

ORDINANCE No. 120656

COUNCIL BILL No. 113956

The City of

AN ORDINANCE relating to the Seattle City Employees' Retirement System; providing for cost of living benefit adjustments for retired employees effective only upon certain events; and amending Chapter 4.36 of the Seattle Municipal Code.

Honorable President:

Your Committee on \_\_\_\_\_

to which was referred the within \_\_\_\_\_ report that we have considered the \_\_\_\_\_

COMPTROLLER FILE No. \_\_\_\_\_

Introduced: NOV 13 2001	By: DRAGO
Referred: NOV 13 2001	To: Finance & Budget Committee
Referred:	To:
Referred:	To:
Reported: 11-26-01	Second Reading:
Third Reading: 11-26-01	Signed: 11-26-01
Presented to Mayor: 11-26-01	Approved: 11/30/01
Returned to City Clerk: 12/3/01	Published: full 3pp.
Vetoed by Mayor:	Veto Published:
Passed over Veto:	Veto Sustained:

11-16-01 Pass As

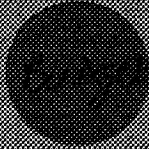
Law Department

*San Diego*

# The City of Seattle--Legislative Department

## REPORT OF COMMITTEE

Date Reported  
and Adopted



City President:

Committee on \_\_\_\_\_

\_\_\_\_\_ was referred the within Council Bill No. \_\_\_\_\_

\_\_\_\_\_ that we have considered the same and respectfully recommend that the same:

(TD)

01 Pass As Amended 9-0

Department

(Full)

Sanct  
40m  
Full-Test/Amended

Committee Chair

ORDINANCE 120656

AN ORDINANCE relating to the Seattle City Employees' Retirement System; providing for cost of living benefit adjustments for retired employees effective only upon certain events; and amending Chapter 4.36 of the Seattle Municipal Code.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

**Section 1.** Effective January 1 of the year the Retirement Board files with the City Clerk notification that the funding ratio of the retirement fund is ninety-five (95) percent or higher, Subsection F of Section 4.36.030 of the Seattle Municipal Code is amended as follows:

**4.36.030 Definitions – Alphabetical “A” through “B.”**

\*\*\*

F. “Adjusted benefit” means the initial benefit plus the cumulative cost of living adjustments provided for in Section 4.36.215 ((B1)) A. The adjusted benefit of employees who retired prior to January 1, 1998, shall be calculated on January 1 of the year that Section 1 of Council Bill 113956 becomes effective as if a cumulative cost of living adjustment of 1.5% per year had been in effect from the date of retirement to the date that Section 1 of Council Bill 113956 becomes effective and then adjusted annually as provided in Section 4.36.215A. There will be no retrospective benefit payments for employees who retired prior to January 1, 1998, only prospective adjusted benefit payments from and after January 1 of the year that Section 1 of Council Bill 113956 becomes effective.

\*\*\*

**Section 2.** A new Subsection D is added to Section 4.36.050 of the Seattle Municipal Code and the remaining subsections in that section shall be relettered accordingly:

**4.36.050 Definitions - Alphabetical “E” through “M.”**



1 \*\*\*

2 D. "Funding Ratio" means the ratio of the actuarial value of assets over the actuarial accrued liabilities as  
3 determined by an actuarial valuation ordered by the Retirement Board.

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7 **Section 3.** Effective January 1 of the year the Retirement Board files with the City Clerk  
8 notification that the funding ratio of the retirement fund is ninety-five (95) percent or higher, Section  
9 4.36.155 of the Seattle Municipal Code is repealed.

10 **Section 4.** Effective January 1 of the year the Retirement Board files with the City Clerk  
11 notification that the funding ratio of the retirement fund is ninety-five (95) percent or higher, Section  
12 4.36.215 of the Seattle Municipal Code is amended as follows:

13 **4.36.215 Annual cost of living adjustment.**

14 A. ~~((Applicability. This section applies to all members, and beneficiaries receiving payment on behalf of  
15 any such member, who retired on or after January 1, 1998.~~

16 ~~B. Annual Adjustment.))~~

17 ~~((1.))~~ ~~((As of))~~ Effective with the retirement allowance payable on or about December 1st of each year, a  
18 member's or beneficiary's adjusted benefit shall be increased by one and one-half (1 1/2) percent, except as  
19 otherwise provided in this section.

