

ORDINANCE No. 118814

814

COUNCIL BILL No. 111891

Law Department

The City of Seattle—Legislative

891

AN ORDINANCE relating to the Firefighters Pension Fund established under RCW 41.10 as amended; amending Ordinance 117216 to clarify the funding of the Actuarial Account within the Fund; and making a transfer within the Fund to the Actuarial Account.

REPORT OF COMMITTEE

Firefighters Pension Fund established under RCW 41.10 as amended; amending Ordinance 117216 to clarify the funding of the Actuarial Account within the Fund; and making a transfer within the Fund to the Actuarial Account.

Honorable President:

Your Committee on _____

to which was referred the within Council Bill No. _____ report that we have considered the same and respectfully recommend that

11-12-97 Budget Committee: Passed
11-13-97 Full Council Action: Passed
Enclosed: Donald

COMPROLLER FILE No. _____

Introduced: SEP 22 1997	By: CHOE
Referred: SEP 22 1997	To: <i>Budget</i>
Referred:	To:
Referred:	To:
Reported: <u>11-13-97</u>	Second Reading:
Third Reading: <u>11-13-97</u>	Signed: <u>11-13-97</u>
Presented to Mayor: <u>11-13-97</u>	Approved: <u>NOV 21 1997</u>
Returned to City Clerk: <u>NOV 21 1997</u>	Published: <i>File 719</i>
Vetoed by Mayor:	Veto Published:
Passed over Veto:	Veto Sustained:

NEW FILE

NEW FILE

By: CHOE
To: <i>Budget</i>
To:
To:
Second Reading:
Signed: <u>11-13-97</u>
Approved: <u>NOV 21 1997</u>
Published: <i>File 719</i>
Published:
Sustained:

Martha Chen

Committee Chair



ORDINANCE 118814

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AN ORDINANCE relating to the Firefighters' Pension Fund established under RCW 41.16 as amended; amending Ordinance 117216 to clarify the funding of the Actuarial Account within the Fund; and making a transfer within the Fund to the Actuarial Account.

WHEREAS, on July 11, 1994, the City Council passed Ordinance 117216, establishing an Actuarial Account within the Firefighters' Pension Fund; and

WHEREAS, the intent of Ordinance 117216 was to accumulate sufficient funding in the Actuarial Account to fully amortize all pension obligations by December 31, 2018; and that intention is unchanged; and

WHEREAS, the intent of Ordinance 117216 was to provide a level amount each year for the sum of current pension obligations and contributions to the Actuarial Account, and that intention is unchanged; and

WHEREAS, the Actuarial Account earns its own interest and thus had a balance of \$916,437 as of the end of 1996; and

WHEREAS, the phrasing of Ordinance 117216 has caused confusion about the computation methodology for the Actuarial Account and both the Firefighters' Pension Board and the City Council wish to rephrase the description of the actuarial calculations to be performed without changing the original intent of Ordinance 117216; **NOW THEREFORE**,

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

1 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

2 **Section 1.** Section 1 of Ordinance 117216 is amended to read as follows:
3 As requested by the Firefighters' Pension Board (the "Board"), the following funding
4 policy is adopted with respect to the Firefighters' Pension Fund (the "Fund"):

5 A. Beginning in 1994~~((5))~~, the City will place in a separate "Actuarial Account"
6 within the Fund each year an amount which is sufficient to fully amortize as described
7 below the estimated remaining pension liabilities of the Fund by December 31,
8 2018~~((9. Specifically, the City's contribution to the Actuarial Account each budget~~
9 ~~year beginning in 1995 and continuing through 2019 shall be the "level dollar~~
10 ~~amount," which is the actuarially determined contribution necessary to pay the annual~~
11 ~~projected pension benefits and to accumulate by December 31, 2019, sufficient funds~~
12 ~~to pay the "remaining pension liabilities." The remaining pension liabilities are the~~
13 ~~actuarially determined future pension benefits payable after 2019 for all members of~~
14 ~~the Fund and their beneficiaries that will not be paid by the LEOFF system. The~~
15 ~~amortization period may begin in 1994 and may be completed in 2018 if the condition~~
16 ~~set forth in paragraph 2 (i) occurs.)) The Actuarial Account will be funded as~~
17 follows:

18 1. Each year, the City will appropriate a "Level Payment Amount" to the
19 Fund. The Level Payment Amount is intended to be constant for each year between
20 1994 and 2018. If necessary, the Level Payment Amount will be modified every two
21 years as specified in subsection A(4) below.

