



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.

Notes:

Sponsors: Burgess

Attachments:

Drafter: adam.schaefer@seattle.gov

Date

Filed with City Clerk: 11/22/2016

Mayor's Signature: 11/22/2016

Vetoed by Mayor:

Veto Overridden:

Veto Sustained:

Filing Requirements/Dept Action:

History of Legislative File

Legal Notice Published:

☐ Yes

☐ No

Ver- sion:	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:						
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:						
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:						
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
Mayor's signature

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

1 118814, the City Council suspended contributions to the Actuarial Account in 2009 and
2 2010 with the passage of Ordinance 122859, in 2011 and 2012 with the passage of
3 Ordinance 123459, in 2013 and 2014 with the passage of Ordinance 124057, and in 2015
4 and 2016 with the passage of Ordinance 124640; and

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

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

14 WHEREAS, the most recent Draft Actuarial Valuation Report dated June 20, 2016, from
15 Milliman indicated that January 1, 2016, assets in the Fire Pension Fund equaled
16 \$14,923,000, of which approximately \$11.0 million is in the Actuarial Account; and

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

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

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

5 WHEREAS, making annual payments equal to the Level Payment Amount as determined by a
6 qualified actuary is reasonable for the purpose established in Ordinances 117216,
7 118814, 122293, 122859, 123459, 124057, and 124640, and that such amount bears a
8 material relation to the successful operation of the Fund; and

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

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

18 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

19 Section 1. Section 1 of Ordinance 117216, which section was last amended by Ordinance
20 124640, is amended as follows:

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

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

5 1. Each year, the City will appropriate a “Level Payment Amount” to the
6 Fund. The Level Payment Amount is intended to be constant for each year between ~~((1994))~~
7 2017 and ~~((2023))~~ 2028. If necessary, the Level Payment Amount will be modified every two
8 years as specified in subsection A(4) below. ~~((Notwithstanding the foregoing, no payments will~~
9 ~~be made in 2015 and 2016))~~.

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

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

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

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

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

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

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

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

19 * * *

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)