

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 firefighters, active and retired, and their beneficiaries. 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 accumulate a balance sufficient to pay all future pension liabilities of the fund by 2028.

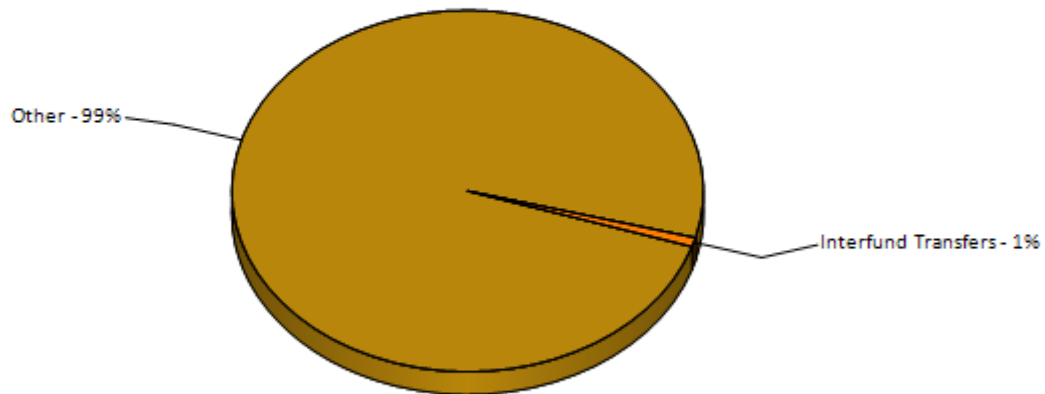
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Budget Snapshot

Department Support	2018 Adopted	2019 Adopted	2020 Endorsed
General Fund Support	\$18,840,000	\$19,079,309	\$19,059,375
Other Funding - Operating	\$1,907,000	\$1,609,000	\$2,109,000
Total Operations	\$20,747,000	\$20,688,309	\$21,168,375
Total Appropriations	\$20,747,000	\$20,688,309	\$21,168,375
Full-time Equivalent Total*	4.00	4.00	4.00

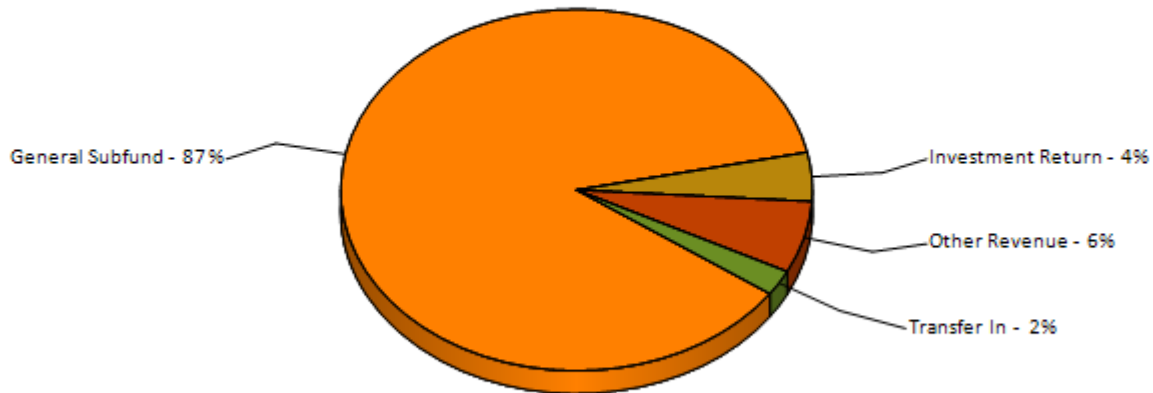
** FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.*

2019 Adopted Budget - Expenditure by Category



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2019 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. 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 cost of living adjustment (COLA) equal to the negotiated annual wage increases (AWI) for the active union members at the Seattle Fire Department and then offset by benefits paid by the state's LEOFF 1 pension plan which has its own annual growth rate.

In November 2016, Council passed [Ordinance 125190](#) which requires an actuarially determined level payment amount from the City to the FPEN Fund each year to cover pension benefit costs. Any remaining difference between the payment amount and actual pension benefit costs is transferred to the Actuarial Account for FPEN's future pension obligations. The account is invested in a portfolio managed by the Department of Finance and Administrative Services (FAS). The 2019 Adopted and 2020 Endorsed Budget assumes an annual rate of return of 6% on the investment portfolio and that the returns are continuously reinvested.

The 2019 Adopted and 2020 Endorsed Budget includes several benefit appropriation changes. First, pension payments decrease \$300,000 from \$8.1 million in the 2018 Adopted Budget to \$7.8 million, the level payment amount. Local 27 and Local 2898 union contracts each expire on December 31, 2018. After 2019 and 2020 COLA rates are determined in the next contract, a corresponding appropriation increase will be requested to fund the new level of benefit payments to retirees, plus, any retroactive benefit payments for missed payments, should that be necessary. The level payment amount may also be adjusted in response to new contractual terms.

Second, the 2019 retiree medical and long-term care costs assume no change in 2019 compared to the 2018 Adopted Budget. However, the 2020 costs are expected to increase by \$500,000 in accordance with the actuarial

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valuation which expects increases over the next 15 to 20 years due to FPEN's aging membership and annual trend rates for medical and long-term care costs. Finally, appropriations for the annual death benefit increases by \$2,000 in 2019 and 2020 in response to growing use of this benefit.