20 ~~B((2)).~~ For any calendar year, the member or beneficiary shall receive the greater of:

21 ~~1((a)).~~ The adjusted benefit; or

22 ~~2((b)).~~ ~~((The sum of the initial benefit plus the base annual bonus dividend provided for in SMC Section  
23 4.36.155; or~~



1 e. ))Sixty (60) percent of the indexed benefit ((~~of~~  
2 ~~d. The benefit paid in the prior calendar year~~)).

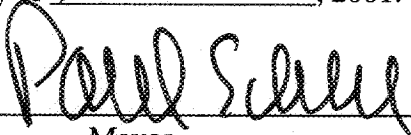
3  
4 **Section 5.** Sections 4.36.030, 4.36.155 and 4.36.215 of the Seattle Municipal Code shall each  
5 include a footnote stating that effective January 1 of the year the Retirement Board files with the City Clerk  
6 notification that the funding ratio of the retirement fund is ninety-five (95) percent or higher, the section is  
7 amended pursuant to this Ordinance.

8  
9 **Section 6.** This ordinance shall take effect and be in force thirty (30) days from and after its  
10 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after  
11 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

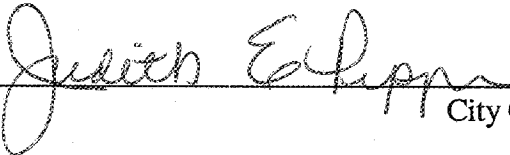
12 Passed by the City Council the 26<sup>th</sup> day of November, 2001, and signed by me in open  
13 session in authentication of its passage this 26<sup>th</sup> day of November, 2001.

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15   
President \_\_\_\_\_ of the City Council

16 Approved by me this 30<sup>th</sup> day of NOVEMBER, 2001.

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18   
Mayor

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20 Filed by me this 30<sup>th</sup> day of December, 2001.

21  
22   
City Clerk

23 (Seal)



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**STATE OF WASHINGTON – KING COUNTY**

--SS.

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139185  
City of Seattle, Clerk's Office

No. ORDINANCE IN FULL

**Affidavit of Publication**

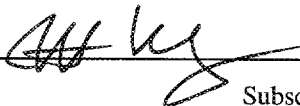
The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published 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 12<sup>th</sup> 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

CT:120656 ORD. IN FULL

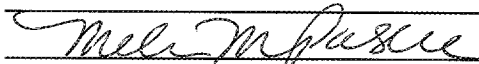
was published on

12/14/01

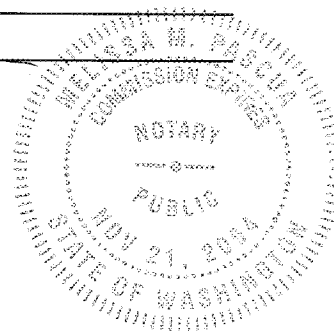


Subscribed and sworn to before me on

12/17/01

  
Notary public for the State of Washington,  
residing in Seattle

Affidavit of Publication



# State of Washington, King County

## City of Seattle

### ORDINANCE 130856

AN ORDINANCE relating to the Seattle City Employees' Retirement System, providing for cost of living benefit adjustments for retired employees effective only upon certain events, and amending Chapter 4.36 of the Seattle Municipal Code.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

SECTION 1. Effective January 1 of the year the Retirement Board files with the City Clerk notification that the funding ratio of the retirement fund is ninety-five (95) percent higher, Subsection F of Section 4.36.030 of the Seattle Municipal Code is amended as follows:

4.36.030 DEFINITIONS — ALPHABETICAL "A" THROUGH "B."

\*\*\*

F. "Adjusted benefit" means the initial benefit plus the cumulative cost of living adjustments provided for in Section 4.36.215 (B1) A. The adjusted benefit of employees who retired prior to January 1, 1996, shall be calculated on January 1 of the year that Section 1 of Council Bill 113356 becomes effective as if a cumulative cost of living adjustment of 1.5% per year has been in effect from the date of retirement to the date that Section 1 of Council Bill 113356 becomes effective and then adjusted annually as provided in Section 4.36.215A. There will be no retrospective benefit payments for employees who retired prior to January 1, 1996, only prospective adjusted benefit payments from and after January 1 of the year that Section 1 of Council Bill 113356 becomes effective.

