

Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

Jo Ann Hardesty, Commissioner-in-Charge

Samuel Hutchison, Director



FY 2019-20 Requested Budget and Five-Year Financial Forecast



Commissioner Jo Ann Hardesty
City of Portland

TO: Mayor Ted Wheeler
Commissioner Chloe Eudaly
Commissioner Nick Fish
Commissioner Amanda Fritz
Auditor Mary Hull Caballero

CC: City Budget Office

From: Commissioner Jo Ann Hardesty JA

RE: Fire and Police Disability and Retirement Fund (FPD&R) FY 2019-20 Requested Budget

Date: February 4, 2019

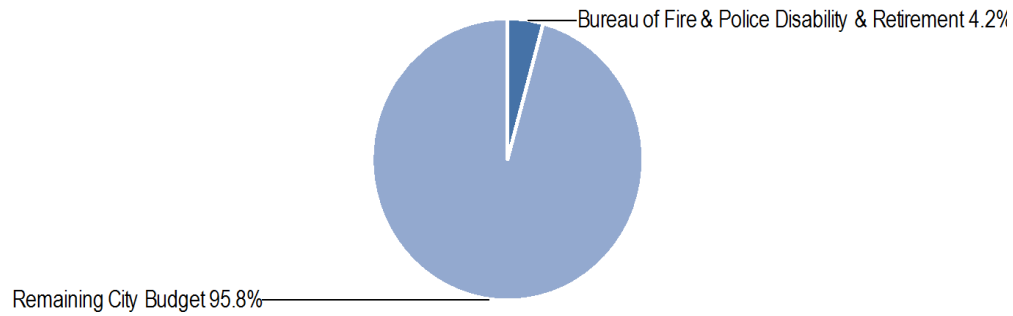
I respectfully submit FPD&R's FY 2019-20 Requested Budget and FYE 2020-24 Five-Year Financial Forecast for the Bureau of Fire & Police Disability & Retirement (FPDR). The FPDR Board of Trustees adopted the budget at its January 22, 2019 meeting. FPDR received no directives to develop and has no decision packages.

FY 2019-20 bureau requirements (expenses less tax anticipation notes, contingency and fund transfers) total \$164.4 million, an increase of \$10.2 million or 7% from the FY 2018-19 Adopted Budget. Total requirements are increasing by less: just \$6.5 million, or 3%. This is because FPD&R expects to end the current fiscal year with more fund balance than originally anticipated, the result of a retroactive Comcast property tax payment received in September and fewer retirements than projected. Over the five-year forecast period bureau requirements are expected to grow 40% while total fund requirements are anticipated to increase 37%. The primary source of growth is the fact that FPDR is simultaneously funding two generations of pensions: pay-as-you-go FPDR pensions for sworn employees hired before 2007, and prefunded PERS pensions for sworn employees hired later.

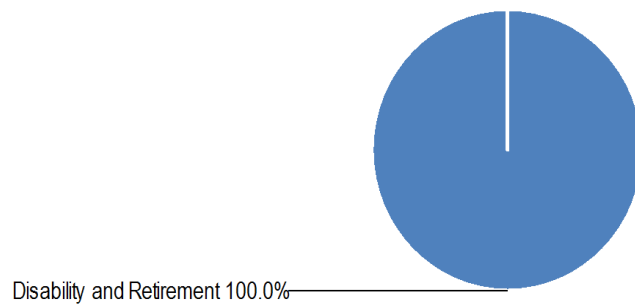
FPD&R is funded with a dedicated property tax levy separate from the City's general government levy. The FPD&R levy is capped at \$2.80 per \$1,000 of real market value (RMV) by City Charter. Sustained RMV growth has allowed the tax rate to drop in each of the last five years, despite growing FPD&R expenses. The rate is currently \$1.09 and is projected to drop again to \$1.08 for FY 2019-20. FPD&R's independent actuaries recently updated their 20-year tax levy analysis with 2018 data. They concluded there is now less than a 1% probability of FPD&R expenses exceeding the revenues that can be raised under the tax levy cap in any year through FY 2037-38. The assessed value rate – the rate on which property owners make actual tax payments – will decrease as well, from \$2.70 currently to \$2.68 in FY 2019-20.

Bureau of Fire & Police Disability & Retirement

Percent of City Budget



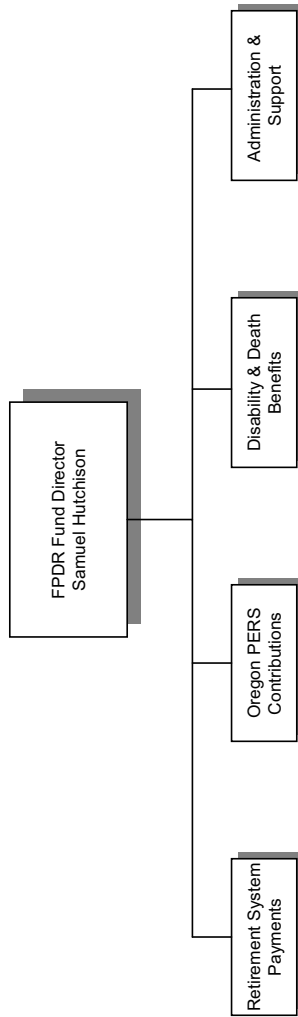
Bureau Programs



Bureau Overview

Requirements	Revised FY 2018-19	Requested FY 2019-20	Change from Prior Year	Percent Change
Operating	225,962,793	232,488,372	6,525,579	2.89
Capital	42,850	50,000	7,150	16.69
Total Requirements	226,005,643	232,538,372	6,532,729	2.89
Authorized Positions	17.00	17.00	0.00	0.00

Bureau of Fire & Police Disability & Retirement



Bureau Summary

Bureau Mission

The mission of the Bureau of Fire & Police Disability & Retirement is to deliver peace of mind to our fire and police members and their survivors by providing disability and retirement benefits in a timely, compassionate, and fiscally responsible manner.

