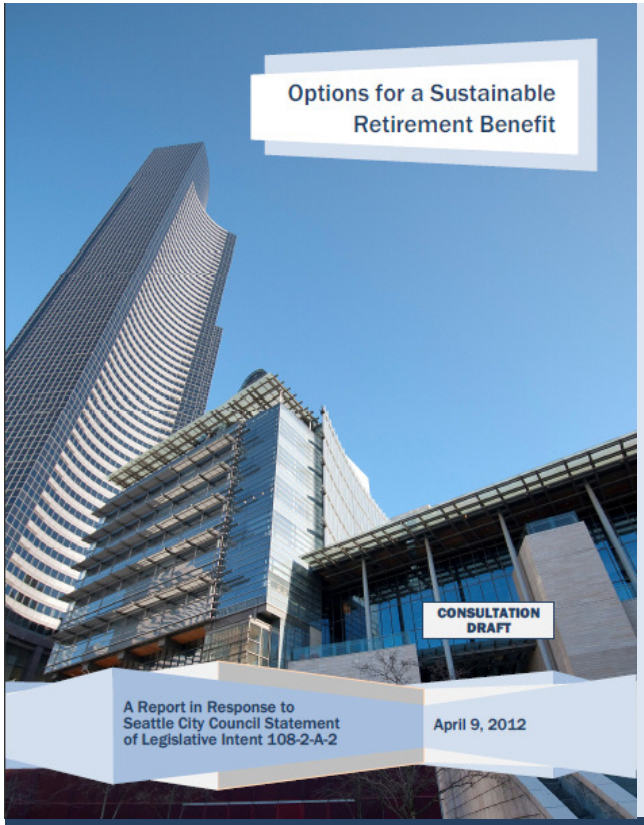
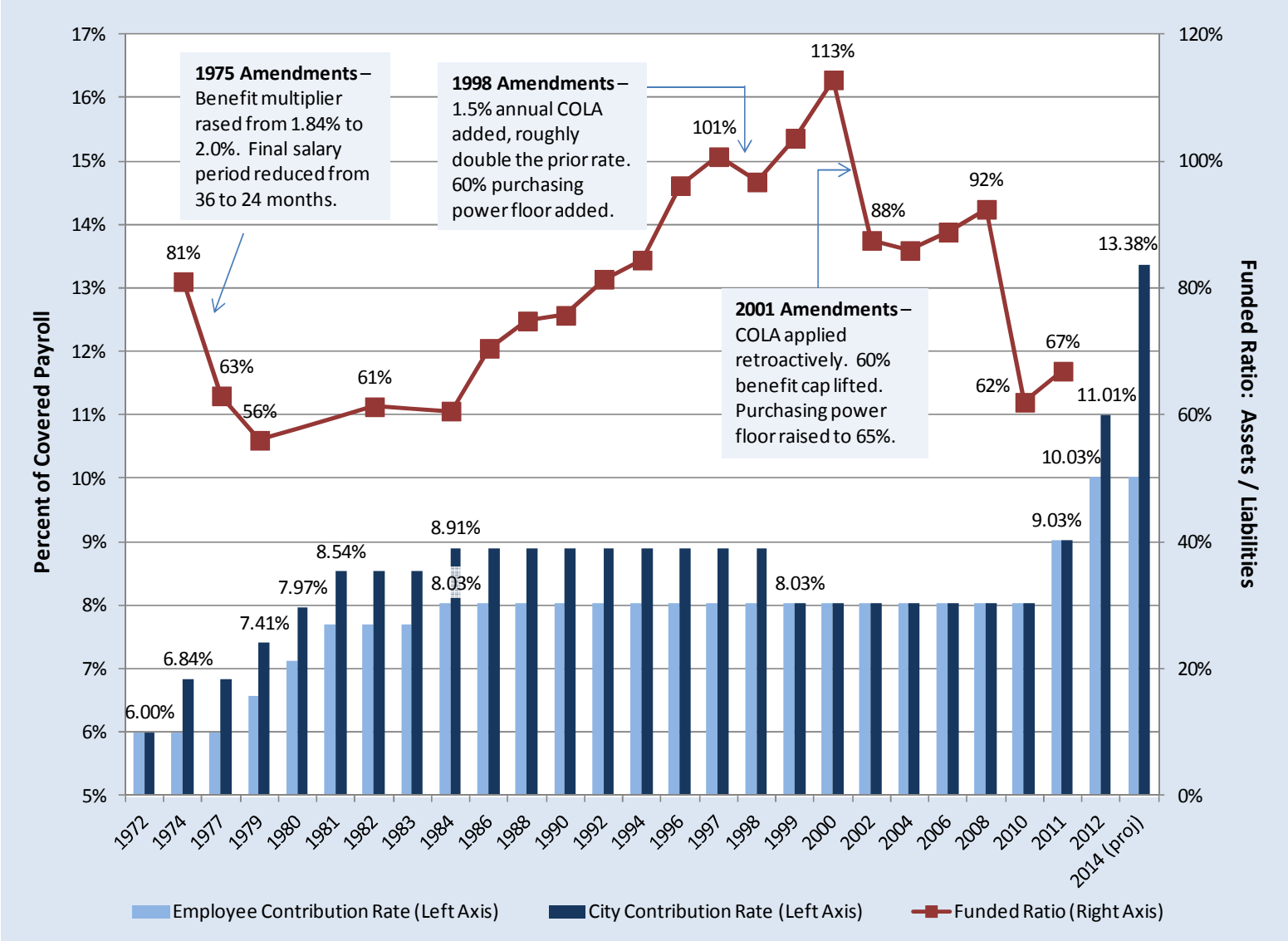
City of Seattle Retirement IDT



PRESENTATION TO THE GOVERNMENT PERFORMANCE & FINANCE COMMITTEE

April 18, 2012

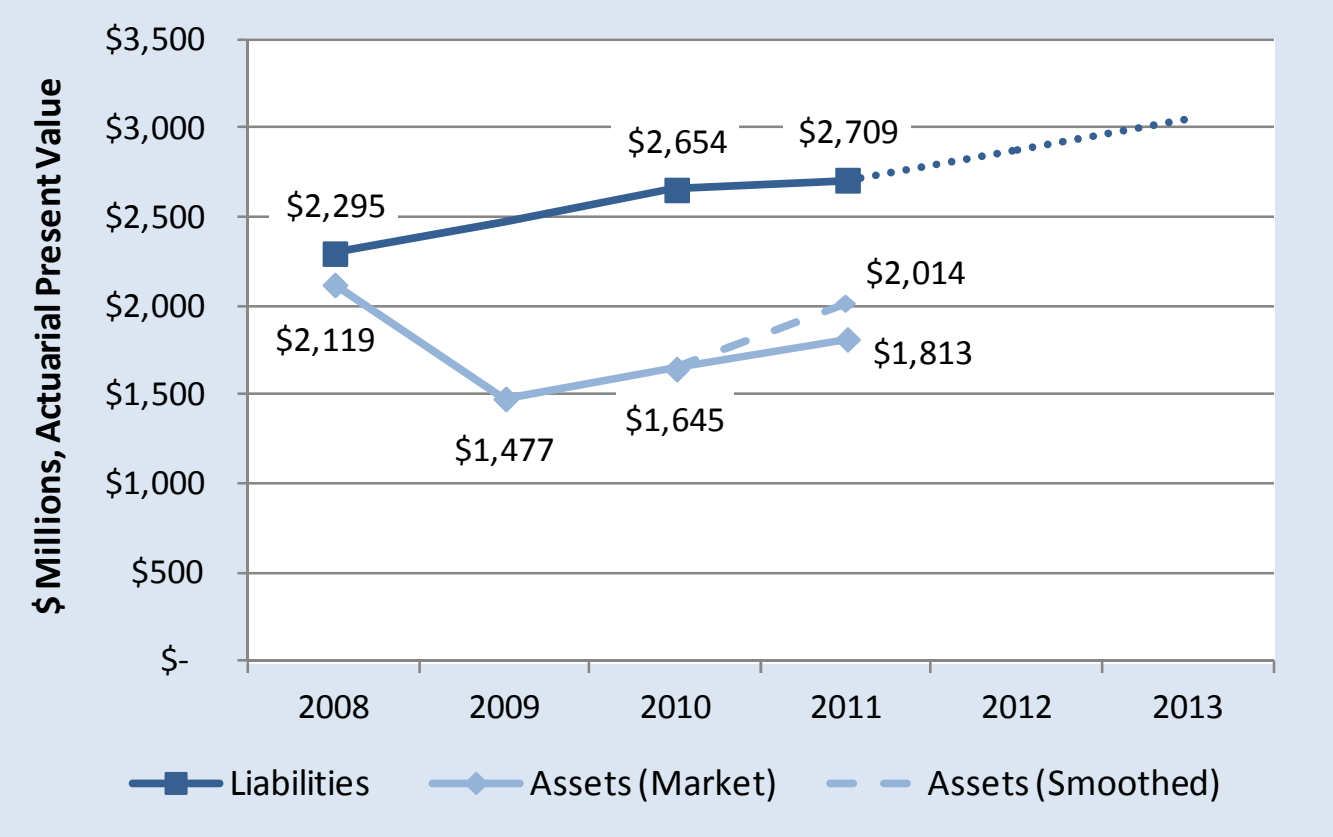
SCERS Benefit, Contribution, & Funding History



