

# Police Relief and Pension

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## Department Overview

The Police Relief and Pension Fund (PPEN) provides pension and medical benefit services to eligible active and retired police officers and their beneficiaries. While the City pays into benefit funds for all Seattle police officers, PPEN covers only police officers who were hired before October 1, 1977 and therefore is a closed plan. Retiree benefits for police officers hired more recently are primarily covered through a separate state-managed plan.

The management of police benefits funds transitioned in the 1970s from local to state control. Prior to that time, the City paid into PPEN to provide for police officer retiree benefits. In March 1970, the State of Washington took over the provision of certain police pensions through Revised Code of Washington (RCW) Section 41.26, the Law Enforcement Officers and Fire Fighters (LEOFF) Plan 1. Seattle police officers hired between March 1970 and October 1977 enrolled in LEOFF 1, but also received additional benefit coverage through PPEN. As a result, this group of police officers receives retiree benefits primarily from the state's LEOFF 1 plan, but also any earned increment from the City's PPEN that exceeds LEOFF 1 coverage. Both PPEN and LEOFF 1 closed to new enrollees in October 1977. Police officers hired after that date enroll in the state's LEOFF 2 plan and do not receive benefits from PPEN.

The Seattle Police Pension Board is a seven-member quasi-judicial body chaired by the Mayor or his/her designee, which formulates policy, rules on disability applications, and provides oversight of the Police Pension Fund. Three staff employees of the board handle all of its operational functions. Staff positions associated with Police Relief and Pension are reflected in the City's position list.

The projections of annual pension and medical benefits, which comprise about 97% of the total annual PPEN budget, are based on the forecasts of an independent actuary. The City's General Fund provides funding for nearly all of PPEN's annual budget that supports the Police Relief and Pension Fund obligations. The Police Pension Fund also has a statutory funding source from police auction proceeds, which contribute a small amount towards the annual budget.

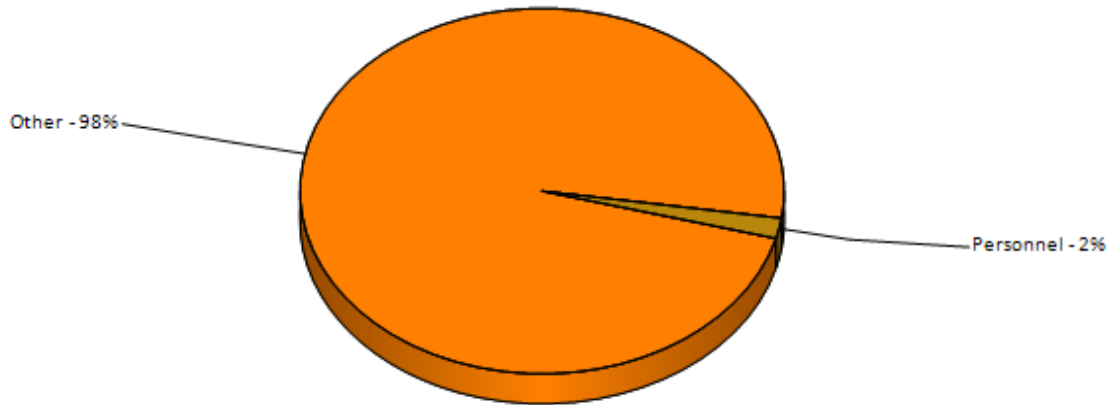
## Budget Snapshot

Department Support	2015 Actual	2016 Adopted	2017 Proposed	2018 Proposed
General Fund Support	\$20,227,855	\$21,313,000	\$21,313,000	\$21,770,367
Other Funding - Operating	\$1,132,946	\$517,000	\$759,712	\$774,288
<b>Total Operations</b>	<b>\$21,410,801</b>	<b>\$21,830,000</b>	<b>\$22,072,712</b>	<b>\$22,544,655</b>
<b>Total Appropriations</b>	<b>\$21,410,801</b>	<b>\$21,830,000</b>	<b>\$22,072,712</b>	<b>\$22,544,655</b>
Full-time Equivalent Total*	3.00	3.00	3.00	3.00

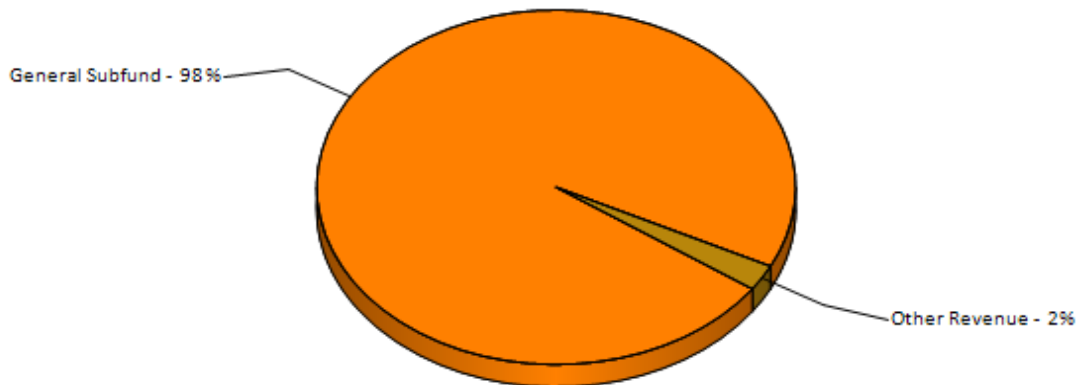
\* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.

