

Employees' Retirement System

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

Department Overview

The Seattle City 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 9,400 active employee members, 2,800 terminated employee members and 7,000 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 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.

Budget Snapshot

	2019 Actuals	2020 Adopted	2021 Proposed
Department Support			
Other Funding - Operating	241,640,255	21,000,778	8,646,345
Total Operations	241,640,255	21,000,778	8,646,345
Total Appropriations	241,640,255	21,000,778	8,646,345
Full-Time Equivalents Total*	23.00	23.00	28.00

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

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.

As of January 1, 2020, SCERS net assets are valued at \$3.04 billion with a 68.9% funded status. This is an increase from 68.2% in 2019, but still higher than the low of 62% in 2010. SCERS funding status has generally increased steadily since 2010 due to changes SCERS has made to positively impact the funding status over the long-term. A 2019 decrease was due to adopted changes in assumptions related to long-term investment returns and lower than expected investment returns in 2018.

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Annual Contributions: The plan's actuaries determine an "annual required contribution" (ARC) into SCERS so its assets grow in tandem with pension costs, which rise as new employees join SCERS, wages increase, and retirees live longer. In response to the drop in the value of its invested assets and its funded status coming out of the 2008-09 recession, SCERS and the City enhanced the plan in 2013 by revising its ARC calculation so SCERS will be fully funded after a fixed 30-year period beginning January 1, 2013 and ending January 1, 2043. In addition to the employee and employer annual required contributions, the City pays an additional fluctuating amount to achieve the fully funded status by 2043. These amounts are reflected in departmental budgets throughout the 2021 Proposed Budget.

Investment Return Assumption: In January 2014, SCERS decreased its long-term investment return assumption from 7.75% to 7.50% in anticipation of slower asset growth over the next 30 years. Effective January 2020, SCERS decreased this assumption further to 7.25%. This assumption raises the ARC so 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.

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, thereby enhancing 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 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 3.8% 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 lower than the SCERS I plan, but consistent with the design of the current SCERS I plan. The SCERS II benefit will still provide City retirees with an adequate retirement income when combined with Social Security.

The 2021 Proposed Budget includes total appropriation decreases of \$12,354,433. This total, however, includes \$483,169 in appropriation increases for operations, staffing and citywide cost adjustments, but also the removal from the budget of \$12,837,602 for investment management fees. On June 11, 2020 the SCERS Board of Administration reviewed and approved the change to make the Investment Management Fees non-appropriated beginning with the 2021 budget and going forward. This treatment will be the same as for the pension payments to member retirees, which are also non-appropriated. Investment management fees will continue to be reported to the Board, recorded in the City's financial system and detailed in the annual audited financial statements that are posted publicly on SCERS's website (see p32 of 2019 Annual Financials). The financial statements are reviewed and accepted annually by the SCERS Board, which is chaired by the Council Finance Committee Chair.

Incremental Budget Changes

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	2021 Proposed Budget	FTE
2020 Adopted Budget	21,000,778	23.00
Baseline		
Baseline Adjustments for Personnel Costs	54,926	-
Proposed Operating		

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Investment Management Fee Adjustment	(12,837,602)	-
Operations Expense Adjustment	680,628	1.00
Staffing Adjustments	339,886	4.00
Proposed Technical		
Balancing Adjustment	-	-
Citywide Adjustments for Standard Cost Changes	(592,271)	-
Total Incremental Changes	\$(12,354,433)	5.00
Total 2021 Proposed Budget	\$8,646,345	28.00

Description of Incremental Budget Changes

Baseline

Baseline Adjustments for Personnel Costs

Expenditures \$54,926

This centrally administered change adjusts appropriations to reflect an annual wage increase, as outlined in the agreements between the City and the Coalition of Unions, for personnel costs included in this department's baseline budget. This includes increases to salary, FICA, Medicare, family medical leave, retirement, overtime and temporary labor. There is no increase assumed from 2021 to 2022. This does not include a 2021 salary increase for non-represented Executives, Managers and Strategic Advisors.

Proposed Operating

Investment Management Fee Adjustment

Expenditures \$(12,837,602)

On June 11, 2020, the SCERS Board of Administration reviewed and approved the change to make the Investment Management Fees non-appropriated in the 2021-2022 budget cycle and going forward.

