date enroll in the state's LEOFF II plan and do not receive benefits from PPEN.

The Seattle Police Pension Board is a seven-member quasi-judicial body chaired by the Mayor or his/her designee, which formulates policy, rules on disability applications, and provides oversight of the Police Pension Fund. Three staff employees of the Board handle all of its operational functions. Staff positions associated with Police Relief and Pension are reflected in the City's position list.

The projections of annual pension and medical benefits, which comprise about 97% of the total annual PPEN budget, are based on the forecasts of an independent actuary. The City's General Subfund provides funding for nearly all of PPEN's annual budget that supports the Police Relief and Pension Fund obligations. The Police Pension Fund also has a statutory funding source from Police Auction proceeds which contribute a small amount towards the annual budget.

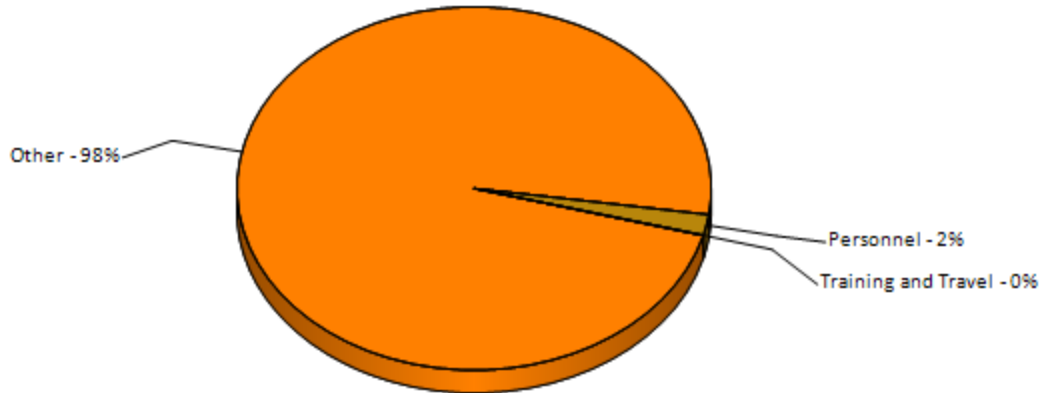
## Budget Snapshot

Department Support	2013 Actual	2014 Adopted	2015 Adopted	2016 Endorsed
General Fund Support	\$20,411,008	\$20,716,054	\$20,279,340	\$20,287,210
Other Funding - Operating	\$605,758	\$117,111	\$117,000	\$117,000
<b>Total Operations</b>	<b>\$21,016,766</b>	<b>\$20,833,165</b>	<b>\$20,396,340</b>	<b>\$20,404,210</b>
<b>Total Appropriations</b>	<b>\$21,016,766</b>	<b>\$20,833,165</b>	<b>\$20,396,340</b>	<b>\$20,404,210</b>
Full-time Equivalent Total*	3.00	3.00	3.00	3.00

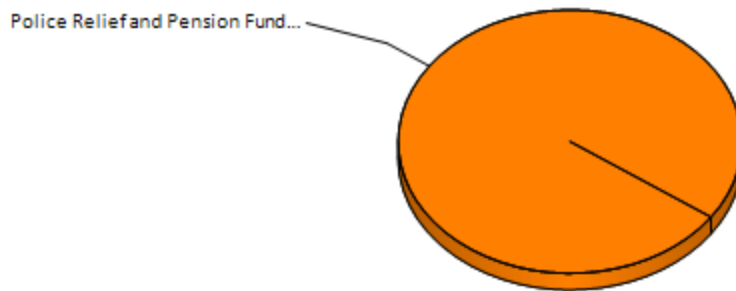
\* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.

# Police Relief and Pension

## 2015 Adopted Budget - Expenditure by Category



## 2015 Adopted Budget - Revenue by Category



# Police Relief and Pension

## Budget Overview

The Police Relief and Pension Fund (PPEN) receives almost all of its revenue from the City's General Fund. PPEN's expenditures, in turn, are devoted to paying legally mandated pension and medical benefits to eligible active and retired police officers and in the case of pension benefits only, to their qualified beneficiaries. Pension costs are driven by locally negotiated labor contracts and offset in part by state LEOFF I entitlement payments.

The 2015 Adopted and 2016 Endorsed Budget does not include an increase in pension benefit costs for retirees affected by the Seattle Police Officer's Guild (SPOG), whose contract expires on December 31, 2014, and the Seattle Police Management Association (SPMA), whose contract expired on December 31, 2011. Once negotiations are finalized, those impacts will be incorporated into the PPEN budget to cover any retroactive pension benefit costs due from 2012, 2013, and 2014.