The 2019 Adopted and 2020 Endorsed Budget increases FPEN's budget to pay the costs allocations from the Seattle Information Technology Department (ITD) and the Department of Finance and Administrative Services (FAS). Previously, the General Fund was charged directly from ITD and FAS for their services supporting certain small departments such as FPEN. Starting in 2019, ITD and FAS will be charged directly to each small department, funded by revenue distributions from the General Fund. The adopted budget increases the administration appropriations by \$169,000 in 2019 and \$149,000 in 2020 for these new administrative costs.

City Council Changes to the Proposed Budget

The Council made no changes to the 2019-2020 Proposed Budget.

Incremental Budget Changes

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	2019		2020	
	Budget	FTE	Budget	FTE
2018 Adopted Budget	\$ 20,747,000	4.00	\$ 20,747,000	4.00
Baseline Changes				
Citywide Adjustments for Standard Cost Changes	\$ 169,309	0.00	\$ 149,375	0.00
Proposed Changes				
Changes in Benefits Costs and Administration	-\$ 228,000	0.00	\$ 272,000	0.00
Total Incremental Changes	-\$ 58,691	0.00	\$ 421,375	0.00
2019 Adopted/2020 Endorsed Budget	\$ 20,688,309	4.00	\$ 21,168,375	4.00

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Descriptions of Incremental Budget Changes

Baseline Changes

Citywide Adjustments for Standard Cost Changes - \$169,309

Citywide technical adjustments made in the baseline phase reflect changes to pay the costs allocations from the Seattle Information Technology Department (ITD) and the Department of Finance and Administrative Services (FAS). Previously, the General Fund was charged directly from ITD and FAS for their services supporting certain small departments such as FPEN. Starting in 2019, ITD and FAS will be charged directly to each small department, funded by revenue distributions from the General Fund.

Proposed Changes

Changes in Benefits Costs and Administration - (\$228,000)

The 2019 Adopted and 2020 Endorsed Budget includes several benefits-related appropriation changes. Pension payments are decreased by \$300,000 to reflect the December 31, 2018 expiration of the Local 27 and Local 2898 union contracts. The 2020 retiree medical and long-term care costs are increased by \$500,000. Finally, death benefits increase by \$2,000 in 2019 and 2020 in response to growing use of this benefit. Additionally, this adjustment increases FPEN's administrative costs by \$70,000 in 2019 and 2020 to meet actual costs.

City Council Provisos

There are no Council provisos.

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Expenditure Overview

Appropriations	2018 Adopted	2019 Adopted	2020 Endorsed
Firefighters Pension Budget Summary Level			
Fireman's Pension Fund	20,747,000	20,688,309	21,168,375
Total for BSL: BO-FP-R2F01	20,747,000	20,688,309	21,168,375

Department Total	20,747,000	20,688,309	21,168,375
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Department Full-time Equivalents Total*	4.00	4.00	4.00
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Budget Summary by Fund for Firefighters Pension

	2018 Adopted	2019 Adopted	2020 Endorsed
61040 - Fireman's Pension Fund	20,747,000	20,688,309	21,168,375
Budget Totals for FPEN	20,747,000	20,688,309	21,168,375

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Revenue Overview

2019 Estimated Revenues

Summit Code	Source	2018 Adopted	2019 Adopted	2020 Endorsed
360100	Return on Actuarial Account	676,005	960,000	1,010,000
	Total Investment Return	676,005	960,000	1,010,000
397010	Transfer In from Fund 61040	0	500,000	500,000
	Total Transfer In	0	500,000	500,000
360430	General Subfund	18,840,000	19,079,309	19,059,375
	Total General Subfund	18,840,000	19,079,309	19,059,375
335130	Fire Insurance Premium Tax	982,000	989,000	996,000
397010	Medicare Rx Subsidy	425,000	425,000	425,000
	Total Other Revenue	1,407,000	1,414,000	1,421,000
	Total Revenues	20,923,005	21,953,309	21,990,375
379100	Use of (Contribution to) Fund Balance - Fund 61050	-676,005	-1,460,000	-1,510,000
379100	Use of (Contribution to) Fund Balance - Fund 61040	500,000	195,000	688,000
	Total Use of (Contribution to) Fund Balance	-176,005	-1,265,000	-822,000
	Total Resources	20,747,000	20,688,309	21,168,375

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Appropriations By Budget Summary Level (BSL) and Program

Firefighters Pension Budget Summary Level

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

Program Expenditures	2018 Adopted	2019 Adopted	2020 Endorsed
Death Benefits	17,000	19,000	19,000
Leadership and Administration	630,000	869,309	849,375
Medical Benefits	12,000,000	12,000,000	12,500,000
Pensions	8,100,000	7,800,000	7,800,000
Total	20,747,000	20,688,309	21,168,375
Full-time Equivalents Total*	4.00	4.00	4.00

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The following information summarizes the programs in Firefighters Pension Budget Summary Level:

Death Benefits Program

Expenditures	2018 Adopted	2019 Adopted	2020 Endorsed
Death Benefits	17,000	19,000	19,000
Full-time Equivalents Total	0.00	0.00	0.00

Leadership and Administration Program

Expenditures/FTE	2018 Adopted	2019 Adopted	2020 Endorsed
Leadership and Administration	630,000	869,309	849,375
Full-time Equivalents Total	4.00	4.00	4.00

Medical Benefits Program

Expenditures	2018 Adopted	2019 Adopted	2020 Endorsed
Medical Benefits	12,000,000	12,000,000	12,500,000
Full-time Equivalents Total	0.00	0.00	0.00

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Pensions Program

Expenditures	2018 Adopted	2019 Adopted	2020 Endorsed
Pensions	8,100,000	7,800,000	7,800,000
Full-time Equivalents Total	0.00	0.00	0.00