

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 8,600 active employee members and 5,400 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/>

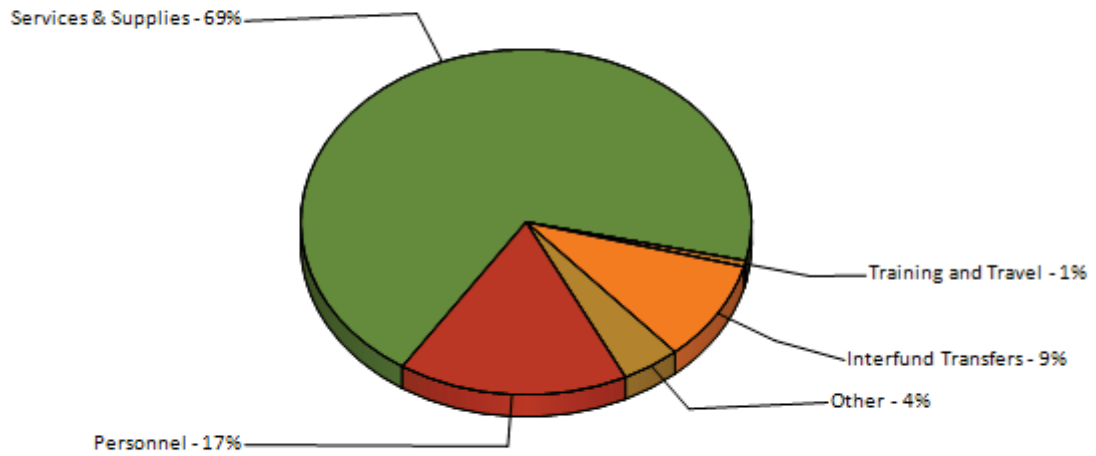
Budget Snapshot

Department Support	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
Other Funding - Operating	\$10,417,266	\$13,940,683	\$14,133,643	\$13,425,377
Total Operations	\$10,417,266	\$13,940,683	\$14,133,643	\$13,425,377
Total Appropriations	\$10,417,266	\$13,940,683	\$14,133,643	\$13,425,377
Full-time Equivalent Total*	18.00	18.00	18.00	20.00

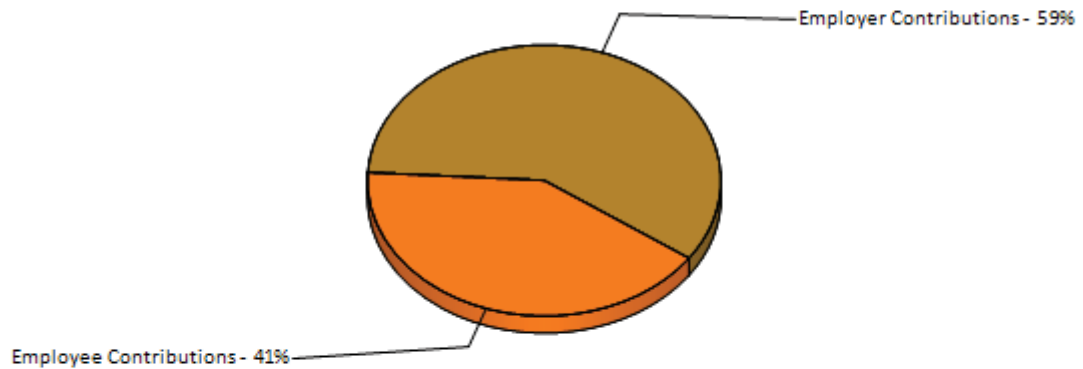
* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.

Employees' Retirement System

2014 Adopted Budget - Expenditure by Category



2014 Adopted Budget - Revenue by Category



Employees' Retirement System

Budget Overview

As is the case with other pension funds, the Seattle City Employees Retirement System (SCERS) relies on the health of its investment earnings to sustain its on-going financial obligations. In years when the economy falters, investment earnings may not meet anticipated levels, creating a financial strain on the system. During severe downturns the SCERS asset portfolio, as with most other retirement portfolios, may experience investment losses instead of gains. This was the case in 2008. At the beginning of 2008, SCERS held net assets worth \$2.1 billion, which amounted to 92% of the reserves needed to pay all promised retirement benefits, a level considered healthy by most standards. By 2010, following sharp, worldwide financial market losses, SCERS net assets fell to \$1.6 billion which amounted to only 62% of the reserves necessary to pay promised future benefits. By January 1, 2013, the performance of SCERS investment portfolio improved slightly to 64% of the reserves need to pay promised retirement benefits.

