

Resolution No. 31540

A RESOLUTION relating to the Seattle City Employees' Retirement System; amending Resolution 31334 as amended by Resolution 31474; establishing the Council's intent to fund the Seattle City Employees' Retirement System in accordance with the January 1, 2014 Actuarial Study.

The City of Seattle – Legislative Department

Resolution sponsored by: *Michael L. Smith*

Committee Action:

| Date | Recommendation | Vote |
|-------------|-----------------------|---------------------|
| <i>pass</i> | <i>3-0 NL, JG, TB</i> | <i>9/10/14 (LH)</i> |

Related Legislation File: _____

| | |
|---|--|
| Date Introduced and Referred: <i>8/11/14</i> | To: (committee): <i>Finance and culture</i> |
| Date Re-referred: | To: (committee): |
| Date Re-referred: | To: (committee): |
| Date of Final Action: <i>8/15/14</i> | Date Presented to Mayor: <i>9/17/14</i> |
| Date Signed by Mayor: <i>9/19/14</i> | Date Returned to City Clerk: <i>9/19/14</i> |
| Published by Title Only <input checked="" type="checkbox"/> | Date Returned Without Concurrence: |
| Published in Full Text | |

This file is complete and ready for presentation to Full Council. _____

Full Council Action:

| Date | Decision | Vote |
|-----------------------|----------------|-------------------------------|
| <i>Sept. 15, 2014</i> | <i>Adopted</i> | <i>8-0 (excused: Bagshaw)</i> |

Law Department

CITY OF SEATTLE

RESOLUTION 31540

A RESOLUTION relating to the Seattle City Employees' Retirement System; amending Resolution 31334 as amended by Resolution 31474; establishing the Council's intent to fund the Seattle City Employees' Retirement System in accordance with the January 1, 2014 Actuarial Study.

WHEREAS, the City, through the Seattle City Employees' Retirement System (SCERS) provides and manages a defined-benefit pension for its non-uniformed employees to serve as a source of retirement income, along with Social Security; and

WHEREAS, the City Council previously declared, in Resolution 31334, its intention to fully fund the actuarially required contribution amounts into the pension system, including a plan to amortize the system's unfunded liability in 30 or fewer years; and

WHEREAS, the 2010-2013 study of experience conducted by the SCERS actuary recommended changes to the assumptions used in the actuarial valuation, and as a result the SCERS Board of Administration adopted changed to the valuation assumptions; and

WHEREAS, the January 1, 2014 valuation study performed by the SCERS actuary identified a change in the contribution rate necessary to fully fund the system; NOW, THEREFORE,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE
MAYOR CONCURRING, THAT:**

Section 1. Resolution 31334, adopted in November 2011 and modified by Resolution 31474 in August 2013, is modified as follows:

"Section 1. The City will fully fund its actuarially required contributions to SCERS in the 2012 Adopted Budget and thereafter. The City will base its contribution rate on a five-year smoothed asset valuation as described in the most recent actuarial report, and the rate will be sufficient to amortize the system's unfunded liabilities in 30 or fewer years.



1 Section 2. To that end, the ~~((2014))~~2015 Adopted Budget will include sufficient
2 appropriation for the City to pay ~~((14.34))~~15.73 % of regular (non-overtime) payroll into
3 SCERS. This is greater than the employee contribution of 10.03%. It brings the combined
4 contribution to ~~((24.34))~~ 25.76%, which is the actuarially required amount for ~~((2014))~~2015 as
5 described in January 1, ~~((2013))~~2014 Actuarial Valuation.

6 Section 3. The City endorses the actuarial assumptions and methods adopted by the
7 SCERS Board of Administration, ~~((and))~~ utilized beginning with the January 1, 2011 valuation,
8 and modified by the Board as a result of the actuary's investigation of the system's experience
9 from 2010 through 2013. These include:

- 10 A. The entry age normal actuarial cost method
11 B. An investment return rate of ~~((7.75))~~7.50%
12 C. A five-year smoothed method for asset valuation
13 D. Generational mortality tables that take future life expectancy improvements into account
14 E. Expected average membership growth of ~~((1))~~0.5% per year
15 F. Other economic and demographic assumptions as described in the valuation.

