

Police Relief and Pension

Dan Oliver, Executive Secretary

(206) 386-1286

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

Department Overview

The Police Relief and Pension Fund (PPEN) provides pension and medical benefit services to eligible police officers, active and retired, and their beneficiaries. While the City pays into benefit funds for all Seattle police officers, PPEN is a closed plan which only covers police officers who were hired before October 1, 1977. 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.

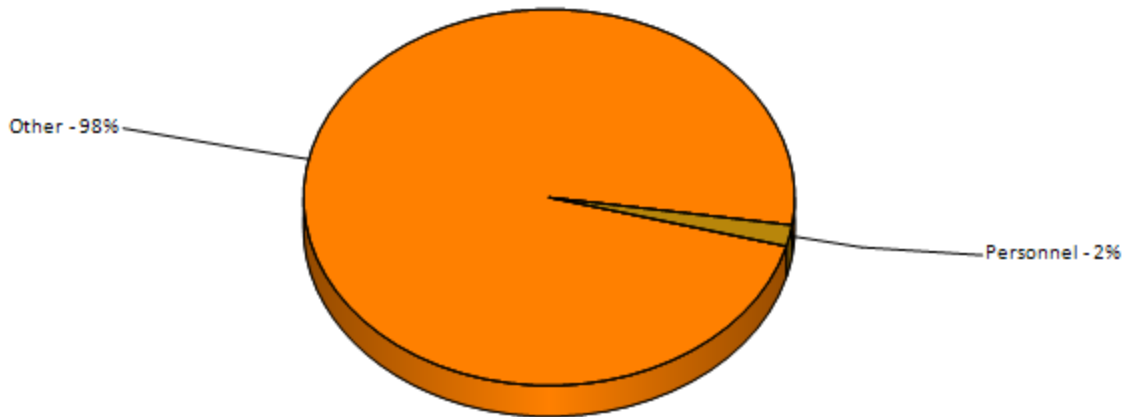
Budget Snapshot

| Department Support | 2016 Actuals | 2017 Adopted | 2018 Endorsed | 2018 Adopted |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund Support | \$19,982,656 | \$21,313,000 | \$21,770,367 | \$21,771,140 |
| Other Funding - Operating | \$582,972 | \$759,712 | \$774,288 | \$774,288 |
| Total Operations | \$20,565,628 | \$22,072,712 | \$22,544,655 | \$22,545,428 |
| Total Appropriations | \$20,565,628 | \$22,072,712 | \$22,544,655 | \$22,545,428 |
| Full-time Equivalent Total* | 3.00 | 3.00 | 3.00 | 3.00 |

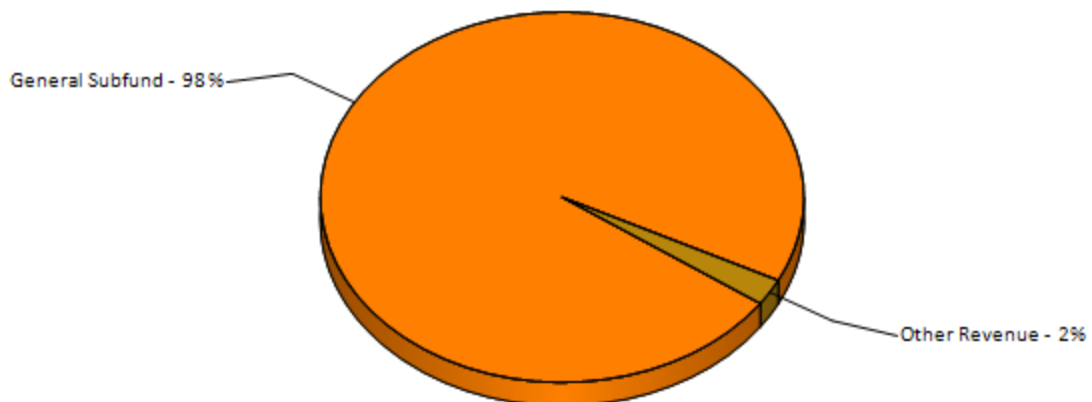
* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.

Police Relief and Pension

2018 Adopted Budget - Expenditure by Category



2018 Adopted Budget - Revenue by Category



Police Relief and Pension

Budget Overview

The Police Relief and Pension Fund (PPEN) receives nearly all of its revenue from the City's General Fund. PPEN's expenditures pay legally mandated pension and medical benefits, including long-term care, to eligible 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). SPMA has just reached a new collective bargaining agreement, retroactive to January 1, 2014. Due to timing, the budgetary effects of this agreement on PPEN's SPMA affiliated member's pension benefits are not shown in this 2018 Adopted Budget. The needed appropriation increase for 2018 will be requested through a 2018 supplemental budget ordinance. The appropriation increase to PPEN's 2017 Budget to allow for retroactive payments through December 31, 2017 was made via the 2017 4th Quarter Supplemental Budget Ordinance. Both the four-year, \$2 million retroactive pension appropriation increase and the 2018 Supplemental amount will appear in the 2019 Budget reported under 2017 and 2018 respectively.

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 2018 Adopted Budget does not assume COLA increases on the total pension benefits for PPEN members impacted by SPMA or SPOG. Therefore, there are no changes in costs for PPEN compared to the 2018 Endorsed Budget.

A new agreement for SPOG has not been reached yet. Once an agreement is reached, the impacts will be incorporated into PPEN's budget to cover retroactive pension benefit costs since January 1, 2015 due to retired SPOG members.

Retiree medical and long-term care costs remain unchanged from the 2018 Endorsed Budget. The actuarial 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.

City Council Changes to the Proposed Budget

The Council made no changes to the 2018 Proposed Budget.