While these levels are not nearly as healthy as 2008, SCERS has ample resources on hand, combined with future contributions, needed to pay all near-term obligations to retirees, given the total size of the SCERS portfolio. However, SCERS must identify mechanisms to make up the decline in asset value over time in order to ensure full funding of retiree benefits in the long-term.

SCERS can recover from these shortfalls in different ways. The easiest way to make up the gap is to have a better-than-anticipated investment returns on the SCERS portfolio. This was the case experienced in 2011 and 2013, but not in 2012. SCERS cannot rely on better-than-anticipated investment returns every year, as some future years will again yield a lower return.

In order to proactively address the system shortfall, the City adopted a policy to fully fund the actuary-recommended rate each year. Employees also agreed to contribute more into the fund. In 2010, both the employer and employee contribution rates were 8.03%. Under new policies, the employee rate rose to 10.03% by 2012 where it remains per labor contract agreements. The employer rate has risen each year since 2010 and will be 14.31% in 2014. The total combined rate in each year is the rate determined by the City's actuary to fully fund obligations.

Since 2011, SCERS has employed a common five-year asset smoothing policy under which portfolio gains or losses occurring in each year are recognized evenly over a five-year period, thereby smoothing out volatile year-to-year swings in asset values. This policy results in gradual changes in actuarially recommended contribution rates each year.

Given projected future increases in City costs for retirement, in 2012 an interdepartmental team developed a report summarizing possible changes to SCERS that would enhance its fiscal sustainability over the long run. These options are currently under consideration and the City will continue to analyze the costs, benefits and feasibility of these and other changes to SCERS in the coming biennium. More details on this report can be found online: http://www.seattle.gov/council/issues/retirement_system.htm.

Other Employees' Retirement System Improvements

In addition to strengthening funding policies, SCERS is also updating and improving its internal operations and benefits administration functions. One area of focus is to replace outdated Information Technology (IT) systems.

In 2013, an IT specialist joined SCERS to lead the changes in benefits administration. The 2014 Adopted Budget includes the addition of two IT staff positions which will support the ongoing SCERS upgrades to improve recordkeeping and administrative data systems.

City Council Changes to Proposed Budget

The Council made no changes to the 2014 Proposed Budget for SCERS.

Employees' Retirement System

Incremental Budget Changes

Employees' Retirement System

	2014	
	Budget	FTE
Total 2014 Endorsed Budget	\$ 14,133,643	18.00
Proposed Changes		
Add IT Analysts	\$ 0	2.00
Proposed Technical Changes		
Correct Allocated Costs	-\$ 717,367	0.00
Citywide Adjustments for Standard Cost Changes	\$ 9,101	0.00
Total Incremental Changes	-\$ 708,266	2.00
2014 Adopted Budget	\$ 13,425,377	20.00

Descriptions of Incremental Budget Changes

Proposed Changes

Add IT Analysts/2.00 FTE

SCERS will receive two 2-year term-limited Information Technology positions to perform systems analysis and developer functions to support an on-going systems upgrade.

Proposed Technical Changes

Correct Allocated Costs - (\$717,367)

This adjustment makes a correction from the 2014 Endorsed Budget for over-allocated administrative costs.

Citywide Adjustments for Standard Cost Changes - \$9,101

Citywide technical adjustments reflect changes due to inflation, central cost allocations, retirement, healthcare, workers' compensation, and unemployment costs. These adjustments typically reflect updates to preliminary cost assumptions established in the 2014 Endorsed Budget.

Employees' Retirement System

Expenditure Overview

Appropriations	Summit Code	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
Personnel, Maintenance, and Operations Budget Control Level	R1E10	10,417,266	13,940,683	14,133,643	13,425,377
Department Total		10,417,266	13,940,683	14,133,643	13,425,377
Department Full-time Equivalents Total*		18.00	18.00	18.00	20.00

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Revenue Overview

2014 Estimated Revenues

Summit Code	Source	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
	Employee Contributions	4,965,911	6,100,443	5,831,541	5,532,598
	Total Employee Contributions	4,965,911	6,100,443	5,831,541	5,532,598
469510	Employer Contributions	5,451,355	7,840,240	8,302,102	7,892,779
	Total Employer Contributions	5,451,355	7,840,240	8,302,102	7,892,779
	Total Revenues	10,417,266	13,940,683	14,133,643	13,425,377
	Total Resources	10,417,266	13,940,683	14,133,643	13,425,377

Appropriations By Budget Control Level (BCL) and Program

Personnel, Maintenance, and Operations Budget Control Level

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

Program Expenditures	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
Employees' Retirement	10,417,266	13,940,683	14,133,643	13,425,377
Total	10,417,266	13,940,683	14,133,643	13,425,377
Full-time Equivalents Total*	18.00	18.00	18.00	20.00

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