

Firefighters' Pension

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<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.

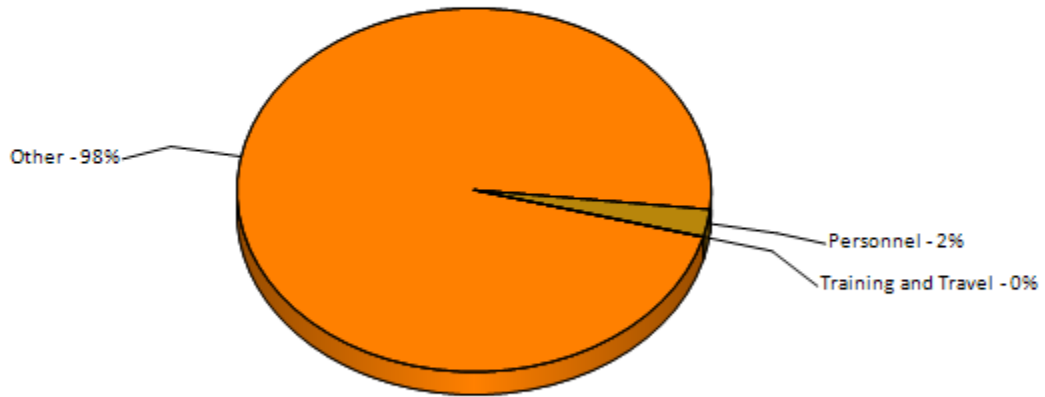
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Budget Snapshot

Department Support	2013 Actual	2014 Adopted	2015 Adopted	2016 Endorsed
General Fund Support	\$17,287,528	\$18,047,538	\$17,311,984	\$17,475,500
Other Funding - Operating	\$911,398	\$1,272,854	\$1,275,000	\$1,293,500
Total Operations	\$18,198,926	\$19,320,392	\$18,586,984	\$18,769,000
Total Appropriations	\$18,198,926	\$19,320,392	\$18,586,984	\$18,769,000
Full-time Equivalent Total*	4.00	4.00	4.00	4.00

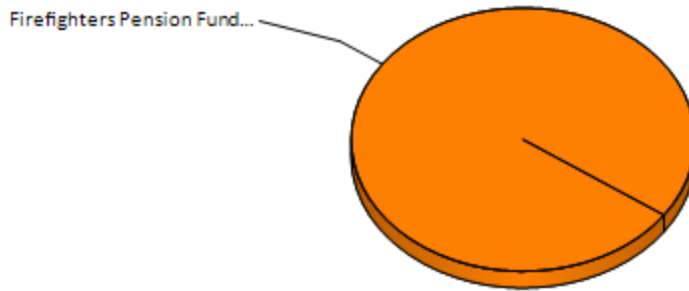
* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.

2015 Adopted Budget - Expenditure by Category



Firefighters' Pension

2015 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.

FPEN spent less than anticipated in 2013, resulting in nearly \$2 million of additional ending funding balance which excludes FPEN's contingency reserve. The 2015 Adopted and 2016 Endorsed Budget assumes the Rate Stabilization Reserve reaches \$2.9 million at the end of 2014, and the out-year financial plan calls for this reserve to be available to support future benefit cost increases.

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. The 2015 Adopted and 2016 Endorsed Budget assumes an annual rate of return of 5.5% on the investment portfolio, and that the returns are continuously reinvested.

City Council Changes to the Proposed Budget

The Council approved a one-time reduction of 0.6% in General Fund support to the department's 2015 Proposed Budget. This change was made only to departments receiving more than \$10 million in General Fund support, including FPEN. The General Fund support to FPEN in 2015 was reduced by \$100,016 compared to the 2015 Proposed Budget. The medical and pension benefits appropriations were reduced by \$100,016 to reflect this revenue reduction.

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Incremental Budget Changes

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	2015		2016	
	Budget	FTE	Budget	FTE
Total 2014 Adopted Budget	\$ 19,320,391	4.00	\$ 19,320,391	4.00
Baseline Changes				
Citywide Adjustments for Standard Cost Changes	\$ 7,988	0.00	\$ 7,988	0.00
Proposed Changes				
Pension Obligation Adjustment	-\$ 641,379	0.00	-\$ 559,379	0.00
Council Changes				
One-time Appropriation Reduction	-\$ 100,016	0.00	\$ 0	0.00
Total Incremental Changes	-\$ 733,407	0.00	-\$ 551,391	0.00
2015 Adopted/2016 Endorsed Budget	\$ 18,586,984	4.00	\$ 18,769,000	4.00

Descriptions of Incremental Budget Changes

Baseline Changes

Citywide Adjustments for Standard Cost Changes - \$7,988

Citywide technical adjustments made in the "Baseline Phase" reflect changes due to inflation, central cost allocations, retirement, healthcare, workers' compensation, and unemployment costs. These adjustments reflect initial assumptions about these costs and inflators early in the budget process.