Bureau Overview

The Bureau of Fire and Police Disability and Retirement (FPDR) consists of four programs: two retirement programs - FPDR Pension Benefits and Sworn PERS Contributions - plus the Disability and Death Benefits program and the Administration and Support program. FPDR serves plan members in three distinct tiers: FPDR One members are those who were retired or on long-term disability before January 1, 1990; FPDR Two members are those who were working or hired between December 31, 1989 and December 31, 2006; FPDR Three members are those who were hired after December 31, 2006. The FPDR Plan provides pension and disability benefits for FPDR One and Two members, but only disability benefits for FPDR Three members. In addition, the FPDR Fund finances contributions to the Oregon Public Employees Retirement System (PERS) for FPDR Three members. FPDR benefits and administrative expenses are funded by a dedicated FPDR property tax levy, separate from the City's general government levy. The FPDR levy is capped at \$2.80 per \$1,000 of real market value by City Charter.

FPDR Pension Benefits

The FPDR Pension Benefit program governs direct pension benefits to members hired before January 1, 2007 and their survivors and alternate payees (former spouses). The FY 2019-20 Requested Budget is \$131.4 million, including \$135,088 in direct program delivery costs. This is an increase of \$4.4 million or 3.4% over the FY 2018-19 Revised Budget. Costs are growing for a variety of reasons, but the primary cause is the growing number of FPDR 2 retirees. FPDR Two members have a more generous pension benefit than FPDR One members. It is estimated that there will be 2,132 pension recipients in FY 2019-20, of whom only 400 or so will be FPDR One beneficiaries.

Disability and Death Benefits

The Disability and Death Benefits program administers all service-connected and nonservice disability benefits, including wage replacement for lost time from work, medical care expenses, vocational rehabilitation, and funeral benefits. The budget for FY 2019-20 totals \$8.4 million, essentially the same as the FY 2018-19 Revised Budget. The program budget includes \$1.0 million of costs related directly to program delivery.

Sworn PERS Contributions

The Sworn PERS Contributions program manages reimbursements to Portland Fire & Rescue and the Portland Police Bureau for PERS contributions made on behalf of sworn employees hired after 2006. Program expenditures are budgeted at \$22.0 million for FY 2019-20, an increase of \$5.7 million or 34.8% over the FY 2018-19 Revised Budget. Growth is due to the rising proportion of the sworn workforce hired after 2006; a 19% increase in public safety contribution rates for the Oregon Public Service Retirement Plan

Bureau of Fire & Police Disability & Retirement

tier; and wage increases for sworn employees, including a 3.9% cost of living adjustment scheduled for July 1, 2019. This program will experience exponential cost growth through the early- to mid-2030s, when the entire sworn workforce will likely be comprised of FPDR 3 members. At that point, cost growth will be limited to increases in wages and PERS contribution rates.

Administration and Support

The Administration and Support program includes all other costs of operating the bureau. Bureau expenditures in the Administration and Support program for FY 2019-20 total \$2.7 million, an increase of \$0.20 million or 8.1% from the FY 2018-19 Revised Budget. The increase is mostly related to rising personnel costs, caused by increases in PERS contribution rates, a 3.9% cost-of-living adjustment on July 1, 2019, and potential merit pay increases for nonrepresented employees under new City compensation and pay equity plans. The Administration and Support budget represents 1.7% of total bureau requirements for FY 2019-20.

Strategic Direction

Connection to City Goals

As a provider of pension and disability benefits for the City's public safety workforce, FPDR's work contributes to Portland Plan Measure 11, to have a safer city. Benefits play an important role in recruiting and retaining the most qualified police officers and fire fighters.

Bureau Objectives

FPDR's strategic goals are to fairly and compassionately administer pension and disability benefits for the City's sworn employees and to be a good steward of the property taxes that underwrite those benefits. The bureau is dedicated to a smooth transition from the pay-as-you-go pension plans of the FPDR One and FPDR Two tiers, now closed, to the prefunded PERS pension plan of the FPDR Three tier added in 2007.

Performance

Several of FPDR's performance measures gauge the bureau's success in delivering benefits accurately and efficiently. The percent of disability decisions reached within 60 days dipped in 2016, but climbed above 90% in each of the last two years. The percent of members whose pensions are very close to the estimates they received (those with a negative variation of less than 1%) has fluctuated between 90% and 100% for the last five years, with no consistent upward or downward trajectory. Other performance measures track financial performance. Administrative costs have comprised between 1% and 2% of the bureau budget for the last several years, but may decline to even lower levels as the bureau budget grows. FPDR has introduced a more stable measure for FY 2019-20, administrative cost per plan participant. Cost per plan participant is expected to rise to \$723 in FY 2019-20, from a projected \$713 in FY 2018-19, a 1.5% increase. The FPDR tax levy rate remains well under the \$2.80 cap, at a projected \$1.08 for FY 2019-20. Continued increases in RMV have kept the RMV tax rate low even as FPDR benefit costs grow.

Strategic Plan

FPDR recently completed a three-year strategic plan focused on member service improvement, disability program development, technology and staff investment, and FPDR Board development. The next strategic plan is not yet finalized, but the overarching focus is for FPDR to become an 'organization of the future.' Goals will include providing seamless member and beneficiary service in the digital age; recruiting and retaining top talent as employees retire; creating a supportive, efficient and modern work environment; and implementing next-generation claims processing.

