

2012 Seattle City Council Green Sheet

Approved

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70	1	A	1

Budget Action Title: Adopt Resolution 31334, which establishes a funding policy for SCERS

Councilmembers: Budget Committee

Staff Analyst: John McCoy

Council Bill or Resolution: Res. 31334, Tab 29 in gray notebook

Budget Committee Vote:

Date	Result	SB	BH	SC	TR	JG	NL	RC	TB	MO
11/10/2011	Pass 7- 2-Absent	Y	Y	Y	Y	Y	-	-	Y	Y

Budget Action description:

This action would adopt a resolution establishing a City funding policy for the Seattle City Employees' Retirement System (SCERS). The resolution clarifies how the City intends to comply with existing Seattle Municipal Code sections that commit the City to pay whatever amounts are actuarially required to guarantee pension benefits. Specifically, the resolution endorses the actuarial assumptions and methods adopted in 2011 by the SCERS Board of Administration, including a new asset smoothing policy that incorporates the impacts of investment performance gradually over five years. The resolution commits the City to make contributions into SCERS per the smoothing policy and at a rate calculated to pay off (amortize) the system's unfunded liabilities within 30 years.

City Contributions per Current Policy vs. Proposed Funding Policy

Year	Current Policy			2011 Projection		Difference (All funds)
	Covered Payroll (estimated)	Employer Contribution Rate	Employer Contribution \$ (All funds)	Employer Contribution Rate	Employer Contribution \$ (All funds)	
2012	\$558,500,000	10.03%	\$ 56,017,550	11.01%	\$ 61,490,850	\$ 5,473,300
2013	\$586,425,000	10.03%	\$ 58,818,428	12.24%	\$ 71,778,420	\$ 12,959,993
2014	\$615,746,250	10.03%	\$ 61,759,349	13.38%	\$ 82,386,848	\$ 20,627,499
2015	\$646,533,563	10.03%	\$ 64,847,316	13.09%	\$ 84,631,243	\$ 19,783,927
2016	\$678,860,241	10.03%	\$ 68,089,682	12.95%	\$ 87,912,401	\$ 19,822,719
2017	\$712,803,253	10.03%	\$ 71,494,166	12.91%	\$ 92,022,900	\$ 20,528,734

This resolution has significant financial implications. By 2014, City contributions are expected to increase by \$20.6 million more than the currently legislated policy. These costs accrue to all City funds, including the utilities. The contributions, once raised, are expected to remain at these levels indefinitely, as the rate is calculated to pay off the system's unfunded liabilities over 30 years. Also,

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contributions will vary with investment performance going forward. Returns above the 7.75% assumption will tend to lower the required rate in the future, while returns below that level will tend to raise the required contributions.