Proposed Changes

Pension Obligation Adjustment - (\$641,379)

This adjustment reflects the net impact of the change in Firefighters' pension obligation in 2015 and 2016, as provided by FPEN's 2014 actuarial valuation.

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Council Changes

One-time Appropriation Reduction - (\$100,016)

This Council item reflects a one-time across-the-board reduction in appropriations for all departments receiving more than \$10 million in General Fund support. This reduction is equivalent to 0.6% of the General Fund appropriation included in the 2015 Proposed Budget.

City Council Provisos

There are no Council provisos.

Expenditure Overview

Appropriations	Summit Code	2013 Actual	2014 Adopted	2015 Adopted	2016 Endorsed
Firefighters' Pension Budget Control					
Administration		638,080	605,392	640,000	640,000
Death Benefits		9,000	15,000	15,000	15,000
Medical Benefits		9,899,198	10,700,000	10,650,000	10,950,000
Pensions		7,652,648	8,000,000	7,281,984	7,164,000
Total	R2F01	18,198,926	19,320,392	18,586,984	18,769,000
Department Total		18,198,926	19,320,392	18,586,984	18,769,000
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 Human Resources Director actions outside of the budget process may not be detailed here.

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Revenue Overview

2015 Estimated Revenues

Summit Code	Source	2013 Actual	2014 Adopted	2015 Adopted	2016 Endorsed
436691	Fire Insurance Premium Tax	911,398	947,854	925,000	943,500
461110	Actuarial Account Interest	52,894	97,398	0	0
461320	Return on Actuarial Account Investments	0	0	581,272	613,242
469990	Medicare Rx Subsidy Fund	0	325,000	350,000	350,000
587001	General Subfund	17,022,660	18,047,538	17,311,984	17,475,500
Total Firefighters Pension Fund Revenues		17,986,952	19,417,790	19,168,256	19,382,242
Total Revenues		17,986,952	19,417,790	19,168,256	19,382,242
379100	Use of (Contribution to) Fund Balance	211,974	-97,398	-581,272	-613,242
Total Use of (Contribution to) Fund Balance		211,974	-97,398	-581,272	-613,242
Total Resources		18,198,926	19,320,392	18,586,984	18,769,000

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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.

	2013	2014	2015	2016
Program Expenditures	Actual	Adopted	Adopted	Endorsed
Administration	638,080	605,392	640,000	640,000
Death Benefits	9,000	15,000	15,000	15,000
Medical Benefits	9,899,198	10,700,000	10,650,000	10,950,000
Pensions	7,652,648	8,000,000	7,281,984	7,164,000
Total	18,198,926	19,320,392	18,586,984	18,769,000
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.

	2013	2014	2015	2016
Expenditures/FTE	Actual	Adopted	Adopted	Endorsed
Administration	638,080	605,392	640,000	640,000
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.

	2013	2014	2015	2016
Expenditures	Actual	Adopted	Adopted	Endorsed
Death Benefits	9,000	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.

	2013	2014	2015	2016
Expenditures	Actual	Adopted	Adopted	Endorsed
Medical Benefits	9,899,198	10,700,000	10,650,000	10,950,000

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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	2013 Actual	2014 Adopted	2015 Adopted	2016 Endorsed
Pensions	7,652,648	8,000,000	7,281,984	7,164,000

Firefighters Pension Fund Table

Firefighters Pension Fund (60200)

	2013 Actuals	2014 Adopted	2014 Revised	2015 Adopted	2016 Endorsed
Beginning Fund Balance	13,007,465	12,246,198	12,917,981	13,985,368	14,566,640
Accounting and Technical Adjustments	122,490	0	0	0	0
Plus: Actual and Estimated Revenues	17,986,952	19,417,790	19,972,387	19,168,256	19,382,242
Less: Actual and Budgeted Expenditures	18,198,926	19,320,392	18,905,000	18,586,984	18,769,000
Ending Fund Balance	12,917,981	12,343,596	13,985,368	14,566,640	15,179,882
Actuarial Account	10,017,618	9,837,232	10,568,587	11,149,859	11,763,101
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Rate Stabilization Reserve	433,995	2,006,364	2,916,781	2,916,781	2,916,781
Total Reserves	10,951,613	12,343,596	13,985,368	14,566,640	15,179,882
Ending Unreserved Fund Balance	1,966,368	0	0	0	0