SOURCE: IDT staff research, City and SCERS records

SCERS Assets and Liabilities

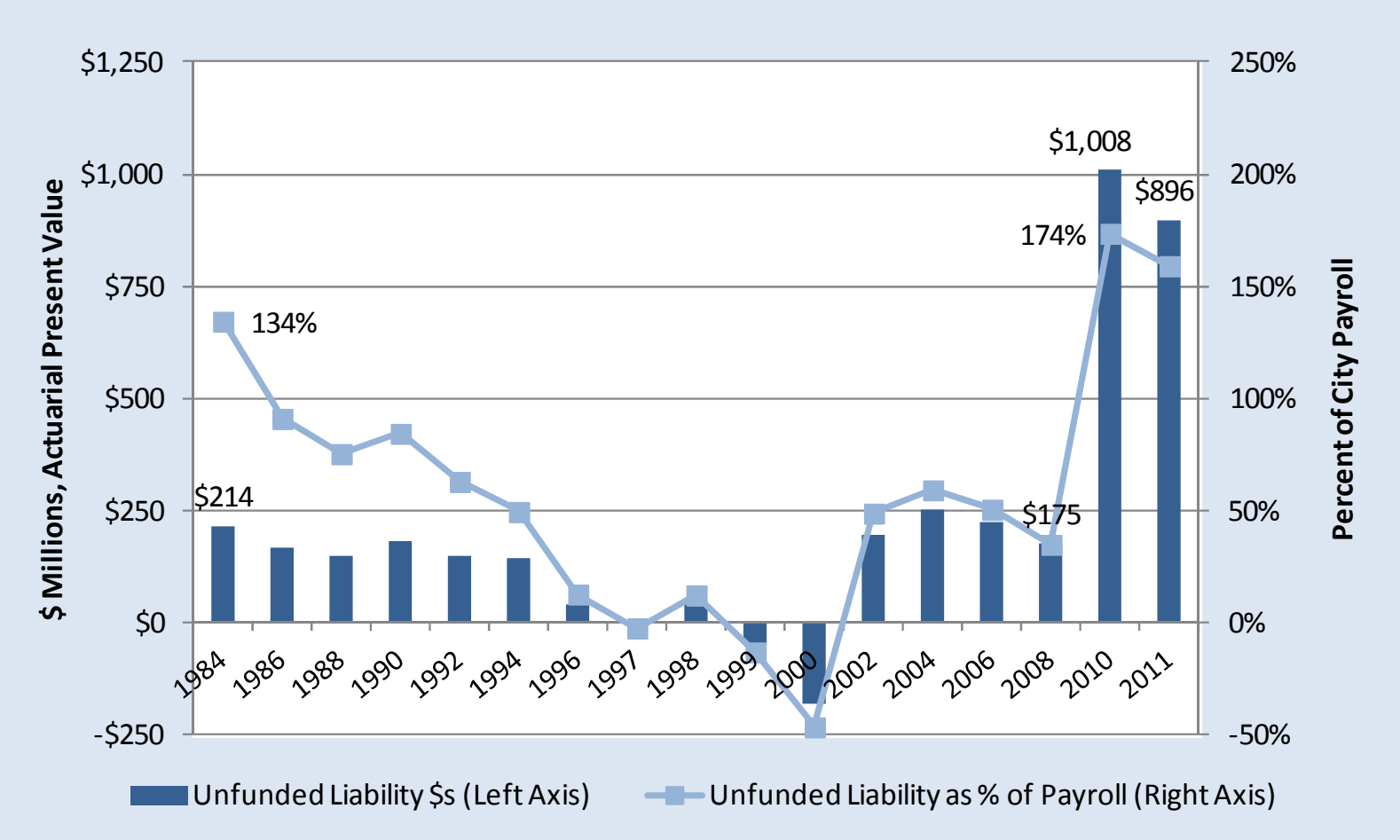
In Millions. Actuarial Present Value



SOURCE: SCERS actuarial reports

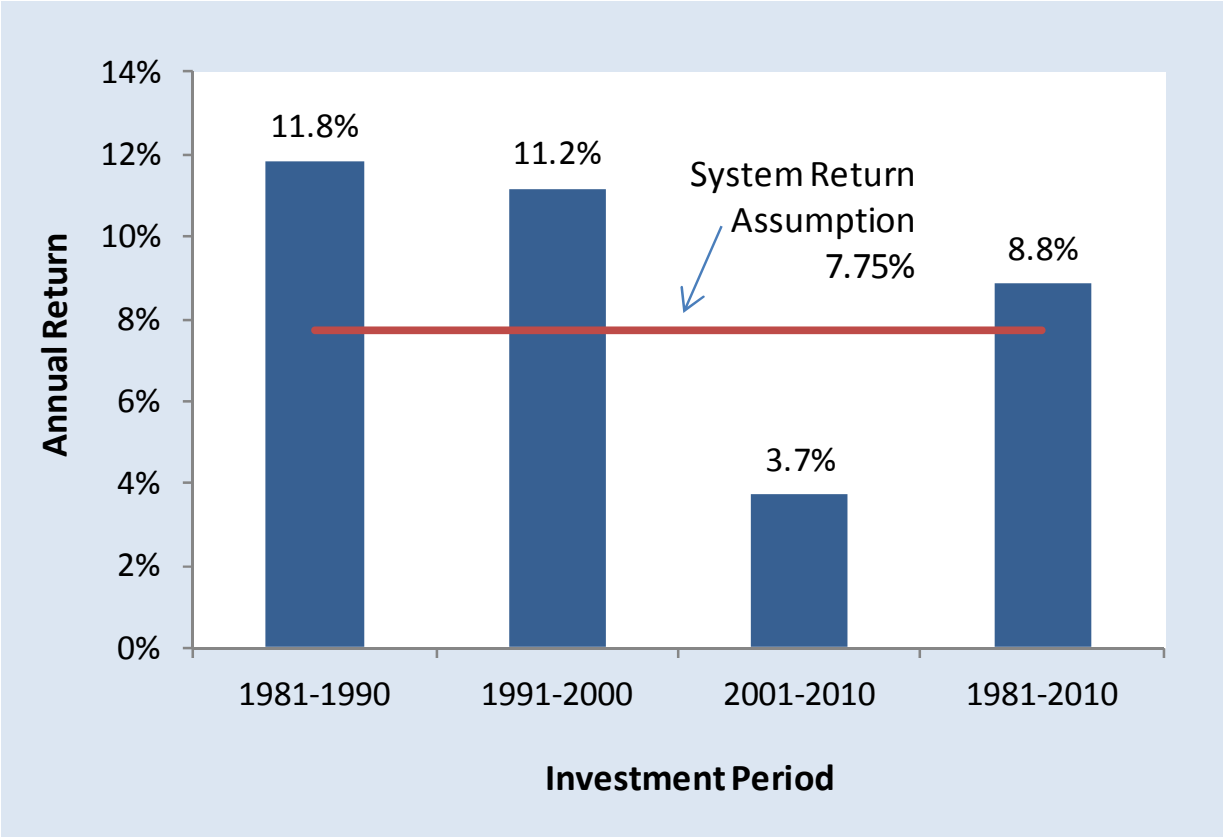
SCERS' Unfunded Liabilities

In Millions and as a % of Covered Payroll



SOURCE: SCERS actuarial reports

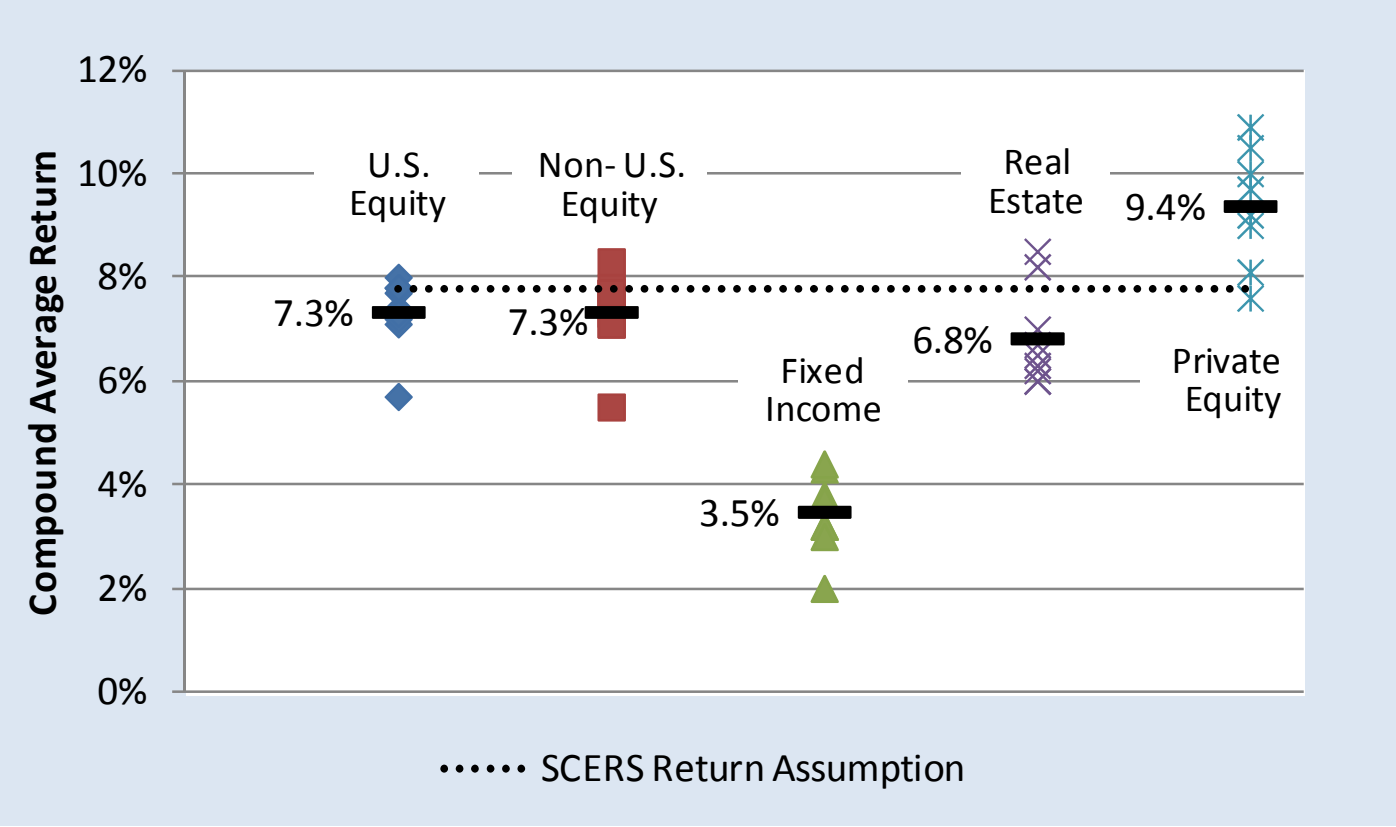
Recent Investment Returns



SOURCE: SCERS records

Capital Markets Assumptions

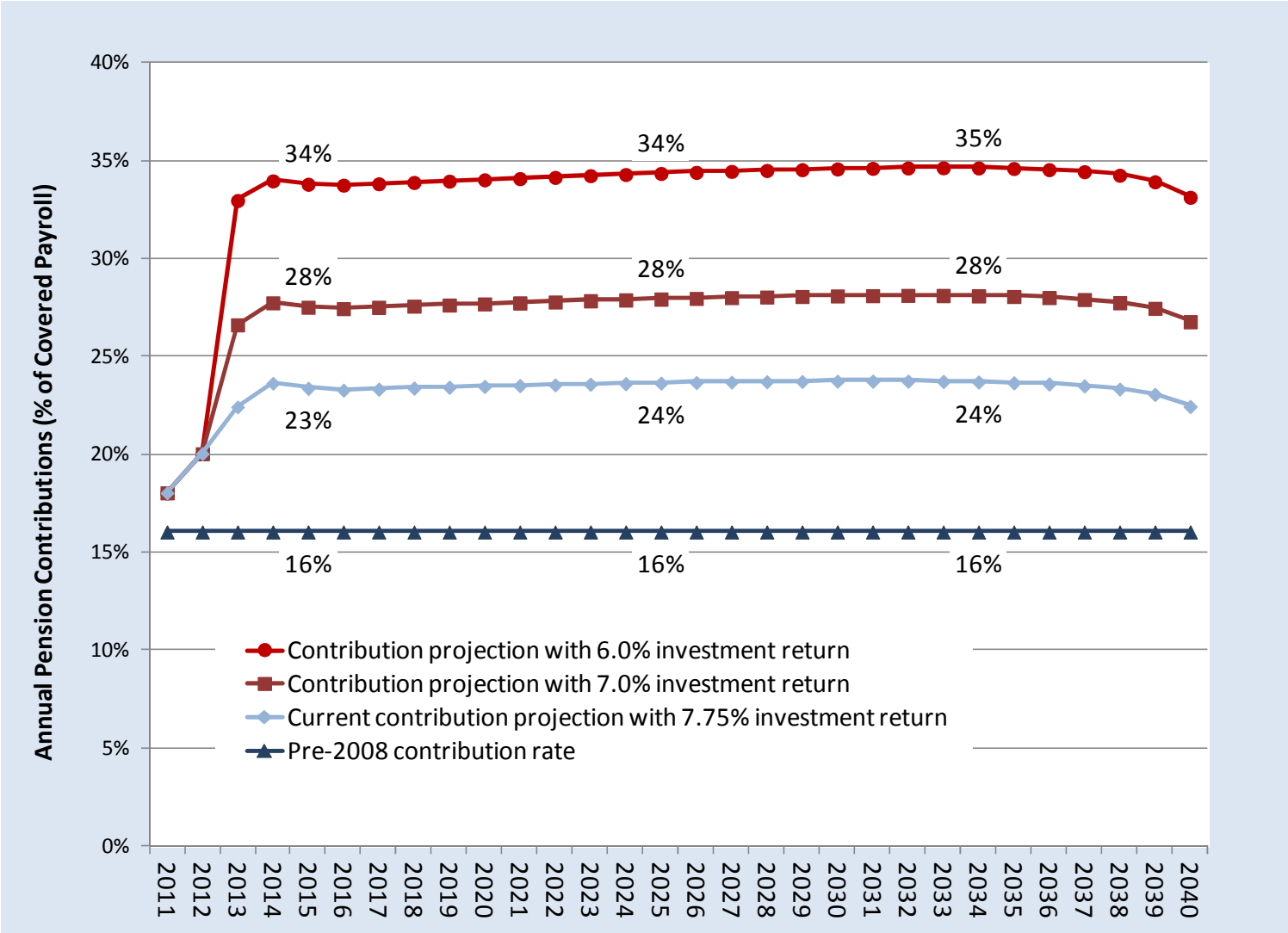
Projected Returns for Nine Major Investment Firms



SOURCE: Pension Consulting Alliance capital markets tracking

Projected Pension Contributions

At Various Investment Returns



SOURCE: IDT staff graphic , based on GRS projections

2010-2011 State Legislative Pension Changes

Strategies that States used to manage pension costs in the wake of 2008 investment losses and budgetary stresses

Change Made in 2010
Change Made in 2011
Change Made in Both Years

	AL	AK	AZ	CA	CO	CT	DE	FL	HI	IL	IN	IA	KS	LA	ME	MD	MA	MI	MN	MS	MO	MT	NE	NH	NJ	NM	NY	NC	ND	OK	PA	RI	SD	TX	UT	VT	VA	WA	WV	WI	WY
Raise employer contributions																																									
Lower, phase-in, or delay required employer contrib.																																									
Raise employee contributions																																									
Lower (at least some) employee contributions																																									
Reduce benefits for current employees (DB plans)*																																									
Reduce benefits for new employees (DB plans)																																									
Create new plan: Hybrid (DB + DC) or DC only																																									
Reduce and/or suspend COLAs																																									
Sell debt to invest in pensions																																									
Enhance benefits / create new benefit structures																																									
Offer early retirement incentives																																									
New "Double Dipping" limits																																									

* In come cases, changes were only applied to non-vested employees.

