

# Firefighters' Pension

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## Department Overview

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

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 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.

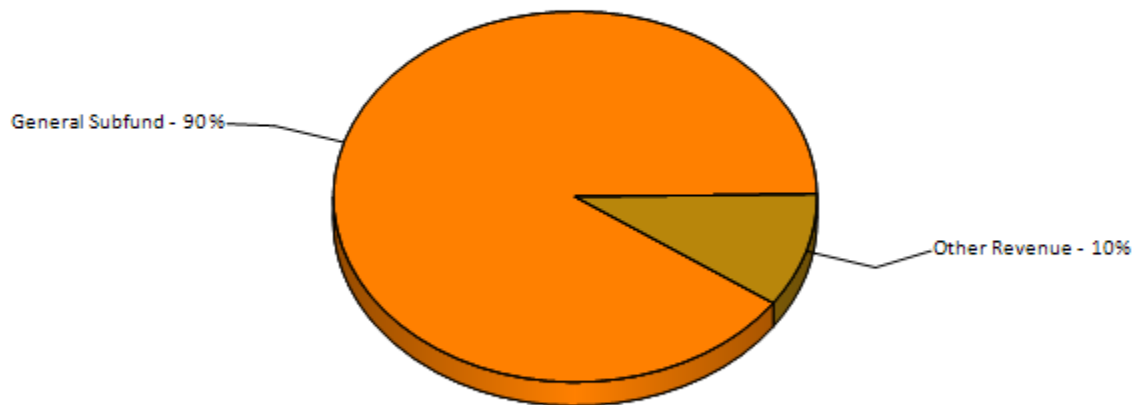
## Firefighters' Pension

### Budget Snapshot

| Department Support          | 2016<br>Actuals     | 2017<br>Adopted     | 2018<br>Endorsed    | 2018<br>Adopted     |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| 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         |
| <b>Total Operations</b>     | <b>\$19,393,545</b> | <b>\$20,087,000</b> | <b>\$20,800,248</b> | <b>\$20,747,000</b> |
| <b>Total Appropriations</b> | <b>\$19,393,545</b> | <b>\$20,087,000</b> | <b>\$20,800,248</b> | <b>\$20,747,000</b> |
| 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.

### 2018 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'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 Adopted Budget for Local 27 retirees.

In August 2017, the City Council approved the collective bargaining agreement for the fire chiefs' union, Local 2898 ([Ordinance 125378](#)), which includes COLAs from 2015 through 2018. FPEN's 2017 Adopted Budget was sufficient to cover the retroactive benefit payments due to the retirees impacted by the Local 2898 agreement.

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 Adopted 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.

## City Council Changes to the Proposed Budget

The Council made no changes to the 2018 Proposed Budget.

## Incremental Budget Changes

### Firefighters' Pension

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

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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.

## City Council Provisos

There are no Council provisos.

## Expenditure Overview

| Appropriations                                 | Summit Code  | 2016 Actuals      | 2017 Adopted      | 2018 Endorsed     | 2018 Adopted      |
|--|--------------|-------------------|-------------------|-------------------|-------------------|
| <b>Firefighters' Pension Budget Control</b>    |              |                   |                   |                   |                   |
| 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         |
| <b>Total</b>                                   | <b>R2F01</b> | <b>19,393,545</b> | <b>20,087,000</b> | <b>20,800,248</b> | <b>20,747,000</b> |
| <b>Department Total</b>                        |              | <b>19,393,545</b> | <b>20,087,000</b> | <b>20,800,248</b> | <b>20,747,000</b> |
| <b>Department Full-time Equivalents Total*</b> |              | <b>4.00</b>       | <b>4.00</b>       | <b>4.00</b>       | <b>4.00</b>       |