SECTION 2. A new Subsection D is added to Section 4.36.050 of the Seattle Municipal Code and the remaining subsections in that section shall be relettered accordingly.

4.36.050 DEFINITIONS — ALPHABETICAL "E" THROUGH "M."

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D. "Funding Ratio" means the ratio of the actuarial value of assets over the actuarial accrued liabilities as determined by an actuarial valuation ordered by the Retirement Board.

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SECTION 3. Effective January 1 of the year the Retirement Board files with the City Clerk notification that the funding ratio of the retirement fund is ninety-five (95) percent or higher, Section 4.36.155 of the Seattle Municipal Code is repealed.

SECTION 4. Effective January 1 of the year the Retirement Board files with the City Clerk notification that the funding ratio of the retirement fund is ninety-five (95) percent or higher, Section 4.36.215 of the Seattle Municipal Code is amended as follows:

4.36.215 ANNUAL COST OF LIVING ADJUSTMENT.

A. ((Applicability. This section applies to all members, and beneficiaries receiving payment on behalf of any such member, who retired on or after January 1, 1996.

B. Annual Adjustment.)

(1.) ((As of) Effective with the retirement allowance payable on or about December 1st of each year, a member's or beneficiary's adjusted benefit shall be increased by one and one-half (1 1/2) percent, except as otherwise provided in this section.

B(2). For any calendar year, the member or beneficiary shall receive the

Fiscal Note

<b>Department:</b> Employee Retirement	<b>Contact Person/Phone:</b> Mary Denzel, 684-8158	<b>CBO Analyst/Phone:</b> Elise Downer, 684-8076
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**Legislation Title:** AN ORDINANCE relating to the Seattle City Employees' Retirement System; providing for cost of living benefit adjustments for retired employees effective only upon certain events; and amending Chapter 4.36 of the Seattle Municipal Code.

**Summary of the Legislation:** This legislation will provide a 1.5% annual increase in the retirement benefit paid to former City employees who retired prior to January 1, 1998 beginning January 1 of the year in which the Retirement Board files with the City Clerk notification that the funding ratio of the retirement fund is ninety-five (95) percent or higher.

**Background (Include justification for the legislation and funding history, if applicable):**

For employees who retired prior to January 1, 1998, the retirement benefit is adjusted annually with a "supplemental monthly dividend" (usually referred to as the "13<sup>th</sup> check") that amounts to about .67% compounded annually. For employees who retired January 1, 1998 or later a 1.5% annual cost of living adjustment (COLA) is added to their benefit in lieu of the 13<sup>th</sup> check. There is currently a 60% "floor" for all retirees in the system, meaning that when their purchasing power has reached 60% of its value on the date of retirement, a COLA equal to the CPI will be provided each year. The Retirement Board has recommended that the City Council extend the 1.5% COLA to pre-1998 retirees, and eliminate the supplemental monthly dividend. The proposed legislation would accomplish this, but only when the funding ratio of the retirement fund is 95% or higher. The fund's actuary has determined that a 95% funding ratio has an unfunded actuarial liability of 9.1 years.

With the drop in the stock market over the last year, the Retirement Fund has lost value, and now has an unfunded actuarial liability of 37 years or greater. As a general guideline the actuarial industry and the Governmental Accounting Standards Board usually recommend that the amortization period to pay off unfunded actuarial liabilities not exceed 30 years. While it is understood that adverse market conditions may sometimes create unexpected long-term unfunded liabilities, it is generally seen as inappropriate to take conscious actions that would increase the unfunded liability beyond 30 years. For this reason the proposed legislation does not enact the 1.5% COLA immediately, but establishes a point when the Fund is in better financial condition than it is today.