SOURCE: National Conference of State Legislatures (NCSL) November 2010 and December 2011 Reports, available at http://www.ncsl.org/issues-research/employment-working-families/pension-and-retirement-legislative-summaries-and-r.aspx

SOURCE: IDT staff research based on NCSL summaries

Current SCERS Benefit

Normal Cost: 15.0% of salary

Values based on highest 24 months (non-overtime) salary

Years of Retirement Credit	Age: Any	52	53	54	55	56	57	58	59	60	61	62	63	64	65	
30	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	30
29		58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	29
28		56.00	56.00	56.00	56.00	56.00	56.00	56.00	56.00	56.00	56.00	56.00	56.00	56.00	56.00	28
27		51.30	54.00	54.00	54.00	54.00	54.00	54.00	54.00	54.00	54.00	54.00	54.00	54.00	54.00	27
26		46.80	49.40	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	26
25		42.50	45.00	47.50	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	25
24		38.40	40.80	43.20	45.60	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	24
23		34.50	36.80	39.10	41.40	43.70	46.00	46.00	46.00	46.00	46.00	46.00	46.00	46.00	46.00	23
22		30.80	33.00	35.20	37.40	39.60	41.80	44.00	44.00	44.00	44.00	44.00	44.00	44.00	44.00	22
21		27.30	29.40	31.50	33.60	35.70	37.80	39.90	42.00	42.00	42.00	42.00	42.00	42.00	42.00	21
20		24.00	26.00	28.00	30.00	32.00	34.00	36.00	38.00	40.00	40.00	40.00	40.00	40.00	40.00	20
19							28.88	30.02	31.16	32.30	33.44	34.58	35.72	36.86	38.00	19
18							27.36	28.44	29.52	30.60	31.68	32.76	33.84	34.92	36.00	18
17							25.84	26.86	27.88	28.90	29.92	30.94	31.96	32.98	34.00	17
16							24.32	25.28	26.24	27.20	28.16	29.12	30.08	31.04	32.00	16
15							22.80	23.70	24.60	25.50	26.40	27.30	28.20	29.10	30.00	15
14							21.28	22.12	22.96	23.80	24.64	25.48	26.32	27.16	28.00	14
13		Not Eligible to Retire					19.76	20.54	21.32	22.10	22.88	23.66	24.44	25.22	26.00	13
12							18.24	18.96	19.68	20.40	21.12	21.84	22.56	23.28	24.00	12
11							16.72	17.38	18.04	18.70	19.36	20.02	20.68	21.34	22.00	11
10							15.20	15.80	16.40	17.00	17.60	18.20	18.80	19.40	20.00	10
9												16.38	16.92	17.46	18.00	9
8												14.56	15.04	15.52	16.00	8
7												12.74	13.16	13.58	14.00	7
6												10.92	11.28	11.64	12.00	6
5												9.10	9.40	9.70	10.00	5

