

Employees' Retirement System

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

Department Overview

The Seattle City Employees' Retirement System has two major functions: administration of retirement benefits and management of the assets of the Retirement Fund. Employee and employer contributions, as well as investment earnings, provide funding for the system. Approximately 9,400 active employee members, 2,800 terminated employee members and 7,100 retired employee members participate in the plan.

The provisions of the plan are set forth in [Chapter 4.36](#) of the Seattle Municipal Code. The plan is a "defined benefit plan" which means an employee's salary, years of service, and age at the time of retirement are used to determine the amount of retirement benefits. At retirement, members are given a choice of several payment options to collect their retirement benefit. The Retirement System is led by a seven-member Board of Administration and an Executive Director appointed by the Board.

Please note that the appropriations detailed in the following tables reflect only the costs to administer the system and do not reflect payment of retiree benefits.

Budget Snapshot

	2020 Actuals	2021 Adopted	2022 Proposed
Department Support			
Other Funding - Operating	249,331,409	8,646,345	8,437,013
Total Operations	249,331,409	8,646,345	8,437,013
Total Appropriations	249,331,409	8,646,345	8,437,013
Full-Time Equivalents Total*	23.00	28.00	27.00

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

Budget Overview

The Seattle City Employees' Retirement System (SCERS) relies on the long-term health of its assets to sustain its long-term financial obligations to SCERS members. The long-term health of SCERS is measured by the annual January 1 funding status, a percentage that represents the value of the asset portfolio over the reserves needed to pay retirement benefits to employees.

As of January 1, 2021, SCERS net assets are valued at \$3.4 billion with a 71.6% funded status. This is an increase from 68.9% in 2020, and is still higher than the low of 62% in 2010. SCERS funding status has generally increased steadily since 2010 due to changes SCERS has made to positively impact the funding status over the long-term.

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Annual Contributions: The plan's actuaries determine an "annual required contribution" (ARC) into SCERS so its assets grow in tandem with pension costs, which rise as new employees join SCERS, wages increase, and retirees live longer. In response to the drop in the value of its invested assets and its funded status coming out of the 2008-09 recession, SCERS and the City enhanced the plan in 2013 by revising its ARC calculation so SCERS will be fully funded after a fixed 30-year period beginning January 1, 2013 and ending January 1, 2043. In addition to the employee and employer annual required contributions, the City pays an additional fluctuating amount to achieve the fully funded status by 2043. These amounts are reflected in departmental budgets throughout the 2022 Proposed Budget.

Investment Return Assumption: In January 2014, SCERS decreased its long-term investment return assumption from 7.75% to 7.50% in anticipation of slower asset growth over the next 30 years. Effective January 2020, SCERS decreased this assumption further to 7.25%. This assumption raises the ARC so the plan relies more on employee and employer contributions that are based on salaries, which are less volatile than the investment returns affected by portfolio experience and the economy.

Asset Smoothing: SCERS implemented an asset smoothing policy in 2011 to protect the funded status from volatile year-to-year swings by recognizing annual investment return gains and losses evenly over five years. This policy results in gradual changes in the ARC so the City's contribution is more stable.

Pension Plan for New Employees Hired On or After January 1, 2017: The City began evaluating plan changes in 2012 to reduce the cost of the plan for employees and the City, thereby enhancing SCERS' fiscal stability over the long run, while still maintaining an adequate retirement benefit for employees. In 2016, the City and labor unions agreed, and Council approved, a new defined benefit plan (SCERS II) for new employees hired on or after January 1, 2017. SCERS II has a similar structure to the existing plan (SCERS I).

Under SCERS II, there is an estimated 3.8% combined savings for annual employer and employee contributions. Members of the new plan will contribute 7% of their salary toward their retirement benefit, compared to 10.03% under SCERS I. Given the lower contributions into the plan, the new SCERS II plan will provide a retirement benefit lower than the SCERS I plan, but consistent with the design of the current SCERS I plan. The SCERS II benefit will still provide City retirees with an adequate retirement income when combined with Social Security.

The 2022 Proposed Budget includes total appropriation decreases of \$209,332. This decrease is the result of several annual citywide cost adjustments for internal City service costs and adjustments to true-up the budget with the SCERS Board's approved 2021-2022 budget. On June 11, 2020 the SCERS Board of Administration reviewed and approved a change to make the approximately \$12.8 million annual Investment Management Fees non-appropriated beginning with the 2021 budget and going forward. This treatment will be the same as for the pension payments to member retirees, which are also non-appropriated. Investment management fees will continue to be reported to the Board, recorded in the City's financial system and detailed in the annual audited financial statements that are posted publicly on SCERS's website (see p. 32 of 2019 Annual Financials). The financial statements are reviewed and accepted annually by the SCERS Board, which is chaired by the Council Finance Committee Chair. The 2022 Proposed Budget also includes a technical adjustment to reduce SCERS' positions by one, which reflects an action taken earlier in 2021 in the second quarter supplemental ordinance to remove this unneeded position.