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1 2. In each year, the Level Payment Amount will be the sum of the expected
2 current pension obligations for that year and a contribution to the Actuarial Account.
3 Thus, the transfer to the Actuarial Account may vary in amount from year to year.

4 3. In some years, the expected current pension obligations will exceed the
5 Level Payment Amount. In such years, the City will appropriate additional funds to
6 the Fund in order to cover all expected current pension obligations. No contribution
7 will be made to the Actuarial Account in such years.

8 4. The actuarial calculations of the Level Payment Amount and of the
9 portion to be contributed to the Actuarial Account shall be performed in a manner
10 consistent with Attachment A.

11 5. Beginning in 1998, the Level Payment Amount will be recalculated by
12 June 30 of each even-numbered year by a qualified actuary retained by the Board.
13 While the Level Payment Amount is generally expected to remain constant over time,
14 small variations are likely due to changes in mortality, inflation, and other factors. In
15 addition, the actuary will calculate the expected current pension obligations for each
16 of the two following years. The contribution to the Actuarial Account will be defined
17 as the difference between the Level Payment Amount and the expected current
18 pension obligations for each year. The City will use the actuary's figures in
19 establishing the Level Payment Amount in the biennial budget for the following two
20 (2) years, subject to Board confirmation. In the mid-biennium, the City shall revise
21 the expected current pension obligations based on the actuary's latest estimates,
22 subject to Board confirmation. This may change the contribution to the Actuarial
23

1 Account in the second year of each biennium depending on any increases or decreases
2 in expected current pension obligations.

3 6. In the event that actual current pension obligations for any year exceed
4 the amounts projected by the actuary and included in the budget, the City will
5 appropriate additional amounts to cover any shortfall. Transfers to the Actuarial
6 Account will not be changed once they are included in the Adopted Budget.

7 7. Funds in the Actuarial Account are for the purpose of meeting pension
8 obligations and funds will not be transferred from the Actuarial Account for any other
9 purpose unless and until all pension obligations of the Fund have been satisfied.

10 B. Based on ~~((1994))~~ actuarial projections, it is anticipated that the ~~((1))~~ Level
11 ~~((dollar-))~~ Payment ~~((a))~~ Amount will generally exceed the expected current
12 ~~((projected))~~ pension ~~((payments))~~ obligations.

13 C. ~~((The level dollar amount shall be placed in the Actuarial Account during the~~
14 ~~year as the City receives property tax receipts and fire insurance premium tax~~
15 ~~revenues. The City will invest those funds in the Actuarial Account which are not~~
16 ~~used to pay pension benefits, as part of its residual cash investment fund and apportion~~
17 ~~the earnings pro rata-))~~ In years in which a contribution is to be made to the Actuarial
18 Account, the transfer will occur in two (2) equal installments on the last day of April
19 and the last day of October. The amount transferred to the Actuarial Account on each
20 date will be one-half (1/2) the total amount included as a transfer to the Actuarial
21 Account in the Adopted Budget. The City Finance Director is authorized to make
22 these transfers. Funds in the Actuarial Account will be invested in order to receive
23

1 the maximum possible returns consistent with State law, the City's investment
2 policies, and the objectives of the Actuarial Account. The City Finance Director will
3 determine how the funds in the Actuarial Account will be invested, consistent with
4 RCW 35.39.030, with confirmation by the Board. The City Finance Director will
5 report to the Board on the status of the Actuarial Account in May and November of
6 each year.

7 ~~((D. In the event that the level dollar amount does not cover that year's "actual~~
8 ~~pension benefits," which are those pension benefits that are not paid by the LEOFF~~
9 ~~system, the City shall pay an "additional sum." The "additional sum" is the amount~~
10 ~~necessary to pay that year's actual pension benefits which exceed the level dollar~~
11 ~~amount. The additional sum shall be placed in the Fund as needed.~~

12 ~~E. The 1995 level dollar amount will be Seven Million, Four Hundred and~~
13 ~~Sixteen Thousand Dollars (\$7,416,000), which was determined as part of the actuarial~~
14 ~~valuation by Wyatt Company dated January 1, 1994. Said valuation was based on the~~
15 ~~actual current status of the Fund being no net assets. The level dollar amount may be~~
16 ~~change to Seven Million, Four Hundred Thirty One Thousand Dollars (\$7,431,000) if~~
17 ~~the condition set forth in paragraph 2 (i) occurs.~~

