

Firefighters' Pension

Steve Brown, Executive Secretary

(206) 625-4355

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

Department Overview

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

The 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 statutory funding source 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 pay future pension liabilities of the fund.

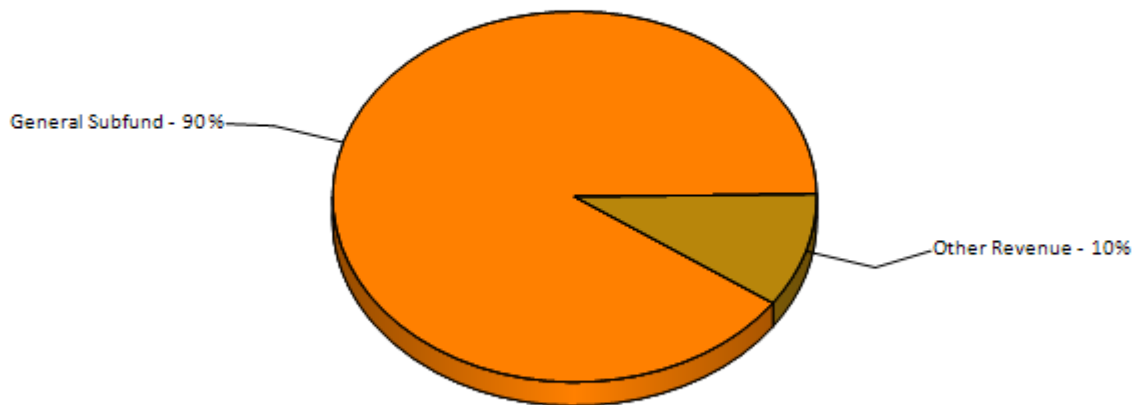
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Budget Snapshot

Department Support	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
General Fund Support	\$17,163,500	\$18,787,000	\$19,481,248	\$18,840,000
Other Funding - Operating	\$2,230,045	\$1,300,000	\$1,319,000	\$1,907,000
Total Operations	\$19,393,545	\$20,087,000	\$20,800,248	\$20,747,000
Total Appropriations	\$19,393,545	\$20,087,000	\$20,800,248	\$20,747,000
Full-time Equivalent Total*	4.00	4.00	4.00	4.00

* 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.

2018 Proposed Budget - Revenue by Category



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. The total pension benefits for FPEN members are increased annually through locally negotiated cost of living adjustments (COLA) and then offset by benefits paid by the state's LEOFF 1 pension plan which has its own annual growth rate.

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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 COLA equal to the negotiated annual wage increases (AWI) for the active union members at the Seattle Fire Department. The 2018 Endorsed Budget included the COLA for Local 27 retirees, so additional adjustments are not needed in the 2018 Proposed Budget.

In August 2017, the City Council approved the collective bargaining agreement for the fire chiefs' union, Local 2898 ([Ordinance 125378](#)) which includes COLA from 2015 through 2018. The agreement will expire on December 31, 2018. Due to the timing of the ordinance, the 2017 and 2018 impacts to fire chiefs' pensions will not be adjusted in the 2018 Proposed Budget. Instead, additional 2017 appropriation authority will be requested in the 2017 4th Quarter Supplemental Budget Ordinance to pay the retroactive pension benefits due to Local 2898 retirees from 2015 through 2017. Similarly, 2018 appropriation authority will be requested in the 2018 1st Quarter Supplemental Budget Ordinance.

Retiree medical and long-term care costs remain unchanged from the 2018 Endorsed Budget. The actuarial valuation report anticipates those costs will increase over the next 15 to 20 years due to FPEN's aging membership and annual trend rates for medical and long-term care costs.

The Actuarial Account was previously invested in the City's cash pool and earned interest. In 2013, the funds from the Actuarial Account were placed into an investment portfolio managed by the Department of Finance and Administration Services. The 2018 Proposed Budget assumes an annual rate of return of 6.0% on the investment portfolio, and that the returns are continuously reinvested.

In November 2016, Council passed [Ordinance 125190](#) which sets a level payment amount from the City to the Firefighters' Pension Fund each year between 2017 and 2028. The payment will first be used to pay pension obligations of that year. The remaining balance will be transferred to the Actuarial Account for FPEN's future pension obligations.

Incremental Budget Changes

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	2018	
	Budget	FTE
Total 2018 Endorsed Budget	\$ 20,800,248	4.00
Proposed Changes		
Change in Administrative Costs	-\$ 53,248	0.00
Total Incremental Changes	-\$ 53,248	0.00
2018 Proposed Budget	\$ 20,747,000	4.00

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Descriptions of Incremental Budget Changes

Proposed Changes

Change in Administrative Costs - (\$53,248)

This adjustment decreases the expected administrative costs by \$53,248 to align the administrative costs with the past four years of actual costs.