White areas are reduced for early retirement. Green areas represent normal (unreduced) retirement

SOURCE: SCERS records

Modest Change DB #1

Normal Cost: 11.8% of salary

Values based on highest 36 months (non-overtime) salary

Years of Retirement Credit	Age 52	53	54	55	56	57	58	59	60	61	62	63	64	65	
33				60.50	60.50	60.50	60.50	60.50	60.50	60.50	60.50	60.50	60.50	60.50	33
32				58.67	58.67	58.67	58.67	58.67	58.67	58.67	58.67	58.67	58.67	58.67	32
31				56.83	56.83	56.83	56.83	56.83	56.83	56.83	56.83	56.83	56.83	56.83	31
30				55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	30
29				49.45	53.17	53.17	53.17	53.17	53.17	53.17	53.17	53.17	53.17	53.17	29
28				44.15	47.74	51.33	51.33	51.33	51.33	51.33	51.33	51.33	51.33	51.33	28
27				39.11	42.57	46.04	49.50	49.50	49.50	49.50	49.50	49.50	49.50	49.50	27
26				34.32	37.66	40.99	44.33	47.67	47.67	47.67	47.67	47.67	47.67	47.67	26
25				29.79	33.00	36.21	39.42	42.63	45.83	45.83	45.83	45.83	45.83	45.83	25
24				25.52	28.60	31.68	34.76	37.84	40.92	44.00	44.00	44.00	44.00	44.00	24
23				21.51	24.46	27.41	30.36	33.31	36.26	39.22	42.17	42.17	42.17	42.17	23
22				17.75	20.57	23.39	26.22	29.04	31.86	34.69	37.51	40.33	40.33	40.33	22
21				14.25	16.94	19.64	22.33	25.03	27.72	30.42	33.11	35.81	38.50	38.50	21
20				11.00	13.57	16.13	18.70	21.27	23.83	26.40	28.97	31.53	34.10	36.67	20
19						15.33	17.77	20.20	22.64	25.08	27.52	29.96	32.40	34.83	19
18						14.52	16.83	19.14	21.45	23.76	26.07	28.38	30.69	33.00	18
17						13.71	15.90	18.08	20.26	22.44	24.62	26.80	28.99	31.17	17
16						12.91	14.96	17.01	19.07	21.12	23.17	25.23	27.28	29.33	16
15						12.10	14.03	15.95	17.88	19.80	21.73	23.65	25.58	27.50	15
14						11.29	13.09	14.89	16.68	18.48	20.28	22.07	23.87	25.67	14
13	Not Eligible to Retire					10.49	12.16	13.82	15.49	17.16	18.83	20.50	22.17	23.83	13
12						9.68	11.22	12.76	14.30	15.84	17.38	18.92	20.46	22.00	12
11						8.87	10.29	11.70	13.11	14.52	15.93	17.34	18.76	20.17	11
10						8.07	9.35	10.63	11.92	13.20	14.48	15.77	17.05	18.33	10
9									10.73	11.88	13.04	14.19	15.35	16.50	9
8									9.53	10.56	11.59	12.61	13.64	14.67	8
7									8.34	9.24	10.14	11.04	11.94	12.83	7
6									7.15	7.92	8.69	9.46	10.23	11.00	6
5									5.96	6.60	7.24	7.88	8.53	9.17	5

White areas are reduced for early retirement. Green areas represent normal (unreduced) retirement

SOURCE: IDT proposal, GRS projection

Modest Change DB #2

Normal Cost: 11.5% of salary

Values based on highest 36 months (non-overtime) salary

Years of Retirement Credit	Age 52	53	54	55	56	57	58	59	60	61	62	63	64	65	
30				39.00	43.20	47.40	51.60	55.80	60.00	60.00	60.00	60.00	60.00	60.00	30
29				33.64	37.70	41.76	45.82	49.88	53.94	58.00	58.00	58.00	58.00	58.00	29
28				28.56	32.48	36.40	40.32	44.24	48.16	52.08	56.00	56.00	56.00	56.00	28
27				23.76	27.54	31.32	35.10	38.88	42.66	46.44	50.22	54.00	54.00	54.00	27
26				19.24	22.88	26.52	30.16	33.80	37.44	41.08	44.72	48.36	52.00	52.00	26
25				15.00	18.50	22.00	25.50	29.00	32.50	36.00	39.50	43.00	46.50	50.00	25
24				14.40	17.76	21.12	24.48	27.84	31.20	34.56	37.92	41.28	44.64	48.00	24
23				13.80	17.02	20.24	23.46	26.68	29.90	33.12	36.34	39.56	42.78	46.00	23
22				13.20	16.28	19.36	22.44	25.52	28.60	31.68	34.76	37.84	40.92	44.00	22
21				12.60	15.54	18.48	21.42	24.36	27.30	30.24	33.18	36.12	39.06	42.00	21
20				12.00	14.80	17.60	20.40	23.20	26.00	28.80	31.60	34.40	37.20	40.00	20
19						16.72	19.38	22.04	24.70	27.36	30.02	32.68	35.34	38.00	19
18						15.84	18.36	20.88	23.40	25.92	28.44	30.96	33.48	36.00	18
17						14.96	17.34	19.72	22.10	24.48	26.86	29.24	31.62	34.00	17
16						14.08	16.32	18.56	20.80	23.04	25.28	27.52	29.76	32.00	16
15						13.20	15.30	17.40	19.50	21.60	23.70	25.80	27.90	30.00	15
14						12.32	14.28	16.24	18.20	20.16	22.12	24.08	26.04	28.00	14
13	Not Eligible to Retire					11.44	13.26	15.08	16.90	18.72	20.54	22.36	24.18	26.00	13
12						10.56	12.24	13.92	15.60	17.28	18.96	20.64	22.32	24.00	12
11						9.68	11.22	12.76	14.30	15.84	17.38	18.92	20.46	22.00	11
10						8.80	10.20	11.60	13.00	14.40	15.80	17.20	18.60	20.00	10
9									11.70	12.96	14.22	15.48	16.74	18.00	9
8									10.40	11.52	12.64	13.76	14.88	16.00	8
7									9.10	10.08	11.06	12.04	13.02	14.00	7
6									7.80	8.64	9.48	10.32	11.16	12.00	6
5									6.50	7.20	7.90	8.60	9.30	10.00	5

White areas are reduced for early retirement. Green areas represent normal (unreduced) retirement

