

Employees' Retirement System

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

Department Overview

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 9,150 active employee members, 2,350 terminated employee members and 6,400 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 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.

Please note that the appropriations detailed in the following tables reflect only the costs to administer the system and do not reflect payment of retiree benefits. For additional details on retiree benefit payments, please visit the Retirement website: <http://www.seattle.gov/retirement/>

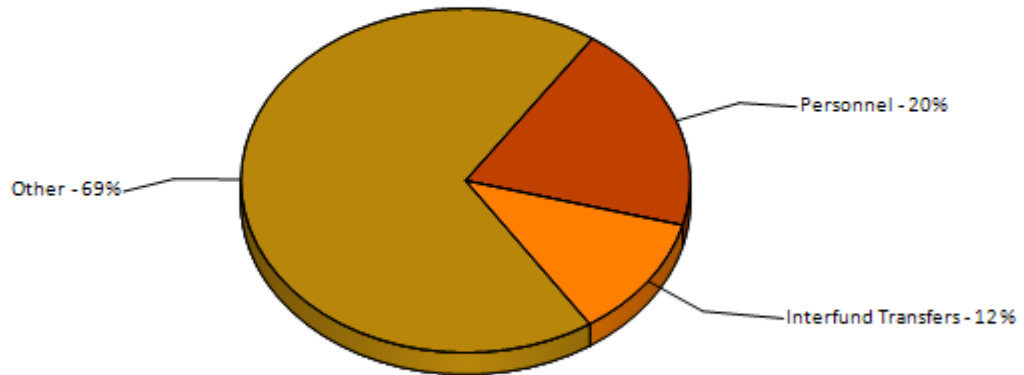
Budget Snapshot

Department Support	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
Other Funding - Operating	\$18,055,606	\$20,445,962	\$19,473,544	\$19,231,409
Total Operations	\$18,055,606	\$20,445,962	\$19,473,544	\$19,231,409
Total Appropriations	\$18,055,606	\$20,445,962	\$19,473,544	\$19,231,409
Full-time Equivalent Total*	20.00	21.00	21.00	21.00

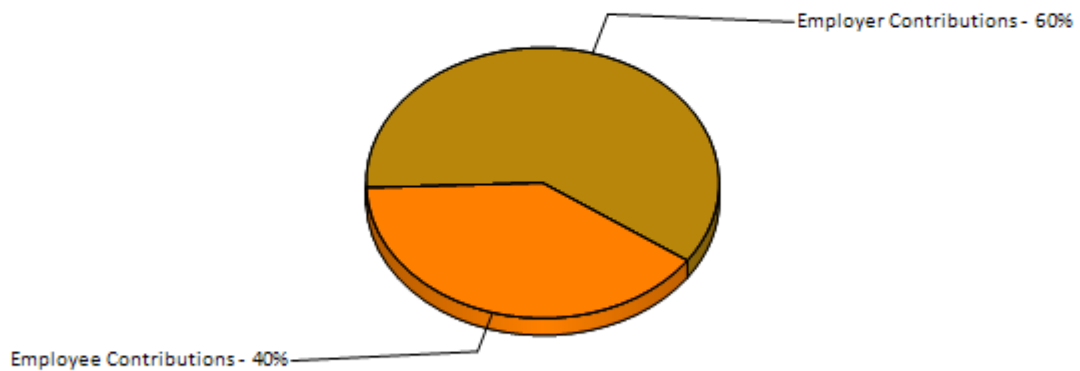
** FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.*

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2018 Proposed Budget - Expenditure by Category



2018 Proposed Budget - Revenue by Category



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Budget Overview

The Seattle City Employees Retirement System (SCERS) relies on the long-term health of its assets to sustain its long-term financial obligations to SCERS members. The long-term health of SCERS is measured by the annual January 1 funding status, a percentage that represents the value of the asset portfolio over the reserves needed to pay retirement benefits to employees.

In 2008, SCERS held net assets worth \$2.1 billion with a 92% funded status, a level considered healthy by most standards. However, SCERS experienced large investment losses in the 2008 economic downturn and its net assets fell to \$1.6 billion by 2010 with a 62% funded status. In 2017, the funded status has increased to 68.1%. Although the current level remains lower than the 2008 funded status, SCERS has made several changes over the last several years to positively impact the funding status over the long-term.

Pension Plan for New Employees Hired On or After January 1, 2017

The City began evaluating plan changes in 2012 to reduce the cost of the plan for employees and the City and thereby enhance SCERS' fiscal stability over the long run, while still maintaining an adequate retirement benefit for employees. In 2016, the City and labor unions agreed, and the Council approved, a new defined benefit plan (SCERS II) for new employees hired on or after January 1, 2017. SCERS II has a similar structure to the existing plan (SCERS I).