	Actual FY 2016-17	Actual FY 2017-18	Revised FY 2018-19	Requested No DP FY 2019-20	Requested FY 2019-20
Resources					
External Revenues					
Taxes	128,197,553	142,490,224	151,442,839	156,343,417	156,343,417
Charges for Services	44	52	0	0	0
Bond & Note	29,129,050	36,231,649	57,700,000	52,900,000	52,900,000
Miscellaneous	694,664	1,520,460	1,143,400	1,958,200	1,958,200
Total External Revenues	158,021,311	180,242,384	210,286,239	211,201,617	211,201,617
Internal Revenues					
Fund Transfers - Revenue	0	0	1,500,000	1,500,000	1,500,000
Interagency Revenue	1,193,483	1,167,132	1,290,000	1,594,954	1,594,954
Total Internal Revenues	1,193,483	1,167,132	2,790,000	3,094,954	3,094,954
Beginning Fund Balance	14,383,435	0	12,929,404	18,241,801	18,241,801
Total Resources	\$173,598,229	\$181,409,515	\$226,005,643	\$232,538,372	\$232,538,372
Requirements					
Bureau Expenditures					
Personnel Services	1,973,764	2,114,363	2,250,600	2,494,800	2,494,800
External Materials and Services	120,536,788	126,014,677	134,472,872	138,804,707	138,804,707
Internal Materials and Services	10,812,495	14,327,749	17,452,965	23,077,391	23,077,391
Capital Outlay	54,760	98,456	42,850	50,000	50,000
Total Bureau Expenditures	133,377,807	142,555,244	154,219,287	164,426,898	164,426,898
Fund Expenditures					
Debt Service	29,371,007	36,620,708	58,593,081	54,206,581	54,206,581
Contingency	0	0	10,774,125	11,510,000	11,510,000
Fund Transfers - Expense	310,028	170,378	1,669,150	1,644,893	1,644,893
Total Fund Expenditures	29,681,035	36,791,086	71,036,356	67,361,474	67,361,474
Ending Fund Balance	10,539,387	0	750,000	750,000	750,000
Total Requirements	\$173,598,229	\$179,346,330	\$226,005,643	\$232,538,372	\$232,538,372
Programs					
Disability & Death Benefits	7,662,901	7,320,192	8,389,973	0	0
Administration & Support	2,086,987	2,118,872	2,511,223	0	0
Disability and Retirement	0	0	0	164,426,898	164,426,898
Retirement System Payments	113,955,223	119,797,665	127,030,834	0	0
Oregon PERS Contributions	9,672,695	13,318,516	16,287,257	0	0
Total Programs	\$133,377,807	\$142,555,244	\$154,219,287	\$164,426,898	\$164,426,898

This table summarizes project expenses by capital programs.

Bureau Capital Program Project	Prior Years	Revised	Requested	Capital Plan				5-Year Total
		FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	
Maintenance and Reliability								
Database Capital Improvements	108,482	42,850	50,000	22,730	23,410	24,115	24,835	145,090
Total Maintenance and Reliability	108,482	42,850	50,000	22,730	23,410	24,115	24,835	145,090
Total Requirements	108,482	42,850	50,000	22,730	23,410	24,115	24,835	145,090

Class	Title	Salary Range		Revised FY 2018-19		Requested No DP FY 2019-20		Requested FY 2019-20	
		Minimum	Maximum	No.	Amount	No.	Amount	No.	Amount
30000063	Accountant II	59,114	74,402	1.00	74,402	1.00	74,402	1.00	74,402
30003003	Administrative Specialist II	48,277	89,523	1.00	81,162	1.00	81,162	1.00	81,162
30003006	Analyst I	53,290	98,800	2.00	174,761	2.00	174,761	2.00	174,761
30003007	Analyst II	63,336	105,373	3.00	264,087	3.00	264,087	3.00	264,087
30003012	Business Systems Analyst III	69,805	126,318	1.00	103,854	1.00	103,854	1.00	103,854
30000066	Claims Technician	49,358	65,437	1.00	65,437	1.00	65,437	1.00	65,437
30000065	Claims Technician, Assistant	38,314	55,245	1.00	55,245	1.00	55,245	1.00	55,245
30003037	Director I	111,696	189,842	1.00	152,256	1.00	152,256	1.00	152,256
30003055	Financial Analyst II	63,336	105,373	2.00	188,427	2.00	188,427	2.00	188,427
30003077	Legal Assistant	53,290	98,800	1.00	85,238	1.00	85,238	1.00	85,238
30003081	Manager I	80,205	140,338	2.00	206,977	2.00	206,977	2.00	206,977
30000012	Office Support Specialist II	37,461	53,789	1.00	49,993	1.00	52,939	1.00	52,939
TOTAL FULL-TIME POSITIONS				17.00	1,501,838	17.00	1,504,784	17.00	1,504,784
TOTAL PART-TIME POSITIONS				0.00	0	0.00	0	0.00	0
TOTAL LIMITED TERM POSITIONS				0.00	0	0.00	0	0.00	0
GRAND TOTAL				17.00	1,501,838	17.00	1,504,784	17.00	1,504,784

	Actual FY 2016-17	Actual FY 2017-18	Revised FY 2018-19	Requested No DP FY 2019-20	Requested FY 2019-20	Proposed FY 2019-20
Resources						
Taxes	128,197,552	142,490,224	151,442,839	156,343,417	156,343,417	
Charges for Services	44	52	0	0	0	
Bond & Note	29,129,050	36,231,649	57,700,000	52,900,000	52,900,000	
Miscellaneous	694,665	1,520,460	1,143,400	1,958,200	1,958,200	
Total External Revenues	158,021,311	180,242,384	210,286,239	211,201,617	211,201,617	
Fund Transfers - Revenue	0	0	750,000	750,000	750,000	
Interagency Revenue	1,193,483	1,167,132	1,290,000	1,594,954	1,594,954	
Total Internal Revenues	1,193,483	1,167,132	2,040,000	2,344,954	2,344,954	
Beginning Fund Balance	13,633,435	0	12,179,404	17,491,801	17,491,801	
Total Resources	172,848,229	181,409,515	224,505,643	231,038,372	231,038,372	
Requirements						
Personnel Services	1,973,765	2,114,363	2,250,600	2,494,800	2,494,800	
External Materials and Services	120,536,789	126,014,677	134,472,872	138,804,707	138,804,707	
Internal Materials and Services	10,812,493	14,327,749	17,452,965	23,077,391	23,077,391	
Capital Outlay	54,760	98,456	42,850	50,000	50,000	
Total Bureau Expenditures	133,377,807	142,555,244	154,219,287	164,426,898	164,426,898	
Debt Service	29,371,007	36,620,708	58,593,081	54,206,581	54,206,581	
Contingency	0	0	10,774,125	11,510,000	11,510,000	
Fund Transfers - Expense	310,028	170,378	919,150	894,893	894,893	
Total Fund Expenditures	29,681,035	36,791,086	70,286,356	66,611,474	66,611,474	
Ending Fund Balance	9,789,387	0	0	0	0	
Total Requirements	172,848,228	179,346,330	224,505,643	231,038,372	231,038,372	

Fund Overview

Chapter 5 of the Portland City Charter establishes the Fire & Police Disability & Retirement (FPDR) Fund for the sworn employees of Portland Fire & Rescue and the Portland Police Bureau, their surviving spouses, and their dependent minor children. The fund is supported primarily through a separate property tax levy originally authorized by the voters in 1948. The levy is a rate-based levy, providing a maximum rate of \$2.80 per \$1,000 of real market value.