# Police Relief and Pension

## 2017 Proposed Budget - Expenditure by Category



## 2017 Proposed Budget - Revenue by Category



# Police Relief and Pension

## Budget Overview

The Police Relief and Pension Fund (PPEN) receives almost all of its revenue from the City's General Fund. PPEN's expenditures, in turn, are devoted to paying legally mandated pension and medical benefits to eligible active and retired police officers and qualified beneficiaries. The total pension benefits for PPEN members are increased annually through locally negotiated cost of living adjustments (COLA) and local inflation. These increases are then offset by the benefits paid by the state's LEOFF 1 pension plan which has its own annual growth rate.

Most of PPEN's retirees are represented by either the Seattle Police Management Association (SPMA) or the Seattle Police Officer's Guild (SPOG). Their total pension benefits are increased annually with a COLA equal to the negotiated annual wage increases (AWI) for active union members at the Seattle Police Department.

The collective bargaining agreements expired December 31, 2013 for SPMA and December 31, 2014 for SPOG, and new agreements have not been reached yet. Since the COLA rates are currently unknown, the 2017-2018 Proposed Budget does not assume COLA increases on the total pension benefits for PPEN members. However, the 2017-2018 Proposed Budget assumes the LEOFF 1 plan offset benefit increases by an annual growth rate, and this results in a decreasing pension obligation paid from PPEN. Once their bargaining agreements are reached, the impacts will be incorporated into PPEN's budget to cover retroactive pension benefit costs due from January 1, 2014 for SPMA and January 1, 2015 for SPOG.

The 2017-2018 Proposed Budget also reflects increases to the retiree medical costs based on the 2016 actuarial valuation report. The report anticipates medical and long-term care costs will increase over the next 15 to 20 years due to PPEN's aging membership, and annual trend rates for medical and long-term care costs.

## Incremental Budget Changes

### Police Relief and Pension

	2017		2018	
	Budget	FTE	Budget	FTE
<b>Total 2016 Adopted Budget</b>	<b>\$ 21,830,000</b>	<b>3.00</b>	<b>\$ 21,830,000</b>	<b>3.00</b>
<b>Baseline Changes</b>				
Citywide Adjustments for Standard Cost Changes	\$ 22,712	0.00	\$ 34,655	0.00
<b>Proposed Changes</b>				
Medical Benefit Obligation	\$ 820,000	0.00	\$ 1,380,000	0.00
Pension Benefit Obligation Changes	-\$ 600,000	0.00	-\$ 700,000	0.00
<b>Total Incremental Changes</b>	<b>\$ 242,712</b>	<b>0.00</b>	<b>\$ 714,655</b>	<b>0.00</b>
<b>2017 - 2018 Proposed Budget</b>	<b>\$ 22,072,712</b>	<b>3.00</b>	<b>\$ 22,544,655</b>	<b>3.00</b>

# Police Relief and Pension

## Descriptions of Incremental Budget Changes

### Baseline Changes

#### Citywide Adjustments for Standard Cost Changes - \$22,712

Citywide technical adjustments made in the initial planning phase reflect changes in the health care and retirement contribution rates. These adjustments reflect initial assumptions about these costs and inflators early in the budget process. Additionally, this adjustment includes the Annual Wage Increases (AWI) from 2015 through 2018 for employees at the Police Pension department.

### Proposed Changes

#### Medical Benefit Obligation - \$820,000

This item increases the medical benefit obligation by 5.7% in 2017 and 2018. These adjustments reflect the annual medical trend rates for PPEN members whose average age is about 75 with an increasing use of PPEN medical and long-term care benefits.

#### Pension Benefit Obligation Changes - (\$600,000)

This adjustment decreases the pension benefit obligation. The total pension benefits due to PPEN members do not have a cost of living adjustment from the Seattle Police Officer's Guild (SPOG) and the Seattle Police Management Association (SPMA) since their collective bargaining agreements are expired. However, the State's LEOFF 1 pension plan pays most PPEN members an offsetting benefit which increases annually with their own growth rate. This results in decreasing benefits paid by PPEN each year. The City Budget Office is aware that benefits will likely increase when SPOG and SPMA reach an agreement and has accounted for this potential liability in its financial planning for the General Fund.

## Expenditure Overview

Appropriations	Summit Code	2015 Actual	2016 Adopted	2017 Proposed	2018 Proposed
<b>Police Relief and Pension Budget Control</b>					
Administration		532,708	612,000	634,712	646,655
Death Benefits		12,000	18,000	18,000	18,000
Medical Benefits		12,551,940	14,000,000	14,820,000	15,380,000
Pension Benefits		8,314,153	7,200,000	6,600,000	6,500,000
<b>Total</b>	<b>RP604</b>	<b>21,410,801</b>	<b>21,830,000</b>	<b>22,072,712</b>	<b>22,544,655</b>
<b>Department Total</b>		<b>21,410,801</b>	<b>21,830,000</b>	<b>22,072,712</b>	<b>22,544,655</b>

<b>Department Full-time Equivalents Total*</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>
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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.

