

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 I (LEOFF I). Seattle firefighters hired between March 1970 and October 1977 enrolled in LEOFF I, but also received additional benefit coverage through FPEN. As a result, this group of firefighters receives retiree benefits primarily from state's LEOFF I plan, but also any earned increment from the City's FPEN that exceeds LEOFF I coverage. Both FPEN and LEOFF I closed to new enrollees in October 1977. Firefighters hired after that date enroll in the state's LEOFF II 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.

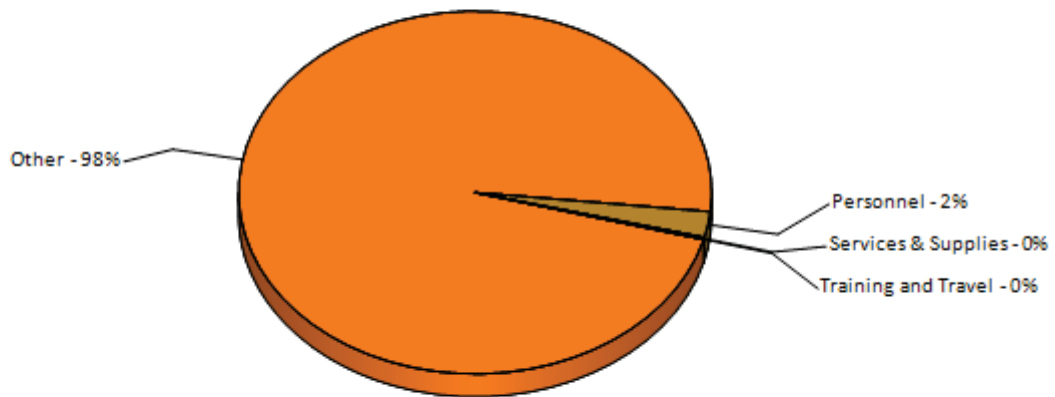
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Budget Snapshot

Department Support	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
General Fund Support	\$18,454,377	\$18,272,658	\$18,060,246	\$18,047,539
Other Funding - Operating	\$0	\$1,744,100	\$1,769,022	\$1,272,854
Total Operations	\$18,454,377	\$20,016,758	\$19,829,267	\$19,320,392
Total Appropriations	\$18,454,377	\$20,016,758	\$19,829,267	\$19,320,392
Full-time Equivalent Total*	4.00	4.00	4.00	4.00

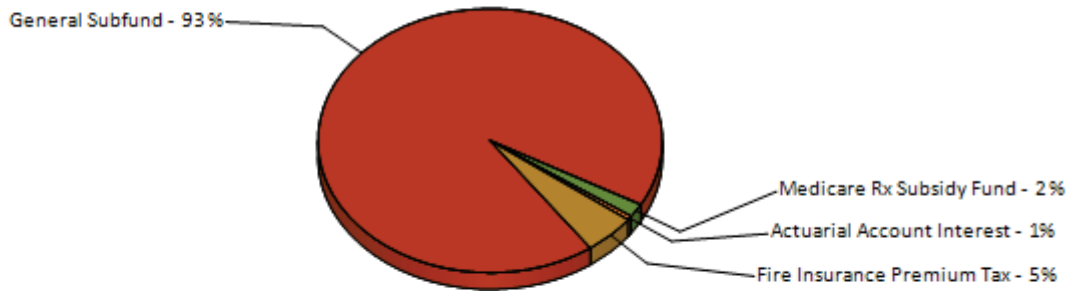
* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.

2014 Adopted Budget - Expenditure by Category



Firefighters' Pension

2014 Adopted Budget - Revenue by Category



Budget Overview

The Firefighters' Pension Fund (FPEN) receives almost all of its revenue from the City's General Fund. FPEN expenditures, in turn, are devoted to paying legally mandated pension and medical benefits to eligible active and retired firefighters and, in the case of pension benefits only, 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.

The 2013 Adopted Budget included a year-end Rate Stabilization Reserve of \$430,000. In 2012, FPEN spent less than anticipated, resulting in \$2.0 million additional ending fund balance. In 2013, FPEN will also spend \$900,000 less on pensions than anticipated, offset by a \$1.25 million decrease in General Fund support to FPEN. The 2014 Adopted Budget combines these balances and increases the Rate Stabilization Reserve to \$2 million in 2014. The out-year financial plan assumes this reserve continues to draw down over 2015-2016.

To help ease pressure on the General Fund, the City has deferred voluntary contributions to the Actuarial Account in FPEN each year since 2009. The 2014 Adopted Budget continues this practice, preferring instead to fund FPEN on a pay as you go basis.