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# Firefighters' Pension

## Revenue Overview

### 2018 Estimated Revenues

| Summit Code | Source   | 2016 Actuals      | 2017 Adopted      | 2018 Endorsed     | 2018 Adopted      |
|-------------|--|-------------------|-------------------|-------------------|-------------------|
|             | General Fund                                       | 17,163,500        | 18,787,000        | 19,481,245        | 18,840,000        |
|             | <b>Total General Subfund</b>                       | <b>17,163,500</b> | <b>18,787,000</b> | <b>19,481,245</b> | <b>18,840,000</b> |
|             | 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           |
|             | <b>Total Other Revenue</b>                         | <b>2,619,291</b>  | <b>1,941,000</b>  | <b>1,995,000</b>  | <b>2,083,005</b>  |
|             | <b>Total Revenues</b>                              | <b>19,782,791</b> | <b>20,728,000</b> | <b>21,476,245</b> | <b>20,923,005</b> |
|             | Use of (Contribution to) Fund Balance              | -389,246          | -641,000          | -676,000          | -176,005          |
|             | <b>Total Use of (Contribution to) Fund Balance</b> | <b>-389,246</b>   | <b>-641,000</b>   | <b>-676,000</b>   | <b>-176,005</b>   |
|             | <b>Total Resources</b>                             | <b>19,393,545</b> | <b>20,087,000</b> | <b>20,800,245</b> | <b>20,747,000</b> |

## 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.

| Program Expenditures         | 2016 Actuals      | 2017 Adopted      | 2018 Endorsed     | 2018 Adopted      |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| 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         |
| <b>Total</b>                 | <b>19,393,545</b> | <b>20,087,000</b> | <b>20,800,248</b> | <b>20,747,000</b> |
| Full-time Equivalents Total* | 4.00              | 4.00              | 4.00              | 4.00              |

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# Firefighters' Pension

*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.

|                            | <b>2016</b>    | <b>2017</b>    | <b>2018</b>     | <b>2018</b>    |
|----------------------------|----------------|----------------|-----------------|----------------|
| <b>Expenditures/FTE</b>    | <b>Actuals</b> | <b>Adopted</b> | <b>Endorsed</b> | <b>Adopted</b> |
| Administration             | 611,431        | 670,000        | 683,248         | 630,000        |
| Full-time Equivalent 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.

|                     | <b>2016</b>    | <b>2017</b>    | <b>2018</b>     | <b>2018</b>    |
|---------------------|----------------|----------------|-----------------|----------------|
| <b>Expenditures</b> | <b>Actuals</b> | <b>Adopted</b> | <b>Endorsed</b> | <b>Adopted</b> |
| 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.

|                     | <b>2016</b>    | <b>2017</b>    | <b>2018</b>     | <b>2018</b>    |
|---------------------|----------------|----------------|-----------------|----------------|
| <b>Expenditures</b> | <b>Actuals</b> | <b>Adopted</b> | <b>Endorsed</b> | <b>Adopted</b> |
| Medical Benefits    | 11,103,091     | 11,400,000     | 12,000,000      | 12,000,000     |

## 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.

|                     | <b>2016</b>    | <b>2017</b>    | <b>2018</b>     | <b>2018</b>    |
|---------------------|----------------|----------------|-----------------|----------------|
| <b>Expenditures</b> | <b>Actuals</b> | <b>Adopted</b> | <b>Endorsed</b> | <b>Adopted</b> |
| Pensions            | 7,664,023      | 8,000,000      | 8,100,000       | 8,100,000      |

## Firefighters' Pension

### Firefighters Pension Fund Table

#### Firefighters Pension Fund (60200)

|  | 2016<br>Actuals   | 2017<br>Adopted   | 2017<br>Revised   | 2018<br>Endorsed  | 2018<br>Adopted   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Beginning Fund Balance</b>          | <b>14,922,667</b> | <b>15,556,492</b> | <b>15,311,913</b> | <b>16,197,492</b> | <b>16,102,913</b> |
| 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        |
| <b>Ending Fund Balance</b>             | <b>15,311,913</b> | <b>16,197,492</b> | <b>16,102,913</b> | <b>16,873,489</b> | <b>16,278,918</b> |
| 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         |
| <b>Total Reserves</b>                  | <b>15,311,913</b> | <b>16,197,492</b> | <b>16,102,913</b> | <b>16,873,492</b> | <b>16,278,918</b> |
| <b>Ending Unreserved Fund Balance</b>  | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>-3</b>         | <b>0</b>          |