SOURCE: IDT proposal, GRS projection

Substantial Change DB

Normal Cost: 10.0% of salary

Values based on highest 36 months (non-overtime) salary

Years of Retirement Credit	Age 52	53	54	55	56	57	58	59	60	61	62	63	64	65	
36				60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	36
35				58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	35
34				52.70	56.67	56.67	56.67	56.67	56.67	56.67	56.67	56.67	56.67	56.67	34
33				47.30	51.15	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	33
32				42.13	45.87	49.60	53.33	53.33	53.33	53.33	53.33	53.33	53.33	53.33	32
31				37.20	40.82	44.43	48.05	51.67	51.67	51.67	51.67	51.67	51.67	51.67	31
30				32.50	36.00	39.50	43.00	46.50	50.00	50.00	50.00	50.00	50.00	50.00	30
29				28.03	31.42	34.80	38.18	41.57	44.95	48.33	48.33	48.33	48.33	48.33	29
28				23.80	27.07	30.33	33.60	36.87	40.13	43.40	46.67	46.67	46.67	46.67	28
27				19.80	22.95	26.10	29.25	32.40	35.55	38.70	41.85	45.00	45.00	45.00	27
26				16.03	19.07	22.10	25.13	28.17	31.20	34.23	37.27	40.30	43.33	43.33	26
25				12.50	15.42	18.33	21.25	24.17	27.08	30.00	32.92	35.83	38.75	41.67	25
24				12.00	14.80	17.60	20.40	23.20	26.00	28.80	31.60	34.40	37.20	40.00	24
23				11.50	14.18	16.87	19.55	22.23	24.92	27.60	30.28	32.97	35.65	38.33	23
22				11.00	13.57	16.13	18.70	21.27	23.83	26.40	28.97	31.53	34.10	36.67	22
21				10.50	12.95	15.40	17.85	20.30	22.75	25.20	27.65	30.10	32.55	35.00	21
20				10.00	12.33	14.67	17.00	19.33	21.67	24.00	26.33	28.67	31.00	33.33	20
19						13.93	16.15	18.37	20.58	22.80	25.02	27.23	29.45	31.67	19
18						13.20	15.30	17.40	19.50	21.60	23.70	25.80	27.90	30.00	18
17						12.47	14.45	16.43	18.42	20.40	22.38	24.37	26.35	28.33	17
16						11.73	13.60	15.47	17.33	19.20	21.07	22.93	24.80	26.67	16
15						11.00	12.75	14.50	16.25	18.00	19.75	21.50	23.25	25.00	15
14						10.27	11.90	13.53	15.17	16.80	18.43	20.07	21.70	23.33	14
13	Not Eligible to Retire					9.53	11.05	12.57	14.08	15.60	17.12	18.63	20.15	21.67	13
12						8.80	10.20	11.60	13.00	14.40	15.80	17.20	18.60	20.00	12
11						8.07	9.35	10.63	11.92	13.20	14.48	15.77	17.05	18.33	11
10						7.33	8.50	9.67	10.83	12.00	13.17	14.33	15.50	16.67	10
9									9.75	10.80	11.85	12.90	13.95	15.00	9
8									8.67	9.60	10.53	11.47	12.40	13.33	8
7									7.58	8.40	9.22	10.03	10.85	11.67	7
6									6.50	7.20	7.90	8.60	9.30	10.00	6
5									5.42	6.00	6.58	7.17	7.75	8.33	5

White areas are reduced for early retirement. Green areas represent normal (unreduced) retirement

SOURCE: IDT proposal, GRS projection

Hybrid DB + DC

Normal Cost: 12.9% of salary

Values based on highest 36 months (non-overtime) salary

Years of Retirement Credit	Age 52	53	54	55	56	57	58	59	60	61	62	63	64	65	
35				35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35
34				34.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00	34
33				33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33
32				32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32
31				31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31
30				30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30
29				26.97	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29
28				24.08	26.04	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28
27				21.33	23.22	25.11	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27
26				18.72	20.54	22.36	24.18	26.00	26.00	26.00	26.00	26.00	26.00	26.00	26
25				16.25	18.00	19.75	21.50	23.25	25.00	25.00	25.00	25.00	25.00	25.00	25
24				13.92	15.60	17.28	18.96	20.64	22.32	24.00	24.00	24.00	24.00	24.00	24
23				11.73	13.34	14.95	16.56	18.17	19.78	21.39	23.00	23.00	23.00	23.00	23
22				9.68	11.22	12.76	14.30	15.84	17.38	18.92	20.46	22.00	22.00	22.00	22
21				7.77	9.24	10.71	12.18	13.65	15.12	16.59	18.06	19.53	21.00	21.00	21
20				6.00	7.40	8.80	10.20	11.60	13.00	14.40	15.80	17.20	18.60	20.00	20
19						8.36	9.69	11.02	12.35	13.68	15.01	16.34	17.67	19.00	19
18						7.92	9.18	10.44	11.70	12.96	14.22	15.48	16.74	18.00	18
17						7.48	8.67	9.86	11.05	12.24	13.43	14.62	15.81	17.00	17
16						7.04	8.16	9.28	10.40	11.52	12.64	13.76	14.88	16.00	16
15						6.60	7.65	8.70	9.75	10.80	11.85	12.90	13.95	15.00	15
14						6.16	7.14	8.12	9.10	10.08	11.06	12.04	13.02	14.00	14
13	Not Eligible to Retire					5.72	6.63	7.54	8.45	9.36	10.27	11.18	12.09	13.00	13
12						5.28	6.12	6.96	7.80	8.64	9.48	10.32	11.16	12.00	12
11						4.84	5.61	6.38	7.15	7.92	8.69	9.46	10.23	11.00	11
10						4.40	5.10	5.80	6.50	7.20	7.90	8.60	9.30	10.00	10
9									5.85	6.48	7.11	7.74	8.37	9.00	9
8									5.20	5.76	6.32	6.88	7.44	8.00	8
7									4.55	5.04	5.53	6.02	6.51	7.00	7
6									3.90	4.32	4.74	5.16	5.58	6.00	6
5									3.25	3.60	3.95	4.30	4.65	5.00	5

White areas are reduced for early retirement. Green areas represent normal (unreduced) retirement

Plan includes 6.5% of salary into an individual DC account.

DC investments are managed by the employees.

