

Firefighter's Pension

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

Department Overview

The Firefighters' Pension Fund (FPEN) provides pension and medical benefit services to eligible firefighters, active and retired, and their beneficiaries. FPEN is a closed plan that only covers firefighters who were hired before October 1, 1977. Retiree benefits for firefighters hired more recently are primarily covered through a separate state-managed plan.

Management of firefighter benefits funds transitioned in the 1970s from local to state control. Prior to that time, the City paid into FPEN to provide for firefighter retiree benefits. In March 1970, the state created the Law Enforcement Officers and Fire Fighters Retirement System Plan 1 (LEOFF 1). Seattle firefighters hired between March 1970 and October 1977 enrolled in LEOFF 1, but also received additional benefit coverage through FPEN. As a result, this group of firefighters receives retiree benefits primarily from the state's LEOFF 1 plan, but also any earned increment from the City's FPEN that exceeds LEOFF 1 coverage. Both FPEN and LEOFF 1 closed to new enrollees in October 1977. Firefighters hired after that date enroll in the state's LEOFF 2 plan and do not receive benefits from FPEN.

The Seattle Firefighters' Pension Board is a five-member quasi-judicial body chaired by the Mayor or his/her designee, which formulates policy, rules on disability applications, and provides oversight of the Firefighters' Pension Fund. Four staff employees of the board handle all of its operational functions. Staff positions associated with Firefighters' Pension Fund are not reflected in the City's position list.

The projections of annual pension and medical benefits, which comprise about 97% of the total annual FPEN budget, are based on the forecasts of an independent actuary. The Firefighters' Pension Fund has two statutory funding sources:

- The first is a component of the City's property tax levy. These revenues are placed in the City's General Fund, which funds the Fire Pension Fund's annual budget.
- The second is the state fire insurance premium tax.

These statutory funding sources are in addition to other smaller funding sources that support the Firefighters' Pension Fund obligations.

The Firefighters' Pension Fund includes two funds: the Fire Pension Fund, which pays current pension, medical, and death benefits; and the Actuarial Account, which was established by [Ordinance 117216](#) in 1994 to accumulate a balance sufficient to pay all future pension liabilities of the fund by 2028.

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Budget Snapshot

	2018 Actuals	2019 Adopted	2020 Endorsed	2020 Proposed
Department Support				
Other Funding - Operating	18,176,719	20,688,309	21,168,375	21,236,362
Total Operations	18,176,719	20,688,309	21,168,375	21,236,362
Total Appropriations	18,176,719	20,688,309	21,168,375	21,236,362
Full-Time Equivalents Total*	4.00	4.00	4.00	4.00

* 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 Firefighters' Pension Fund (FPEN) receives almost all of its revenue from the City's General Fund. FPEN's expenditures pay the legally-mandated pension and medical benefits, including long-term care, to eligible retired firefighters and qualified beneficiaries. Most of FPEN's retirees are represented by either Local 27 (firefighters' union) or Local 2898 (fire chiefs' union) and their total pension benefits are increased annually with a cost of living adjustment (COLA) equal to the negotiated annual wage increases (AWI) for the active union members at the Seattle Fire Department and then offset by benefits paid by the state's LEOFF 1 pension plan which has its own annual growth rate.

In November 2016, Council passed Ordinance 125190 which requires an actuarially determined level payment amount from the City to the FPEN Fund each year to cover pension benefit costs. Any remaining difference between the payment amount and actual pension benefit costs is transferred to the Actuarial Account for FPEN's future pension obligations. The account is invested in a portfolio managed by the Department of Finance and Administrative Services (FAS). The 2020 Proposed Budget assumes an annual rate of return of 6% on the investment portfolio and that the returns are continuously reinvested.

The 2020 Proposed Budget increases the administration appropriations by \$40,000 compared to the 2020 Endorsed budget to reflect citywide changes to wages, family medical leave benefits and internal service costs. It also increases the pension benefits payments by \$28,000.

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Incremental Budget Changes

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	2020 Budget	FTE
Total 2020 Endorsed Budget	21,168,375	4.00
Baseline		
2020 Coalition and Non-Rep Annual Wage Increase Base Budget	45,511	-
2020 State Paid Family Medical Leave Increase Base Budget	864	-
Citywide Adjustments for Standard Cost Changes	(6,388)	-
Proposed Technical		
Pension Benefits Change	28,000	-
Total Incremental Changes	\$67,987	-
Total 2020 Proposed Budget	\$21,236,362	4.00

Description of Incremental Budget Changes

Baseline

2020 Coalition and Non-Rep Annual Wage Increase Base Budget

Expenditures \$45,511

This centrally administered change adjusts appropriations to reflect the Annual Wage Increase, as outlined in the tentative agreement 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, retirement, overtime and temporary labor.

2020 State Paid Family Medical Leave Increase Base Budget

Expenditures \$864

Starting in January 2020, Washington State will offer paid family and medical leave benefits to all workers in the State of Washington, including City of Seattle employees. In 2020, the tentative agreement with the Coalition of Unions moves a portion of the cost responsibility to the employee in 2020, with the City paying the remainder. This item increases appropriations to account for the City's obligation for all employees.

