Ordinance No. 123459

Council Bill No. 117040

AN ORDINANCE relating to the Firefighters' Pension Fund established under RCW 41.16; amending Ordinance 117216 as last amended by Ordinance 122859 to continue the suspension of contributions to the Actuarial Account for an additional two years through 2012.

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Godden
Councilmember

Committee Action:

11.12.10 Pass 9-0

11.22.10 Passed 9-0

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

CF No. _____

Date Introduced: Nov. 8, 2010	
Date 1st Referred: Nov. 8, 2010	To: (committee) Budget
Date Re - Referred:	To: (committee)
Date Re - Referred:	To: (committee)
Date of Final Passage: 11.22.10	Full Council Vote: 9-0
Date Presented to Mayor: 11.23.10	Date Approved: Dec. 2, 2010
Date Returned to City Clerk: Dec. 2, 2010	Date Published: T.O. ✓ F.T. ___
Date Vetoed by Mayor:	Date Veto Published:
Date Passed Over Veto:	Veto Sustained:

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

Greg Hill/JCO
FAS Fire Pension Actuarial Account Suspension 2011 and 2012 ORD
August 4, 2010
Version #1

ORDINANCE 123459

AN ORDINANCE relating to the Firefighters' Pension Fund established under RCW 41.16; amending Ordinance 117216 as last amended by Ordinance 122859 to continue the suspension of contributions to the Actuarial Account for an additional two years through 2012.

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

WHEREAS, on November 13, 1997, the City Council passed Ordinance 118814, which clarified the funding plan for the Actuarial Account; and

WHEREAS, on November 20, 2006, the City Council passed Ordinance 122293, postponing by five years the date by which full funding of the Actuarial Account was to be achieved in recognition of lower interest rates available for investments; and

WHEREAS, on November 24, 2008, the City Council passed Ordinance 122859, suspending contributions to the Actuarial Account for two years beginning in 2009 in recognition of the uncertain condition of the national economy and turmoil in financial markets and growing pressure on the City's General Fund to achieve the target levels for the Actuarial Account as reflected in Ordinance 118814 due to increases in current Firefighters salaries and lower than expected returns on investments in the Actuarial Account; and

WHEREAS, the City continues to face significant financial uncertainty due to the condition of the economy and additional time is needed for the Department of Finance and Administrative Services, the City Budget Office and the Seattle Firefighters' Pension Board to re-examine the funding basis of the Actuarial Account; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 1 of Ordinance 117216 as last amended by Ordinance 122859 is further amended as follows:

The following funding policy is adopted with respect to the Firefighters' Pension Fund (the "Fund"):

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A. Beginning in 1994, the City will place in a separate "Actuarial Account" within the Fund each year an amount which is sufficient to fully amortize as described below the estimated remaining pension liabilities of the Fund by December 31, 2023. The Actuarial Account will be funded as follows:

1. Each year, the City will appropriate a "Level Payment Amount" to the Fund. The Level Payment Amount is intended to be constant for each year between 1994 and 2023. If necessary, the Level Payment Amount will be modified every two years as specified in subsection A(4) below. Notwithstanding the foregoing, no payments will be made in 2009, ((~~and~~))2010, 2011 and 2012.

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

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

4. The actuarial calculations of the Level Payment Amount and of the portion to be contributed to the Actuarial Account shall be performed in a manner consistent with Attachment A to Ordinance 118814.

SEATTLE CITY CLERK

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

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

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

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8. The Department of Finance and Administrative Services, the City Budget Office, and the Seattle Firefighters' Pension Board will review actuarial projections in ((~~2010~~)) 2012 and will develop recommendations for possible future funding of the Actuarial Account.

* * *

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.

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

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.

City Clerk

(Seal)

SEA CITY CLERK

Greg Hill
FAS Fire Pension Actuarial Account Suspension 2011 and 2012 FISC
August 9, 2010
Version # 2

Form revised April 10, 2010

2011-2012 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Finance and Administrative Services	Glen Lee/684-8079	Greg Hill/684-8049

Legislation Title: AN ORDINANCE relating to the Firefighters' Pension Fund established under RCW 41.16; amending Ordinance 117216 as last amended by Ordinance 122859 to continue the suspension of contributions to the Actuarial Account for an additional two years through 2012.

Summary of the Legislation: This legislation continues to suspend contributions to the Actuarial Account in the Firefighters' Pension Fund for an additional two years through the next biennium. It calls for an evaluation of funding for the Actuarial Account to be conducted by the Department of Finance and Administrative Services, the City Budget Office, and the Seattle Firefighters' Pension Board in 2012.