# Police Relief and Pension

## Revenue Overview

### 2017 Estimated Revenues

Summit Code	Source	2015 Actual	2016 Adopted	2017 Proposed	2018 Proposed
587000	General Subfund	20,277,855	21,313,000	21,313,000	21,770,367
	<b>Total General Subfund</b>	<b>20,277,855</b>	<b>21,313,000</b>	<b>21,313,000</b>	<b>21,770,367</b>
469200	Police Auction Proceeds	258,133	117,000	117,000	117,000
587001	Medicare Rx Subsidy	445,363	400,000	400,000	400,000
	<b>Total Other Revenue</b>	<b>703,496</b>	<b>517,000</b>	<b>517,000</b>	<b>517,000</b>
	<b>Total Revenues</b>	<b>20,981,351</b>	<b>21,830,000</b>	<b>21,830,000</b>	<b>22,287,367</b>
379100	Use of (Contribution to) Fund Balance	429,450	0	242,712	257,288
	<b>Total Use of (Contribution to) Fund Balance</b>	<b>429,450</b>	<b>0</b>	<b>242,712</b>	<b>257,288</b>
	<b>Total Resources</b>	<b>21,410,801</b>	<b>21,830,000</b>	<b>22,072,712</b>	<b>22,544,655</b>

## Appropriations By Budget Control Level (BCL) and Program

### Police Relief and Pension Budget Control Level

The purpose of the Police Relief and Pension Budget Control Level is to provide responsive benefit services to eligible active-duty and retired Seattle police officers.

	2015 Actual	2016 Adopted	2017 Proposed	2018 Proposed
<b>Program Expenditures</b>				
Administration	532,708	612,000	634,712	646,655
Death Benefits	12,000	18,000	18,000	18,000
Medical Benefits	12,551,940	14,000,000	14,820,000	15,380,000
Pension Benefits	8,314,153	7,200,000	6,600,000	6,500,000
<b>Total</b>	<b>21,410,801</b>	<b>21,830,000</b>	<b>22,072,712</b>	<b>22,544,655</b>
Full-time Equivalents Total*	3.00	3.00	3.00	3.00

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# Police Relief and Pension

*The following information summarizes the programs in Police Relief and Pension Budget Control Level:*

## Administration Program

The purpose of the Administration Program is to provide responsive benefit services to eligible active-duty and retired Seattle police officers.

	2015	2016	2017	2018
Expenditures/FTE	Actual	Adopted	Proposed	Proposed
Administration	532,708	612,000	634,712	646,655
Full-time Equivalents Total	3.00	3.00	3.00	3.00

## Death Benefits Program

The purpose of the Death Benefits Program is to provide statutory death benefit payments to lawful beneficiaries of eligible former members of the Seattle Police Department.

	2015	2016	2017	2018
Expenditures	Actual	Adopted	Proposed	Proposed
Death Benefits	12,000	18,000	18,000	18,000

## Medical Benefits Program

The purpose of the Medical Benefits Program is to provide medical benefits for eligible active-duty and retired members of the Seattle Police Department.

	2015	2016	2017	2018
Expenditures	Actual	Adopted	Proposed	Proposed
Medical Benefits	12,551,940	14,000,000	14,820,000	15,380,000

## Pension Benefits Program

The purpose of the Pension Benefits Program is to provide pension benefits for eligible retired members of the Seattle Police Department.

	2015	2016	2017	2018
Expenditures	Actual	Adopted	Proposed	Proposed
Pension Benefits	8,314,153	7,200,000	6,600,000	6,500,000

## Police Relief and Pension

### Police Pension Fund Table

#### Police Relief and Pension Fund (60400)

	2015 Actuals	2016 Adopted	2016 Revised	2017 Proposed	2018 Proposed
<b>Beginning Fund Balance</b>	<b>5,101,352</b>	<b>3,279,692</b>	<b>4,671,902</b>	<b>5,171,902</b>	<b>4,929,190</b>
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	20,981,351	21,830,000	21,830,000	21,830,000	22,287,367
Less: Actual and Budgeted Expenditures	21,410,801	21,830,000	21,330,000	22,072,712	22,544,655
<b>Ending Fund Balance</b>	<b>4,671,902</b>	<b>3,279,692</b>	<b>5,171,902</b>	<b>4,929,190</b>	<b>4,671,902</b>
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Rate Stabilization Reserve	4,171,902	2,779,692	4,671,902	4,429,190	4,171,902
<b>Total Reserves</b>	<b>4,671,902</b>	<b>3,279,692</b>	<b>5,171,902</b>	<b>4,929,190</b>	<b>4,671,902</b>
<b>Ending Unreserved Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>