

## **SUMMARY and FISCAL NOTE\***

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>Executive Contact/Phone:</b>
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

☒ 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:**