In 2013, PPEN spent less than anticipated resulting in \$1.7 million additional ending funding balance. The 2015 Adopted and 2016 Endorsed Budget assumes the Rate Stabilization Reserve reaches \$2.4 million at the end of 2014, and the out-year financial plan calls for this reserve to be available to support future benefit cost increases.

### City Council Changes to the Proposed Budget

The Council approved a one-time reduction of 0.6% in General Fund support to the department's 2015 Proposed Budget. This change was made only to departments receiving more than \$10 million in General Fund support, including PPEN. The General Fund support to PPEN in 2015 was reduced by \$117,160 compared to the 2015 Proposed Budget. The medical and pension benefits appropriations were reduced by \$117,160 to reflect this revenue reduction.

## Incremental Budget Changes

### Police Relief and Pension

	2015		2016	
	Budget	FTE	Budget	FTE
<b>Total 2014 Adopted Budget</b>	<b>\$ 20,833,165</b>	<b>3.00</b>	<b>\$ 20,833,165</b>	<b>3.00</b>
<b>Baseline Changes</b>				
Citywide Adjustments for Standard Cost Changes	\$ 5,787	0.00	\$ 5,787	0.00
<b>Proposed Changes</b>				
Proposed Benefit Obligation Adjustments	-\$ 330,276	0.00	-\$ 441,960	0.00
<b>Proposed Technical Changes</b>				
Final Citywide Adjustments for Standard Cost Changes	\$ 4,824	0.00	\$ 7,218	0.00
<b>Council Changes</b>				
One-time Appropriation Reduction	-\$ 117,160	0.00	\$ 0	0.00

# Police Relief and Pension

<b>Total Incremental Changes</b>	<b>-\$ 436,825</b>	<b>0.00</b>	<b>-\$ 428,955</b>	<b>0.00</b>
<b>2015 Adopted/2016 Endorsed Budget</b>	<b>\$ 20,396,340</b>	<b>3.00</b>	<b>\$ 20,404,210</b>	<b>3.00</b>

## Descriptions of Incremental Budget Changes

### Baseline Changes

#### **Citywide Adjustments for Standard Cost Changes - \$5,787**

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

### Proposed Changes

#### **Proposed Benefit Obligation Adjustments - (\$330,276)**

This item decreases the pension benefit obligation paid by the City for SPOG and SPMA members since they are offset by LEOFF payments from the state. The State LEOFF payments typically grow with inflation. This item also increases the death benefit obligations for 2015-2016 to match expected spending levels.

### Proposed Technical Changes

#### **Final Citywide Adjustments for Standard Cost Changes - \$4,824**

Citywide technical adjustments made in the "Proposed Phase" reflect changes due to inflation, central cost allocation, retirement, healthcare, workers' compensation, and unemployment costs. These adjustments reflect updates to preliminary cost assumptions established in the "Baseline Phase."

### Council Changes

#### **One-time Appropriation Reduction - (\$117,160)**

This Council item reflects a one-time across-the-board reduction in appropriations for all departments receiving more than \$10 million in General Fund support. This reduction is equivalent to 0.6% of the General Fund appropriation included in the 2015 Proposed Budget.

## City Council Provisos

There are no Council provisos.

# Police Relief and Pension

## Expenditure Overview

Appropriations	Summit Code	2013 Actual	2014 Adopted	2015 Adopted	2016 Endorsed
<b>Police Relief and Pension Budget Control</b>					
Administration		517,628	568,165	535,500	546,210
Death Benefits		18,012	15,000	18,000	18,000
Medical Benefits		11,971,513	12,750,000	12,690,000	12,850,000
Pension Benefits		8,509,613	7,500,000	7,152,840	6,990,000
<b>Total</b>	<b>RP604</b>	<b>21,016,766</b>	<b>20,833,165</b>	<b>20,396,340</b>	<b>20,404,210</b>
<b>Department Total</b>		<b>21,016,766</b>	<b>20,833,165</b>	<b>20,396,340</b>	<b>20,404,210</b>

<b>Department Full-time Equivalents Total*</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>
------------------------------------------------	-------------	-------------	-------------	-------------

\* 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

### 2015 Estimated Revenues

Summit Code	Source	2013 Actual	2014 Adopted	2015 Adopted	2016 Endorsed
469200	Police Auction Proceeds	175,185	117,111	117,000	117,000
469990	Miscellaneous	430,573	0	0	0
587001	General Subfund	18,987,071	20,716,054	20,279,340	20,287,210
	<b>Total Police Relief and Pension Fund Revenues</b>	<b>19,592,829</b>	<b>20,833,165</b>	<b>20,396,340</b>	<b>20,404,210</b>