Incremental Budget Changes

Police Relief and Pension

| | 2018 | |
|--|----------------------|-------------|
| | Budget | FTE |
| Total 2018 Endorsed Budget | \$ 22,544,655 | 3.00 |
| Baseline Changes | | |
| Citywide Adjustments for Standard Cost Changes | \$ 773 | 0.00 |
| Total Incremental Changes | \$ 773 | 0.00 |
| 2018 Adopted Budget | \$ 22,545,428 | 3.00 |

Police Relief and Pension

Descriptions of Incremental Budget Changes

Baseline Changes

Citywide Adjustments for Standard Cost Changes - \$773

Citywide technical adjustments made in the baseline phase reflect changes to internal services costs, health care, and industrial insurance charges for the department. These adjustments reflect initial assumptions about these costs and inflators early in the budget process.

City Council Provisos

There are no Council provisos.

Expenditure Overview

| Appropriations | Summit Code | 2016 Actuals | 2017 Adopted | 2018 Endorsed | 2018 Adopted |
|---|--------------------|---------------------|---------------------|----------------------|---------------------|
| Police Relief and Pension Budget Control | | | | | |
| Administration | | 563,444 | 634,712 | 646,655 | 647,428 |
| Death Benefits | | 11,000 | 18,000 | 18,000 | 18,000 |
| Medical Benefits | | 13,503,293 | 14,820,000 | 15,380,000 | 15,380,000 |
| Pension Benefits | | 6,487,891 | 6,600,000 | 6,500,000 | 6,500,000 |
| Total | RP604 | 20,565,628 | 22,072,712 | 22,544,655 | 22,545,428 |
| Department Total | | 20,565,628 | 22,072,712 | 22,544,655 | 22,545,428 |
| Department Full-time Equivalents 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 Personnel Director actions outside of the budget process may not be detailed here.

Police Relief and Pension

Revenue Overview

2018 Estimated Revenues

| Summit Code | Source | 2016 Actuals | 2017 Adopted | 2018 Endorsed | 2018 Adopted |
|-------------|--|-------------------|-------------------|-------------------|-------------------|
| | General Subfund | 21,330,843 | 21,313,000 | 21,770,367 | 21,771,140 |
| | Total General Subfund | 21,330,843 | 21,313,000 | 21,770,367 | 21,771,140 |
| | Medicare Rx Subsidy | 500,206 | 400,000 | 400,000 | 400,000 |
| | Police Auction Proceeds | 82,766 | 117,000 | 117,000 | 117,000 |
| | Total Other Revenue | 582,972 | 517,000 | 517,000 | 517,000 |
| | Total Revenues | 21,913,815 | 21,830,000 | 22,287,367 | 22,288,140 |
| | Use of (Contribution to) Fund Balance | -1,348,187 | 242,712 | 257,288 | 257,288 |
| | Total Use of (Contribution to) Fund Balance | -1,348,187 | 242,712 | 257,288 | 257,288 |
| | Total Resources | 20,565,628 | 22,072,712 | 22,544,655 | 22,545,428 |

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.

| Program Expenditures | 2016 Actuals | 2017 Adopted | 2018 Endorsed | 2018 Adopted |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| Administration | 563,444 | 634,712 | 646,655 | 647,428 |
| Death Benefits | 11,000 | 18,000 | 18,000 | 18,000 |
| Medical Benefits | 13,503,293 | 14,820,000 | 15,380,000 | 15,380,000 |
| Pension Benefits | 6,487,891 | 6,600,000 | 6,500,000 | 6,500,000 |
| Total | 20,565,628 | 22,072,712 | 22,544,655 | 22,545,428 |
| Full-time Equivalents 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 Personnel Director actions outside of the budget process may not be detailed here.

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.

| Expenditures/FTE | 2016 Actuals | 2017 Adopted | 2018 Endorsed | 2018 Adopted |
|-----------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| Administration | 563,444 | 634,712 | 646,655 | 647,428 |
| 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.

| Expenditures | 2016 Actuals | 2017 Adopted | 2018 Endorsed | 2018 Adopted |
|---------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| Death Benefits | 11,000 | 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.

| Expenditures | 2016 Actuals | 2017 Adopted | 2018 Endorsed | 2018 Adopted |
|---------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| Medical Benefits | 13,503,293 | 14,820,000 | 15,380,000 | 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.

| Expenditures | 2016 Actuals | 2017 Adopted | 2018 Endorsed | 2018 Adopted |
|---------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| Pension Benefits | 6,487,891 | 6,600,000 | 6,500,000 | 6,500,000 |

Police Relief and Pension

Police Pension Fund Table

Police Relief and Pension Fund (60400)

| | 2016 Actuals | 2017 Adopted | 2017 Revised | 2018 Endorsed | 2018 Adopted |
|--|------------------|------------------|------------------|------------------|------------------|
| Beginning Fund Balance | 4,671,902 | 5,171,902 | 6,020,089 | 4,929,190 | 5,777,377 |
| Accounting and Technical Adjustments | 0 | 0 | 0 | 0 | 0 |
| Plus: Actual and Estimated Revenues | 21,913,815 | 21,830,000 | 21,830,000 | 22,287,367 | 22,288,140 |
| Less: Actual and Budgeted Expenditures | 20,565,628 | 22,072,712 | 22,072,712 | 22,544,655 | 22,545,428 |
| Ending Fund Balance | 6,020,089 | 4,929,190 | 5,777,377 | 4,671,902 | 5,520,089 |
| Contingency Reserve | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Rate Stabilization Reserve | 5,520,089 | 4,429,190 | 5,277,377 | 4,171,902 | 5,020,089 |
| Total Reserves | 6,020,089 | 4,929,190 | 5,777,377 | 4,671,902 | 5,520,089 |
| Ending Unreserved Fund Balance | 0 | 0 | 0 | 0 | 0 |