18 ~~F. Every two years as part of the City's biennial budgeting process, the~~
19 ~~Firefighter's Pension Board will obtain an actuarial valuation from a qualified actuary.~~
20 ~~The actuarial valuation will include a new level dollar amount amortization schedule~~
21 ~~through December 31, 2019, for the remaining pension liabilities of the Fund.~~
22 ~~Thereafter, the City will adopt a new level dollar amount.))~~
23

1 D.((G. After 2019, if there are pension liabilities which cannot be met from the
2 balance of the Actuarial Account, the City will pay these liabilities.)) Beginning on
3 January 1, 2019, it is anticipated that funds accumulated in the Actuarial Account will
4 be sufficient to cover all future pension costs of the Fund. If there are pension
5 liabilities that cannot be met from the balance in the Actuarial Account, the City shall
6 appropriate such funds as are required to pay all pension costs.

7 E. This policy does not change current practices for budgeting for medical and
8 administrative costs of the Firefighters' Pension Fund.

9 F((H)). The Fund shall be administered pursuant to RCW 41.16 as amended.

10 ~~((I. If the amount appropriated to the Firemen's Pension Fund in the 1994 budget~~
11 ~~is underspent by \$403,000 or more, \$403,000 shall be contributed to the actuarial~~
12 ~~account to begin funding in 1994. In this event, the 25-year amortization period~~
13 ~~described in paragraph 2 (a) shall be completed by December 31, 2018. \$403,000 is~~
14 ~~the amount necessary to begin a 25-year amortization period beginning in 1994 using~~
15 ~~the calculation of Wyatt Company.))~~

16 **Section 2.** As a result of the July 1997 actuarial study performed by William M.
17 Mercer, Inc., the actuary for the Firefighters' Pension Fund, the Level Payment
18 Amount for 1998 is established as Seven Million Three Hundred Seventeen Thousand
19 Dollars (\$7,317,000). The resulting 1998 contribution to the Actuarial Account is
20 hereby set, with Board approval, at Seventeen Thousand Dollars (\$17,000). These
21 amounts will be used by the Office of Management and Planning to propose
22 modifications to the 1998 Endorsed Budget.
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Section 3. At the recommendation of the Board, the sum of One Hundred Thirty-Two Thousand Eight Hundred Forty-Five Dollars (\$132,845) is hereby transferred from undesignated and unreserved balances in the Firefighters' Pension Fund to the Actuarial Account.

Section 4. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

PASSED by the City Council of the City of Seattle this 13th day of November, 1997, and signed by me in open session in authentication of its passage this 13th day of November, 1997.



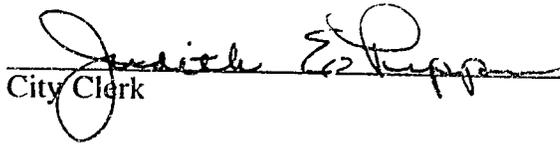
President of the City Council

Approved by me this 21st day of November, 1997.



Mayor

Filed by me this 21 day of November, 1997.



City Clerk

(Seal)

July 7, 1997

Dwight D. Dively
Director of Executive Services
City of Seattle
600 4th Avenue, Room 103
Seattle, WA 98104-1891

Re: Seattle Firefighters' Pension Fund

Dear Dwight:

As you requested, we have calculated a level funding amount that is designed to fully fund the Seattle Firefighters' Pension Fund by December 31, 2018.

The level amount is \$7,317,000. Our understanding of the requested funding method is that for each year 1998 through 2018, the excess, if any, of the level amount of \$7,317,000 over the actual benefit payments would be placed in a separate account. The level amount was actuarially determined so that the amount placed in the separate account each year will accumulate to fully fund all retirement benefit liabilities in year 2019 and later, and that no further funding would be required to pay future benefit payments. Our understanding is that the level amount will be recalculated every two years to reflect actual experience of the fund.

Please note, the funding approach applies to retirement benefits and does not consider medical benefits. The calculation is based on the assumptions shown in the City of Seattle Firefighters' Pension Fund Actuarial Valuation Report as of January 1, 1996. The estimated benefit payments have been updated based on the Seattle Firefighters' Pension Fund Update of Actuarial Valuation as of January 1, 1997. The December 31, 1996 balance in the separate account of \$916,437 was provided by the City, as well as 1997 contribution amounts of \$132,845 and \$81,202.