SOURCE: IDT proposal, GRS projection

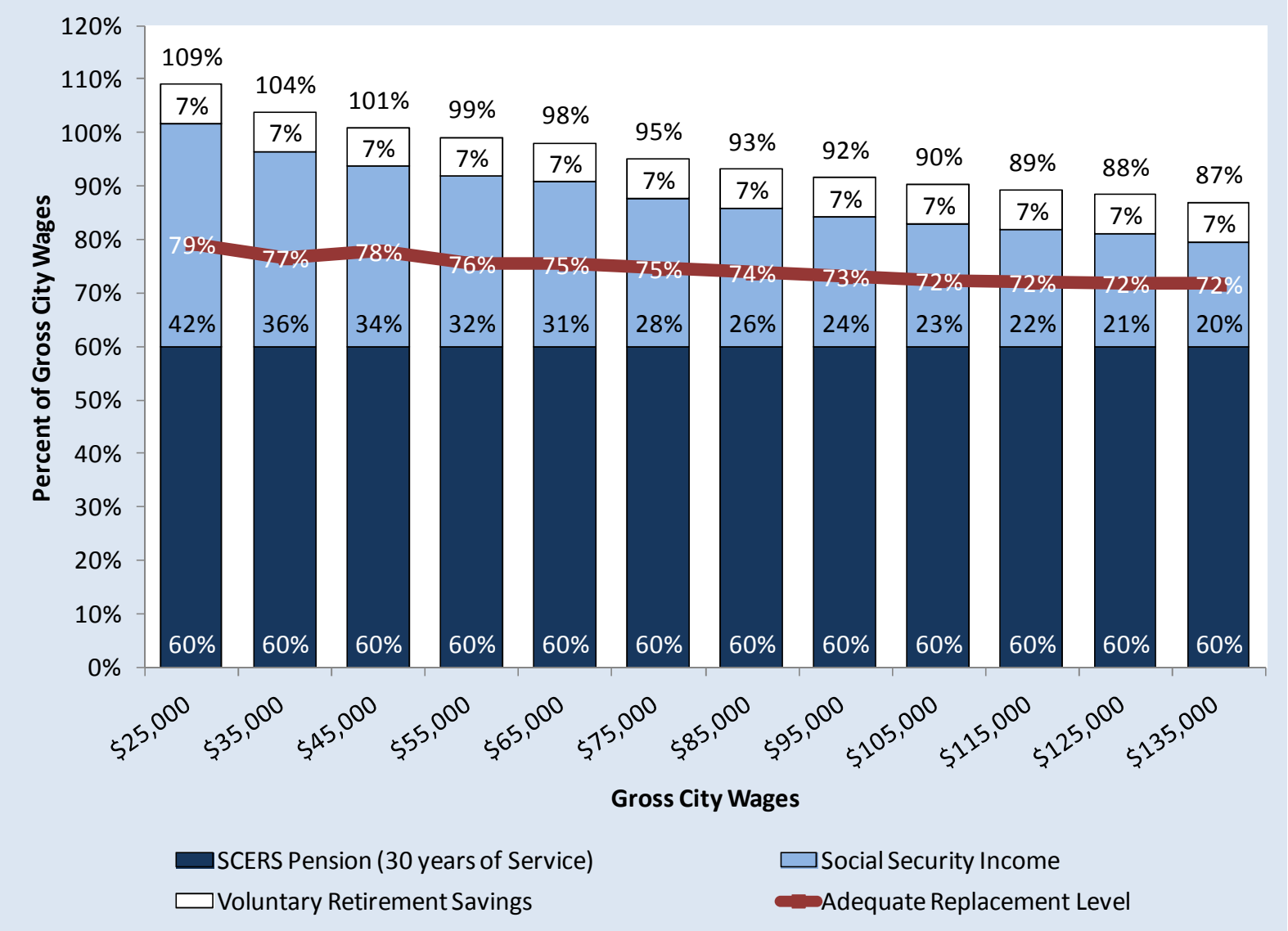
DC Plan

Normal Cost: 12.0% of salary

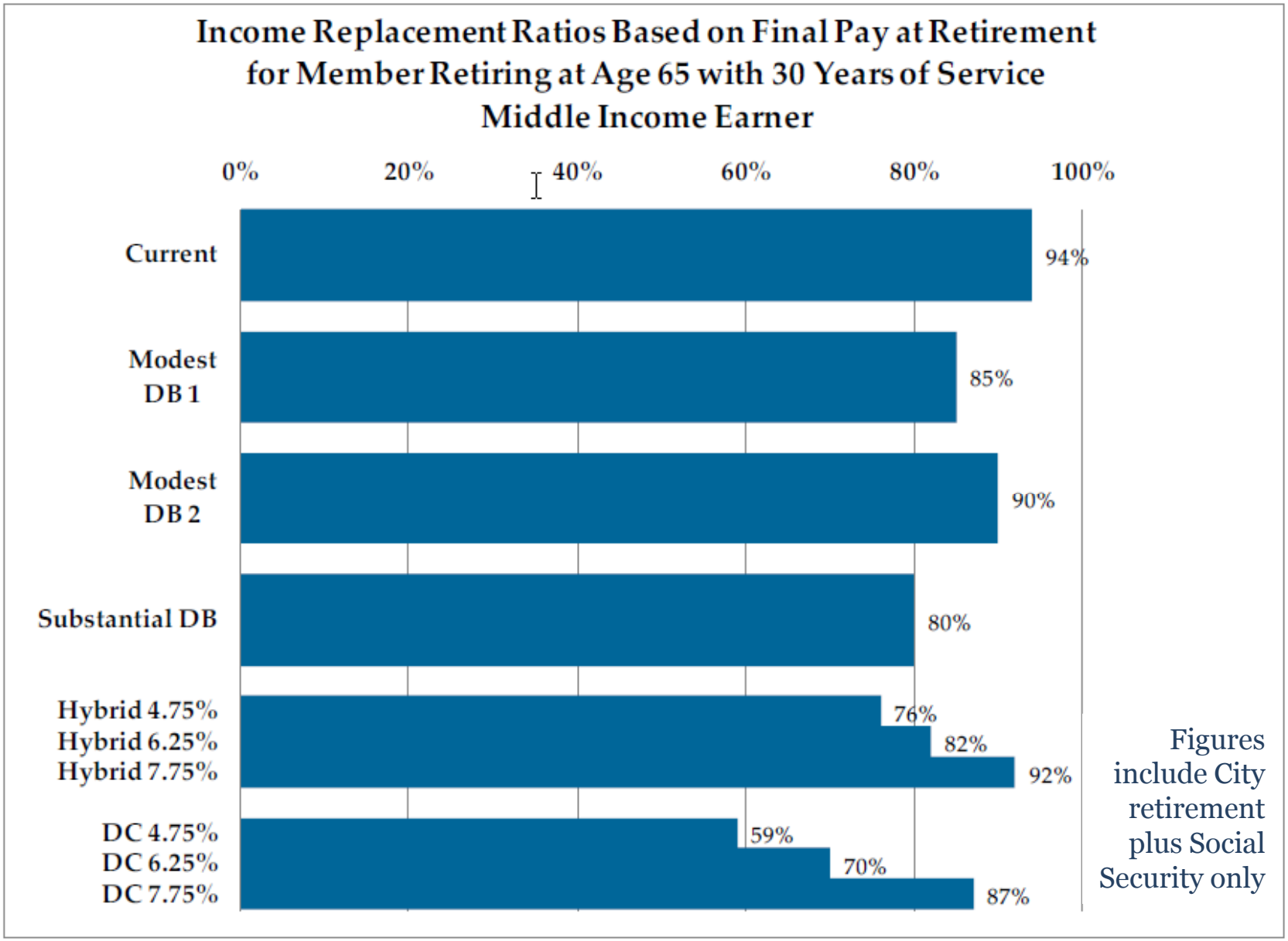
Key Provision	Policy
Total Contribution	12% of salary
Investments	Managed by employees from a pre-arranged menu
Portability	Full portability on employee and employer contributions at the end of City service
Vesting Period	Immediate on all contributions

