# SEATTLE CITY COUNCIL

## Legislative Summary

### CB 118832

**Record No.:** CB 118832 **Type:** Ordinance (Ord) **Status:** Passed

**Version:** 1 **Ord. no:** Ord 125190 **In Control:** City Clerk

**File Created:** 10/24/2016

**Final Action:** 11/28/2016

**Title:** AN ORDINANCE relating to the Firefighters' Pension Fund established under chapter 41.16 RCW; amending Ordinance 117216 as last amended by Ordinance 124640 to change the date by which full funding of the Actuarial Account will be achieved.

**Notes:**

| | Date |
|---|---|
| **Filed with City Clerk:** | 11/22/2016 |
| **Mayor's Signature:** | 11/22/2016 |
| **Vetoed by Mayor:** | |
| **Veto Overridden:** | |
| **Veto Sustained:** | |

**Sponsors:** Burgess

**Attachments:**

**Drafter:** adam.schaefer@seattle.gov

**Filing Requirements/Dept Action:**

**History of Legislative File** **Legal Notice Published:** ☐ Yes ☐ No

| Version: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---|---|---|---|---|---|---|---|
| 1 | Mayor | 10/25/2016 | Mayor's leg transmitted to Council | City Clerk | | | |
| | **Action Text:** The Council Bill (CB) was Mayor's leg transmitted to Council. to the City Clerk<br>**Notes:** | | | | | | |
| 1 | City Clerk | 10/25/2016 | sent for review | Council President's Office | | | |
| | **Action Text:** The Council Bill (CB) was sent for review. to the Council President's Office<br>**Notes:** | | | | | | |
| 1 | Council President's Office | 11/01/2016 | sent for review | Select Budget Committee | | | |
| | **Action Text:** The Council Bill (CB) was sent for review. to the Select Budget Committee<br>**Notes:** | | | | | | |
| 1 | Full Council | 11/07/2016 | referred | Select Budget Committee | | | |
| 1 | Select Budget Committee | 11/16/2016 | pass | | | | Pass |

**Action Text:** The Committee recommends that Full Council pass the Council Bill (CB).
**Notes:**

In Favor: 9 Chair Burgess, Member Bagshaw, Member Harrell, Member Herbold, Member Juarez, Member Johnson, Member González , Member O'Brien, Member Sawant
Opposed: 0

| | | | | | |
|---|---|---|---|---|---|
| 1 | Full Council | 11/21/2016 | passed | | Pass |

**Action Text:** The Council Bill (CB) was passed by the following vote, and the President signed the Bill:
In Favor: 9 Councilmember Bagshaw, Councilmember Burgess, Councilmember González , Council President Harrell, Councilmember Herbold, Councilmember Johnson, Councilmember Juarez, Councilmember O'Brien, Councilmember Sawant
Opposed: 0

| | | | | |
|---|---|---|---|---|
| 1 | City Clerk | 11/22/2016 | submitted for Mayor's signature | Mayor |
| 1 | Mayor | 11/28/2016 | Signed | |
| 1 | Mayor | 11/28/2016 | returned | City Clerk |

**Action Text:** The Council Bill (CB) was returned. to the City Clerk
**Notes:**

| | | | |
|---|---|---|---|
| 1 | City Clerk | 11/28/2016 | attested by City Clerk |

**Action Text:** The Ordinance (Ord) was attested by City Clerk.
**Notes:**

# CITY OF SEATTLE

**ORDINANCE** 125190

COUNCIL BILL 118332

AN ORDINANCE relating to the Firefighters' Pension Fund established under chapter 41.16 RCW; amending Ordinance 117216 as last amended by Ordinance 124640 to change the date by which full funding of the Actuarial Account will be achieved.

