SEATTLE CITY COUNCIL

Legislative Summary

CB 118832

Record No.:	CB 118832	**Type:**	Ordinance (Ord)	**Status:**	Passed
Version:	1	**Ord. no:**	Ord 125190	**In Control:**	City Clerk
				File Created:	10/24/2016
				Final Action:	11/28/2016

Title: AN ORDINANCE relating to the Firefighters' Pension Fund established under chapter 41.16 RCW; amending Ordinance 117216 as last amended by Ordinance 124640 to change the date by which full funding of the Actuarial Account will be achieved.

			Date
Notes:		**Filed with City Clerk:**	11/22/2016
		Mayor's Signature:	11/22/2016
Sponsors:	Burgess	**Vetoed by Mayor:**	
		Veto Overridden:	
		Veto Sustained:	
Attachments:			
Drafter:	adam.schaefer@seattle.gov		

Filing Requirements/Dept Action:

History of Legislative File

Legal Notice Published: ☐ Yes ☐ No

Version:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Mayor	10/25/2016	Mayor's leg transmitted to Council	City Clerk			

Action Text: The Council Bill (CB) was Mayor's leg transmitted to Council. to the City Clerk
Notes:

Version:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	City Clerk	10/25/2016	sent for review	Council President's Office			

Action Text: The Council Bill (CB) was sent for review. to the Council President's Office
Notes:

Version:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Council President's Office	11/01/2016	sent for review	Select Budget Committee			

Action Text: The Council Bill (CB) was sent for review. to the Select Budget Committee
Notes:

Version:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Full Council	11/07/2016	referred	Select Budget Committee			
1	Select Budget Committee	11/16/2016	pass				Pass

	Action Text:	The Committee recommends that Full Council pass the Council Bill (CB).			
	Notes:				
		In Favor: 9	Chair Burgess, Member Bagshaw, Member Harrell, Member Herbold, Member Juarez, Member Johnson, Member González , Member O'Brien, Member Sawant		
		Opposed: 0			
1	Full Council	11/21/2016	passed		Pass
	Action Text:	The Council Bill (CB) was passed by the following vote, and the President signed the Bill:			
		In Favor: 9	Councilmember Bagshaw, Councilmember Burgess, Councilmember González , Council President Harrell, Councilmember Herbold, Councilmember Johnson, Councilmember Juarez, Councilmember O'Brien, Councilmember Sawant		
		Opposed: 0			
1	City Clerk	11/22/2016	submitted for Mayor's signature	Mayor	
1	Mayor	11/28/2016	Signed		
1	Mayor	11/28/2016	returned	City Clerk	
	Action Text:	The Council Bill (CB) was returned. to the City Clerk			
	Notes:				
1	City Clerk	11/28/2016	attested by City Clerk		
	Action Text:	The Ordinance (Ord) was attested by City Clerk.			
	Notes:				

CITY OF SEATTLE

ORDINANCE 125190

COUNCIL BILL 118332

AN ORDINANCE relating to the Firefighters' Pension Fund established under chapter 41.16 RCW; amending Ordinance 117216 as last amended by Ordinance 124640 to change the date by which full funding of the Actuarial Account will be achieved.

WHEREAS, on July 11, 1994, the City Council passed Ordinance 117216, establishing an Actuarial Account within the Firefighters' Pension Fund ("Fund") with the intent of accumulating, by means of an actuarially determined Level Payment Amount, sufficient funding in the Actuarial Account to fully amortize all pension obligations by December 31, 2018; and

WHEREAS, on November 13, 1997, the City Council passed Ordinance 118814, which clarified the funding plan for the Actuarial Account; and

WHEREAS, under RCW 41.18.040, 41.18.104, and 41.26.240, pension benefits of qualifying retirees are mandated to grow at the same rate as the salaries of current Seattle firefighters of the same rank, and it is the City's responsibility to cover related increased pension costs above the growth rate of the Consumer Price Index; and

WHEREAS, on November 20, 2006, the City Council passed Ordinance 122293, postponing by five years the date by which full funding of the Actuarial Account was to be achieved in recognition of lower interest rates available for investments; and

WHEREAS, due to increases in firefighters' salaries and lower-than-expected returns on investments in the Actuarial Account, and in recognition of the uncertain local and national economies, turmoil in the financial markets, and growing pressure on the City's General Fund to achieve Actuarial Account target levels as reflected in Ordinance