Under SCERS II, there is an estimated 3.9% combined savings for annual employer and employee contributions. Members of the new plan will contribute 7% of their salary toward their retirement benefit, compared to 10.03% under SCERS I. Given the lower contributions into the plan, the new SCERS II plan will provide a retirement benefit that is somewhat less generous than the current benefit, but consistent with the design of the current SCERS I plan, it will still provide City retirees with an adequate retirement income when combined with Social Security.

SCERS I and SCERS II have the following key differences:

- Monthly Pension Benefit Calculation
 - SCERS I: 2.00% multiplied by total years of service multiplied by the final average salary during 24 consecutive months
 - SCERS II: 1.75% multiplied by total years of service multiplied by the final average salary during 60 consecutive months
- Employee Contribution Rate
 - SCERS I: 10.03% of salary
 - SCERS II: 7.00% of salary
- 2018 Employer Contribution Rate
 - SCERS I: 15.23% of salary
 - SCERS II: 14.36% of salary (estimated)
- Normal Retirement Age
 - SCERS I: "Rule of 80" - lesser of 65 or when an employee's age plus service equals 80
 - SCERS II: "Rule of 85" - lesser of 65 or when an employee's age plus service equals 85
- Minimum Retirement Age
 - SCERS I: 52 years
 - SCERS II: 55 years

SCERS is using existing resources to support the implementation and management of SCERS II so the 2018 Proposed Budget does not include any changes related to SCERS II.

Additional Information

Employee Contributions: The plan's actuaries determine an "annual required contribution" (ARC) into SCERS so

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that its assets grow in tandem with the pension costs that rise as new employees join SCERS, salaries increase and retirees live longer. SCERS enhanced the plan in 2013 by revising its ARC calculation so that SCERS will be fully funded after a fixed 30-year period beginning January 1, 2013 and ending January 1, 2043.

- SCERS I members (employees hired before January 1, 2017) contribute 10.03% of their salary into SCERS I, per City labor contract agreements. The City agrees to pay the remaining ARC beyond 10.03% for SCERS I members.
- SCERS II members (employees hired on or after January 1, 2017) contribute 7% of their salary into SCERS II, per City labor contract agreements. The City agrees to pay the remaining ARC beyond 7% for SCERS II members.

Employer Contributions:

- SCERS I: The City will contribute 15.23% of salary for SCERS I members.
- SCERS II: The employer contribution rate is approximately 14.36% of salary for SCERS II members.

Investment Return Assumption: In January 2014, SCERS decreased its long-term investment return assumption from 7.75% to 7.50%. The updated investment return assumption anticipates a slower asset growth. However, it raises the ARC so that the plan relies more on employee and employer contributions that are based on salaries which are less volatile than the investment returns affected by portfolio experience and the economy.

Asset Smoothing: SCERS implemented an asset smoothing policy in 2011 to protect the funded status from volatile year-to-year swings by recognizing annual investment return gains and losses evenly over five years. This policy results in gradual changes in the ARC so the City's contribution is more stable.

Incremental Budget Changes

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	2018	
	Budget	FTE
Total 2018 Endorsed Budget	\$ 19,473,544	21.00
Baseline Changes		
Citywide Adjustments for Standard Cost Changes	-\$ 242,135	0.00
Total Incremental Changes	-\$ 242,135	0.00
2018 Proposed Budget	\$ 19,231,409	21.00

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Descriptions of Incremental Budget Changes

Baseline Changes

Citywide Adjustments for Standard Cost Changes - (\$242,135)

Citywide technical adjustments made in the baseline phase reflect changes to internal services costs, health care, and industrial insurance charges for the department that differed from assumptions about these costs and inflators in the 2018 Endorsed Budget.

Expenditure Overview

Appropriations	Summit Code	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
Employee Benefit Management Budget Control Level	R1E00	18,055,606	20,445,962	19,473,544	19,231,409
Department Total		18,055,606	20,445,962	19,473,544	19,231,409

Department Full-time Equivalents Total*	20.00	21.00	21.00	21.00
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Revenue Overview

2018 Estimated Revenues

Summit Code	Source	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
469610	Employee Contributions	7,169,348	8,099,250	7,726,252	7,636,225
	Total Employee Contributions	7,169,348	8,099,250	7,726,252	7,636,225
569510	Employer Contributions	10,886,258	12,346,712	11,747,292	11,595,184
	Total Employer Contributions	10,886,258	12,346,712	11,747,292	11,595,184
	Total Revenues	18,055,606	20,445,962	19,473,544	19,231,409
	Total Resources	18,055,606	20,445,962	19,473,544	19,231,409

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Appropriations By Budget Control Level (BCL) and Program

Employee Benefit Management Budget Control Level

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

	2016	2017	2018	2018
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Employees' Retirement	18,055,606	20,445,962	19,473,544	19,231,409
Total	18,055,606	20,445,962	19,473,544	19,231,409
Full-time Equivalents Total*	20.00	21.00	21.00	21.00

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