Managing Agency Bureau of Fire & Police Disability & Retirement

Significant Changes from Prior Year

Net of tax anticipation notes - which artificially inflate the size of the budget because the notes are issued and repaid in the same fiscal year - total fund requirements for FY 2019-20 are \$178.1 million. This is an increase of \$11.3 million or 6.8% from the FY 2018-19 Revised Budget, a similar growth rate as in the previous five years. FPDR benefit costs will continue to increase above and beyond inflation for the next 15 – 20 years as the fund bears the cost of financing two generations of retirees simultaneously: pay-as-you-go FPDR pension benefits for FPDR One and Two members during retirement, and prefunded contributions to the Oregon Public Employee Retirement System (PERS) for FPDR Three members during their working lives. FPDR One and Two members were hired before January 1, 2007; FPDR Three members on or after that date.

Fund Requirements

External materials and services, which mainly consists of direct pension payments to FPDR One and Two retirees (or their beneficiaries), continues to increase as more FPDR Two members retire. FPDR Two members have a more generous pension benefit than FPDR One members. In addition, recent wage increases – particularly a 3.6% cost of living adjustment on July 1, 2018 and three successive years of 3.0% pay increases for Portland Police Association members – have increased final pay and therefore FPDR Two pensions in recent years.

Internal materials and services is the fastest growing component of FPDR's budget, and is budgeted to increase 32.3% (\$5.6 million) for FY 2019-20. The largest item within internal materials and services is reimbursements to the Fire and Police Bureaus for PERS contributions made on behalf of FPDR Three members. This budget will continue to increase exponentially over the next 15 – 20 years, as FPDR Three members constitute an ever larger percentage of the sworn workforce. In addition to growth in the number of employees on which PERS contributions must be made, PERS contribution rates for this population grew from 24.46% of wages in FY 2018-19 to 29.16% in FY 2019-20. Finally, FPDR Three payroll is increasing as police officers and fire fighters hired since 2007 move through the annual pay steps and are promoted to higher ranks, as well as for the reasons discussed above.

Within fund-level expenditures, the FY 2019-20 debt service budget is projected to drop 7.5%, or \$4.4 million, as compared with FY 2018-19. This is a methodology, rather than an operational, change. FPDR has historically budgeted its annual TAN issue as the sum of 4 ½ months of expenses, to cover expenditures from the start of the fiscal year on July 1 until property tax revenues are received in mid-November. However, this method ignores the fact that FPDR can usually fund some costs with beginning fund balance. This year, FPDR's TAN budget was reduced to reflect the projected availability of \$17.5 million in fund balance on July 1, 2019.

Fund Revenues

Budgeted property tax collections will increase by \$4.9 million, or 3.2%, from the FY 2018-19 Revised Budget to the FY 2019-20 Requested budget. Since property taxes make up roughly 98% of FPDR's resources, taxes typically grow in accordance with fund requirements. However, tax collections are budgeted to grow less than expenditures for FY 2019-20 because of a higher projected beginning fund balance than originally anticipated, which reduces the amount of tax revenue needed for next year. The higher fund balance is the result of a one-time retroactive property tax payment received in FY 2018-19 and under-spending in the pension budget for the current year. Despite growing benefit expenses and the resulting need for more tax revenue, strong sustained growth in Portland real market values (RMV) over the last several years has driven the FPDR RMV property tax levy down in each of the last five years. The rate currently sits at \$1.09 for FY 2018-19 and is expected to decrease again to \$1.08 for FY 2019-20.

Interagency revenue is expected to grow by 23.6%, or \$0.3 million, for FY 2019-20. This revenue category is mostly funds collected by the Police Bureau when sworn services are contracted out to third parties. In addition to wages and benefits, outside parties are charged an overhead rate for pension and disability costs, which is then passed on to FPDR. The pension overhead rate is equal to one of the PERS contribution rates; as those rates rise so does the overhead revenue collected. In addition, the Police Bureau expects to expand its capacity to take on third-party work in the coming year as it recovers from a staffing shortfall. More third-party work will also increase overhead revenue.

Finally, FY 2019-20 miscellaneous revenues are projected to be 71.3%, or \$0.8 million, higher than in FY 2018-19. This is entirely attributable to rising interest rates, which will generate more interest income on the FPDR fund balance.

	Actual FY 2016-17	Actual FY 2017-18	Revised FY 2018-19	Requested No DP FY 2019-20	Requested FY 2019-20	Proposed FY 2019-20
Resources						
Total External Revenues	0	0	0	0	0	0
Fund Transfers - Revenue	0	0	750,000	750,000	750,000	
Total Internal Revenues	0	0	750,000	750,000	750,000	
Beginning Fund Balance	750,000	0	750,000	750,000	750,000	
Total Resources	750,000	0	1,500,000	1,500,000	1,500,000	
Requirements						
Total Bureau Expenditures	0	0	0	0	0	0
Fund Transfers - Expense	0	0	750,000	750,000	750,000	
Total Fund Expenditures	0	0	750,000	750,000	750,000	
Ending Fund Balance	750,000	0	750,000	750,000	750,000	
Total Requirements	750,000	0	1,500,000	1,500,000	1,500,000	

Fund Overview

The Fire & Police Disability & Retirement (FPDR) Reserve Fund was established by City Charter and is to be maintained in the amount of \$750,000. The fund is for use only in the event the FPDR Fund becomes depleted to the extent that current obligations cannot be met. Interest income on the \$750,000 is booked directly to the FPDR Fund.