Please let me know if you have any questions or require further information.

Sincerely,



Samuel G. Martin

SGM/MAM/ksr
A SECURITY VALUATION AND FINANCIAL

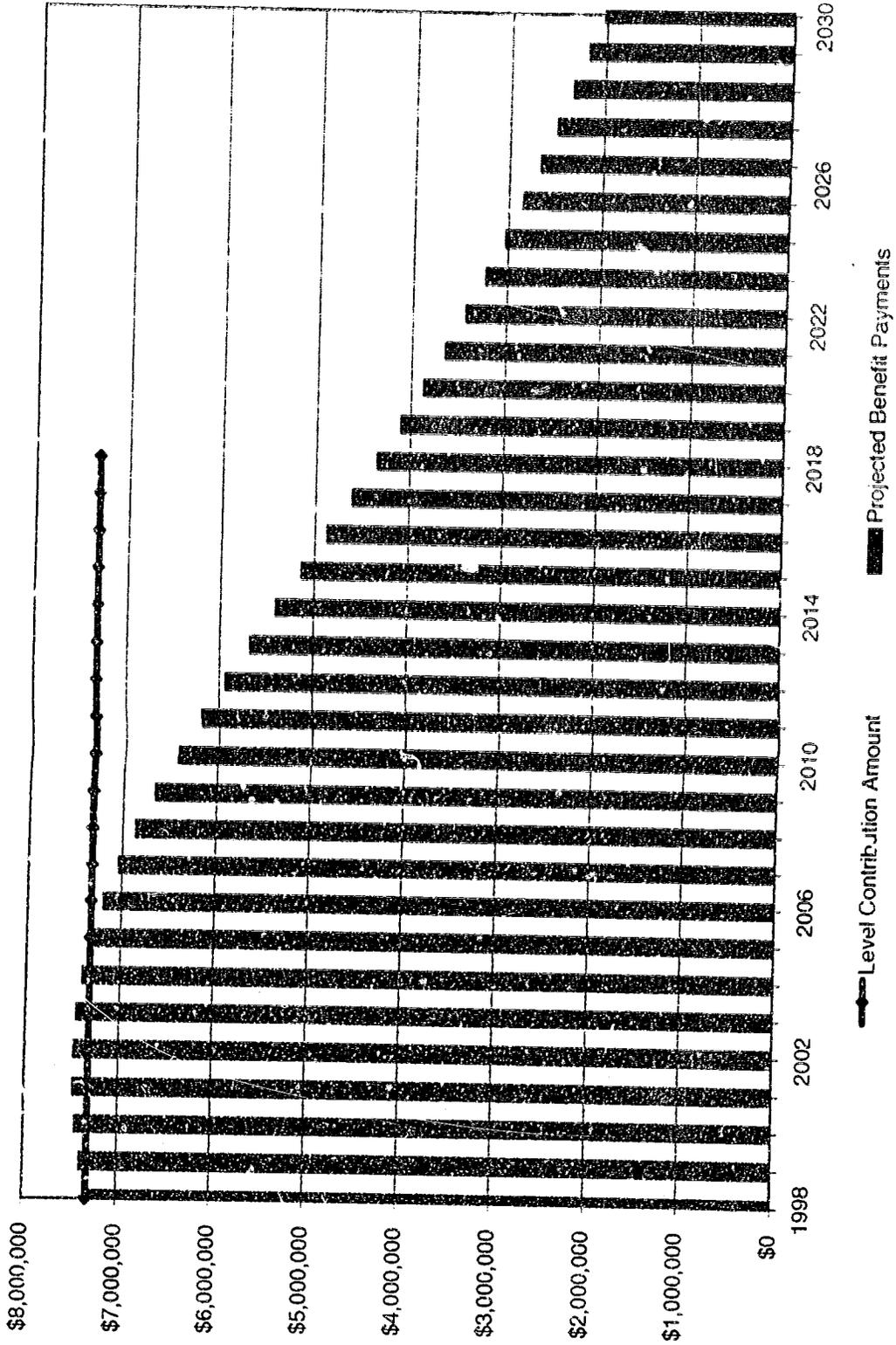
Enclosures

CITY OF SEATTLE FIREFIGHTERS' PENSION FUND

Expected Contributions Based on Level Funding Through 2018

<u>Year</u>	<u>Expected Benefit Payments</u>	<u>Level Contribution Amount</u>	<u>Additional Amount</u>	<u>Total Expected Payments</u>	<u>Amount for Separate Account</u>
1998	7,300,000	7,317,000	0	7,317,000	17,000
1999	7,400,000	7,317,000	83,000	7,400,000	0
2000	7,450,000	7,317,000	133,000	7,450,000	0
2001	7,500,000	7,317,000	183,000	7,500,000	0
2002	7,500,000	7,317,000	183,000	7,500,000	0
2003	7,450,000	7,317,000	133,000	7,450,000	0
2004	7,400,000	7,317,000	83,000	7,400,000	0
2005	7,300,000	7,317,000	0	7,317,000	17,000
2006	7,200,000	7,317,000	0	7,317,000	117,000
2007	7,050,000	7,317,000	0	7,317,000	267,000
2008	6,850,000	7,317,000	0	7,317,000	467,000
2009	6,650,000	7,317,000	0	7,317,000	667,000
2010	6,450,000	7,317,000	0	7,317,000	867,000
2011	6,200,000	7,317,000	0	7,317,000	1,117,000
2012	5,950,000	7,317,000	0	7,317,000	1,367,000
2013	5,650,000	7,317,000	0	7,317,000	1,667,000
2014	5,400,000	7,317,000	0	7,317,000	1,917,000
2015	5,150,000	7,317,000	0	7,317,000	2,167,000
2016	4,850,000	7,317,000	0	7,317,000	2,467,000
2017	4,600,000	7,317,000	0	7,317,000	2,717,000
2018	4,350,000	7,317,000	0	7,317,000	2,967,000
2019	4,100,000	0	0	0	0

Seattle Fire Pension Fund Level Funding Through 2018





City of Seattle

Norman B. Rice, Mayor
Executive Services Department
Dwight D. Dively, Director

MEMORANDUM

Date: September 19, 1997
To: The Honorable Jan Drago, President
Seattle City Council
Via: Claire O'Flaherty, Budget Analyst
Office of Management and Planning
From: Dwight Dively, Director *DD*
Executive Services Department
Subject: An Ordinance relating to the Firefighters' Pension Fund established under RCW 41.16 as amended; amending Ordinance 117216 to clarify the funding of the Actuarial Account within the Fund; and making a transfer within the Fund to the Actuarial Account.

