CITY OF AUBURN
INTEROFFICE MEMORANDUM

TO: Fire Relief and Pension Board
Mayor Nancy Backus, Chair
Shelley Coleman, Finance Director
Bill Petersen, Member
Robert Wigley, Member

FROM: Danielle Daskam, City Clerk

DATE: June 21, 2016

SUBJECT: FIRE RELIEF AND PENSION BOARD AGENDA
FOR TUESDAY, JUNE 28, 2016 AT 10:00 AM
COUNCIL CONFERENCE ROOM, CITY HALL

FIRE RELIEF AND PENSION BOARD
JUNE 28, 2016 10:00 AM

AGENDA

I. CALL TO ORDER

II. APPROVAL OF MINUTES

A. Minutes of the June 30, 2015 Fire Relief and Pension Board meeting.*
(Recommendation: Board approve the June 30, 2015 minutes as distributed.)

III. UNFINISHED BUSINESS

IV. NEW BUSINESS

A. Actuarial Valuation

B. Annual Affidavits Verifying Benefit Eligibility

C. Fire Relief and Pension Cost of Living Benefit Adjustments
(Recommendation: Board approve the annual pension benefits to pensioners and beneficiaries.)

D. Approval of Claims
(Recommendation: Board approve the 2015 expenses.)

E. Investment Authorization
(Recommendation: Board authorize the Finance Director of the City to make such investments as may be appropriate from the Fire Relief and Pension Fund.)

V. ADJOURNMENT

FIRE RELIEF AND PENSION BOARD
JUNE 30, 2015 8:30 AM

MINUTES

I. CALL TO ORDER

Mayor Nancy Backus called the meeting to order at 8:30 a.m. in the Executive Conference Room located on the second floor of Auburn City Hall. Fire Relief and Pension Board Members present included Mayor Backus, Finance Director Shelley Coleman, Fire Relief and Pension retiree Bill Petersen and Fire Relief and Pension retiree Bob Wigley. Also present was City Clerk Danielle Daskam.

II. APPROVAL OF MINUTES

A. Minutes of the June 5, 2014 Fire Relief and Pension Board meeting.

Motion by Member Petersen, second by Member Wigley to approve the June 5, 2014 meeting minutes.

MOTION CARRIED UNANIMOUSLY. 4-0

III. UNFINISHED BUSINESS

There was no unfinished business.

IV. NEW BUSINESS

A. Actuarial Valuation

Milliman Consultants and Actuaries prepare an actuarial valuation of the Fire Fighters Pension Fund every two years as required by the Government Accounting Standards Board (GASB). The last report prepared is dated January 1, 2015.

The plan experienced a liability decrease due to benefits increasing less than anticipated and a higher than expected mortality rate. This decrease was partially offset by the changes in demographic assumptions. The City has chosen to contribute to the fund as needed by utilizing an excess property tax levy pursuant to RCW 84.52.04.

Since January 1, 2007, there have been no long-term care or other non-pension benefits paid from this fund.

The present value of the liabilities is $3.13 million with total assets of $3.35 million as of January 1, 2015.

The City retains the Fire Insurance Premium due to the ongoing liability for the retirees.

B. Annual Affidavits Verifying Benefit Eligibility
Finance Director Coleman reported in May 2015, all retirees and beneficiaries were sent affidavits requesting updated personal information. Seven of the thirteen affidavits have been returned.

Eleven of the thirteen retirees and beneficiaries are receiving a monthly pension benefit from the City. Two retirees are not receiving a monthly pension benefit from the City, as their current monthly retirement allowance from the state covers the percentage of pension benefit required.

C. Fire Relief and Pension Cost of Living Benefit Increase
The Board reviewed a memo dated June 23, 2015 addressed to Finance Director Coleman from Payroll and Accounts Payable Supervisor Ronda Stella regarding the Fire Relief and Pension benefits.

The City adjusts the pension payments based on the salary schedules in the current Fire Fighters' contract. On January 1, 2013, per the contract, pension payments increased by 0.635% and 2.0% for the Battalion Chief rank and all other ranks, respectively. On January 1, 2014, pension payments increased by 1.2% for all fire ranks.

On April 1st of each year, the State applies a COLA adjustment to their portion of the pension payments to retirees. This results in a reduction in the pension payments made by the City. To calculate the City's portion of the pension payments, the retirees' pension benefits (as calculated in accordance with RCW 41.18) is reduced by the monthly retirement allowance they receive from the State. The deficit is paid by the City in accordance with RCW 41.26.