16 Section 4. Each year, and in the event the SCERS Board of Administration should wish
17 to change its actuarial assumptions and methods, the City requests that the Board consult with
18 the Mayor and the City Council by the tenth day of July regarding the impacts of such changes
19 on funding requirements, as described in SMC 4.36.~~((180))~~550.A, to allow sufficient time to
20 make budget preparations.

21 Section 5. The City will update its contribution rate to SCERS annually to a level not less
22 than the actuarial required contribution for that year as determined by the most recent valuation.
23 The City may elect to exceed the required contribution rate in any given year in the interest of
24 funding stability or to amortize the system's unfunded liabilities in fewer than 30 years.



1 Section 6. Beginning with the January 1, 2013 Actuarial Valuation and thereafter, the
2 amortization period is closed and fixed. That is to say, the amortization rate should be sufficient
3 to retire the system's unfunded liability over the period 2013-2042. Since closed amortizations
4 can generate excessive contribution rate volatility in the second half of the period, the Council
5 may consider re-opening the amortization period after 15 years. At any time, the SCERS Board
6 and its actuary may recommend additional amortization layers and/or separate amortization
7 periods for any new unfunded liabilities or surpluses generated after January 1, 2013. "

8
9 Adopted by the City Council the 15th day of September, 2014, and
10 signed by me in open session in authentication of its adoption this 15th day
11 of September, 2014.

12 _____
13 President _____ of the City Council

14
15 THE MAYOR CONCURRING:

16 _____
17 *Edward B. Murray*
18 Edward B. Murray, Mayor

19
20 Filed by me this 19th day of September, 2014.

21 _____
22 *Monica M. Simmons*
23 Monica Martinez Simmons, City Clerk

24 (Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

| Department: | Contact Person/Phone: | CBO Analyst/Phone: |
|--------------------|------------------------------|---------------------------|
| Retirement | Tim Morrison/684-0117 | Jessica Wang/615-1759 |

Legislation Title:

A RESOLUTION relating to the Seattle City Employees' Retirement System; amending Resolution 31334 as amended by Resolution 31474; establishing the Council's intent to fund the Seattle City Employees' Retirement System (SCERS) in accordance with the January 1, 2014 Actuarial Study.

Summary of the Legislation:

Resolution 31334, adopted in November 2011 and amended in August 2013 by Resolution 31474, declared the City's commitment to fully fund SCERS in accordance with a sound actuarial framework. The framework is endorsed by SCERS' actuaries, and is analogous to that which is described for State pension plans in RCW 41.45.035.

The proposed amendment updates the contribution rate to be used in the 2015 budget to reflect the results of January 1, 2014 Actuarial Valuation. The total rate is set to 25.76% of payroll, an increase of 1.42% from the current rate. Of the total, 10.03% will continue to come from employee contributions. The City will bear the increase in the rate, with its contribution increasing to 15.73% of payroll.

The increase in the 2015 rate is primarily caused by a decrease in the assumed long-term rate of return for the pension fund from 7.75% to 7.50%. This change was a recommendation from the 2010-2013 experience study conducted by Milliman, SCERS' actuary, and was consistent with the analysis of NEPC, SCERS' investment consultant. The investment assumption and the other main assumptions used in the January 1, 2014 actuarial valuation are listed in the resolution.

Background:

As of January 1, 2014, SCERS' unfunded liability is estimated at an actuarial present value of \$1.17 billion, largely due to investment losses in 2008, which affected pension plans nationally. Since then, the City has steadily increased its pension contributions to address the shortfall, from a level of 16.06% of covered payroll to 24.34% of payroll in the current year. With Resolution 31334, the City committed to amortizing the unfunded liability over a 30 year period. This 30 year period was fixed in in 2013 through Resolution 31474, making 2042 the year in which the unfunded liability is eliminated (assuming that the assumptions of the actuarial study hold through the period).

Please check one of the following:

This legislation does not have any financial implications.



(Please skip to "Other Implications" section at the end of the document and answer questions a-h. Earlier sections that are left blank should be deleted. Please delete the instructions provided in parentheses at the end of each question.)

X This legislation has financial implications.

(If the legislation has direct fiscal impacts (e.g., appropriations, revenue, positions), fill out the relevant sections below. If the financial implications are indirect or longer-term, describe them in narrative in the "Other Implications" Section. Please delete the instructions provided in parentheses at the end of each title and question.)