WHEREAS, on July 11, 1994, the City Council passed Ordinance 117216, establishing an Actuarial Account within the Firefighters' Pension Fund ("Fund") with the intent of accumulating, by means of an actuarially determined Level Payment Amount, sufficient funding in the Actuarial Account to fully amortize all pension obligations by December 31, 2018; and

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

WHEREAS, under RCW 41.18.040, 41.18.104, and 41.26.240, pension benefits of qualifying retirees are mandated to grow at the same rate as the salaries of current Seattle firefighters of the same rank, and it is the City's responsibility to cover related increased pension costs above the growth rate of the Consumer Price Index; 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, due to increases in firefighters' salaries and lower-than-expected returns on investments in the Actuarial Account, and in recognition of the uncertain local and national economies, turmoil in the financial markets, and growing pressure on the City's General Fund to achieve Actuarial Account target levels as reflected in Ordinance

118814, the City Council suspended contributions to the Actuarial Account in 2009 and 2010 with the passage of Ordinance 122859, in 2011 and 2012 with the passage of Ordinance 123459, in 2013 and 2014 with the passage of Ordinance 124057, and in 2015 and 2016 with the passage of Ordinance 124640; and

WHEREAS, the City continues to face in the 2017-2018 biennium an ongoing Homeless State of Emergency, ratified by the Council through Resolution 31630, and uncertain costs for additional sworn officers and public safety related to the Department of Justice consent decree, among other resource demands that constrain its ability to fully fund the Level Payment Amount prescribed in the 2016 Actuarial Valuation report; and

WHEREAS, in 2013 the City Finance Director with the approval of the Fire Pension Board authorized the City's Department of Finance and Administrative Services to invest the Actuarial Account balances in U.S. stocks and bonds with the intent of maximizing the investment return consistent with State law and at appropriate levels of risk; and

WHEREAS, the most recent Draft Actuarial Valuation Report dated June 20, 2016, from Milliman indicated that January 1, 2016, assets in the Fire Pension Fund equaled $14,923,000, of which approximately $11.0 million is in the Actuarial Account; and

WHEREAS, it is the intent of the Mayor and Council not to draw upon the balance in the Actuarial Account until such time that the funds accumulated in the Account are estimated to be sufficient to cover all actuarially determined future pension obligations for the remaining life of the Fund; and

WHEREAS, extending the date by which the Actuarial Account contains an amount sufficient to fully amortize the estimated remaining pension liability for the Fund will reduce the Level Payment Amount to a level that the City can reliably maintain going forward; and

WHEREAS, making level payments through 2028 equal to or in excess of the actuarially determined pension demands on the Fund will maintain and improve the actuarial soundness and flexibility of the Fund by increasing the Fund's assets available to meet the total pension liability of the Fund; and

WHEREAS, making annual payments equal to the Level Payment Amount as determined by a qualified actuary is reasonable for the purpose established in Ordinances 117216, 118814, 122293, 122859, 123459, 124057, and 124640, and that such amount bears a material relation to the successful operation of the Fund; and

WHEREAS, in keeping with the City's obligation and commitment to fund on an ongoing annual basis the expected pension, health care, and long-term care benefit costs of the Fire Pension Fund until all Fund obligations have been met, the 2017 Adopted and 2018 Endorsed Budgets will appropriate, based on actuarial estimates of expected pension, health, and long-term care benefit costs, amounts sufficient to meet those costs in each year; and

WHEREAS, the Firefighters' Pension Board on October 13, 2016, confirmed the actuarially determined Level Payment Amount and the extension of the date by which the Fund would be fully funded to December 31, 2028; NOW, THEREFORE,

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

Section 1. Section 1 of Ordinance 117216, which section was last amended by Ordinance 124640, is amended as follows:

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

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~~)) 2028. 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~~)) 2017 and ((~~2023~~)) 2028. 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 2015 and 2016~~)).

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.

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 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.

((~~8. The Department of Finance and Administrative Services, the City Budget Office, and the Seattle Firefighters' Pension Board will review actuarial projections in 2015 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 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 21st day of November, 2016, and signed by me in open session in authentication of its passage this 21st day of November, 2016.

President _____ of the City Council

Approved by me this 28th day of November, 2016.

Edward B. Murray, Mayor

Filed by me this 28th day of NOVEMBER, 2016.

Monica Martinez Simmons, City Clerk

(Seal)