Motion by Member Petersen, second by Member Wigley, to approve the cost of living increases in annual pension benefits to pensioners and beneficiaries Tinsley, Partridge and Reno.

MOTION CARRIED UNANIMOUSLY. 4-0

B. Approval of Claims

Board Members briefly reviewed fund expenses in the amount of $160,521 for benefit payments and and administrative expenses, including actuarial valuation costs. It was noted that all medical expenses and long-term care expenses are paid out of the General Fund. The total 2014 expenses paid from the Fire Relief and Pension Fund and the General Fund are $299,124 a 18.8% decrease. The decrease is due to reduced medical reimbursement requests submitted by retirees in 2014 and a decrease in medical insurance premiums.

Motion by Member Petersen, second by Member Wigley to approve the 2014 expenses of the Fire Relief and Pension Fund.

MOTION CARRIED UNANIMOUSLY. 4-0

C. Investment Authorization
Fund assets in 2014 are in the amount of $2,616,264. The funds are invested in the Washington State Investment Pool, treasury notes and bonds, and the average investment return in 2014 was approximately .11%, down .04% from the previous year.

Motion by Member Petersen, second by Member Wigley to authorize the Treasurer of the City of Auburn to make such investments as may be appropriate from the Fire Relief and Pension Fund.

MOTION CARRIED UNANIMOUSLY. 4-0

V. ADJOURNMENT
There being no further business to come before the Fire Relief and Pension Board, the meeting adjourned at 8:47 a.m.

Approved this ____________ day of ____________, 2016.

______________________________ ______________________________
Nancy Backus, Mayor Danielle Daskam, City Clerk

CITY OF AUBURN WASHINGTON

Interoffice Memorandum

To: Shelley Coleman, Finance Director

From: Ronda Stella, Payroll & AP Supervisor

CC: File

Date: June 15, 2016

Re: Fire Relief and Pension Benefits

The following information is for the presentation to the Fire Relief and Pension Board at their annual meeting which is scheduled for Tuesday June 28th, 2016. I have included information concerning the COLA and other information below.

- *Actuarial Valuation*

  Milliman Consultants and Actuaries prepare an actuarial valuation of the Firefighters Pension Fund every two years as required by the Governmental Accounting Standards Board (GASB). The last report prepared is dated January 1, 2015.

  The plan experienced a liability decrease due to benefits increasing less than anticipated and a higher than expected mortality rate. This decrease was partially offset by the changes in demographic assumptions.

  Since January 1, 2007 there have been no long-term care or other non-pension benefits paid from this fund.

- *Annual Affidavits Verifying Benefit Eligibility*

  In April 2016, all retirees and beneficiaries were sent affidavits requesting updated personal information. The City requested that the Affidavits be notarized and returned to the payroll department by the 11th of May. Currently eleven of the affidavits have been received, out of twelve sent.

  Eleven of the twelve retirees and beneficiaries are receiving a monthly pension benefit from the city. One retiree is not receiving a monthly pension benefit from the city, as his current monthly retirement allowance from the state covers the percentage of pension benefit required.

- *Pension Adjustments for Pensioners and Beneficiaries*

  The City adjusts the pension payments based on the salary schedules in the current Fire Fighter's contract. On January 1, 2014, per the contract, pension payments increased by 1.2% and on January 1, 2015, pension payments increased by 2.2%.

  On April 1st of each year, the State applies a COLA adjustment to their portion of the pension payments to retirees. This results in a reduction in the pension payments made by the City. To calculate the City's portion of the pension payments, the retirees' pension benefit (as calculated in accordance with RCW 41.18) is reduced by the monthly retirement allowance they receive from the State. The deficit is paid by the city in accordance with RCW 41.26.

  Pensioners' Beneficiaries

  Payment rates for the following pensioner beneficiaries are:

Beneficiary	Annual Wages Paid by the City April 1, 2014	Annual Wages Paid by the City April 1, 2015
Ms Mary Jane Tinsley	$20,622	$21,192
Ms Jeanne Partridge	$12,193	$12,578
Ms Robert Reno	$19,036	$19,583

Approval of Claims

$177,672 was paid from the Fire Relief Pension Fund, an increase in the amount of $17,151 attributed to increases in the retiree pension benefit payments and professional services supplied by the City's actuary, Milliman. A full actuarial valuation of the FRP Fund is performed every two years.

$158,425 was paid from the General Fund for LEOFF 1 Fire Fighters' medical expenses. The total 2015 expenses paid from the FRP Fund and General Fund are $336,097 a 12.4% increase. The increase is due to increased medical reimbursement requests submitted by retirees in 2015 and an increase in medical insurance premiums.