Managing Agency

Bureau of Fire & Police Disability & Retirement

C3 - Capital Improvement Plan Summaries

Run Date: 2/4/19

Capital Improvement Plan

Run Time: 9:32:33 AM

Project Name	Prior Year CIP	2018-19 Revised Budget	2020 Request	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate	5-Year Total
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Fire & Police Disability & Ret

Maintenance and Reliability

Database Capital Improvements

New Project: NO

Total Project Cost: Ongoing

Area: Citywide

Confidence Level: High

Original Project Cost: 412,250

Objective: Replacement

Project Description

The rebuild of Fire & Police Disability & Retirement's (FPDR) FoxPro database in SQL server was completed in FY 2012-13. The database is used to make all FPDR benefit payments and to track member and beneficiary information. All expenses charged to this project in FY 2013-14 and beyond are for capital improvements to the new database. Capital expenses are estimated at \$50,000 in FY 2019-20 while a new module for pension estimating is added. For the remainder of the forecast period more modest capital improvements are planned, with an estimated cost of approximately \$25,000 per year.

Revenue Source(s)

The funding source for this project is the dedicated FPDR property tax levy.

Total Requirements	108,482	42,850	50,000	22,730	23,410	24,115	24,835	145,090
Operating and Maintenance Costs	0	0	0	0	0	0	0	0

Administration & Support

Program Description & Goals

This program provides the general administrative and support services that the bureau requires to fulfill its mission. FPDR strives to keep administrative costs low. Administration & Support spending has hovered between 1% and 2% of bureau expenditures in recent years, a trend expected to continue in the short run. As bureau spending grows - the inevitable result of funding two generations of pensions simultaneously - the percent may decrease even if administrative spending increases. Since the number of covered employees and retirees should remain relatively constant, administrative costs per plan participant can be viewed as a more stable measure of administrative spending. This cost is increasing by just 1.46% for next year, less than general inflation.

Measure Title	PM 2016-17 Actuals	PM 2017-18 Actuals	PM 2018-19 YTD Actual	PM 2019-20 Target	Strategic Target
Administrative cost as a percentage of bureau budget	1.00%	1.49%	1.74%	1.65%	1.52%
FPDR tax levy rate (per \$1,000 of Real Market Value)	\$1.14	\$1.13	\$1.09	\$1.08	\$1.24
Administrative Spending Per Participant	\$594	\$601	\$713	\$723	\$833
Percent of Pension Recipients Who are Paperless	0	36%	37%	39%	48%

Explanation of Services

The Administration & Support program provides executive-level guidance, financial analysis and planning, human resource and payroll services, information technology support, legal services, and office management for the bureau as a whole. The purpose of the program is to maximize efficiencies and outcomes for the bureau's pension and disability benefit programs.

Equity Impacts

Not applicable as FPDR does not directly serve the public. The Administration & Support program provides administrative and financial services for the pension and disability programs. Those programs in turn serve only sworn employees, retirees, and beneficiaries, whose composition is not controlled by FPDR.

Changes to Program

No recent changes have been made to this program and no future changes are contemplated.

Program Budget

	2016-17 Actuals	2017-18 Actuals	2019 Revised Budget	2019-20 Request - V52 -No DP
Bureau Expense				
Capital Outlay	0	0	0	50,000
External Materials and Services	0	0	0	659,615
Internal Materials and Services	0	0	0	668,791
Personnel	0	0	0	1,336,175
Fund Expense				
Contingency	0	0	0	11,510,000
Debt Service	0	0	0	54,206,581
Fund Transfers - Expense	0	0	0	1,644,893
Ending Fund Balance	0	0	0	750,000
Sum:	0	0	0	70,826,055
	2016-17 Actuals	2017-18 Actuals	2019 Revised Budget	2019-20 Request - V52 -No DP
FTE	0	0	0	8
Sum:	0	0	0	8

Resources: All bureau revenues are booked to the Administration & Support program, 98% of which derive from FPDR's dedicated property tax levy. The levy is a very stable resource. The current levy rate is \$1.09 per \$1,000 of real market value, well below the \$2.80 cap imposed by City Charter. The most recent independent levy analysis calculated a probability of exceeding the cap over the next 20 years of less than one percent. FPDR's two largest secondary revenues are interest income on fund balance and pension and disability overhead charges assessed when third parties contract for Police or Fire services. These revenue sources are more volatile and move with interest rates, fund balance, demand for third-party sworn work and the bureaus' capacity to meet that demand, and pay and overhead rate levels. Very minor revenues include subrogation revenue when third parties are at fault in disability claims, medical payment refunds, divorce-related pension division fees, and repayment of interim disability benefits when claims are denied.

Expenses: Administration & Support expenses include some personnel costs, materials and services costs related to overall bureau operations, and capital costs for occasional upgrades to the FPDR database. As opposed to other bureau programs, some Administration & Support expenses are discretionary, such as the education and office supply budgets. However, other are not, such as the financial audit or technology services, whose costs are set centrally by other City bureaus or Citywide contracts.

Staffing: Eight FTE are dedicated to this program: the Bureau Director, a Manager I, a Business Systems Analyst III, two Financial Analyst IIs, a Legal Assistant, an Administrative Specialist II and an Office Support Specialist II. In FY 2016-17 a part-time Senior Financial Analyst was reclassified to a full-time Management Analyst. (The position was subsequently classified as a Financial Analyst II in the nonrepresented classification study in 2018). There have been no other changes to staffing over the last five years and no future staffing changes are planned.

Assets and Liabilities: This program has one intangible capital asset, the FPDR database, and no liabilities. The database is used to make all FPDR benefit payments and to track general member and beneficiary information. The database is in its seventh year of use and is being depreciated over ten years. However, FPDR expects the database to be in service for longer than three additional years, as the system continues to function well and major technological changes are not currently necessary. FPDR budgets for annual maintenance and periodic upgrades to functionality, but replacement reserves have been deemed unnecessary. Even a complete replacement would be a minor cost in the context of FPDR's overall budget, likely less than one-half of one percent of annual bureau expenditure).

Program Information

Bureau: Bureau of Fire & Police Disability & R **Program Contact:** Stacy Jones

Website: www.portlandoregon.gov/fpdr **Contact Phone** 503-823-2609

Disability and Death Benefits

Program Description & Goals

This program provides service and nonservice disability benefits for sworn employees and retirees of the Fire and Police Bureaus (FPDR One, Two, and Three members), pre-retirement death benefits for surviving spouses or minor children, and funeral benefits. The goals of the program are to make disability claim decisions quickly and in compliance with the City Charter, to help sworn employees return to work whenever possible, and to make disability payments accurately and on time. The percent of disability claim decisions reached within 60 days has remained above 90% for the last several years. The number of disability claims filed, as well as the number of members on either short- or long-term disability, has also remained steady.

Measure Title	PM 2016-17 Actuals	PM 2017-18 Actuals	PM 2018-19 YTD Actual	PM 2019-20 Target	Strategic Target
Number of members on short-term disability	244	282	282	282	282
Number of medical bills	3,996	3,704	3,724	3,724	3,724
Number of long-term disability recipients	37	35	37	37	38
Percentage of disability claims decisions in 60 days	93%	91%	92%	92%	92%
Number of disability claims filed	342	327	335	335	335
Percentage of workforce on disability at June 30	3%	4%	4%	4%	4%

Explanation of Services

The purpose of this program is to provide a service disability benefit program, in lieu of a workers' compensation program, for sworn City employees, as well as additional disability benefits for nonservice injuries or illnesses. This program provides claim adjudication, medical and vocational rehabilitation benefits, wage replacement payments to members who cannot work, and wage subsidy payments to the Police and Fire bureaus while members are on disability-related modified duty. The program also makes benefit payments to survivors when sworn employees die before retirement, and funeral benefit payments when employees or retirees die.

Equity Impacts

Not applicable as FPDR does not directly serve the public. The disability and death program serves only sworn employees and retirees, whose composition is based on the hiring of the Fire and Police Bureaus.

Changes to Program

This program continues to see growth in postretirement disability benefits, which cover medical costs for disabilities approved before retirement. Until 2007, only members who were on disability until retirement were eligible for postretirement medical benefits for their approved disability claims. Now, all members who retired in 2007 or later are eligible for these benefits. This has resulted in higher costs and caseloads for this benefit type.

Program Budget

	2016-17 Actuals	2017-18 Actuals	2019 Revised Budget	2019-20 Request - V52 -No DP
Bureau Expense				
External Materials and Services	0	0	0	6,880,092
Internal Materials and Services	0	0	0	458,600
Personnel	0	0	0	1,023,537
Sum:	0	0	0	8,362,229

	2016-17 Actuals	2017-18 Actuals	2019 Revised Budget	2019-20 Request - V52 -No DP
FTE	0	0	0	8
Sum:	0	0	0	8

Resources: All FPDR programs, including the disability program, are funded primarily with revenues from the dedicated FPDR property tax levy. This program also receives some subrogation revenue from third parties at fault for injuries to sworn employees. All revenues are booked to the Administration & Support program.

Expenses: In addition to the personnel costs associated with the eight employees engaged in direct disability program delivery, this program's expenses include wage replacement and wage subsidies for members on disability, medical costs, vocational rehabilitation expenses, pre-retirement death survivor benefits, and funeral benefits. Some administrative expenses of the program (such as claims investigation services) are currently booked to the Administration & Support program. Most disability expenses are nondiscretionary and derive from plan benefits defined in City Charter. Disability expenses are most impacted by wage inflation, medical cost inflation, and the number and severity of disability claims.

Staffing: Eight FTE are dedicated to this program: a Manager I, three Analyst IIs, one Analyst I, one Accountant II, one Claims Technician and one Assistant Claims Technician. Last year, a Workers Compensation Analyst position was reclassified to a Senior Workers Compensation Analyst. (The position was subsequently classified as an Analyst II in the nonrepresented classification study.) No future staffing changes are contemplated for this program.

Assets and Liabilities: The disability program has no assets or liabilities.

Program Information

Bureau: Bureau of Fire & Police Disability & R **Program Contact:** Kimberly Mitchell

Website: www.portlandoregon.gov/fpdr **Contact Phone** 503-823-3071

Pension Benefits

Program Description & Goals

This program provides monthly pension benefits to sworn retirees hired before January 1, 2007 (FPDR One and FPDR Two members), and their survivors and alternate payees. In addition to paying all beneficiaries accurately, on time, and in compliance with the City Charter and state and federal laws, this program strives to provide active duty members with retirement counseling and accurate pension estimates. The percent of members receiving a final pension benefit that is at least 99% of the most recent estimate given them declined from 100% to 95% last year, but is still within FPDR's target. The percent of members who are within two years of retirement eligibility and have received an updated pension estimate rose to 73% last year.

Measure Title	PM 2016-17 Actuals	PM 2017-18 Actuals	PM 2018-19 YTD Actual	PM 2019-20 Target	Strategic Target
Number of FPDR 2 retirements from active service	57	52	58	50	64
Number of pension estimates	397	331	397	397	397
Number of Fire & Police Disability & Retirement 1 and 2 pension recipients	2,018	2,059	2,101	2,132	2,276
Number of pre-retirement workshop participants	126	110	156	156	156
Percentage of members whose final pay was 99% or more of last estimate	100%	95%	95%	95%	95%
Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	62%	73%	73%	73%	73%
Median Days to Prepare a Pension Estimate	0	0	6	6	6

Explanation of Services

The purpose of this program is to pay retirement benefits to sworn Police and Fire employees, an important component of their overall compensation. The program provides monthly pension payroll services for members, surviving spouses or minor children after a member dies, and alternate payees (former spouses where directed by a court). This includes calculation of pension benefits at retirement, federal and Oregon income tax withholding and reporting, insurance premium and child support withholding, annual COLA increases, eligibility screening for and calculation of an additional pension benefit to offset Oregon tax liability for some members, and monitoring to ensure payments stop when beneficiaries die. This program also provides pre-retirement education and services, including quarterly retirement workshops, retirement education videos and written materials, and pension estimate calculations.