In 1994 the City Council passed Ordinance 117216, which adopted a funding policy with respect to the Firefighters' Pension Fund. The City has always funded these pension obligations on a "pay as you go" basis. Ordinance 117216 set up an Actuarial Account to receive periodic contributions so that the Pension Fund would be "fully funded" by the end of 2019. In other words, the City would continue the "pay as you go" funding through 2018, after which the balance in the Actuarial Account would be sufficient to meet expected future pension obligations.

Earlier this year, considerable confusion arose among the Firefighters' Pension Board and the Board's actuary about the funding method for the Actuarial Account. The language in Ordinance 117216 is confusing, so the Board has proposed the revisions included in the attached ordinance. These changes do not in any way change the intent of Ordinance 117216. In addition, the proposed ordinance specifies timing for transfers to the Actuarial Account, clarifies investment practices for the Account, and outlines the approach for updating the estimates of the amounts needed to fund the Account.

600 Fourth Avenue, Room 103, Seattle, WA 98104-1891, <http://www.ci.seattle.wa.us>
Tel: (206) 684-0484, TDD: (206) 233-7810, FAX: (206) 684-0188

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Dively/Drago
Firefighters' Pension Fund Legislation
September 19, 1997
Page 2

The ordinance also includes two budget actions. Section 2 of the ordinance establishes 1998 funding levels for current pensions and specifies a \$17,000 contribution to the Actuarial Account, based on a June 1997 study by the Board's actuary. Section 3 of the ordinance appropriates \$132,845 from undesignated and unreserved balances in the Firefighters' Pension Fund to the Actuarial Account. This amount was an unexpected fund balance at the end of 1966, and has been proposed as an additional appropriation to the Actuarial Account with the support of OMP.

The proposed ordinance was recommended by a unanimous vote of the Firefighters' Pension Board on August 13.