Citywide Adjustments for Standard Cost Changes

Expenditures \$(6,388)

Citywide technical adjustments made in the baseline phase reflect changes to internal services costs, including the Department of Finance & Administrative Services rates, Information Technology rates and Human Resources rates, health care, retirement and industrial insurance charges for the department. This adjustment also includes a transfer of resources from the department to the Human Resources Investigations Unit (HRIU) as part of the City's efforts to improve investigative processes and practices across the City departments. While the internal service rates are final for 2020, some of the other adjustments reflect initial assumptions about these costs and inflators early in the budget process.

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Proposed Technical

Pension Benefits Change

Expenditures	\$28,000
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This change better reflects expected pension benefits to be paid in 2020.

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Expenditure Overview

	2018 Actuals	2019 Adopted	2020 Endorsed	2020 Proposed
Appropriations				
FPEN - BO-FP-R2F01 - Firefighters Pension				
61040 - Fireman's Pension Fund	18,176,719	20,688,309	21,168,375	21,236,362
Total for BSL: BO-FP-R2F01	18,176,719	20,688,309	21,168,375	21,236,362
 Department Total	 18,176,719	 20,688,309	 21,168,375	 21,236,362
 Department Full-Time Equivalent Total*	 4.00	 4.00	 4.00	 4.00

** 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 Firefighter's Pension

	2018 Actuals	2019 Adopted	2020 Endorsed	2020 Proposed
61040 - Fireman's Pension Fund	18,176,719	20,688,309	21,168,375	21,236,362
Budget Totals for FPEN	18,176,719	20,688,309	21,168,375	21,236,362

Firefighter's Pension

Revenue Overview

2020 Estimated Revenues

Account Code	Account Name	2018 Actuals	2019 Adopted	2020 Endorsed	2020 Proposed
335130	Fire Insur Premium Tax	1,053,328	989,000	996,000	1,161,000
360430	Employr Pnsn Contributions	18,840,000	19,079,309	19,059,375	19,099,362
397010	Operating Transfers In	488,086	425,000	425,000	478,064
Total Revenues for: 61040 - Fireman's Pension Fund		20,381,414	20,493,309	20,480,375	20,738,426
400000	Use of/Contribution to Fund Balance	(2,204,695)	195,000	688,000	497,936
Total Resources for:61040 - Fireman's Pension Fund		18,176,719	20,688,309	21,168,375	21,236,362
360020	Inv Earn-Residual Cash	81,753	-	-	-
360100	Unreald Gns/Losses-Inv Gasb31	(720,493)	960,000	1,010,000	1,010,000
360230	Dividend Income	192,740	-	-	-
397010	Operating Transfers In	-	500,000	500,000	500,000
Total Revenues for: 61050 - Fireman's Pension Actuarial		(446,000)	1,460,000	1,510,000	1,510,000
400000	Use of/Contribution to Fund Balance	446,000	(1,460,000)	(1,510,000)	(1,510,000)
Total Resources for:61050 - Fireman's Pension Actuarial		-	-	-	-
Total FPEN Resources		18,176,719	20,688,309	21,168,375	21,236,362

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Appropriations by Budget Summary Level and Program

FPEN - BO-FP-R2F01 - Firefighters Pension

The purpose of the Firefighters' Pension Budget Summary Level is to provide benefit services to eligible active and retired firefighters and their lawful beneficiaries.

Program Expenditures	2018 Actuals	2019 Adopted	2020 Endorsed	2020 Proposed
Death Benefits	7,350	19,000	19,000	19,000
Leadership and Administration	615,829	869,309	849,375	889,362
Long-Term Care	1,618,156	-	-	-
Medical Benefits	8,822,037	12,000,000	12,500,000	12,500,000
Pensions	7,113,347	7,800,000	7,800,000	7,828,000
Total	18,176,719	20,688,309	21,168,375	21,236,362
Full-time Equivalents Total*	4.00	4.00	4.00	4.00

**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*

The following information summarizes the programs in Firefighters Pension Budget Summary Level:

Death Benefits

Expenditures/FTE	2018 Actuals	2019 Adopted	2020 Endorsed	2020 Proposed
Death Benefits	7,350	19,000	19,000	19,000

Leadership and Administration

Expenditures/FTE	2018 Actuals	2019 Adopted	2020 Endorsed	2020 Proposed
Leadership and Administration	615,829	869,309	849,375	889,362
Full Time Equivalents Total	4.00	4.00	4.00	4.00

Long-Term Care

Expenditures/FTE	2018 Actuals	2019 Adopted	2020 Endorsed	2020 Proposed
Long-Term Care	1,618,156	-	-	-

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Medical Benefits

	2018	2019	2020	2020
Expenditures/FTE	Actuals	Adopted	Endorsed	Proposed
Medical Benefits	8,822,037	12,000,000	12,500,000	12,500,000

Pensions

	2018	2019	2020	2020
Expenditures/FTE	Actuals	Adopted	Endorsed	Proposed
Pensions	7,113,347	7,800,000	7,800,000	7,828,000