

SUMMARY and FISCAL NOTE*

Department:	Contact Person/Phone:	Executive Contact/Phone:
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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title:

AN ORDINANCE relating to the Seattle City Employees' Retirement System; creating a separate retirement plan for City employees whose membership in the Retirement System begins on or after January 1, 2017; clarifying certain provisions and making technical corrections; and adding new Sections 4.36.005, 4.36.607, and 4.36.608 to, and amending Sections 4.36.010, 4.36.020, 4.36.030, 4.36.040, 4.36.050, 4.36.060, 4.36.070, 4.36.080, 4.36.090, 4.36.500, 4.36.505, 4.36.510, 4.36.515, 4.36.520, 4.36.525, 4.36.530, 4.36.540, 4.36.545, 4.36.550, 4.36.555, 4.36.560, 4.36.565, 4.36.567, 4.36.570, 4.36.575, 4.36.580, 4.36.585, 4.36.590, 4.36.595, 4.36.600, 4.36.605, 4.36.610, 4.36.615, 4.36.620, 4.36.625, 4.36.630, 4.36.635, 4.36.640, 4.36.645, 4.36.650, 4.36.655, 4.36.660, 4.36.665, 4.36.670, 4.36.675, 4.36.680, 4.36.690, 4.36.695, 4.36.705, 4.36.710, 4.36.715, 4.36.720, and 4.36.900 of, the Seattle Municipal Code.

Summary and background of the Legislation:

Following the losses to the pension system investments in 2008, and the resulting increases in pension costs to the City, the City Council passed a Statement of Legislative Intent in 2010 that directed an interdepartmental team to explore alternative benefit options to offer new hires. That work resulted in a report that was delivered back to City Council in 2012 and provided detail on a number of options the City could pursue.

In the fall of 2014, the City built on this work by evaluating different options and ultimately designing a new defined benefit plan for new eligible employees that was presented to the labor unions in the summer of 2015. The labor unions have since agreed with this proposed new plan.

The new plan (Plan 2), which would be effective for new employees hired on or after January 1, 2017, is similar in many respects to the current pension system (Plan 1). Both are defined benefit plans where the member vests after five years. Both have the same options available for structuring the pension benefit members receive. There are changes to the maximum earned benefit for years of service (reduced from 2.00% to 1.75%), and the calculation period and method for final average salary (including increasing the period from 24 months to 60 months). The minimum benefit has been eliminated (removed the minimum annuity based on member contributions known as "2X Match"), while the cap on the maximum pension has also been eliminated, allowing long term employees to receive more than 60% of their final average salary if they have more than 34.3 years of eligible service. The new plan also reduces employee (from

10.03% to 7.00%) and employer (from 5.76% to 4.90%) contribution rates for the “normal cost” of the benefit, while the City remains responsible for covering the current “unfunded liability” and ensuring that retirement benefits will be paid for all SCERS members.

This legislation also makes a number of clarifications to the language of the City code that do not have material fiscal impacts on the system or the benefits members receive. The labor unions have all review this proposed ordinance and are comfortable with it.

2. CAPITAL IMPROVEMENT PROGRAM

This legislation creates, funds, or amends a CIP Project.
 (If box is checked, please attach a new (if creating a project) or marked-up (if amending) CIP Page to the Council Bill. Please include the spending plan as part of the attached CIP Page.)

Project Name:	Project I.D.:	Project Location:	Start Date:	End Date:	Total Cost:

3. SUMMARY OF FINANCIAL IMPLICATIONS

Please check one:

This legislation has direct financial implications. (If the legislation has direct fiscal impacts (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.)

This legislation does not have direct financial implications.
 (Please skip to “Other Implications” section at the end of the document and answer questions a-i.)

Budget program(s) affected:				
Estimated \$ Appropriation change:	General Fund \$		Other \$	
	2016	2017	2016	2017
Estimated \$ Revenue change:	Revenue to General Fund		Revenue to Other Funds	
	2016	2017	2016	2017
Positions affected:	No. of Positions		Total FTE Change	
	2016	2017	2016	2017
Other departments affected:				

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.
 (If this box is checked, please complete this section. If this box is not checked, please proceed to Revenues/Reimbursements.)

Fund Name and number	Dept	Budget Control Level Name/##*	2016 Appropriation Change	2017 Estimated Appropriation Change
TOTAL				

*See budget book to obtain the appropriate Budget Control Level for your department.

(This table should reflect appropriations that are a direct result of this legislation. In the event that the project/programs associated with this ordinance had, or will have, appropriations in other legislation please provide details in the Appropriation Notes section below. If the appropriation is not completely supported by revenue/reimbursements listed below, please identify the funding source (e.g. available fund balance) to cover this appropriation in the notes section. Also indicate if the legislation changes appropriations one-time, ongoing, or both.)

Appropriations Notes: SCERS Plan 2 will not have significant, near-term impacts on appropriations. However, over the long-term as more SCERS Plan 2 members join the retirement system, the lower employer contribution rate will result in smaller appropriations than would have been required with only the original pension plan.

3.b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

(If this box is checked, please complete this section. If this box is not checked, please proceed to Positions.)

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2016 Revenue	2017 Estimated Revenue
TOTAL				

(This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below. Do the revenue sources have match requirements? If so, what are they?)

Revenue/Reimbursement Notes:

3.c. Positions

This legislation adds, changes, or deletes positions.

(If this box is checked, please complete this section. If this box is not checked, please proceed to Other Implications.)

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position # for Existing Positions	Position Title & Department*	Fund Name & #	Program & BCL	PT/FT	2016 Positions	2016 FTE	Does it sunset? (If yes, explain below in Position Notes)

TOTAL							

* List each position separately

(This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below.)

Position Notes:

4. OTHER IMPLICATIONS

a) Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?

In addition to the long-term impact on appropriations mentioned above, the reduced employer contribution rate will give departments greater ability to fund direct services while still maintaining the City’s commitment to fund actuarially required contributions to the pension system.

b) Is there financial cost or other impacts of not implementing the legislation?

Not implementing this legislation would limit the City’s flexibility in dealing with future investment downturns and would put greater pressure on department budgets to continue funding direct services while still meeting the City’s commitments to fund the pension system.

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

The legislation affects all SCERS members, who are employed across the City.

d) Is a public hearing required for this legislation?

e) Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

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) Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

The legislation affects all SCERS members and is not expected to have any disproportionate impact on vulnerable or historically disadvantaged communities.

- i) If this legislation includes a new initiative or a major programmatic expansion:
What are the long-term and measurable goals of the program? Please describe how
this legislation would help achieve the program's desired goals.**

N/A

- j) Other Issues:**

List attachments/exhibits below: