Benefits		2020-21 Actuals		2021-22 Estimated		2022-23 Proposed		2023-24 Projected		2024-25 Forecast		2025-26 Forecast		2026-27 Forecast
Beginning Fund Balance	**$**	**401**	**$**	**116**	**$**	**416**	**$**	**661**	**$**	**899**	**$**	**1,131**	**$**	**1,355**
Revenues														
Internal Service Charge - Pension	$	21,835	$	23,779	$	26,530	$	28,414	$	29,780	$	29,768	$	30,703
Internal Service Charge - Social Security/Medicare		3,075		3,117		3,459		3,528		3,598		3,670		3,743
Internal Service Charge - Healthcare		8,317		8,434		8,615		8,869		9,148		9,472		9,809
Internal Service Charge - Severance Trust		1,189		1,177		1,224		1,248		1,273		1,298		1,324
Internal Service Charge - Other		2,499		2,371		2,650		2,743		2,799		2,856		2,914
Total Revenues	**$**	**36,914**	**$**	**38,879**	**$**	**42,479**	**$**	**44,802**	**$**	**46,599**	**$**	**47,065**	**$**	**48,493**
Expenses														
Pension	$	21,928	$	23,975	$	26,530	$	28,414	$	29,780	$	29,768	$	30,703
Social Security/Medicare		3,075		3,117		3,459		3,528		3,598		3,670		3,743
Healthcare		8,457		8,216		8,511		8,764		9,043		9,367		9,705
Severance Trust		1,089		1,099		1,143		1,166		1,189		1,213		1,237
Other		2,649		2,172		2,591		2,692		2,757		2,822		2,889
Total Expenses	**$**	**37,198**	**$**	**38,579**	**$**	**42,234**	**$**	**44,564**	**$**	**46,367**	**$**	**46,841**	**$**	**48,277**
Ending Fund Balance	**$**	**116**	**$**	**416**	**$**	**661**	**$**	**899**	**$**	**1,131**	**$**	**1,355**	**$**	**1,571**

Values are shown in thousands.

The Benefits Fund accounts for the collection of funds from operating departments to cover the cost of employee benefits. The expenses covered by this fund include pension, social security/medicare, retiree healthcare, the City's payment for medical premiums for active employees, funding for the severance trust (to pay for the cashout of unused vacation to employees who retire or otherwise leave the City), as well as a few other benefit costs, such as life insurance and long-term disability insurance. In some cases, the cost of providing these benefits is known and collections can be set accordingly. For example, the normal cost of pensions is set as a percentage of pay, so collections can be set based on that percentage of pay. In other cases, such as for the funding of the severance trust, the cost is an estimate based on historical actuals, but will fluctuate annually based on different factors. Thus, to accommodate the fluctuation of expenses like those related to the severance trust, the fund should maintain some level of fund balance. To that end, collections for the various components of this fund have been set to collect costs to fund the programs adequately while maintaining a level of fund balance that allows for the year-over-year fluctuations without requiring a transfer from the General Fund.

The largest expense category in this fund is related to pension expenses. As discussed in detail in the Budget Overview section of the budget document, pension expenses are expected to increase significantly over the next five to seven years as the result of a number of factors. These increases will continue to put pressure on the operating funds, as a larger and larger percentage of the budget will be required to cover pension cost increases.

After the transfer of the City's fire operations to SMC Fire in 2018-19, with the exception of the Bureau of Fire Protection and Life Safety (Bureau), what remains as the City's responsibility is the former fire department employees' unfunded pension liability and retiree health benefits, as those costs are attributable to years of service to the City. These legacy costs are transferred from the General Fund and administered through this fund. Bureau activities are designed to be full cost recovery, so with the transition to SMC Fire, legacy pension costs for former Bureau personnel are the responsibility of SMC Fire.

Fund balance declined significantly in 2020-21, in part due to the record-high year in Unemployment Insurance benefits. Federal legislation provided extended benefits until September 2021, and there should be a decline in unemployement expenses in the second quarter of 2021-22 as the City re-employs staff or the benefit period expires. While the five-year forecast has the fund building back up its fund balance gradually, actual expenses will be analyzed over time and annual collections will be adjusted accordingly.