118814, the City Council suspended contributions to the Actuarial Account in 2009 and 2010 with the passage of Ordinance 122859, in 2011 and 2012 with the passage of Ordinance 123459, in 2013 and 2014 with the passage of Ordinance 124057, and in 2015 and 2016 with the passage of Ordinance 124640; and

WHEREAS, the City continues to face in the 2017-2018 biennium an ongoing Homeless State of Emergency, ratified by the Council through Resolution 31630, and uncertain costs for additional sworn officers and public safety related to the Department of Justice consent decree, among other resource demands that constrain its ability to fully fund the Level Payment Amount prescribed in the 2016 Actuarial Valuation report; and

WHEREAS, in 2013 the City Finance Director with the approval of the Fire Pension Board authorized the City's Department of Finance and Administrative Services to invest the Actuarial Account balances in U.S. stocks and bonds with the intent of maximizing the investment return consistent with State law and at appropriate levels of risk; and

WHEREAS, the most recent Draft Actuarial Valuation Report dated June 20, 2016, from Milliman indicated that January 1, 2016, assets in the Fire Pension Fund equaled $14,923,000, of which approximately $11.0 million is in the Actuarial Account; and

WHEREAS, it is the intent of the Mayor and Council not to draw upon the balance in the Actuarial Account until such time that the funds accumulated in the Account are estimated to be sufficient to cover all actuarially determined future pension obligations for the remaining life of the Fund; and

WHEREAS, extending the date by which the Actuarial Account contains an amount sufficient to fully amortize the estimated remaining pension liability for the Fund will reduce the Level Payment Amount to a level that the City can reliably maintain going forward; and

WHEREAS, making level payments through 2028 equal to or in excess of the actuarially determined pension demands on the Fund will maintain and improve the actuarial soundness and flexibility of the Fund by increasing the Fund's assets available to meet the total pension liability of the Fund; and

WHEREAS, making annual payments equal to the Level Payment Amount as determined by a qualified actuary is reasonable for the purpose established in Ordinances 117216, 118814, 122293, 122859, 123459, 124057, and 124640, and that such amount bears a material relation to the successful operation of the Fund; and

WHEREAS, in keeping with the City's obligation and commitment to fund on an ongoing annual basis the expected pension, health care, and long-term care benefit costs of the Fire Pension Fund until all Fund obligations have been met, the 2017 Adopted and 2018 Endorsed Budgets will appropriate, based on actuarial estimates of expected pension, health, and long-term care benefit costs, amounts sufficient to meet those costs in each year; and

WHEREAS, the Firefighters' Pension Board on October 13, 2016, confirmed the actuarially determined Level Payment Amount and the extension of the date by which the Fund would be fully funded to December 31, 2028; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 1 of Ordinance 117216, which section was last amended by Ordinance 124640, is amended as follows:

The following funding policy is adopted with respect to the Firefighters' Pension Fund (the "Fund"):

A. Beginning in 1994, the City will place in a separate "Actuarial Account" within the Fund each year an amount which is sufficient to fully amortize as described below the estimated remaining pension liabilities of the Fund by December 31, ((~~2023~~)) 2028. The Actuarial Account will be funded as follows:

1. Each year, the City will appropriate a "Level Payment Amount" to the Fund. The Level Payment Amount is intended to be constant for each year between ((~~1994~~)) 2017 and ((~~2023~~)) 2028. If necessary, the Level Payment Amount will be modified every two years as specified in subsection A(4) below. ((~~Notwithstanding the foregoing, no payments will be made in 2015 and 2016~~)).

2. In each year, the Level Payment Amount will be the sum of the expected current pension obligations for that year and a contribution to the Actuarial Account. Thus, the transfer to the Actuarial Account may vary in amount from year to year.

3. In some years, the expected current pension obligations will exceed the Level Payment Amount. In such years, the City will appropriate additional funds to the Fund in order to cover all expected current pension obligations. No contribution will be made to the Actuarial Account in such years.

4. The actuarial calculations of the Level Payment Amount and of the portion to be contributed to the Actuarial Account shall be performed in a manner consistent with Attachment A to Ordinance 118814.