The resolution has only indirect financial implications.

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

All other things being equal, contribution rates would be expected to follow the path specified in the January 1, 2014 Actuarial Valuation for the next 28 years:

| Year | Contribution Rate as a % of Covered (Non-Overtime) Payroll |
|----------------|--|
| 2014 | 24.34% |
| 2015 | 25.76% |
| 2016 | 25.31% |
| 2017 | 25.10% |
| 2018 | 24.55% |
| 2019 | 24.40% |
| 2020 and after | 24.08% |

SOURCE: Milliman January 1, 2014 Actuarial Valuation, p. 3

Note: Rate changes in the first 5 years of the amortization are due to asset smoothing.

b) What is the financial cost of not implementing the legislation?

If the City does not properly fund the pension system in the upcoming year, the cost of funding the system in the future will increase.

c) Does this legislation affect any departments besides the originating department?

Yes, this resolution affects the pension contribution rates paid by all City departments with SCERS members, including the utilities.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

A variety of other changes to SCERS' actuarial assumptions and amortization policies could achieve the same or additional benefits, with similar or higher future budget impacts. The SCERS Board evaluates these assumptions when it commissions the annual valuation study, although the framework for the assumptions is established with an Experience Study that is undertaken every three years, the most recent study being completed in 2014. In addition, the City and SCERS expect that various actuarial societies, bond rating agencies, and government finance standards bodies will be revisiting their guidance for pension funding in the coming years.

e) Is a public hearing required for this legislation?



No

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No

g) Does this legislation affect a piece of property?

No

h) Other Issues:

None

List attachments to the fiscal note below:

No attachments



STATE OF WASHINGTON -- KING COUNTY

--SS.

316342

No. 31540,542,544,545

CITY OF SEATTLE, CLERKS 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.

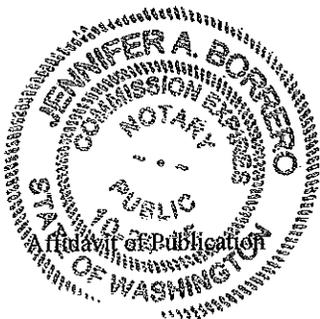
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:TITLE ONLY RESOLUTIONS

was published on

10/09/14

The amount of the fee charged for the foregoing publication is the sum of \$74.75 which amount has been paid in full.



[Signature]
Subscribed and sworn to before me on
10/09/2014
[Signature]

Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

Title Only Resolutions

The full text of the following legislation, passed by the City Council on September 16, 2014, and published below by title only, will be mailed upon request, or can be accessed at <http://clerk.seattle.gov>. For information on upcoming meetings of the Seattle City Council, please visit <http://www.seattle.gov/council/calendar>.

Contact: Office of the City Clerk at (206) 684-8344.

RESOLUTION NO. 31540

A RESOLUTION relating to the Seattle City Employees' Retirement System; amending Resolution 31394 as amended by Resolution 31474; establishing the Council's intent to fund the Seattle City Employees Retirement System in accordance with the January 1, 2014 Actuarial Study.

RESOLUTION NO. 31542

A RESOLUTION approving interest rates set by the Seattle City Employees' Retirement System (SCERS) Board of Administration for 2015.

RESOLUTION NO. 31544

A RESOLUTION granting conceptual approval to construct, maintain, and operate a below-grade waste-heat conveyance system and utility tunnels under and across Virginia Street, between 5th Avenue and 6th Avenue, and 6th Avenue, between Virginia Street and Lenora Street; and acknowledging the applicants' plans for future expansion in the Denny Triangle neighborhood; as proposed by Eco District LLC.

RESOLUTION NO. 31545

A RESOLUTION granting conceptual approval to construct, maintain, and operate a below-grade waste-heat conveyance system and utility tunnels under and across Lenora Street, between 6th and 7th Avenue, and 7th Avenue, between Lenora and Blanchard Street; and acknowledging the applicants' plans for future expansion in the Denny Triangle neighborhood; as proposed by Acorn Development LLC.

Date of publication in the Seattle Daily Journal of Commerce, October 9, 2014.

10/9(316342)