**Public Private Partnership Review Status:** NA

**Is the legislation subject to public hearing requirements?** NO





**Fiscal Sustainability Issues (related to grant awards): NA**

**Estimated Expenditure Impacts:** There is no immediate impact from this legislation. The actuarial cost of adding this benefit is estimated to be \$30 million. It would be paid for by retirement fund. There is some potential that, following implementation of this ordinance after the Fund reaches a 95% funding ratio, the employer (City) contribution to the Retirement Fund would need to be increased above its current 8.03% of employee salary for each employee in the system. An actuarial study of the Retirement Fund is conducted every two years. The next report should be completed by July 2002. This report should provide more information about the possible need to consider an increase in the contribution rate.

FUND (List # and/or Account)	2000	2001	2002
TOTAL			

One-time \$ \_\_\_\_\_ On-going \_\_\_\_\_

**Estimated Revenue Impacts:** None

FUND (List # and/or Account)	2000	2001	2002
TOTAL			

One-time \$ \_\_\_\_\_ On-going \$ \_\_\_\_\_

**Estimated FTE Impacts:** None

FUND	2000	2001	2002
TOTAL			

# Full Time \_\_\_\_\_ # Part Time \_\_\_\_\_ # TES \_\_\_\_\_

**Do positions sunset in the future? If yes, identify sunset date?**

**Other Issues (including long-term implications of the legislation):**



ORDINANCE \_\_\_\_\_

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**4.36.030 Definitions – Alphabetical “A” through “B.”**

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F. “Adjusted benefit” means the initial benefit plus the cumulative cost of living adjustments provided for in Section 4.36.215 ~~((B1))~~ A.

\*\*\*

**Section 2.** A new Subsection D is added to Section 4.36.050 of the Seattle Municipal Code and the remaining subsections in that section shall be relettered accordingly:

**4.36.050 Definitions - Alphabetical “E” through “M.”**

\*\*\*

D. “Funding Ratio” means the ratio of the actuarial value of assets over the actuarial accrued liabilities as determined by an actuarial valuation ordered by the Retirement Board.

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1           **Section 3.** Effective January 1 of the year the Retirement Board files with the City Clerk  
2 notification that the funding ratio of the retirement fund is ninety-five (95) percent or higher, Section  
3 4.36.155 of the Seattle Municipal Code is repealed.

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6 4.36.215 of the Seattle Municipal Code is amended as follows:

7 **4.36.215 Annual cost of living adjustment.**

8 A. ~~((Applicability. This section applies to all members, and beneficiaries receiving payment on behalf of  
9 any such member, who retired on or after January 1, 1998.~~

10 ~~B. Annual Adjustment.))~~

11 ~~((1.)) ((As of)) Effective with the retirement allowance payable on or about December 1st of each year, a  
12 member's or beneficiary's adjusted benefit shall be increased by one and one-half (1 1/2) percent, except as  
13 otherwise provided in this section.~~

14 ~~B((2)). For any calendar year, the member or beneficiary shall receive the greater of:~~

15 ~~1((a)). The adjusted benefit; or~~

16 ~~2((b)). ((The sum of the initial benefit plus the base annual bonus dividend provided for in SMC Section  
17 4.36.155; or~~

18 ~~e. ))Sixty (60) percent of the indexed benefit ((~~or~~~~

19 ~~d. The benefit paid in the prior calendar year)).~~

21           **Section 5.** Sections 4.36.030, 4.36.155 and 4.36.215 of the Seattle Municipal Code shall each  
22 include a footnote stating that effective January 1 of the year the Retirement Board files with the City Clerk  
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24



1 notification that the funding ratio of the retirement fund is ninety-five (95) percent or higher, the section is  
2 amended pursuant to this Ordinance.

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4 **Section 6.** This ordinance shall take effect and be in force thirty (30) days from and after its  
5 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after  
6 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

7 Passed by the City Council the \_\_\_\_ day of \_\_\_\_\_, 2001, and signed by me in open  
8 session in authentication of its passage this \_\_\_\_ day of \_\_\_\_\_, 2001.

9  
10 \_\_\_\_\_  
President \_\_\_\_\_ of the City Council

11 Approved by me this \_\_\_\_ day of \_\_\_\_\_, 2001.

12  
13 \_\_\_\_\_  
Mayor

14  
15 Filed by me this \_\_\_\_ day of \_\_\_\_\_, 2001.

16  
17 \_\_\_\_\_  
City Clerk

18 (Seal)

