

Employees' Retirement System

Jeff Davis, Executive Director

(206) 386-1293

<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 9,800 active employee members, 3,600 terminated employee members and 7,700 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.

Beginning in 2025, SCERS will also manage the City's Deferred Compensation Program, previously administered by the Seattle Department of Human Resources.

Please note that the appropriations detailed in the following tables reflect only the costs to administer the two benefit systems and do not reflect payment of benefits or investment management fees.

Budget Snapshot

	2023 Actuals	2024 Adopted	2025 Proposed	2026 Proposed
Department Support				
General Fund Support	-	-	698,016	729,739
Other Funding - Operating	9,518,522	10,656,304	15,286,700	15,815,720
Total Operations	9,518,522	10,656,304	15,984,716	16,545,459
Total Appropriations	9,518,522	10,656,304	15,984,716	16,545,459

Full-Time Equivalents Total*	28.50	30.50	33.50	33.50
------------------------------	-------	-------	-------	-------

* 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.

Employees' Retirement System

As of January 1, 2024, SCERS net assets are valued at \$4.0 billion with a 75.8% funded status. This is an increase from 75.7% in 2023. 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.

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 2023 SCERS and the City enhanced the plan 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. The annual required contribution is composed of two parts: employee contributions, which are established by the City's labor agreements, and employer contributions. Employer contribution amounts are reflected in departmental budgets throughout the 2025 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. In January 2020, SCERS decreased this assumption to 7.25% and in January 2023, SCERS decreased the assumption further to 6.75%. This assumption raised 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 2025 Proposed Budget for the management of SCERS includes total appropriation increases of \$5,190,147. This increase consists of adjustments to bring the budget in line with the SCERS Board's approved 2025-2026 budget; a transfer of the management of the City's deferred compensation program from the Seattle Department of Human Resources (SDHR); and annual adjustments for internal City service costs and wage increases. The Board approved budget also addresses the need to upgrade SCERS's Pension Administration System.

Employees' Retirement System

Incremental Budget Changes

Employees' Retirement System

	Dollars	FTE
2024 Adopted Budget	10,656,304	30.50
Baseline		
Bargained Annual Wage and Market Wage Increases to Base Budget	852,900	-
Citywide Adjustments for Standard Cost Changes	364,734	-
Proposed Operating		
Decrease SCERS Administrative Baseline Budget to SCERS Board Approved Budget	(514,463)	-
SCERS Pension Administration System Upgrade	4,000,000	-
2025 Deferred Compensation Baseline Budget	698,016	3.00
Proposed Technical		
Fund Balancing Adjustment	-	-
SCERS GASB 87 Net-Zero Change	-	-
Final Adjustments for Standard Cost Changes	(72,775)	-
Total Incremental Changes	\$5,328,412	3.00
Total 2025 Proposed Budget	\$15,984,716	33.50

Description of Incremental Budget Changes

Baseline

Bargained Annual Wage and Market Wage Increases to Base Budget

Expenditures \$852,900

This centrally administered change adjusts appropriations to reflect the Annual Wage Increases and Market Adjustments, as outlined in the agreements between the City and the Coalition of Unions or other standalone Unions, for personnel costs included in this department's baseline budget. This includes increases to salary, FICA, Medicare, retirement, overtime and temporary labor.

Citywide Adjustments for Standard Cost Changes

Expenditures \$364,734

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.

Employees' Retirement System

Proposed Operating

Decrease SCERS Administrative Baseline Budget to SCERS Board Approved Budget

Expenditures	\$(514,463)
Revenues	\$4,587,147

This item brings the 2025 Baseline budget into agreement with the 2025 budget approved by the SCERS Board.

SCERS Pension Administration System Upgrade

Expenditures	\$4,000,000
--------------	-------------

This item increases appropriation by \$4,000,000 to support an upgrade to SCERS's Pension Administration System. The current system version is no longer supported and the vendor will no longer offer hosting services. This is a project placeholder as SCERS completes its options analysis. There is not a "do nothing" option, leaving SCERS to either upgrade to the vendor's cloud based system or take over hosting services. Both options will be a 12 to 24 month implementation project. SCERS's Board of Administration approved a \$8.0 million project placeholder, spread evenly over 2025 and 2026.

