

Firefighters' Pension

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

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.

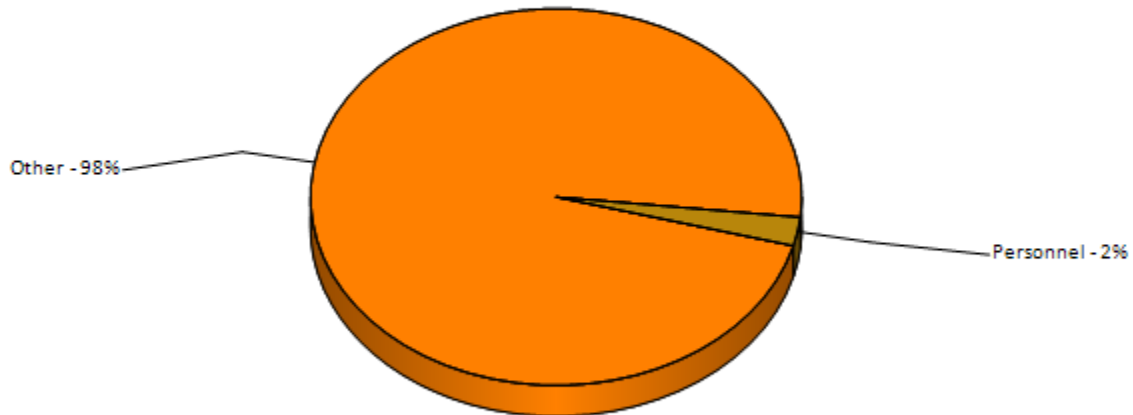
Firefighters' Pension

Budget Snapshot

Department Support	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Adopted
General Fund Support	\$16,256,809	\$17,311,984	\$17,475,500	\$17,163,500
Other Funding - Operating	\$1,439,101	\$1,275,000	\$1,293,500	\$1,293,500
Total Operations	\$17,695,910	\$18,586,984	\$18,769,000	\$18,457,000
Total Appropriations	\$17,695,910	\$18,586,984	\$18,769,000	\$18,457,000
Full-time Equivalent Total*	4.00	4.00	4.00	4.00

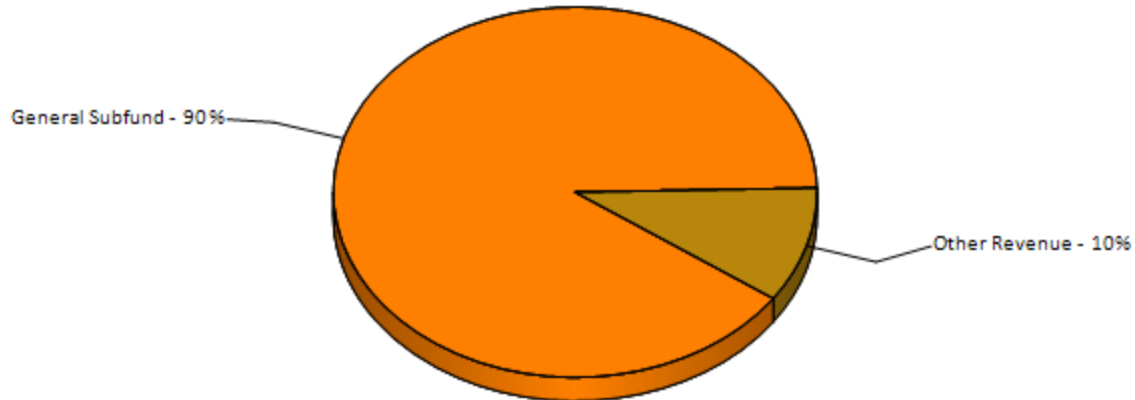
* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.

2016 Adopted Budget - Expenditure by Category



Firefighters' Pension

2016 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 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.

FPEN spent less than anticipated in 2014, resulting in nearly \$2 million of additional ending funding balance which excludes FPEN's contingency reserve of \$500,000. The 2016 Adopted Budget assumes the Rate Stabilization Reserve reaches \$3.6 million at the end of 2015, and the out-year financial plan calls for this reserve to be available to support future pension and medical benefit cost increases.

The 2016 Adopted Budget does not assume any negotiated cost growth factors on pension benefit costs for retirees affected by Local 27 (Fire Fighters) and Local 2898 (Fire Chiefs), whose contracts both expired on December 31, 2014. Therefore, the 2016 Adopted Budget shows a decrease in pension costs in 2016 since the state LEOFF 1 offset payments increases with its own growth rate each year. Once bargaining agreements are reached for Local 27 and Local 2898, those impacts will be incorporated into FPEN budget to cover any retroactive pension benefit costs due from 2015.