SOURCE: IDT proposal, GRS projection

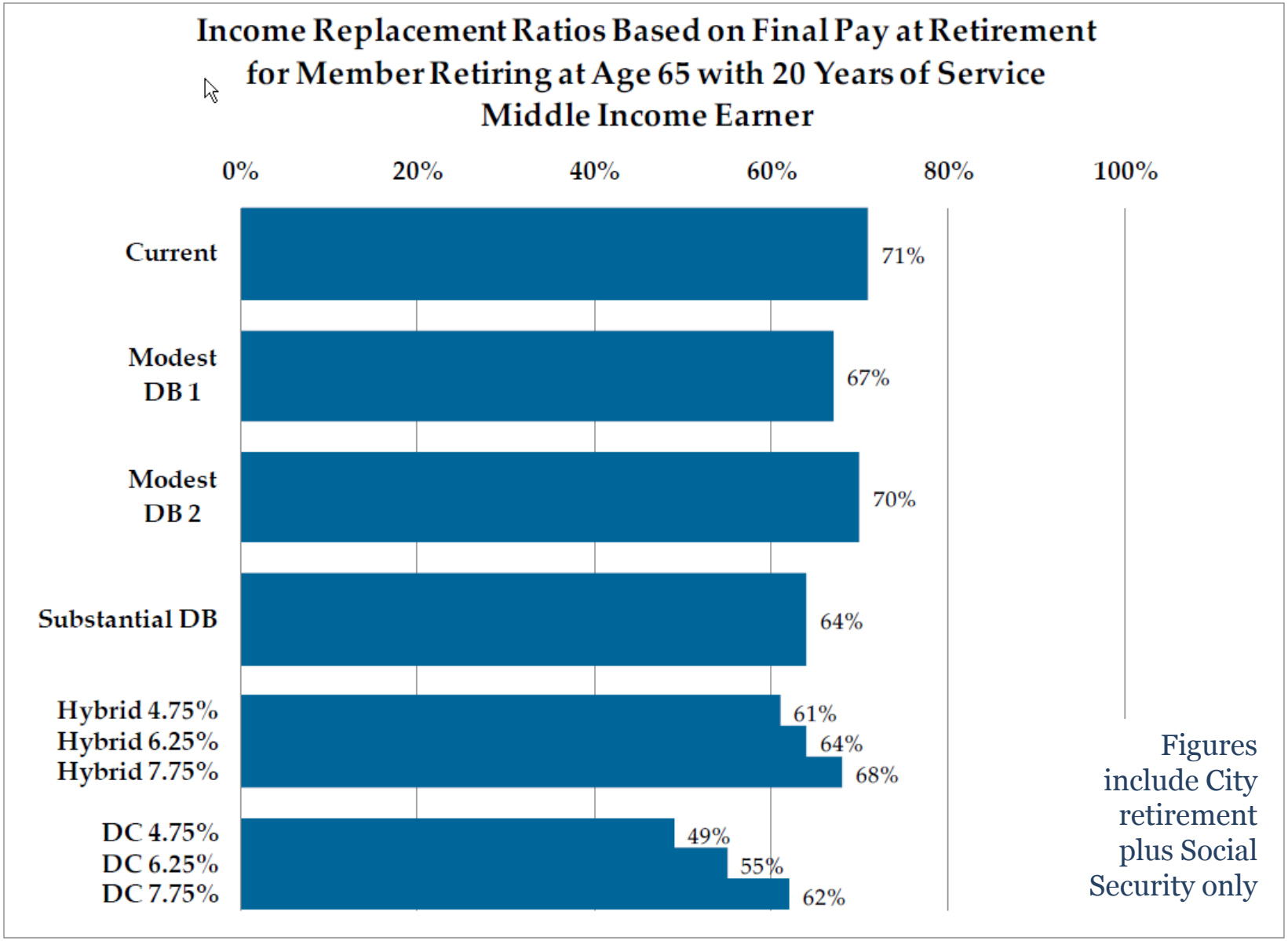
Income Replacement Targets



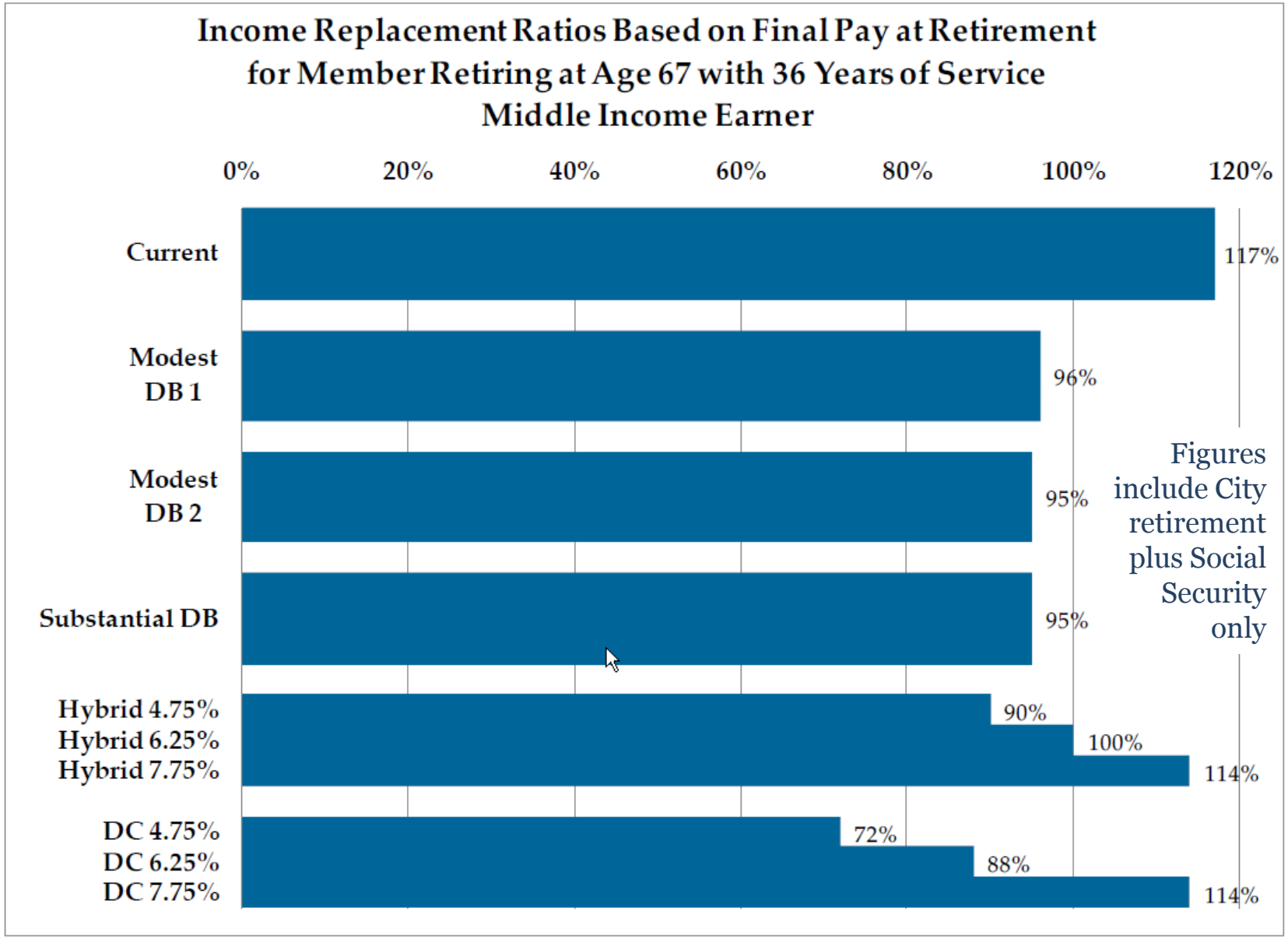
SOURCE: IDT calculation based on Palmer/GSU method



SOURCE: GRS projection



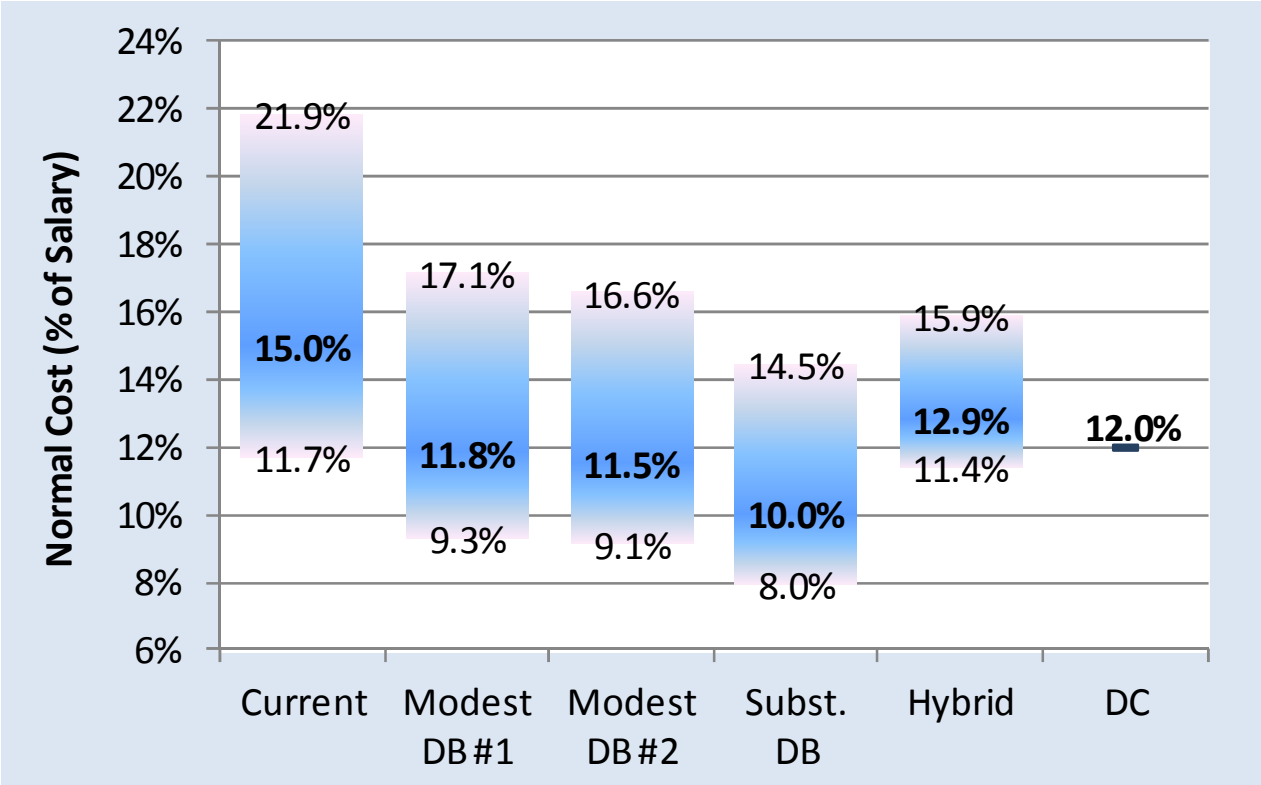
SOURCE: GRS projection



SOURCE: GRS projection

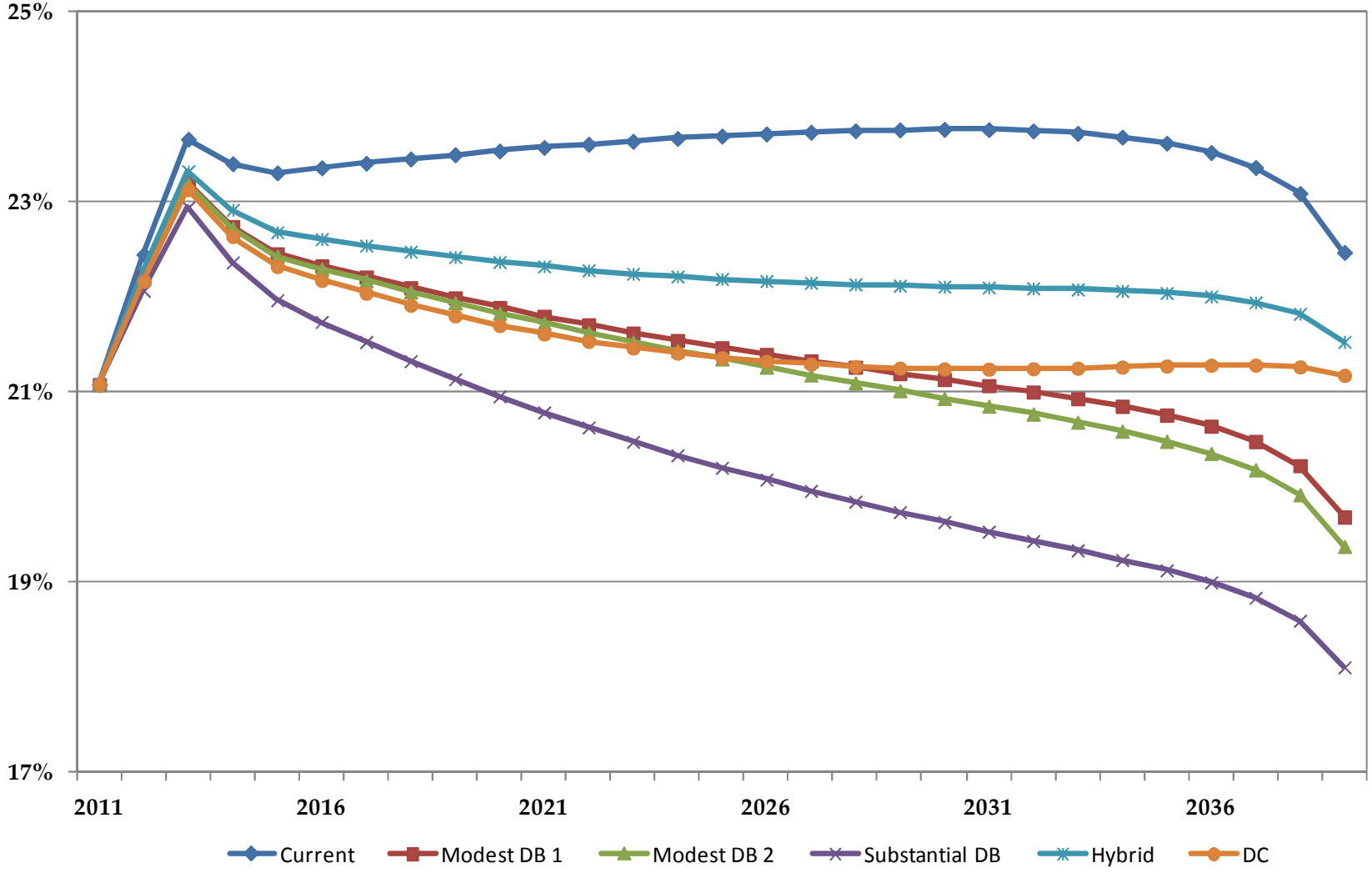
Normal Cost

At Investment Returns of 6% (upper figure), 7.75% (middle) and 9% (lower)