Equity Impacts

Not applicable as FPDR does not directly serve the public. The pension program serves only sworn employees and retirees, whose composition is based on the hiring of the Fire and Police Bureaus, and their beneficiaries.

Changes to Program

This program serves more beneficiaries each year as FPDR Two member retirements continue to outstrip FPDR One deaths. The pension program has also provided an unusually high number of pension estimates in the last several years. For the ten years prior to FY 2015-16, FPDR calculated an average of 240 pension estimates each year. That number has risen to between 331 and 424 estimates per year. FPDR is completing a new pension estimate module for its database to automate as much of the estimate calculation process as possible. Workshop attendance has also increased, from 25 to 50 per year before FY 2015-16, to 100 to 200 per year since.

Program Budget

	2016-17 Actuals	2017-18 Actuals	2019 Revised Budget	2019-20 Request - V52 -No DP
Bureau Expense				
External Materials and Services	0	0	0	131,265,000
Personnel	0	0	0	135,088
Sum:	0	0	0	131,400,088
	2016-17 Actuals	2017-18 Actuals	2019 Revised Budget	2019-20 Request - V52 -No DP
FTE	0	0	0	1
Sum:	0	0	0	1

Resources: All FPDR programs, including the pension program, are funded primarily with revenues from the dedicated FPDR property tax levy. This program also receives fees from divorce-related pension divisions. All revenues are booked to the Administration & Support program.

Expenses: This program's expenses include direct monthly pension payments and personnel costs for the one employee solely dedicated to this program. Some administrative expenses of the program (such as the death audit service) are currently booked to the Administration & Support program. Monthly pension costs are nondiscretionary and derive from plan benefits defined in City Charter and federal and state law. Pension expenses are impacted by the number of new retirements, wage increases for active employees, COLA increases awarded to existing retirees by the FPDR Board, beneficiary longevity, and a variety of other factors.

Staffing: One FTE is dedicated to this program, an Analyst I. Program staffing has been stable for the last five years and no changes are planned.

Assets and Liabilities: Unlike most pension plans, FPDR is funded on a pay-as-you-go basis with no long-term investment assets. Pension program assets are limited to fund balance, which is projected to be \$17.5 million on July 1, 2019. The long-term liability of the entire FPDR plan is \$3.3 billion, but this includes some disability plan liabilities.

Program Information

Bureau: Bureau of Fire & Police Disability & R **Program Contact:** Stacy Jones
Website: www.portlandoregon.gov/fpdr **Contact Phone:** 503-823-2609

Sworn PERS Contributions

Program Description & Goals

This program reimburses the Police and Fire Bureaus for the contributions they make to the Oregon Public Employees Retirement System (PERS) on behalf of sworn employees hired after 2006. Expenses are determined by the number of those employees, their pay, and PERS contribution rates. The number of employees for whom FPDR makes contributions is expected to be 760 in FY 2019-20 and grow to over 1,000 within five years. The bureau's goal is to verify all contributions so reimbursements are accurate, and to remit payment to the Police and Fire Bureaus in a timely manner.

Measure Title	PM 2016-17 Actuals	PM 2017-18 Actuals	PM 2018-19 YTD Actual	PM 2019-20 Target	Strategic Target
Percent of workforce who are FPDR 3	35%	39%	44%	48%	63%
Number of active employees in FPDR 3	535	603	676	760	1,020

Explanation of Services

This program processes bills for sworn PERS contributions prepared by the Fire and Police Bureaus. After verifying employees and contribution amounts, the program sends reimbursement to the bureaus through the City's accounting system.

Equity Impacts

Not applicable as the Sworn PERS Contributions program is an internal service program that reimburses the Police and Fire Bureaus for PERS costs.

Changes to Program

There have been no changes to program operations in the last five years, and none are planned for the future. However, this is FPDR's fastest growing program in terms of expense. In addition to increasing costs attributable to growing PERS rates and wages, expenses increase as employees hired after 2006 make up a greater proportion of the sworn workforce. These employees now comprise 39% of the sworn workforce.

Program Budget

	2016-17 Actuals	2017-18 Actuals	2019 Revised Budget	2019-20 Request - V52 -No DP
Bureau Expense				
Internal Materials and Services	0	0	0	21,950,000
Sum:	0	0	0	21,950,000

Resources: All FPDR programs, including the Sworn PERS Contributions program, are funded primarily with revenues from the dedicated FPDR property tax levy. This program receives no other revenues.

Expenses: This program's expenses are made up exclusively of PERS contributions made on behalf of sworn employees hired after 2006. They are fixed by external parameters: the number of sworn employees hired after 2006, their pay, and PERS contribution rates.

Staffing: No FTE are dedicated exclusively to this program. The Financial Analyst IIs assigned to the Administration & Support program verify PERS contribution expenses and remit payment to the Fire and Police Bureaus.

Assets and Liabilities: This program has no assets or liabilities. The portion of the City of Portland's unfunded actuarial liability with the PERS system attributable to Fire and Police employees is booked as a liability to the Fire and Police Bureaus within the City's General Fund.