<b>Total Revenues</b>		<b>19,592,829</b>	<b>20,833,165</b>	<b>20,396,340</b>	<b>20,404,210</b>
-----------------------	--	-------------------	-------------------	-------------------	-------------------

379100	Use of (Contribution to) Fund Balance	1,423,937	0	0	0
	<b>Total Use of (Contribution to) Fund Balance</b>	<b>1,423,937</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Total Resources</b>		<b>21,016,766</b>	<b>20,833,165</b>	<b>20,396,340</b>	<b>20,404,210</b>
------------------------	--	-------------------	-------------------	-------------------	-------------------

# Police Relief and Pension

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

### Police Relief and Pension Budget Control Level

The purpose of the Police Relief and Pension Budget Control Level is to provide responsive benefit services to eligible active-duty and retired Seattle police officers.

	2013	2014	2015	2016
<b>Program Expenditures</b>	<b>Actual</b>	<b>Adopted</b>	<b>Adopted</b>	<b>Endorsed</b>
Administration	517,628	568,165	535,500	546,210
Death Benefits	18,012	15,000	18,000	18,000
Medical Benefits	11,971,513	12,750,000	12,690,000	12,850,000
Pension Benefits	8,509,613	7,500,000	7,152,840	6,990,000
<b>Total</b>	<b>21,016,766</b>	<b>20,833,165</b>	<b>20,396,340</b>	<b>20,404,210</b>
Full-time Equivalents Total*	3.00	3.00	3.00	3.00

\* 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 Police Relief and Pension Budget Control Level:*

#### **Administration Program**

The purpose of the Administration Program is to provide responsive benefit services to eligible active-duty and retired Seattle police officers.

	2013	2014	2015	2016
<b>Expenditures/FTE</b>	<b>Actual</b>	<b>Adopted</b>	<b>Adopted</b>	<b>Endorsed</b>
Administration	517,628	568,165	535,500	546,210
Full-time Equivalents Total	3.00	3.00	3.00	3.00

#### **Death Benefits Program**

The purpose of the Death Benefits Program is to provide statutory death benefit payments to lawful beneficiaries of eligible former members of the Seattle Police Department.

	2013	2014	2015	2016
<b>Expenditures</b>	<b>Actual</b>	<b>Adopted</b>	<b>Adopted</b>	<b>Endorsed</b>
Death Benefits	18,012	15,000	18,000	18,000

#### **Medical Benefits Program**

The purpose of the Medical Benefits Program is to provide medical benefits for eligible active-duty and retired members of the Seattle Police Department.

	2013	2014	2015	2016
<b>Expenditures</b>	<b>Actual</b>	<b>Adopted</b>	<b>Adopted</b>	<b>Endorsed</b>
Medical Benefits	11,971,513	12,750,000	12,690,000	12,850,000

# Police Relief and Pension

## Pension Benefits Program

The purpose of the Pension Benefits Program is to provide pension benefits for eligible retired members of the Seattle Police Department.

<b>Expenditures</b>	<b>2013 Actual</b>	<b>2014 Adopted</b>	<b>2015 Adopted</b>	<b>2016 Endorsed</b>
Pension Benefits	8,509,613	7,500,000	7,152,840	6,990,000

## Police Pension Fund Table

### Police Relief and Pension Fund (60400)

	<b>2013 Actuals</b>	<b>2014 Adopted</b>	<b>2014 Revised</b>	<b>2015 Adopted</b>	<b>2016 Endorsed</b>
<b>Beginning Fund Balance</b>	<b>4,298,266</b>	<b>1,714,200</b>	<b>2,874,329</b>	<b>2,912,494</b>	<b>2,912,494</b>
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	19,592,829	20,833,165	20,833,165	20,396,340	20,404,210
Less: Actual and Budgeted Expenditures	21,016,766	20,833,165	20,795,000	20,396,340	20,404,210
<b>Ending Fund Balance</b>	<b>2,874,329</b>	<b>1,714,200</b>	<b>2,912,494</b>	<b>2,912,494</b>	<b>2,912,494</b>
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Rate Stabilization Reserve	684,066	1,214,200	2,412,494	2,412,494	2,412,494
<b>Total Reserves</b>	<b>1,184,066</b>	<b>1,714,200</b>	<b>2,912,494</b>	<b>2,912,494</b>	<b>2,912,494</b>
<b>Ending Unreserved Fund Balance</b>	<b>1,690,263</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>