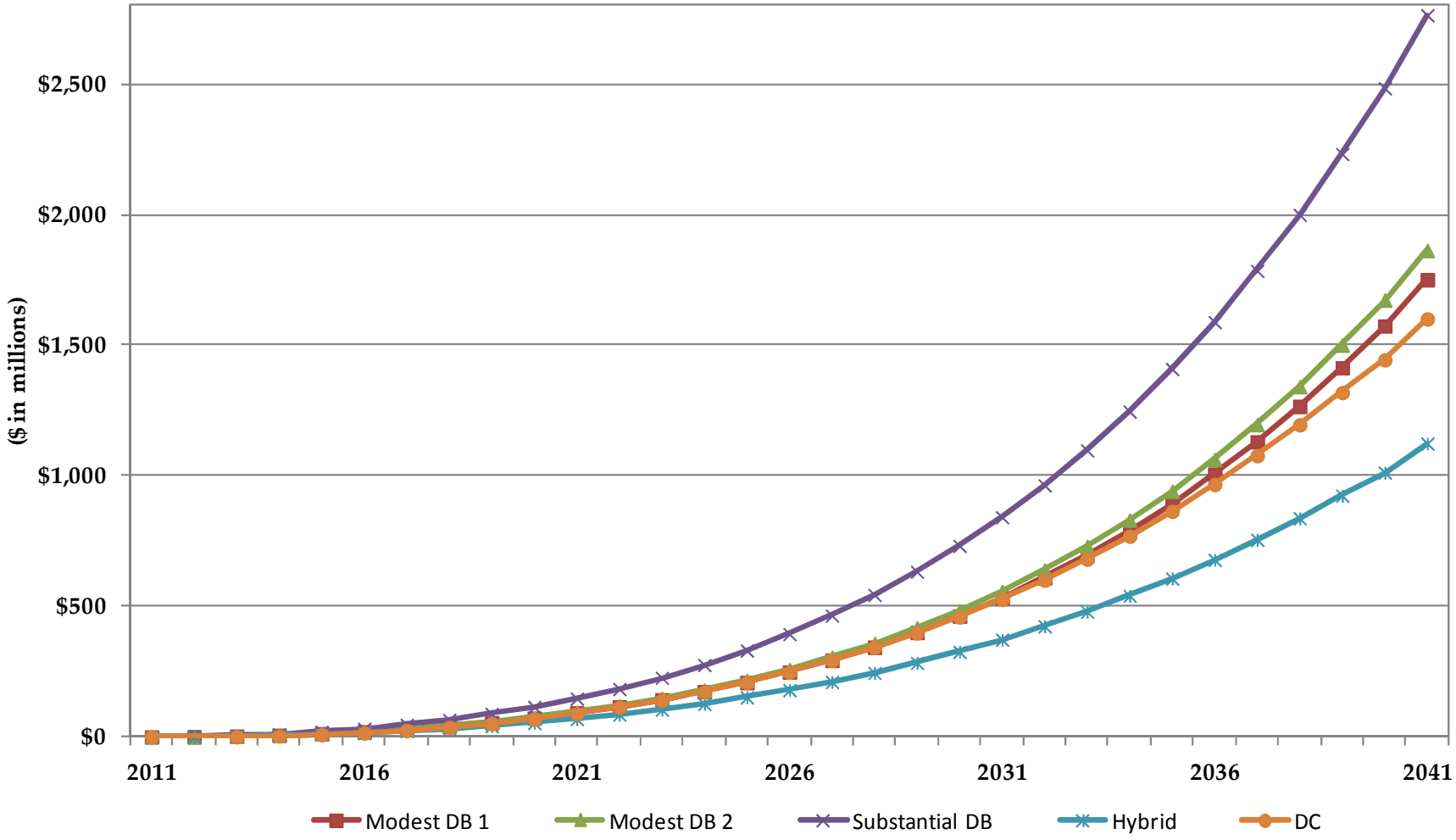
SOURCE: IDT staff graphic, based on GRS projection

Total Annual Required Contribution as a Percent of Payroll



SOURCE: GRS projection

Cumulative Total Dollar Savings (EE and ER) Relative to Current Plan

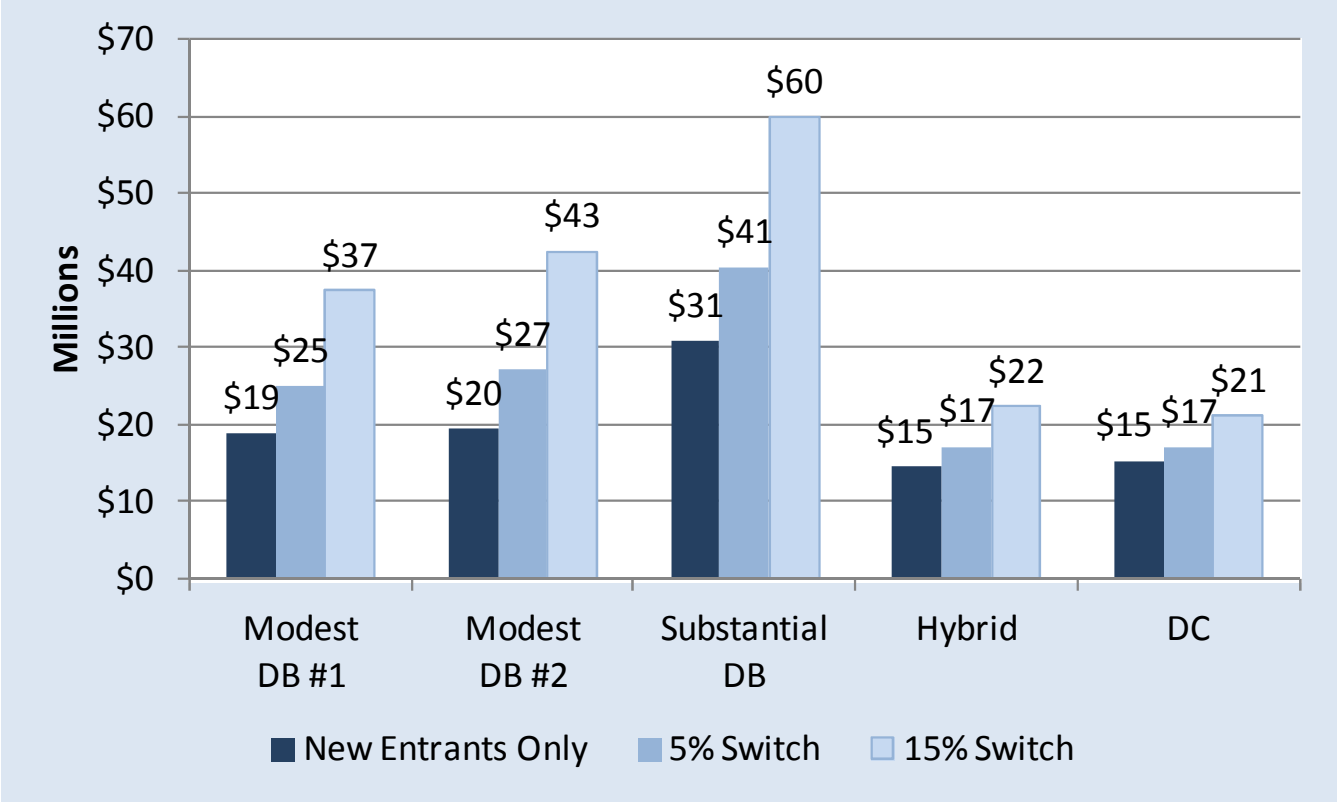


Dollar Figures Include Investment Returns on Contributions

SOURCE: GRS projection

Voluntary Switch Savings

Some Current Members May Opt In to New Plan for a Lower Contribution Rate



Dollar Figures Include Investment Returns on Contributions

SOURCE: IDT staff graphic, based on GRS projection

Conclusion / Next Steps

- The IDT finds that Seattle and its employees have relatively reasonable choices if they wish to lower future pension costs. Savings for both the City and the employees are possible.

- The report is a "consultation draft," intended to begin conversations with stakeholders. Its results may inform labor negotiations and potential legislation in 2012-2013.

- The GP&F Committee has a web page set up with report materials and briefing schedules. http://www.seattle.gov/council/issues/retirement_system.htm

- The IDT welcomes feedback on this draft. The e-mail address for this is retirementidt@seattle.gov