

Police Relief and Pension

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<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 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 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.

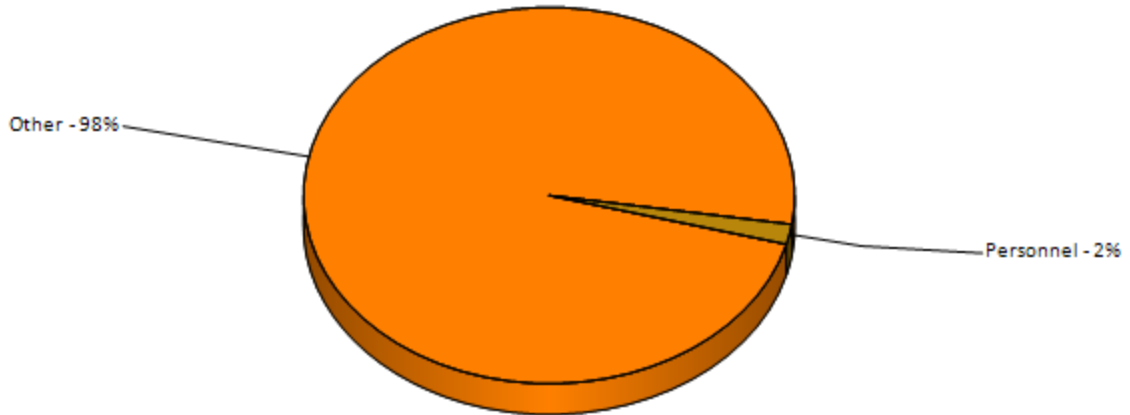
Budget Snapshot

Department Support	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Proposed
Other Funding - Operating	\$688,162	\$117,000	\$117,000	\$517,000
General Fund Support	\$18,820,561	\$20,279,340	\$20,287,210	\$21,313,000
Total Operations	\$19,508,723	\$20,396,340	\$20,404,210	\$21,830,000
Total Appropriations	\$19,508,723	\$20,396,340	\$20,404,210	\$21,830,000
Full-time Equivalent Total*	3.00	3.00	3.00	3.00

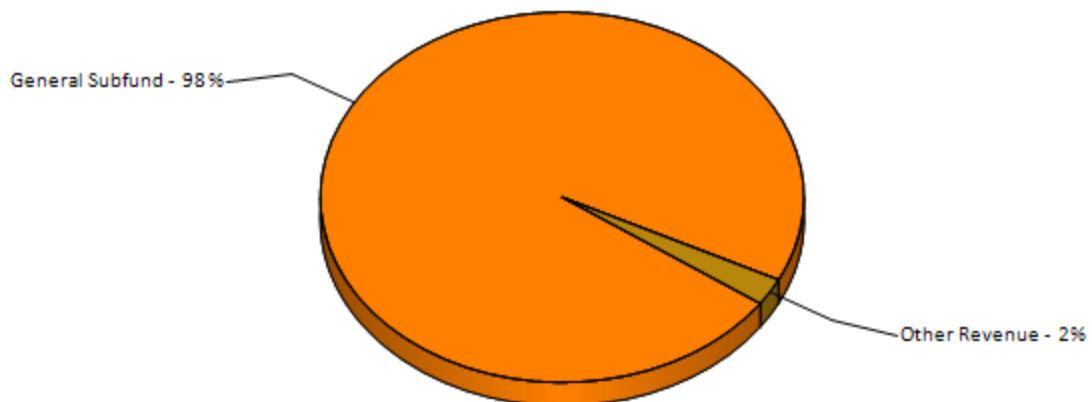
* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.

Police Relief and Pension

2016 Proposed Budget - Expenditure by Category



2016 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 in the case of pension benefits only, to their qualified beneficiaries. Pension costs are driven by locally negotiated cost growth factors and offset in part by state LEOFF I entitlement payments which has its own growth rate.

In 2014, PPEN spent less than anticipated resulting in \$1.9 million additional ending funding balance to the Rate Stabilization Reserve which helps support future benefit cost increases. In December 2014, the Seattle Police Management Association (SPMA) extended its previous contract from December 31, 2011 to December 31, 2013. Of the \$4.6 million Rate Stabilization Reserve fund balance at the beginning of 2015, the 2016 Proposed Budget assumes that \$1.5 million was spent to cover the cost of retroactive benefit payments and increased pension benefits due to SPMA retirees starting January 2015. An additional \$700,000 was spent from the Rate Stabilization Reserve to support the higher-than-expected costs associated with long-term care for PPEN members. An expected retiree drug subsidy of \$400,000 is added into the Rate Stabilization Reserve in 2015.

The 2016 Proposed Budget does not assume any negotiated cost growth factors on pension benefit costs for retirees affected by the Seattle Police Officer's Guild (SPOG), whose contract expired on December 31, 2014, and SPMA, whose contract expired on December 31, 2013. Therefore, compared to the expected pension costs in 2015, the expected pension costs in the 2016 Proposed Budget includes a decrease because the payments from the state LEOFF 1 increase with its own growth rate each year while the SPOG and SPMA contracts remain expired. Once negotiations are finalized, those impacts will be incorporated into the PPEN budget to cover any retroactive pension benefit costs due from 2014 and 2015. The 2016 Proposed Budget also reflects increased medical benefit costs driven by a sharp increase of PPEN members entering long-term care over the last two years.