I would be pleased to answer any questions you might have, or provide you with a briefing on this matter. Please don't hesitate to call me at 4-5212 if I can be of assistance.

cc: The Honorable Martha Choe
Jack Richards, Executive Secretary, Firefighters' Pension Board
A. D. Vickery, Member, Firefighters' Pension Board
John Nilsen, Member, Firefighters' Pension Board
Roy Waugh, Alternate Member, Firefighters' Pension Board

Attachment

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TIME AND DATE STAMP

SPONSORSHIP

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

Martha Chase

FOR CITY COUNCIL PRESIDENT USE ONLY

COMMITTEE(S) REFERRED TO:

PRESIDENT'S SIGNATURE

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97-243



City of Seattle

Norman B. Rice, Mayor

Executive Department - Office of Management and Planning

Judy Bunnell, Director

August 29, 1997

The Honorable Mark Sidran
City Attorney
City of Seattle

OK plc
9/19/97

COPY PROGRAM
97 SEP -2 AM 10:23

Dear Mr. Sidran:

The Mayor is proposing to the City Council that the enclosed legislation be adopted.

REQUESTING DEPARTMENT: Executive Services Department

SUBJECT: AN ORDINANCE relating to the Firefighters' Pension Fund established under RCW 41.16 as amended; amending Ordinance 117216 to clarify the funding of the Actuarial Account within the Fund; and making a transfer from the Fund to the Actuarial Account.

Pursuant to the City Council's S.O.P. 100-014, the Executive Department is forwarding this request for legislation to your office for review and drafting.

After reviewing this request and any necessary redrafting of the enclosed legislation, return the legislation to OMP. Any specific questions regarding the legislation can be directed to Monica Power at 684-8076.

Sincerely,

Norman B. Rice
Mayor

by

Judy Bunnell
JUDY BUNNELL for
Director

h:\admin\legis\law\lrs\power24b

Enclosure

Seattle Municipal Building, 600 Fourth Avenue, Seattle, WA 98104-1826

Tel: (206) 684-8080, TDD (206) 684-8118, FAX: (206) 233-0085

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STATE OF WASHINGTON - KING COUNTY

87565

-ss.

City of Seattle, City Clerk

No. ORDINANCE 11

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on November 13, 1997, and published here by title only, will be mailed, at no cost, upon request for two months after this publication. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 118811

AN ORDINANCE relating to the Human Services Program; authorizing an agreement with the Northwest AIDS Foundation for emergency and transitional housing for people with AIDS or AIDS-Related Conditions and making an appropriation from the H. H. Dearborn Trust Fund to the General Subfund therefor.

ORDINANCE NO. 118814

AN ORDINANCE amending Seattle Municipal Code Section 4.84.020, Annual Award Program, S. M. C. Section 4.02.010, Suggestion Award Program, and S. M. C. 4.04.020, Safety and Performance Awards to exclude certain employees from participation in awards programs.

ORDINANCE NO. 118817

AN ORDINANCE relating to taxicab inspections; adding a one-half time inspector position to the Finance Division of the Executive Services Department to conduct inspections, testing, and other enforcement actions pertaining to the taxicab industry; increasing the 1997 expenditure allowance for the Executive Services Department; and making a reimbursable appropriation from the Supplemental Appropriation Account of the Emergency Subfund.

ORDINANCE NO. 118818

AN ORDINANCE relating to and providing for disposition of certain monies seized and forfeited and proceeds of the sale of goods and materials seized and forfeited pursuant to the Uniform Controlled Substances Act; accepting such forfeitures; appropriating such monies to reimburse expenses incurred by the Police and Law Departments and to expand programs of the Police and Law Departments to enforce narcotic and other drug enforcement laws; and increasing certain expenditure allowances in the 1998 Budget of the Police and Law Departments by reimbursable appropriation from the General Fund by three-fourths vote.

ORDINANCE NO. 118819

AN ORDINANCE adopting a budget, including a capital improvement program and a position list, for The City of Seattle for fiscal year 1998.

Publication ordered by JUDITH PIP-PIN, City Clerk

Date of official publication in Daily Journal of Commerce, Seattle, December 11, 1997. 12/11(87565)

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CTOT: 118811, 14, 17-19

was published on

12/11/97

The amount of the fee charged for the foregoing publication is the sum of \$, which amount has been paid in full.

Subscribed and sworn to before me on

04/06/98

Notary Public for the State of Washington, residing in Seattle

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