Investment Authorization

2015 fund assets in the amount of $2,519,564 are invested in the Washington State Investment Pool, treasury notes, and bonds. The average investment return in 2015 was approximately .18%, up .07% from the previous year.

Draft-Unaudited

City of Auburn, Washington
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2015

		Fire Relief Pension Trust Fund
ASSETS:		
Cash and Cash Equivalents	$	2,447,214
Investments		71,695
Receivables:		
Customer Accounts		-
Interest		655
Total Assets		2,519,564
LIABILITIES:		
Current Payables		7,007
Due to Other Governmental Units		-
Total Liabilities		7,007
NET POSITION		
Held in Trust for Pension Benefits and Other Purposes	$	2,512,557

The notes to the financial statements are an integral part of this statement.

Draft-Unaudited

City of Auburn, Washington
STATEMENT OF CHANGES IN FIDUCIARY NET POSTION
FIDUCIARY FUNDS
For the Year Ended December 31, 2015

		Fire Relief Pension Trust fund
ADDITIONS:		
Contributions:		
Fire Insurance Premiums	$	75,702
Investment Earnings		5,065
Total Additions		80,767
DEDUCTIONS:		
Benefit Payments		157,936
Professional Services		6,660
Administrative Expenses		13,076
Total Deductions		177,672
Change in Net Postion		(96,905)
Net Position - Beginning		2,609,462
Net Position - Ending	$	2,512,557

The notes to the financial statements are an integral part of this statement.

Actuarial Valuation of
Firefighters' Pension Fund

City of Auburn
January 1, 2015

SECTION 1

Conclusions and Recommendations

The City's obligations under the FPF are limited to the benefits provided to firefighters who retired prior to March 1, 1970, plus payments of excess retirement benefits to active members as of that date. To meet these obligations, the City may contribute annually to the Fund the amount raised by levying all or part of a tax of up to $0.45 (only $0.225 of which can be in excess of the property tax limit pursuant to Revised Code of Washington (RCW) 84.52.043) per $1,000 of true and fair market value, the maximum provided by law for maintaining the Fund. Contributions also include donations and income from the state fire insurance premium collection.

The Fund is operating on a pay-as-you-go basis.

As of January 1, 2015, the actuarial present value of future excess pension benefits to be provided by the City is $3,130,000.

As of January 1, 2013 (the date of our last valuation), the present value of excess pension benefits was determined to be $3.387 million. The expected value as of January 1, 2015 based upon our 2013 valuation was $3.260 million. The actual present value of $3.130 million was 4% lower than expected for reasons summarized in the following chart:

Reason	Liability Increase (Decrease) as a Percentage
Demographic experience	(6%)
Changes in benefit amounts compared to expectations	(9%)
Changes in economic assumptions	0%
Changes in demographic assumptions	11%
Total	(4%)

The plan experienced a liability decrease since our last valuation. This is attributable to FPF benefits increasing less than anticipated and higher than expected mortality. This decrease was partially offset by the changes in demographic assumptions. The mortality table used was changed to match the most recent experience study by the State Actuary. This resulted in increased life expectancies and therefore, higher liabilities. Changes in the economic assumptions were mostly offsetting and did not have a significant impact on liabilities.

The plan is sensitive to demographic experience that deviates from expectations due to the small size of the plan membership. The plan also remains highly sensitive to both deviation in the excess benefit amounts from expectations and the assumptions used for wage increases and CPI.

Actuarial Valuation of Firefighters' Pension Fund

City of Auburn
January 1, 2015

TABLE 2

Derivation of Contributions Required for Pension Benefits

A. Actuarial present value of all future pension benefits not provided by the LEOFF System (Table 1):		
For active members	$	0
For retirees and survivors		3,130,000
	$	3,130,000
B. Assets of the Fund:		*Market Value*
Cash	$	0
Investments		2,616,000
Other Assets		0
	$	2,616,000
Less liabilities		(7,000)
Total Assets	$	2,609,000
C. Present value of future fire insurance premiums to be allocated to the Fund through 2024*:		741,000
D. Total Assets [B+C]:		3,350,000
E. Actuarial deficiency: Actuarial present value of amount to be funded from City appropriations, beginning in 2015 [A-D, not less than zero]:	$	0

* *Based on amount of total fire insurance premium taxes allocated to the Fund in plan year 2014. The fire insurance premium is assumed to be payable to the City for 10 years from the valuation date.*