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Incremental Budget Changes

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	Dollars	FTE
2021 Adopted Budget	8,646,345	28.00
True-up 2022 Baseline to SCERS Board-approved	(296,010)	-
Baseline		
Baseline Adjustments for Personnel Costs	47,479	-
Citywide Adjustments for Standard Cost Changes	39,199	-
Proposed Technical		
Continuing position change from 2021 Q2 Supplemental	-	(1.00)
Total Incremental Changes	\$(209,332)	(1.00)
Total 2022 Proposed Budget	\$8,437,013	27.00

Description of Incremental Budget Changes

True-up 2022 Baseline to SCERS Board-approved

Expenditures	\$(296,010)
Revenues	\$(209,332)

Adjust 2022 Baseline to 2022 SCERS Board-approved amounts:

In 2019, The SCERS Board of Administration approved a 2 year budget (for 2021 and 2022). The 2022 budget was approved for \$8,717,555 with the understanding that the few ISF fund amounts may change without going back to the Board for approval.

Using the 2021 Adopted budget as the baseline to compare to SCERS' 2022 Board Approved budget, the following baseline changes will need to be made (all considered technical changes given this is just a true-up to the approved budget and no new positions or projects are being started in 2022).

Baseline

Baseline Adjustments for Personnel Costs

Expenditures	\$47,479
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This centrally administered change adjusts appropriations to restore the annual wage increase for non-represented Executives, Managers and Strategic Advisors, which was forgone in 2021 due to financial constraints.

Citywide Adjustments for Standard Cost Changes

Expenditures	\$39,199
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Citywide technical adjustments made in the baseline phase reflect changes to internal services costs, including rates from the Department of Finance & Administrative Services, Seattle Information Technology Department, Seattle Department of Human Resources, and for healthcare, retirement and industrial insurance charges for the department. These adjustments reflect initial assumptions about these costs and inflators early in the budget process.

Proposed Technical

Continuing position change from 2021 Q2 Supplemental

Position Allocation (1.00)

Technical change to continue in the budget system a position change made in the 2021 Q2 Supplemental Budget.

Expenditure Overview

	2020 Actuals	2021 Adopted	2022 Proposed
Appropriations			
RET - BO-RE-9RE00 - UNASSIGNED			
61030 - Employees' Retirement Fund	229,257,558	-	-
Total for BSL: BO-RE-9RE00	229,257,558	-	-
RET - BO-RE-R1E00 - Employee Benefit Management			
61030 - Employees' Retirement Fund	20,073,851	8,646,345	8,437,013
Total for BSL: BO-RE-R1E00	20,073,851	8,646,345	8,437,013
Department Total	249,331,409	8,646,345	8,437,013
Department Full-Time Equivalents Total*	23.00	28.00	27.00

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

Budget Summary by Fund Employees' Retirement System

	2020 Actuals	2021 Adopted	2022 Proposed
61030 - Employees' Retirement Fund	249,331,409	8,646,345	8,437,013
Budget Totals for RET	249,331,409	8,646,345	8,437,013

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Revenue Overview

2022 Estimated Revenues

Account Code	Account Name	2020 Actuals	2021 Adopted	2022 Proposed
360010	Investment Interest	15,311,661	-	-
360030	Securities Lending Revenue	(9,504)	-	-
360090	Realized Gains/Losses On Invm	100,576,389	-	-
360120	Security Lending Income Gasb 2	63,967	-	-
360230	Dividend Income	18,524,719	-	-
360240	Other Investment Income	11,816,900	-	-
360430	Employr Pnsn Contributions	141,255,626	5,283,691	5,314,394
360440	Employr Dth Ben Contribution	162,120	-	-
360450	Emplyee Pnsn Contribution	82,752,355	3,362,654	3,122,619
360460	Emplyee Dth Ben Contribution	162,120	-	-
360900	Miscellaneous Revs-Other Rev	534,562	-	-
Total Revenues for: 61030 - Employees' Retirement Fund		371,150,915	8,646,345	8,437,013
Total RET Resources		371,150,915	8,646,345	8,437,013

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Appropriations by Budget Summary Level and Program

RET - BO-RE-9RE00 - UNASSIGNED

Program Expenditures	2020 Actuals	2021 Adopted	2022 Proposed
Pension Benefits Paid	229,257,558	-	-
Total	229,257,558	-	-

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RET - BO-RE-R1E00 - Employee Benefit Management

The purpose of the Employees' Retirement Budget Summary Level is to manage and administer retirement assets and benefits.

Program Expenditures	2020 Actuals	2021 Adopted	2022 Proposed
Employee Benefit Management	20,073,851	8,646,345	8,437,013
Total	20,073,851	8,646,345	8,437,013
Full-time Equivalent Total*	23.00	28.00	27.00

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