5. Beginning in 1998, the Level Payment Amount will be recalculated by June 30 of each even-numbered year by a qualified actuary retained by the Board. While the Level Payment Amount is generally expected to remain constant over time, small variations are likely due to changes in mortality, inflation, and other factors. In addition, the actuary will

calculate the expected current pension obligations for each of the two following years. The contribution to the Actuarial Account will be defined as the difference between the Level Payment Amount and the expected current pension obligations for each year. The City will use the actuary's figures in establishing the Level Payment Amount in the biennial budget for the following two years, subject to Board confirmation. In the mid-biennium, the City shall revise the expected current pension obligations based on the actuary's latest estimates, subject to Board confirmation. This may change the contribution to the Actuarial Account in the second year of each biennium depending on any increases or decreases in expected current pension obligations.

6. In the event that actual current pension obligations for any year exceed the amounts projected by the actuary and included in the budget, the City will appropriate additional amounts to cover any shortfall. Transfers to the Actuarial Account will not be changed once they are included in the Adopted Budget.

7. Funds in the Actuarial Account are for the purpose of meeting pension obligations and funds will not be transferred from the Actuarial Account for any other purpose unless and until all pension obligations of the Fund have been satisfied.

((~~8. The Department of Finance and Administrative Services, the City Budget Office, and the Seattle Firefighters' Pension Board will review actuarial projections in 2015 and will develop recommendations for possible future funding of the Actuarial Account.~~))

* * *

Section 2. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the 21st day of November, 2016, and signed by me in open session in authentication of its passage this 21st day of November, 2016.

President ____________ of the City Council

Approved by me this 28th day of November, 2016.

Edward B. Murray, Mayor

Filed by me this 28th day of NOVEMBER, 2016.

Monica Martinez Simmons, City Clerk

(Seal)

[For Ordinance 125190 / CB 118832]

SUMMARY and FISCAL NOTE*

Department:	Contact Person/Phone:	Executive Contact/Phone:
CBO	Dave Hennes/4-0537	Dave Hennes/4-0537

** 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 Firefighters' Pension Fund established under chapter 41.16 RCW; amending Ordinance 117216 as last amended by Ordinance 124640 to change the date by which full funding of the Actuarial Account will be achieved.

Summary and background of the Legislation: Through the Firefighters' Pension Fund, the City is obligated to pay the pension costs for LEOFF 1 firefighters and their qualifying surviving beneficiaries. According to current actuarial projections, on a pay-as-you-go basis the City is expected to pay pension obligations to these firefighters or their surviving beneficiaries until approximately 2060. On July 11, 1994, the City Council passed Ordinance 117216, establishing an Actuarial Account within the Firefighters' Pension Fund with the intent of accumulating, by means of an actuarially determined Level Payment Amount, sufficient funding in the Actuarial Account to fully amortize all pension obligations by December 31, 2018. The Actuarial Account would be funded by the annual excess of the Level Payment Amount over the actual pension obligations owed that year.

Due to a series of wage increases for firefighters that by contract increase the pension obligations of the Fire Pension Fund and investment earnings that did not return sufficient amounts to maintain a stable Level Payment Amount, on November 20, 2006, the City Council passed Ordinance 122293, postponing by five years the date by which full funding of the Actuarial Account was to be achieved, from 2018 to 2023. Due to the economic constraints and low revenue growth resulting from the Great Recession of 2008-09, City Council further suspended contributions to the Actuarial Account in 2009 and 2010 with the passage of Ordinance 122859, in 2011 and 2012 with the passage of Ordinance 123459, in 2013 and 2014 with the passage of Ordinance 124057, and in 2015 and 2016 with the passage of Ordinance 124640.

In 2013, the City Finance Director with the approval of the Fire Pension Board authorized the City's Department of Finance and Administrative Services to invest the Actuarial Account balances (currently approximately $11 million) in U.S. stocks and bonds with the intent of maximizing the investment return consistent with State law and at appropriate levels of risk. Even with greater investment returns, however, the effect of several years without contributions, further wage increases and the closed amortization period at 2023, the Level Payment Amount has grown significantly beyond the annual actual pension obligation.

This legislation extends the date by which full funding of the Actuarial Account will be achieved to 2028 from 2023. This postponement allows the City to establish a budgetary commitment level at approximately the level of the current actual pension obligation and build the Actuarial Account balance going forward. And although delayed, it achieves the forward funding objective of the original ordinance.

