

Ordinance No. 123482
[123482]

Council Bill No. 117018

AN ORDINANCE relating to the City's Retirement System; amending Seattle Municipal Code Section 4.36.110 to provide for contribution rate increases for members of the City's Retirement System.

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: hodder
Councilmember

Committee Action:

11.12.10 Pass 9-0

11.22.10 Passed 9-0

CF No. _____

Date Introduced:	<u>Oct. 25, 2010</u>	
Date 1st Referred:	To: (committee)	<u>Budget</u>
Date Re - Referred:	To: (committee)	
Date Re - Referred:	To: (committee)	
Date of Final Passage:	Full Council Vote:	
<u>11.22.10</u>	<u>9-0</u>	
Date Presented to Mayor:	Date Approved:	
<u>11.23.10</u>	<u>Dec. 2, 2010</u>	
Date Returned to City Clerk:	Date Published:	T.O. <input type="checkbox"/> F.T. <input checked="" type="checkbox"/>
Date Vetoed by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

This file is complete and ready for presentation to Full Council. Committee: _____
(initial/date)

Law Dept. Review OMP Review City Clerk Review Electronic Copy Loaded Indexed

1 A. Effective January 5, 2011, ((M))members of the retirement system shall make contributions
2 to the retirement fund at the rate of ~~((8.03))~~ 9.03 percent of the compensation of each such
3 member, exclusive of overtime; and effective January 4, 2012, members of the retirement system
4 shall make contributions to the retirement fund at the rate of 10.03 percent of the compensation
5 of each such member, exclusive of overtime; ((provided that the City Council may by ordinance
6 make increases to such member contributions, up to a maximum contribution rate of 10.03
7 percent)); provided ~~((, further,))~~ that any member whose rate of contribution prior to June 23,
8 1972, was less than 6 percent and whose rate was increased by 2.03 percent pursuant to
9 Ordinance 111303~~((, may))~~ shall have such rate further increased ~~((by the City Council up to an~~
10 ~~additional 2 percent))~~ by 1 percent, exclusive of overtime, effective January 5, 2011, and by an
11 additional 1 percent, exclusive of overtime, effective January 4, 2012; provided, further, that any
12 reinstated member who has redeposited his/her withdrawn contributions plus interest as provided
13 in subsection 4.36.190.B, who was a member of the retirement system at any time prior to June
14 23, 1972, and whose rate of contribution at such prior time was less than 6 percent ~~compensation~~
15 and whose rate was increased by 2.03~~((%))~~ percent of the compensation of such member
16 pursuant to Ordinance 111303~~((, may))~~ shall have such rate further increased ~~((by the City~~
17 ~~Council by ordinance up to an additional 2 percent))~~ by 1 percent, exclusive of overtime,
18 effective January 5, 2011, and by an additional 1 percent, exclusive of overtime, effective
19 January 4, 2012. ((Contributions shall be calculated, at the rates established herein, on all
20 compensation paid to members from and after the first pay period following January 1, 1984.))

21
22 Section 2. This ordinance shall take effect and be in force 30 days from and after its
23 approval by the Mayor, but if not approved and returned by the Mayor within ten days after
24 presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.
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1 Passed by the City Council the 22 day of November, 2010, and
2 signed by me in open session in authentication of its passage this
3 22 day of November, 2010.

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6 President _____ of the City Council

7 Approved by me this 2nd day of December, 2010.
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10 
11 Michael McGinn, Mayor

12 Filed by me this 2nd day of December, 2010.
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15 _____
16 City Clerk

17 (Seal)
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2011-2012 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Personnel	David Bracilano /684-7874 Sarah Butler /684-7929	Greg Hill / 684-8049

Legislation Title: AN ORDINANCE relating to the City's Retirement System, amending Seattle Municipal Code Section 4.36.110 to provide for contribution rate increases for members of the City's Retirement System.

Summary of the Legislation: This legislation increases the contribution rate for members of the retirement system to 9.03%, effective January 5, 2011; and further increases the contribution rate to 10.03%, effective January 4, 2012. For members whose contribution rate prior to June 23, 1972, was less than 6%, and whose rate was increased by 2.03% pursuant to Ordinance 111303, the contribution rate shall increase by 1%, effective January 5, 2011, and by an additional 1%, effective January 4, 2012. This latter provision also applies to any reinstated member who has re-deposited his/her withdrawn contributions plus interest as provided in subsection 4.36.190.B, who was a member of the retirement system at any time prior to June 23, 1972, and whose rate of contribution at such prior time was less than 6%, and whose rate was increased by 2.03% pursuant to Ordinance 111303.

Background: Seattle Municipal Code (SMC) Section 4.36.140 A (3) provides that, subject to the approval of the City Council, the Seattle City Employees' Retirement Fund Board of Administration ("Board") may revise the rate of contribution by the City on the basis of such mortality, service, or other tables adopted by the Board pursuant to actuarial investigation. In addition, 4.36.140 F provides that the Board may recommend member contribution rate changes to the City Council.