Operations Expense Adjustment

Expenditures \$680,628

Position Allocation 1.00

On June 11, 2020, the SCERS Board of Administration approved a change to increase the allocation of operating costs to better align with existing needs and commitments.

Staffing Adjustments

Expenditures \$339,886

Position Allocation 4.00

On June 11, 2020 the SCERS Board of Administration reviewed and approved the conversion of 4 TLT positions to FTE (1 Accountant, 2 Assistant Retirement Specialists, 1 Systems Analyst). During 2018 and 2019, rather than immediately add FTE, SCERS used temporary staff (TLTs) to address changing workload needs resulting from a new pension administration system. SCERS has determined these 4 positions were essential to ongoing workload needs versus the temporary influx of work during the system transition. Total positions at SCERS remains constant at 30

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from 2020 to 2021.

Additionally, as part of the 2019 budget process the SCERS Board of Administration approved the reclassification of 4 existing positions (3 Retirement Specialists to Senior Personnel Specialist and 1 Retirement Specialist to Strategic Advisor) which are included in the budget legislation in 2021.

Proposed Technical

Balancing Adjustment

Revenues \$(12,354,433)

This is a technical item to balance revenues and expenditures for the Funds managed by this department.

Citywide Adjustments for Standard Cost Changes

Expenditures \$(592,271)

Citywide technical adjustments made in the baseline phase reflect changes to internal services costs, including rates from the Department of Finance & Administrative Services, Seattle Information Technology Department, Seattle Department of Human Resources, and for healthcare, retirement and industrial insurance charges for the department. These adjustments reflect initial assumptions about these costs and inflators early in the budget process.

Expenditure Overview

	2019 Actuals	2020 Adopted	2021 Proposed
Appropriations			
RET - BO-RE-9RE00 - UNASSIGNED			
61030 - Employees' Retirement Fund	218,601,831	-	-
Total for BSL: BO-RE-9RE00	218,601,831	-	-
RET - BO-RE-R1E00 - Employee Benefit Management			
61030 - Employees' Retirement Fund	23,038,423	21,000,778	8,646,345
Total for BSL: BO-RE-R1E00	23,038,423	21,000,778	8,646,345
Department Total	241,640,255	21,000,778	8,646,345
Department Full-Time Equivalents Total*	23.00	23.00	28.00

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

Budget Summary by Fund Employees' Retirement System

	2019 Actuals	2020 Adopted	2021 Proposed
61030 - Employees' Retirement Fund	241,640,255	21,000,778	8,646,345
Budget Totals for RET	241,640,255	21,000,778	8,646,345

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Revenue Overview

2021 Estimated Revenues

Account Code	Account Name	2019 Actuals	2020 Adopted	2021 Proposed
360010	Investment Interest	17,410,166	-	-
360030	Securities Lending Revenue	(4,970)	-	-
360090	Realized Gains/Losses On Invm	128,353,866	-	-
360120	Security Lending Income Gasb 2	147,771	-	-
360230	Dividend Income	20,646,716	-	-
360240	Other Investment Income	14,565,733	-	-
360430	Employr Pnsn Contributions	119,006,738	12,833,356	5,283,691
360440	Employr Dth Ben Contribution	164,334	-	-
360450	Emplyee Pnsn Contribution	75,096,239	8,167,422	3,362,654
360460	Emplyee Dth Ben Contribution	164,334	-	-
360900	Miscellaneous Revs-Other Rev	636,154	-	-
Total Revenues for: 61030 - Employees' Retirement Fund		376,187,081	21,000,778	8,646,345
Total RET Resources		376,187,081	21,000,778	8,646,345

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Appropriations by Budget Summary Level and Program

RET - BO-RE-9RE00 - UNASSIGNED

Program Expenditures	2019 Actuals	2020 Adopted	2021 Proposed
Pension Benefits Paid	218,601,831	-	-
Total	218,601,831	-	-

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RET - BO-RE-R1E00 - Employee Benefit Management

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

Program Expenditures	2019 Actuals	2020 Adopted	2021 Proposed
Employee Benefit Management	23,038,423	21,000,778	8,646,345
Total	23,038,423	21,000,778	8,646,345
Full-time Equivalent Total*	23.00	23.00	28.00

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