Background: In 1994, the Mayor and City Council approved Ordinance 117216 to begin to accumulate funds in an actuarial account (Actuarial Account) within the Firefighters' Pension Fund. The intention of this ordinance was to accumulate sufficient funds in the Actuarial Account by the end of 2018 to fully fund all pension obligations owed after that date. The funding approach was rephrased in 1997 through Ordinance 118814 and, in 2006, the funding period was extended to 2023 through Ordinance 122293.

Actuarial studies prior to 2006 assumed the Actuarial Account could earn 7 percent interest. This was a reasonable assumption in the 1990s and the Actuarial Account earned interest at a rate slightly higher than the assumed rate. However, interest rates fell dramatically in the early part of this decade and it was apparent by 2006 that this was no longer a reasonable assumption. Based on the advice of its then current actuary, Mercer Human Resources Consulting, and upon recommendation of the Seattle Firefighters' Pension Board, in 2006, the City lowered the interest rate assumption from 7 percent to 5.125 percent and extended the funding period by five years through 2023 in Ordinance 122293.

The City added money to the Actuarial Account each year between 1994 and 2008. The City suspended payments to the Actuarial Account for 2009 and 2010 through Ordinance 122859. This action was necessary because meeting the targets as last set forth in Ordinance 122293 would have put undue pressure on the General Fund during a period of local and national financial uncertainty. Several factors had resulted in a need for a significant General Fund contribution; increases in firefighters' salaries raised pension benefits beyond what was envisioned when the Actuarial Account was created and investment returns were even lower than anticipated when the funding period was extended in 2006. In recognition of ongoing economic uncertainty for the City and the nation, continued low earnings on the City's investment pool, and the need for more time for the Department of Finance and Administrative Services, the City Budget Office, and the Seattle Firefighters' Pension Board to re-examine the funding basis for

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the Actuarial Account, this proposed legislation suspends payments an additional two years through 2012.

- *Please check one of the following*:

____ This legislation does not have any financial implications.

__√__ This legislation has financial implications.

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		N/A	N/A

Notes: N/A

Anticipated Total Revenue from Entire Program, Including Changes Resulting From This Legislation:

Fund Name and Number	Revenue Source	Total 2011 Revenue	Total 2011 and 2012 Anticipated Revenue from Entire Program
TOTAL			

What is the financial cost of not implementing this legislation? This legislation suspends contributions to the Actuarial Account for 2011 and 2012. This is consistent with the 2011-2012 Proposed Budget. Without this legislation, significant increases in General Fund payments to the Actuarial Account would be needed. According to the latest actuarial report provided by Milliman, $7,790,879 would need to be placed in the Actuarial Account in the 2011-2012 biennium if this legislation is not approved. With a suspension of transfers into the Actuarial Account in the 2011-2012 biennium, the Account balance will increase by a small amount due to interest earnings.

Does this legislation affect any departments besides the originating department? No.

What are the possible alternatives to the legislation that could achieve the same or similar objectives? None.

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Is the legislation subject to public hearing requirements? No.

Other Issues: None.

Please list attachments to the fiscal note below: N/A

2015 CITY CLERK

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 continues the suspension of General Fund transfers to the Fire Pension Fund's Actuarial Account for 2011 and 2012, and calls for an evaluation of funding for the Actuarial Account to be conducted by the Department of Finance and Administrative Services, the City Budget Office, and the Seattle Firefighters' Pension Board in 2012.

The City established the Actuarial Account in 1994 to pay pensions to Seattle firefighters who retired before March 1, 1970, or are members of the Law Enforcement Officers and Fire Fighters Retirement System Plan 1 (LEOFF 1). The current goal of the Actual Account established by Ordinance 122293 is to accumulate funds so that there are sufficient resources by 2023 to fully fund these pensions. The City added money to the Actuarial Account each year between 1994 and 2008, however, it suspended payments to the Actuarial Account for 2009 and 2010 because making payments would have put undue pressure on the General Fund during a period of local and national financial uncertainty. In recognition of ongoing economic uncertainty for the City and the nation, this proposed legislation suspends payments for an additional two years through 2012.

While this legislation suspends General Fund contributions to the Actuarial Account for two years and requires the City to re-examine the funding approach to the Actuarial Account by 2012, it does not affect the City's commitment to meet its pension obligations to eligible active and retired firefighters. Without this legislation, the City would need to make nearly $8 million of General Fund payments to the Actuarial Account during the 2011-2012 biennium to meet the targets set out in Ordinance 122293.

Thank you for your consideration of this legislation. Should you have questions, please contact Glen Lee at 684-8079 or Greg Hill at 684-8049.