City Council Changes to the Proposed Budget

The City Council made no changes to the 2014 Proposed Budget for FPEN. The Council reduced General Fund revenue to FPEN in 2013 by \$1.25 million relative to assumptions in the 2014 Proposed Budget. The FPEN financial plan assumes the General Fund will increase FPEN contributions in 2015 and 2016 to offset this revenue reduction in 2013.

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Incremental Budget Changes

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	2014 Budget	FTE
Total 2014 Endorsed Budget	\$ 19,829,267	4.00
Proposed Changes		
Pension Obligation Adjustment	-\$ 500,000	0.00
Proposed Technical Changes		
Citywide Adjustments for Standard Cost Changes	-\$ 8,875	0.00
Total Incremental Changes	-\$ 508,875	0.00
2014 Adopted Budget	\$ 19,320,392	4.00

Descriptions of Incremental Budget Changes

Proposed Changes

Pension Obligation Adjustment - (\$500,000)

This adjustment reflects the net impact of the change in City's pension benefit obligation in 2014, as provided by FPEN's 2013 actuarial projection.

Proposed Technical Changes

Citywide Adjustments for Standard Cost Changes - (\$8,875)

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.

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Expenditure Overview

Appropriations	Summit Code	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
Firefighters' Pension Budget Control					
Administration		639,436	601,758	614,267	605,392
Death Benefits		15,500	15,000	15,000	15,000
Medical Benefits		9,470,923	10,699,999	10,699,999	10,699,999
Pensions		8,328,518	8,700,001	8,500,001	8,000,001
Total	R2F01	18,454,377	20,016,758	19,829,267	19,320,392
Department Total		18,454,377	20,016,758	19,829,267	19,320,392

Department 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 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 Adopted
461110	Actuarial Account Interest	93,026	96,434	97,398	97,398
	Total Actuarial Account Interest	93,026	96,434	97,398	97,398
436691	Fire Insurance Premium Tax	841,045	985,104	1,010,027	947,854
	Total Fire Insurance Premium Tax	841,045	985,104	1,010,027	947,854
587001	General Subfund	18,874,972	18,272,660	18,060,246	18,047,538
	Total General Subfund	18,874,972	18,272,660	18,060,246	18,047,538
469990	Medicare Rx Subsidy Fund	711,852	325,000	325,000	325,000
	Total Medicare Rx Subsidy Fund	711,852	325,000	325,000	325,000
Total Revenues		20,520,895	19,679,198	19,492,671	19,417,790
379100	Use of (Contribution to) Fund Balance	-2,066,518	337,561	336,597	-97,398
	Total Use of Fund Balance	-2,066,518	337,561	336,597	-97,398
Total Resources		18,454,377	20,016,759	19,829,268	19,320,392

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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.

	2012	2013	2014	2014
Program Expenditures	Actuals	Adopted	Endorsed	Adopted
Administration	639,436	601,758	614,267	605,392
Death Benefits	15,500	15,000	15,000	15,000
Medical Benefits	9,470,923	10,699,999	10,699,999	10,699,999
Pensions	8,328,518	8,700,001	8,500,001	8,000,001
Total	18,454,377	20,016,758	19,829,267	19,320,392
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 Personnel 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.

	2012	2013	2014	2014
Expenditures/FTE	Actuals	Adopted	Endorsed	Adopted
Administration	639,436	601,758	614,267	605,392
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.

	2012	2013	2014	2014
Expenditures	Actuals	Adopted	Endorsed	Adopted
Death Benefits	15,500	15,000	15,000	15,000

Medical Benefits Program

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

	2012	2013	2014	2014
Expenditures	Actuals	Adopted	Endorsed	Adopted
Medical Benefits	9,470,923	10,699,999	10,699,999	10,699,999

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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	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
Pensions	8,328,518	8,700,001	8,500,001	8,000,001

Firefighters Pension Fund Table

Firefighters Pension Fund (60200)

	2012 Actuals	2013 Adopted	2013 Revised	2014 Endorsed	2014 Adopted
Beginning Fund Balance	10,876,732	11,011,389	13,007,465	10,673,829	12,246,199
Accounting and Technical Adjustments	64,215	0	0	0	0
Plus: Actual and Estimated Revenues	20,520,895	19,679,198	18,355,492	19,492,671	19,417,790
Less: Actual and Budgeted Expenditures	18,454,377	20,016,758	19,116,758	19,829,267	19,320,392
Ending Fund Balance	13,007,465	10,673,829	12,246,199	10,337,233	12,343,597
Actuarial Account	9,643,400	9,739,834	9,739,834	9,837,232	9,837,232
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Rate Stabilization Reserve	867,990	433,995	2,006,364	0	2,006,364
Total Reserves	11,011,390	10,673,829	12,246,198	10,337,232	12,343,596
Ending Unreserved Fund Balance	1,996,075	0	1	1	1