Incremental Budget Changes

Police Relief and Pension

	2016 Budget	FTE
Total 2016 Endorsed Budget	\$ 20,404,210	3.00
Baseline Changes		
Citywide Adjustments for Standard Cost Changes	-\$ 4,549	0.00
Proposed Changes		
Medical Benefit Obligation	\$ 1,150,000	0.00
Pension Obligation Adjustment	\$ 210,000	0.00
Proposed Technical Changes		
Technical Adjustment - Administration Costs	\$ 70,339	0.00
Total Incremental Changes	\$ 1,425,790	0.00
2016 Proposed Budget	\$ 21,830,000	3.00

Police Relief and Pension

Descriptions of Incremental Budget Changes

Baseline Changes

Citywide Adjustments for Standard Cost Changes - (\$4,549)

Citywide technical adjustments made in the initial planning phase reflect changes in the internal services costs, health care rate reduction, retirement contribution rate reduction, and updates to unemployment and industrial insurance charges. There was also an adjustment made to the 2016 base to recoup savings from a higher-than-expected inflation provided in the 2015 Adopted Budget for non-labor expenses. These adjustments reflect initial assumptions about these costs and inflators early in the budget process.

Proposed Changes

Medical Benefit Obligation - \$1,150,000

This item adjusts the medical benefit obligation to match expected spending levels. The increase of medical benefit costs is attributed to a 30% increase of PPEN members entering long-term care over the past two years, as well as the increasing costs of healthcare due to prescription drugs.

Pension Obligation Adjustment - \$210,000

This item increases the pension benefit obligation to reflect the SPMA contract that was extended from December 31, 2011 to December 31, 2013 and implemented in January 2015. SPOG and SPMA contracts are both expired. Therefore, this adjustment also reflects payments from the state's LEOFF 1 plan which grow annually with inflation, and the decrease of the City's pension benefit obligation until new contracts and finalized.

Proposed Technical Changes

Technical Adjustment - Administration Costs - \$70,339

This adjustment increases administration costs to reflect actual expected costs for PPEN in 2016.

Police Relief and Pension

Expenditure Overview

Appropriations	Summit Code	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Proposed
Police Relief and Pension Budget Control					
Administration		565,001	535,500	546,210	612,000
Death Benefits		18,000	18,000	18,000	18,000
Medical Benefits		11,532,659	12,690,000	12,850,000	14,000,000
Pension Benefits		7,393,063	7,152,840	6,990,000	7,200,000
Total	RP604	19,508,723	20,396,340	20,404,210	21,830,000
Department Total		19,508,723	20,396,340	20,404,210	21,830,000

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 Human Resources Director actions outside of the budget process may not be detailed here.

Revenue Overview

2016 Estimated Revenues

Summit Code	Source	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Proposed
587001	General Subfund	20,720,409	20,279,340	20,287,210	21,313,000
	Total General Subfund	20,720,409	20,279,340	20,287,210	21,313,000
469200	Police Auction Proceeds	167,286	117,000	117,000	117,000
587001	Miscellaneous	520,876	0	0	400,000
	Total Other Revenue	688,162	117,000	117,000	517,000
	Total Revenues	21,408,571	20,396,340	20,404,210	21,830,000

379100	Use of (Contribution to) Fund Balance	-1,899,848	0	0	0
	Total Use of (Contribution to) Fund Balance	-1,899,848	0	0	0

Total Resources		19,508,723	20,396,340	20,404,210	21,830,000
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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.

	2014	2015	2016	2016
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Administration	565,001	535,500	546,210	612,000
Death Benefits	18,000	18,000	18,000	18,000
Medical Benefits	11,532,659	12,690,000	12,850,000	14,000,000
Pension Benefits	7,393,063	7,152,840	6,990,000	7,200,000
Total	19,508,723	20,396,340	20,404,210	21,830,000
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 Human Resources 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.

	2014	2015	2016	2016
Expenditures/FTE	Actuals	Adopted	Endorsed	Proposed
Administration	565,001	535,500	546,210	612,000
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.

	2014	2015	2016	2016
Expenditures	Actuals	Adopted	Endorsed	Proposed
Death Benefits	18,000	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.

	2014	2015	2016	2016
Expenditures	Actuals	Adopted	Endorsed	Proposed
Medical Benefits	11,532,659	12,690,000	12,850,000	14,000,000

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	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Proposed
Pension Benefits	7,393,063	7,152,840	6,990,000	7,200,000

Police Pension Fund Table

Police Relief and Pension Fund (60400)

	2014 Actuals	2015 Adopted	2015 Revised	2016 Endorsed	2016 Proposed
Beginning Fund Balance	3,201,504	2,912,494	5,101,352	2,912,494	3,279,692
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	21,408,571	20,396,340	20,796,340	20,404,210	21,830,000
Less: Actual and Budgeted Expenditures	19,508,723	20,396,340	22,618,000	20,404,210	21,830,000
Ending Fund Balance	5,101,352	2,912,494	3,279,692	2,912,494	3,279,692
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Rate Stabilization Reserve	4,601,352	2,412,494	2,779,692	2,412,494	2,779,692
Total Reserves	5,101,352	2,912,494	3,279,692	2,912,494	3,279,692
Ending Unreserved Fund Balance	0	0	0	0	0