2. CAPITAL IMPROVEMENT PROGRAM

____ **This legislation creates, funds, or amends a CIP Project.**

3. SUMMARY OF FINANCIAL IMPLICATIONS

__X_ **This legislation does not have direct financial implications.**

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?** Yes. By re-establishing the Level Payment Amount future General Fund contributions to the Firefighters' Pension Fund will be in excess of the amount required to cover the annual pension obligations of the Fund. This excess under other approaches would be available for other general government purposes. After 2028, however, if actuarial assumptions hold, the Actuarial Account will contain sufficient resources to pay out all future pension obligations without further GF contributions.

b) **Is there financial cost or other impacts of not implementing the legislation?** Yes. In the absence of this legislation, or further acts to suspend contributions to the Actuarial Account, the City would be required to make the Level Payment Amount established by the City's actuary as necessary to achieve full funding of the Account by 2023. This amount (approximately $10.5 million) would require increased funding relative to the 2017 Proposed Budget of the Actuarial Account beginning in 2017 (an increment of approximately $3 million) and commensurate reductions in other GF appropriations.

c) **Does this legislation affect any departments besides the originating department?** No.

d) **Is a public hearing required for this legislation?** No.

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?** No. This legislation does not affect the City's provision of adequate funding in any given year to make any necessary payment of any qualified pension obligation. Thus, it has no effect on the pension payments of any particular group of recipient firefighters.

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.
Not applicable.

j) Other Issues: None.

List attachments/exhibits below:

STATE OF WASHINGTON -- KING COUNTY

--ss.

344221

No. 125190,91,92,93,94,95,96

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 ORDINANCES

was published on

12/09/16

The amount of the fee charged for the foregoing publication is the sum of $127.60 which amount has been paid in full.

Subscribed and sworn to before me on

12/09/2016

Notary public for the State of Washington, residing in Seattle

Affidavit of Publication

State of Washington, King County

City of Seattle

Title Only Ordinances

The full text of the following legislation, passed by the City Council on November 21, 2016, and published below by title only, will be mailed upon request, or can be accessed at https://seattle.legistar.com/Legislation.aspx. 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.

Ordinance 125190

AN ORDINANCE relating to the Firefighters' Pension Fund established under chapter 41.16 RCW; amending Ordinance 117216 as last amended by Ordinance 124640 to change the date by which full funding of the Actuarial Account will be achieved.

Ordinance 125191

AN ORDINANCE relating to wastewater and drainage services of Seattle Public Utilities; adjusting wastewater and drainage rates to pass through increased treatment costs charged by King County; amending Sections 21.28.040 and 21.33.030 of the Seattle Municipal Code to reflect the adjusted rates; amending Section 21.76.040 of the Seattle Municipal Code to adjust credits to low-income wastewater and drainage customers; and amending Section 21.33.050 of the Seattle Municipal Code to revise drainage service charge adjustment procedures.

Ordinance 125192

AN ORDINANCE relating to public outreach and engagement; creating a Community Involvement Commission to advise and make recommendations to the Mayor and City Council; amending Sections 3.35.010, 3.35.030, and 3.35.050 of the Seattle Municipal Code; and adding a new Chapter 3.62, consisting of Sections 3.62.010, 3.62.020, 3.62.030, 3.62.040, 3.62.050, and 3.62.060, to the Seattle Municipal Code.

Ordinance 125193

AN ORDINANCE relating to pet licensing; adjusting and simplifying cat and dog license fees; and amending Section 9.26.020 of the Seattle Municipal Code.

Ordinance 125194

AN ORDINANCE increasing the fee for marijuana business licenses; amending Section 6.500.080 of the Seattle Municipal Code.

Ordinance 125195

AN ORDINANCE relating to the levy of property taxes; fixing the rates and/or amounts of taxes to be levied, and levying the same upon all taxable property, both real and personal, in The City of Seattle, to finance the departments and activities of City government and to provide for the general obligation bond interest and redemption requirements for the year beginning on the first day of January 2017; ratifying and confirming certain prior acts; and, by a vote of a majority plus one of the Seattle City Council, finding a substantial need to use, and providing for the use of, 101 percent as the regular property tax limit factor.

Ordinance 125196

AN ORDINANCE relating to the Animal Fee Ordinance; adjusting spaying and neutering fees at the Seattle Animal Shelter Spay and Neuter Clinic; and amending Section 9.26.060 of the Seattle Municipal Code.

Date of publication in the Seattle Daily Journal of Commerce, December 9, 2016.

12/9(344221)