

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 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) Act Plan I. Seattle police officers hired between March 1970 and October 1977 enrolled in LEOFF I, 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 I plan, but also any earned increment from the City's PPEN that exceeds LEOFF I coverage. Both PPEN and LEOFF I closed to new enrollees in October 1977. Police officers hired after that date enroll in the state's LEOFF II 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 Subfund provides funding for nearly all of PPEN's entire 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.

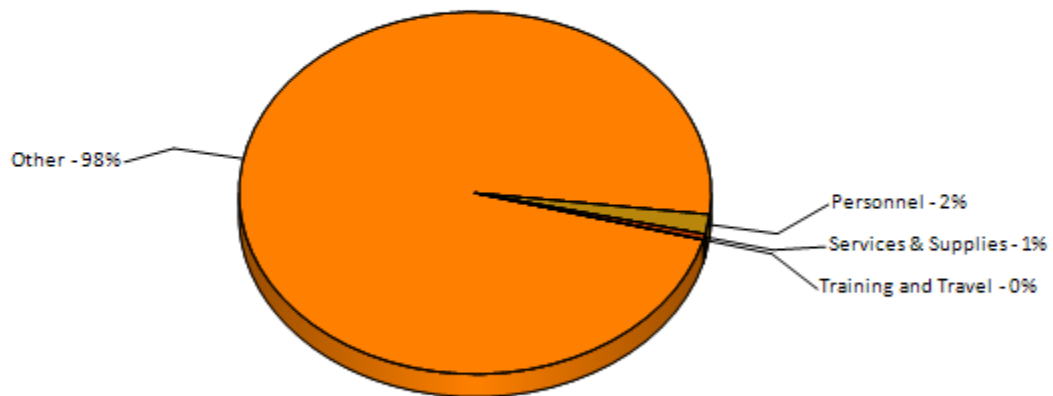
Police Relief and Pension

Budget Snapshot

Department Support	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Proposed
General Fund Support	\$19,783,567	\$18,987,071	\$18,557,892	\$20,716,054
Other Funding - Operating	\$0	\$800,230	\$801,176	\$117,111
Total Operations	\$19,783,567	\$19,787,301	\$19,359,068	\$20,833,165
Total Appropriations	\$19,783,567	\$19,787,301	\$19,359,068	\$20,833,165
Full-time Equivalent Total*	3.00	3.00	3.00	3.00

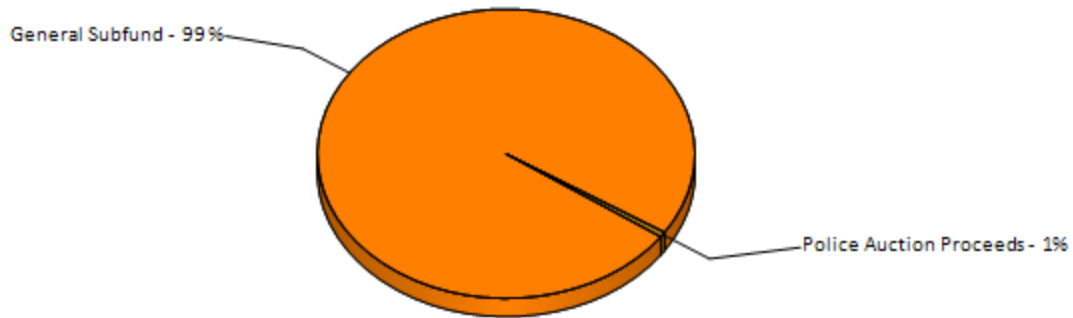
* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.

2014 Proposed Budget - Expenditure by Category



Police Relief and Pension

2014 Proposed Budget - Revenue by Category



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 in the case of pension benefits only, to their qualified beneficiaries. Pension costs are driven by locally negotiated labor contracts and offset in part by state LEOFF I entitlement payments.

In 2013, the Seattle Police Officers Guild (SPOG) and the City completed contract negotiations. The agreement increases pension costs by \$2 million in 2013 as compared to the 2013 Adopted Budget, and \$1.5 million from the 2014 Endorsed Budget. Labor negotiations with the Seattle Police Management Association (SPMA) continue and the 2014 Proposed Budget includes no increase in pension benefit costs for retirees affected by these negotiations. Once SPMA negotiations have been finalized, those impacts will be incorporated into the PPEN budget.