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 2016 Adopted Budget assumes an annual rate of return of 5.5% on the investment portfolio, and that the returns are continuously reinvested.

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City Council Changes to the Proposed Budget

The Council made no changes to the 2016 Proposed Budget.

Incremental Budget Changes

Firefighters' Pension

	2016 Budget	FTE
Total 2016 Endorsed Budget	\$ 18,769,000	4.00
Proposed Changes		
Benefit Obligation Adjustment	-\$ 312,000	0.00
Total Incremental Changes	-\$ 312,000	0.00
2016 Adopted Budget	\$ 18,457,000	4.00

Descriptions of Incremental Budget Changes

Proposed Changes

Benefit Obligation Adjustment - (\$312,000)

This adjustment reflects the net impact of the change in firefighters' pension, medical, and death benefit obligations in 2016, as provided by FPEN's 2015 actuarial valuation.

City Council Provisos

There are no Council provisos.

Firefighters' Pension

Expenditure Overview

Appropriations	Summit Code	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Adopted
Firefighters' Pension Budget Control					
Administration		549,808	640,000	640,000	640,000
Death Benefits		16,000	15,000	15,000	17,000
Medical Benefits		9,567,468	10,650,000	10,950,000	11,000,000
Pensions		7,562,634	7,281,984	7,164,000	6,800,000
Total	R2F01	17,695,910	18,586,984	18,769,000	18,457,000
Department Total		17,695,910	18,586,984	18,769,000	18,457,000

Department Full-time Equivalents Total*	4.00	4.00	4.00	4.00
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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

2016 Estimated Revenues

Summit Code	Source	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Adopted
587001	General Subfund	17,155,526	17,311,984	17,475,500	17,163,500
	Total General Subfund	17,155,526	17,311,984	17,475,500	17,163,500
436691	Fire Insurance Premium Tax	1,007,214	925,000	943,500	943,500
461110	Actuarial Account Interest	10,992	0	0	0
461320	Return on Actuarial Account	1,100,946	581,272	613,242	633,825
469990	Medicare Rx Subsidy Refund	431,887	350,000	350,000	350,000
	Total Other Revenue	2,551,039	1,856,272	1,906,742	1,927,325
	Total Revenues	19,706,565	19,168,256	19,382,242	19,090,825
379100	Use of (Contribution to) Fund Balance	-2,010,655	-581,272	-613,242	-633,825
	Total Use of (Contribution to) Fund Balance	-2,010,655	-581,272	-613,242	-633,825
	Total Resources	17,695,910	18,586,984	18,769,000	18,457,000

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.

	2014	2015	2016	2016
Program Expenditures	Actuals	Adopted	Endorsed	Adopted
Administration	549,808	640,000	640,000	640,000
Death Benefits	16,000	15,000	15,000	17,000
Medical Benefits	9,567,468	10,650,000	10,950,000	11,000,000
Pensions	7,562,634	7,281,984	7,164,000	6,800,000
Total	17,695,910	18,586,984	18,769,000	18,457,000
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.

	2014	2015	2016	2016
Expenditures/FTE	Actuals	Adopted	Endorsed	Adopted
Administration	549,808	640,000	640,000	640,000
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.

	2014	2015	2016	2016
Expenditures	Actuals	Adopted	Endorsed	Adopted
Death Benefits	16,000	15,000	15,000	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.

	2014	2015	2016	2016
Expenditures	Actuals	Adopted	Endorsed	Adopted
Medical Benefits	9,567,468	10,650,000	10,950,000	11,000,000

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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	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Adopted
Pensions	7,562,634	7,281,984	7,164,000	6,800,000

Firefighters Pension Fund Table

Firefighters Pension Fund (60200)

	2014 Actuals	2015 Adopted	2015 Revised	2016 Endorsed	2016 Adopted
Beginning Fund Balance	12,731,237	13,985,368	14,741,892	14,566,640	15,605,148
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	19,706,565	19,168,256	19,168,256	19,382,242	19,090,825
Less: Actual and Budgeted Expenditures	17,695,910	18,586,984	18,305,000	18,769,000	18,457,000
Ending Fund Balance	14,741,892	14,566,640	15,605,148	15,179,882	16,238,973
Actuarial Account	10,942,811	11,149,859	11,524,083	11,763,102	12,157,908
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Rate Stabilization Reserve	3,299,081	2,916,781	3,581,065	2,916,780	3,581,065
Total Reserves	14,741,892	14,566,640	15,605,148	15,179,882	16,238,973
Ending Unreserved Fund Balance	0	0	0	0	0