Expenditure Overview

Appropriations	Summit Code	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
Firefighters' Pension Budget Control					
Administration		611,431	670,000	683,248	630,000
Death Benefits		15,000	17,000	17,000	17,000
Medical Benefits		11,103,091	11,400,000	12,000,000	12,000,000
Pensions		7,664,023	8,000,000	8,100,000	8,100,000
Total	R2F01	19,393,545	20,087,000	20,800,248	20,747,000
Department Total		19,393,545	20,087,000	20,800,248	20,747,000
Department Full-time Equivalent Total*		4.00	4.00	4.00	4.00

* 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.

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Revenue Overview

2018 Estimated Revenues

Summit Code	Source	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
	General Fund	17,163,500	18,787,000	19,481,245	18,840,000
	Total General Subfund	17,163,500	18,787,000	19,481,245	18,840,000
	Fire Insurance Premium Tax	1,004,588	950,000	969,000	982,000
	Medicare Rx Subsidy	471,235	350,000	350,000	425,000
	Return on Actuarial Account	1,143,468	641,000	676,000	676,005
	Total Other Revenue	2,619,291	1,941,000	1,995,000	2,083,005
	Total Revenues	19,782,791	20,728,000	21,476,245	20,923,005
	Use of (Contribution to) Fund Balance	-389,246	-641,000	-676,000	-176,005
	Total Use of (Contribution to) Fund Balance	-389,246	-641,000	-676,000	-176,005
	Total Resources	19,393,545	20,087,000	20,800,245	20,747,000

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Appropriations By Budget Control Level (BCL) and Program

Firefighters' Pension Budget Control Level

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

	2016	2017	2018	2018
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Administration	611,431	670,000	683,248	630,000
Death Benefits	15,000	17,000	17,000	17,000
Medical Benefits	11,103,091	11,400,000	12,000,000	12,000,000
Pensions	7,664,023	8,000,000	8,100,000	8,100,000
Total	19,393,545	20,087,000	20,800,248	20,747,000
Full-time Equivalents Total*	4.00	4.00	4.00	4.00

** 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 Firefighters' Pension Budget Control Level:

Administration Program

The purpose of the Administration Program is to administer the medical and pension benefits programs for active and retired members.

	2016	2017	2018	2018
Expenditures/FTE	Actuals	Adopted	Endorsed	Proposed
Administration	611,431	670,000	683,248	630,000
Full-time Equivalents Total	4.00	4.00	4.00	4.00

Death Benefits Program

The purpose of the Death Benefits Program is to disburse benefits and ensure proper documentation of deceased members' death benefits.

	2016	2017	2018	2018
Expenditures	Actuals	Adopted	Endorsed	Proposed
Death Benefits	15,000	17,000	17,000	17,000

Medical Benefits Program

The purpose of the Medical Benefits Program is to provide medical benefits to eligible members as prescribed by state law.

	2016	2017	2018	2018
Expenditures	Actuals	Adopted	Endorsed	Proposed
Medical Benefits	11,103,091	11,400,000	12,000,000	12,000,000

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Pensions Program

The purpose of the Pensions Program is to administer the various facets of the members' pension benefits, which includes the calculation of benefits, the disbursement of funds, and pension counseling for active and retired members.

Expenditures	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
Pensions	7,664,023	8,000,000	8,100,000	8,100,000

Firefighters Pension Fund Table

Firefighters Pension Fund (60200)

	2016 Actuals	2017 Adopted	2017 Revised	2018 Endorsed	2018 Proposed
Beginning Fund Balance	14,922,667	15,556,492	15,311,913	16,197,492	16,102,913
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	19,782,791	20,728,000	20,828,000	21,476,245	20,923,005
Less: Actual and Budgeted Expenditures	19,393,545	20,087,000	20,037,000	20,800,248	20,747,000
Ending Fund Balance	15,311,913	16,197,492	16,102,913	16,873,489	16,278,918
Actuarial Account	12,159,640	12,290,997	12,800,640	12,966,997	13,476,645
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Rate Stabilization Reserve	2,652,273	3,406,495	2,802,273	3,406,495	2,302,273
Total Reserves	15,311,913	16,197,492	16,102,913	16,873,492	16,278,918
Ending Unreserved Fund Balance	0	0	0	-3	0