2025 Deferred Compensation Baseline Budget

Expenditures	\$698,016
Revenues	\$698,016
Position Allocation	3.00

This item transfers the City's Deferred Compensation (DC) Program from SDHR to SCERS. SCERS and SDHR agree that there is a strong business case for this change. Aligning SCERS and the DC program creates opportunities for future business efficiencies, including in member communications, knowledge, and retirement processes. SCERS and the DC program are similar City benefits that focus on financial security for city employees, and both are important components of employees' overall retirement planning process.

Proposed Technical

Fund Balancing Adjustment

Revenues	\$43,249
----------	----------

This is a technical item to record a fund balancing entry for the Employees' Retirement Fund.

SCERS GASB 87 Net-Zero Change

Expenditures	-
--------------	---

GASB 87 was implemented in 2022 by the City of Seattle and changed the expense account coding of SCERS's office space rental expense from account 542010 to account 560100. This item corrects the account number for this expense with a net-zero effect on total budget.

Final Adjustments for Standard Cost Changes

Expenditures	\$(72,775)
--------------	------------

Citywide technical adjustments made in the proposed 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 for the department. These adjustments reflect final decisions about these costs made during the Proposed Phase of the budget process.

Employees' Retirement System

Expenditure Overview

	2023 Actuals	2024 Adopted	2025 Proposed	2026 Proposed
Appropriations				
RET - BO-RE-R1E00 - Employee Benefit Management				
61030 - Employees' Retirement Fund	9,518,522	10,656,304	15,286,700	15,815,720
Total for BSL: BO-RE-R1E00	9,518,522	10,656,304	15,286,700	15,815,720
RET - BO-RE-R2E000 - Deferred Comp Management				
00100 - General Fund	-	-	698,016	729,739
Total for BSL: BO-RE-R2E000	-	-	698,016	729,739
Department Total	9,518,522	10,656,304	15,984,716	16,545,459
Department Full-Time Equivalents Total*	28.50	30.50	33.50	33.50

* 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

	2023 Actuals	2024 Adopted	2025 Proposed	2026 Proposed
00100 - General Fund	-	-	698,016	729,739
61030 - Employees' Retirement Fund	9,518,522	10,656,304	15,286,700	15,815,720
Budget Totals for RET	9,518,522	10,656,304	15,984,716	16,545,459

Revenue Overview

2025 Estimated Revenues

Account Code	Account Name	2023 Actuals	2024 Adopted	2025 Proposed	2026 Proposed
360900	Miscellaneous Revs-Other Rev	-	-	698,016	729,739
Total Revenues for: 00100 - General Fund		-	-	698,016	729,739
360430	Employr Pnsn Contributions	-	6,747,447	11,334,594	11,863,614
360450	Emplyee Pnsn Contribution	-	3,952,106	3,952,106	3,952,106
Total Revenues for: 61030 - Employees' Retirement Fund		-	10,699,553	15,286,700	15,815,720
400000	Use of/Contribution to Fund Balance	-	(43,249)	-	-
Total Resources for: 61030 - Employees' Retirement Fund		-	10,656,304	15,286,700	15,815,720
Total RET Resources		-	10,656,304	15,984,716	16,545,459

Employees' Retirement System

Appropriations by Budget Summary Level and Program

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	2023	2024	2025	2026
	Actuals	Adopted	Proposed	Proposed
Employee Benefit Management	9,518,522	10,656,304	15,286,700	15,815,720
Total	9,518,522	10,656,304	15,286,700	15,815,720
Full-time Equivalents Total*	28.50	30.50	30.50	30.50

**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*

RET - BO-RE-R2E000 - Deferred Comp Management

The purpose of the Deferred Compensation Management Budget Summary Level is to manage and administer deferred compensation assets and benefits.

Program Expenditures	2023	2024	2025	2026
	Actuals	Adopted	Proposed	Proposed
Deferred Compensation Management	-	-	698,016	729,739
Total	-	-	698,016	729,739
Full-time Equivalents Total*	-	-	3.00	3.00

**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*