The 2010 actuarial valuation study concludes that the amortization period for the Retirement System's unfunded actuarial liability now exceeds 30 years. This increase in the System's unfunded actuarial liability is primarily due to the reduction in the actuarial value of the System's assets following the financial crisis that began in 2007. The Retirement Board recommends that contribution rates be increased to reduce the System's unfunded actuarial liability.

During the last round of bargaining, the City and its civilian labor unions entered into agreements to allow increases in member retirement contributions from 8.03% up to a maximum of 10.03%, provided that an actuarial study finds that the Retirement System's unfunded actuarial liability exceeds 30 years and the City determines that an increase to contribution rates is necessary, and provided that the City matches such member increases and pays all necessary contributions beyond 10.03%. Ordinance 123301, passed by City Council on May 10, 2010, amended SMC 4.36.110 to be consistent with labor agreement agreements.

The Retirement Board has recommended that the contribution rate be increased to 9.03%, effective January 5, 2011, and to 10.03%, effective January 4, 2012.



- Please check one of the following:

This legislation does not have any financial implications. (Stop here and delete the remainder of this document prior to saving and printing.)

This legislation has financial implications. Please complete all relevant sections that follow.

Summary of Changes to Revenue Generated Specifically From This Legislation:

	Revenue Source	2011 Proposed	2012 Proposed
Total Fees and Charges Resulting From Passage of This Ordinance			

Notes: This legislation raises no new external revenue. It does, however, pay additional revenue from City sources into the Employees' Retirement Fund. The Mayor's 2011-2012 Proposed Budget includes appropriations necessary for all City departments to meet the City's share of the increase in the retirement system contribution rate. The increase in General Fund expenditures is approximately \$2.0 million in 2011 and approximately \$4.1 million in 2012. The increase in Other Fund expenditures is approximately \$3.8 million in 2011 and approximately \$7.8 million in 2012.

Anticipated Incremental Revenue into the Retirement Fund:

Fund Name and Number	Revenue Source	Total 2011 Revenue	Total 2011 and 2012 Anticipated Revenue from Entire Program
EMPLOYEES' RETIREMENT FUND (60100)	Employee Contributions	\$5,807,000	\$5,807,000 (2011) + \$11,846,000 (2012)
EMPLOYEES' RETIREMENT FUND (60100)	City Contributions (Multifund)	\$5,807,000	\$5,807,000 (2011) + \$11,846,000 (2012)
TOTAL		\$11,614,000	\$35,306,000

What is the financial cost of not implementing this legislation? If contribution rates are not increased, the Retirement System will continue to have a large unfunded actuarial liability. All else remaining the same, the longer the City waits before increasing contribution rates, the greater is the size of the increases necessary to fully fund the System's actuarial liability. At some point, a large and increasing unfunded actuarial liability may jeopardize the City's credit



rating, thereby increasing the interest rate paid by the City on new bond issues.

Does this legislation affect any departments besides the originating department? All City departments are affected by this Bill and are aware of the increase in contribution rates.

What are the possible alternatives to the legislation that could achieve the same or similar objectives? The City could conceivably reduce the proposed increase in contribution rates by adopting a more aggressive investment policy, but that would involve greater risk and, hence, the possibility of even larger contribution rate increases in the future.

Is the legislation subject to public hearing requirements? This legislation, along with the rest of the Mayor's Proposed 2011-2012 Budget, will be the subject of public hearings held by the City Council.

Other Issues (including long-term implications of the legislation): This increase in contribution rates will significantly improve the Retirement System's financial position. However, based on the 2010 actuarial valuation, the System will continue to have an unfunded actuarial liability. According the 2010 actuarial valuation, the total contribution rate would have to increase from the 20.06% rate contemplated in this legislation to a total rate of 25.03%.

Please list attachments to the fiscal note below: None.



City of Seattle
Office of the Mayor

September 27, 2010

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

I am transmitting the attached proposed Council Bill for consideration with the 2011 Proposed Budget. This legislation amends Seattle Municipal Code Section 4.36.110 to increase the Seattle City Employees' Retirement System member contribution rates from 8.03% to 9.03% effective January 5, 2011, and from 9.03% to 10.03% effective January 4, 2012. Retirement System members whose rate of contribution prior to June 23, 1972, was less than 6% shall have their rate increased by 1% effective January 5, 2011, and by an additional 1% effective January 4, 2012.

During the last round of bargaining, the City and its civilian labor unions entered into agreements to allow increases in member retirement contributions from 8.03% up to a maximum of 10.03%, provided that an actuarial study finds that the Retirement System's unfunded actuarial liability exceeds 30 years and the City determines that an increase to contribution rates is necessary, and provided that the City matches such member increases and pays all necessary contributions beyond 10.03%. Ordinance 123301, passed by City Council on May 10, 2010, amended SMC 4.36.110 to be consistent with labor agreement agreements. The 2010 actuarial valuation concludes that the amortization period for the Retirement System's unfunded actuarial liability now exceeds 30 years. This increase in the Retirement System's unfunded actuarial liability is primarily due to the reduction in the actuarial value of the Retirement System's assets following the financial crisis that began in 2007. The Retirement Board has recommended that the employee contribution rate be increased by 1% effective January 5, 2011, and by an additional 1%, effective January 4, 2012, to reduce the Retirement System's unfunded actuarial liability.