In 2012, PPEN spent less than anticipated resulting in \$2.4 million additional ending funding balance. This amount is sufficient to support 2013 cost increases described above, and leaves approximately \$530,000 in remaining unanticipated fund balance. In addition, the 2013 Adopted Budget included a year-end Rate Stabilization Reserve of \$680,000. The 2014 Proposed Budget combines these balances and increases the Rate Stabilization Reserve to \$1.2 million 2014. The out year financial plan assumes this reserve is drawn down over 2015-2016, providing relief at that time to the General Fund in order to help mitigate future projected General Fund deficits.

Police Relief and Pension

Incremental Budget Changes

Police Relief and Pension

	2014	
	Budget	FTE
Total 2014 Endorsed Budget	\$ 19,359,068	3.00
Proposed Changes		
Pension Obligation Adjustment	\$ 1,480,001	0.00
Proposed Technical Changes		
Citywide Adjustments for Standard Cost Changes	-\$ 5,904	0.00
Total Incremental Changes	\$ 1,474,097	0.00
2014 Proposed Budget	\$ 20,833,165	3.00

Descriptions of Incremental Budget Changes

Proposed Changes

Pension Obligation Adjustment - \$1,480,001

Pension benefits increase for members of the Seattle Police Officers' Guild (SPOG) per labor contract agreed to in 2013. Pension benefits paid directly by the City are offset by LEOFF payments from the state. State LEOFF payments typically grow with inflation. This adjustment reflects the net impact of these dynamics.

Proposed Technical Changes

Citywide Adjustments for Standard Cost Changes - (\$5,904)

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.

Police Relief and Pension

Expenditure Overview

Appropriations	Summit Code	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Proposed
Police Relief and Pension Budget Control					
Administration		532,576	557,301	574,069	568,165
Death Benefits		10,000	15,000	15,000	15,000
Medical Benefits		11,829,298	12,500,000	12,750,000	12,750,000
Pension Benefits		7,411,693	6,715,000	6,019,999	7,500,000
Total	RP604	19,783,567	19,787,301	19,359,068	20,833,165
Department Total		19,783,567	19,787,301	19,359,068	20,833,165

Department Full-time Equivalents Total*	3.00	3.00	3.00	3.00
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* 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.

Revenue Overview

2014 Estimated Revenues

Summit Code	Source	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Proposed
587001	General Subfund	20,187,236	18,987,071	18,557,893	20,716,054
	Total General Subfund	20,187,236	18,987,071	18,557,893	20,716,054
469200	Police Auction Proceeds	94,811	116,164	117,111	117,111
	Total Police Auction Proceeds	94,811	116,164	117,111	117,111
Total Revenues		20,282,047	19,103,235	18,675,004	20,833,165
379100	Use of (Contribution to) Fund Balance	-498,480	684,066	684,065	0
	Total Use of Fund Balance	-498,480	684,066	684,065	0
Total Resources		19,783,567	19,787,301	19,359,069	20,833,165

Police Relief and Pension

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	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Proposed
Administration	532,576	557,301	574,069	568,165
Death Benefits	10,000	15,000	15,000	15,000
Medical Benefits	11,829,298	12,500,000	12,750,000	12,750,000
Pension Benefits	7,411,693	6,715,000	6,019,999	7,500,000
Total	19,783,567	19,787,301	19,359,068	20,833,165
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.

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	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Proposed
Administration	532,576	557,301	574,069	568,165
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	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Proposed
Death Benefits	10,000	15,000	15,000	15,000

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	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Proposed
Medical Benefits	11,829,298	12,500,000	12,750,000	12,750,000

Police Relief and Pension

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	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Proposed
Pension Benefits	7,411,693	6,715,000	6,019,999	7,500,000

Police Pension Fund Table

Police Relief and Pension Fund (60400)

	2012 Actuals	2013 Adopted	2013 Revised	2014 Endorsed	2014 Proposed
Beginning Fund Balance	3,746,239	1,868,131	4,298,266	1,184,065	1,714,200
Accounting and Technical Adjustments	53,547	0	0	0	0
Plus: Actual and Estimated Revenues	20,282,047	19,103,235	19,103,235	18,675,004	20,833,165
Less: Actual and Budgeted Expenditures	19,783,567	19,787,301	21,687,301	19,359,068	20,833,165
Ending Fund Balance	4,298,266	1,184,065	1,714,200	500,001	1,714,200
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Rate Stabilization Reserve	1,368,131	684,066	1,214,201	0	1,214,201
Total Reserves	1,868,131	1,184,066	1,714,201	500,000	1,714,201
Ending Unreserved Fund Balance	2,430,135	-1	-1	1	-1