

2013 - 2014 Seattle City Council Green Sheet

Approved

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Budget Action Title: Pass C.B. 117652, the Firefighters' Pension Fund actuarial account ordinance

Councilmembers: Budget Committee

Staff Analyst: John McCoy

Council Bill or Resolution: 117652

Budget Committee Vote:

Date	Result	SB	BH	TR	RC	TB	NL	JG	SC	MO
11/19/2012	Pass 9-	Y	Y	Y	Y	Y	Y	Y	Y	Y

Budget Action description:

This green sheet passes Council Bill 117652, the Firefighters' Pension Fund actuarial account ordinance. A new ordinance had to be introduced due to a title change. The new ordinance is styled as Version 7a.

The ordinance takes three actions.

The first is to suspend new contributions into the actuarial account through 2014, an additional two years. Absent this ordinance, the 2013-2014 Proposed Budget would need to appropriate an additional \$4.1 million in each year for projected contributions into the actuarial account.

The second action is to request, by April 12, 2013, an investment plan from Finance and Administrative Services working with the City Budget Office, the Law Department, the Firefighter's Pension Fund Board and Council Central Staff. The plan should seek to maximize the return on the approximately \$9.7 million currently in the actuarial account, at appropriate levels of risk, and with appropriate oversight.

The third action is to clarify the Finance Director's authority to invest funds in the account, to include not just the investment options available to the City's cash pool but also a wider range of options available to the Firefighter's Pension Board via Revised Code of Washington 41.16.040 (4).

The Firefighter's Pension Fund was closed to new members in 1977, at which time Seattle firefighters joined the state-run Law Enforcement Officers and Firefighter's Plan 2 (LEOFF 2). In general, the Seattle plan is funded on a pay-as-you-go basis, with appropriations in each year covering the benefit costs for that year. The costs are supported by General Subfund property tax revenue and a fire insurance premium tax earmarked for this purpose under state law.

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Council first created the actuarial account in 1994, electing to pre-fund the pension liability (but not the medical or long-term care liability) of the Fund by 2018 or 2019. Council has altered its approach to the pre-funding strategy several times. In 2006, Council extended the pre-funding deadline to 2023. In 2008, in the wake of the economic downturn which saw substantial declines in tax returns, Council suspended new contributions for the 2009-2010 budget biennium, and again for the 2011-2012 budget cycle.

The plan's actuary projects that the Fund has \$375 million in benefit liability, to be paid between now and about 2062. Of this, \$139 million is for the pension benefit.