Thank you for your consideration of this legislation. Should you have questions, please contact David Bracilano at (206)684-7874 or Sarah Butler at (206)684-7929.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor
Office of the Mayor
600 Fourth Avenue, 7th Floor
PO Box 94749
Seattle, WA 98124-4749

Tel (206) 684-4000
Fax (206) 684-5360
TDD (206) 615-0476
mike.mcinn@seattle.gov



STATE OF WASHINGTON – KING COUNTY

--SS.

264494
CITY OF SEATTLE, CLERKS OFFICE

No.

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.

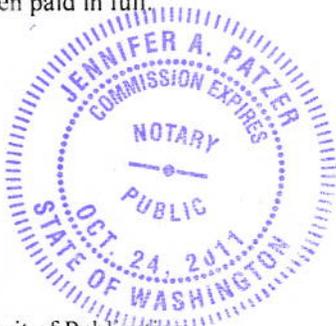
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:123482 ORDINANCE

was published on

12/16/10

The amount of the fee charged for the foregoing publication is the sum of \$ 156.98, which amount has been paid in full.



[Handwritten signature]

Subscribed and sworn to before me on

12/16/10

Notary public for the State of Washington,
residing in Seattle

Affidavit of Publication

State of Washington, King County

City of Seattle

ORDINANCE 123432

AN ORDINANCE relating to the City's Retirement System; amending Seattle Municipal Code Section 4.36.110 to provide for contribution rate increases for members of the City's Retirement System.

WHEREAS, Seattle Municipal code ("SMC") Section 4.36.140 A (3) provides that, subject to the approval of the City Council, the Seattle Employees' Retirement Fund Board of Administration ("Board") may revise or change the rate of contribution by the City on the basis of such mortality, service, and other tables adopted by the Board pursuant to actuarial investigations as may be necessary; and

WHEREAS, SMC Section 4.36.140 F provides that whenever the Board deems it necessary or advisable, it may recommend that the City Council change the rates of contributions of members on the basis of mortality, service, and other tables adopted by the Board; and

WHEREAS, the City of Seattle and the City's Labor Unions entered into agreements, and SMC 4.36.110 was amended consistent with these agreements to allow increases to member retirement contributions from 8.03% up to a maximum of 10.03% of pensionable compensation, provided that an actuarial study finds that the Retirement System's unfunded actuarial liability exceeds 30 years and the City determines that an increase to contribution rates is necessary, and provided that the City match such member increases and pay all necessary contributions beyond 10.03%; and

WHEREAS, the 2010 actuarial valuation finds that the amortization period for the Retirement System's unfunded actuarial liability exceeds 30 years; and

WHEREAS, the Seattle City Employees' Retirement System Board of Administration has recommended contribution rate increases to the City Retirement System; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection A of Seattle Municipal Code Section 4.36.110 is amended as follows:

4.36.110 Contributions - City Matching Funds.

A. Effective January 5, 2011, ~~((M))~~ members of the retirement system shall make contributions to the retirement fund at the rate of ~~((8.03))~~ 9.03 percent of the compensation of each such member, exclusive of overtime; and effective January 4, 2012, members of the retirement system shall make contributions to the retirement fund at the rate of 10.03 percent of the compensation of each such member, exclusive of overtime; ~~((provided that the City Council may by ordinance make increases to such member contributions, up to a maximum contribution rate of 10.03 percent)); provided ((, further,)) that any member whose rate of contribution prior to June 23, 1972, was less than 6 percent and whose rate was increased by 2.03 percent pursuant to Ordinance 111303((; may)) shall have such rate further increased ((by the City Council up to an additional 2 percent)) by 1 percent, exclusive of overtime, effective January 5, 2011, and by an additional 1 percent, exclusive of overtime, effective January 4, 2012; provided, further, that any reinstated member who has redeposited his/her withdrawn contributions plus interest as provided in subsection 4.36.190.B, who was a member of the retirement system at any time prior to June 23, 1972, and whose rate of contribution at such prior time was less than 6 percent compensation and whose rate was increased by 2.03((%)) percent of the compensation of such member pursuant to Ordinance 111303((; may)) shall have such rate further increased ((by the City Council by ordinance up to an additional 2 percent)) by 1 percent, exclusive of overtime, effective January 5, 2011, and by an additional 1 percent, exclusive of overtime, effective January 4, 2012. ~~((Contributions shall be calculated, at the rates established herein, on all compensation paid to members from and after the first pay period following January 1, 1984.))~~~~

Section 2. This ordinance shall take effect and be in force 30 days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the 22nd day of November, 2010, and signed by me in open session in authentication of its passage this 22nd day of November, 2010.

Richard Conlin

President of the City Council

Approved by me this 2nd day of December, 2010.

Michael McGinn, Mayor

Filed by me this 2nd day of December, 2010.

(Seal) Monica Martinez-Simmons

City Clerk

Publication ordered by the City Clerk
Date of publication in the Seattle Daily
Journal of Commerce, December 16, 2010.
12/16(264494)