Sincerely,

Michael McGinn
Mayor of Seattle

Michael McGinn, Mayor
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2010 CITY CLERK

STATE OF WASHINGTON – KING COUNTY

--ss.

264490 No. 123458-123481

CITY OF SEATTLE,CLERK'S OFFICE

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:TITLE ONLY ORDINANCE

was published on

12/15/10

The amount of the fee charged for the foregoing publication is the sum of $ 177.45, which amount has been paid in full.

JENNIFER A. PATZER NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES OCT. 24, 2011

Subscribed and sworn to before me on

12/15/10

Notary public for the State of Washington, residing in Seattle

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on November 22, 2010, and published here by title only, will be mailed upon request, or can be accessed at http://clerk.seattle.gov. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 123442

AN ORDINANCE adopting a budget, including a capital improvement program and position modifications, for the City of Seattle for 2011; creating a barrier fund; creating positions exempt from civil service; all by a two-thirds vote of the City Council.

ORDINANCE NO. 123443

AN ORDINANCE relating to the Pacific Place Garage; authorizing the loan of funds from the City's Consolidated (Residual) Cash Pool, or its participating funds, to the Downtown Parking Garage Fund; and providing for the repayment thereof.

ORDINANCE NO. 123451

AN ORDINANCE related to probation supervision fees assessed by the Seattle Municipal Court; repealing Ordinance 114809.

ORDINANCE NO. 123454

AN ORDINANCE concerning indigent public defense services; amending Ordinance 122602 to delete a minimum requirement of 1.0 FTE attorney for the third public defense agency representing indigent persons in Seattle Municipal Court.

ORDINANCE NO. 123455

AN ORDINANCE relating to the levy of property taxes; fixing the rates and/or amounts of taxes to be levied, and levying the same upon all taxable property, both real and personal, in the City of Seattle, to finance the departments and activities of City government and to provide for the general obligation bond interest and redemption requirements for the year beginning on the first day of January 2011; ratifying and confirming certain prior acts; and by a vote of a majority plus one of the Seattle City Council, finding a substantial need to use, and providing for the use of, 101% as the regular property tax limit factor.

ORDINANCE NO. 123457

AN ORDINANCE amending Ordinance 123177, which adopted the 2010 Budget, including the 2010-2015 Capital Improvement Program (CIP); lifting a proviso; changing appropriations to various departments and budget control levels, and from various funds in the Budget, all by a 3/4 vote of the City Council.

ORDINANCE NO. 123458

AN ORDINANCE relating to City employment; establishing a 2011 furlough program for certain non-represented employees.

ORDINANCE NO. 123459

AN ORDINANCE relating to the Firefighters' Pension Fund established under RCW 41.16; amending Ordinance 117216 as last amended by Ordinance 122859 to continue the suspension of contributions to the Actuarial Account for an additional two years through 2012.

ORDINANCE NO. 123463

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

ORDINANCE NO. 123464

AN ORDINANCE relating to City employment; authorizing the Mayor to sign a memorandum of understanding between the City of Seattle and certain unions within the Coalition of City Unions, and authorizing the Mayor to sign a memorandum of understanding between the City of Seattle and the International Federation of Professional and Technical Engineers, Local 17 Information Technology Professionals Unit; and ratifying and

confirming prior acts.

ORDINANCE NO. 123465

AN ORDINANCE relating to City employment; providing salary increases effective January 5, 2011, January 4, 2012, and January 2, 2013 for certain non-represented City employees and officers; extending eligibility for Project Hire and reinstatement from one year to two years for employees laid off in 2011, 2012, or 2013; and repealing Ordinance 123173.

ORDINANCE NO. 123470

AN ORDINANCE relating to the financing of the Pike Place Market Renovation Project; authorizing the loan of funds from the City's Consolidated (Residual) Cash Pool, or its participating funds, to the Pike Place Market Renovation Fund; and providing for the repayment thereof.

ORDINANCE NO. 123475

AN ORDINANCE relating to jail services; authorizing the Mayor to execute an amendment to the extension to the Interlocal Agreement with King County for the Provision of Jail Services, and ratifying certain acts.

ORDINANCE NO. 123476

AN ORDINANCE related to the transfer of the Seattle Youth Commission from the Department of Neighborhoods to the Mayor's Office, amending Chapter 3.67 of the Seattle Municipal Code.

ORDINANCE NO. 123481

AN ORDINANCE relating to the Joint Training Facility Project; amending Ordinance 121179, as last amended by Ordinance 122854, to extend the term of an interfund loan.

Date of publication in the Seattle Daily Journal of Commerce, December 15, 2010.

12/15(264490)