Program Information

Bureau: Bureau of Fire & Police Disability & R **Program Contact:** Stacy Jones

Website: www.portlandoregon.gov/fpdr **Contact Phone** 503-823-2609

City of Portland
Bureau of Fire & Police Disability & Retirement
Performance Measures

Run Date: 1/29/19
Run Time: 1:19:18 PM

Performance Measure	KPM	Measure Type Name	FY 2016-17 Actuals	FY 2017-18 Actuals	FY 2018-19 YTD Actuals	FY 2019-20 Target	Strategic Target
DR_0002 Administrative cost as a percentage of bureau budget	YES	KPM	1.00%	1.49%	1.74%	1.65%	1.52%
DR_0003 Number of FPDR 2 retirements from active service	YES	KPM	57	52	58	50	64
DR_0004 Number of pension estimates	NO	WORKLOAD	397	331	397	397	397
DR_0005 Number of Fire & Police Disability & Retirement 1 and 2 pension recipients	NO	WORKLOAD	2,018	2,059	2,101	2,132	2,276
DR_0006 Number of pre-retirement workshop participants	NO	WORKLOAD	126	110	156	156	156
DR_0011 Number of members on short-term disability	NO	WORKLOAD	244	282	282	282	282
DR_0012 Number of medical bills	NO	WORKLOAD	3,996	3,704	3,724	3,724	3,724
DR_0013 Number of long-term disability recipients	NO	WORKLOAD	37	35	37	37	38
DR_0021 Percentage of disability claims decisions in 60 days	NO	EFFICIENCY	93%	91%	92%	92%	92%
DR_0023 Percentage of members whose final pay was 99% or more of last estimate	NO	OUTCOME	100%	95%	95%	95%	95%
DR_0024 Number of disability claims filed	YES	KPM	342	327	335	335	335
DR_0025 Percent of workforce who are FPDR 3	YES	KPM	35%	39%	44%	48%	63%
DR_0026 FPDR tax levy rate (per \$1,000 of Real Market Value)	YES	KPM	\$1.14	\$1.13	\$1.09	\$1.08	\$1.24
DR_0027 Percentage of workforce on disability at June 30	YES	KPM	3%	4%	4%	4%	4%
DR_0028 Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last	NO	OUTPUT	62%	73%	73%	73%	73%
DR_0029 Administrative Spending Per Participant	NO	EFFICIENCY	\$594	\$601	\$713	\$723	\$833
DR_0030 Percent of Pension Recipients Who are Paperless	NO	EFFICIENCY	0	36%	37%	39%	48%
DR_0031 Number of active employees in FPDR 3	NO	WORKLOAD	535	603	676	760	1,020
DR_0032 Medan Days to Prepare a Pension Estimate	NO	EFFICIENCY	0	0	6	6	6



Fire and Police Disability and Retirement City of Portland

Five-Year Forecast

FYE2020-24

Five-Year Forecast Summary (\$ Millions)									
	FYE18 Actuals	FYE19 Budget	FYE19 Projection	FYE20 Budget	FYE21 Forecast	FYE22 Forecast	FYE23 Forecast	FYE24 Forecast	FYE19 Project- FYE24 Change
Resources									
Property Taxes	\$142.49	\$151.44	\$154.70	\$156.34	\$174.78	\$187.09	\$198.98	\$213.33	37.9%
Tax Anticipation Notes	36.23	57.70	36.53	52.90	60.40	64.70	68.80	73.80	102.1%
Miscellaneous	2.69	2.43	2.88	3.55	4.17	4.63	4.85	5.32	84.8%
Cash Transfers	-	0.75	-	0.75	0.75	0.75	0.75	0.75	N/A
Beginning Fund Balance	9.79	12.18	11.85	17.49	11.51	12.35	13.24	14.08	18.8%
Total Resources	\$191.20	\$224.51	\$205.96	\$231.04	\$251.61	\$269.53	\$286.62	\$307.28	49.2%
Requirements									
Retirement Benefits	\$132.93	\$143.21	\$140.53	\$153.22	\$164.93	\$177.00	\$188.65	\$202.58	44.1%
Disability & Death Benefits	6.05	7.28	6.87	7.18	7.34	7.61	7.82	8.14	18.5%
Administration & Delivery	3.57	3.72	3.73	4.03	4.18	4.46	4.64	4.92	31.9%
Fund-Level Requirements	36.79	70.29	37.33	66.61	75.16	80.45	85.50	91.64	145.5%
Ending Fund Balance	11.85	-	17.49	-	-	-	-	-	N/A
Total Requirements	\$191.20	\$224.51	\$205.96	\$231.04	\$251.61	\$269.53	\$286.62	\$307.28	49.2%
Total Net of TANs	\$154.97	\$166.81	\$169.43	\$178.14	\$191.21	\$204.83	\$217.82	\$233.48	37.8%

The Bureau of Fire & Police Disability & Retirement (FPDR) administers a defined benefit retirement plan for sworn members of the Portland Police Bureau (Police) and Portland Fire & Rescue (Fire) hired before 2007 (FPDR One and Two members), as well as a disability plan for all sworn members with at least six months of service. These benefits are defined in Chapter 5 of the City of Portland's Charter, which serves as FPDR's legal plan document. Fire and Police employees sworn after December 31, 2006 are enrolled in the Oregon Public Employee Retirement System (PERS) pension plan. In addition to paying for its own plan benefits, the FPDR Fund pays the PERS contributions on behalf of those employees by reimbursing the Fire and Police Bureaus for PERS expenses. This means the FPDR Fund is financing two generations of pensions simultaneously, with pay-as-you-go pension payments to FPDR One and FPDR Two members during their retirement years and prefunded pension contributions for FPDR Three members during their working lives. As this transition is phased in, FPDR costs will grow far in excess of inflation. Expenses are projected to peak in the early 2030s when the entire sworn workforce is comprised of FPDR Three members and most FPDR Two retirees are still living. After this point, mortality in the FPDR Two population will begin to reduce costs.

FPDR is funded almost exclusively from a dedicated property tax levy. Smaller sources of income include interest earnings on fund balance, a pension and disability overhead charge on contracted Police and Fire work (passed through the Police and Fire Bureaus), subrogation revenue on disability claims, and – if needed – a transfer from the FPDR Reserve Fund. Non-property tax revenues total \$4.3 million in the FYE20 budget and \$26.3 million for the FYE20-24 forecast. The remainder of resources needed to fund the expenditures discussed below derive from property taxes.

FPDR's dedicated property tax levy is capped by the City Charter at \$2.80 per \$1,000 of real market value (RMV). The current RMV rate is \$1.09, and is expected to rise to \$1.24 by the end of the five-year forecast period. In concert with the legally required biannual plan valuation, FPDR contracts with an independent actuarial firm to model the RMV tax rate over a 20-year period. The most recent analysis, using data as of June 30, 2018, predicts an approximately 1% probability that the \$2.80 cap will be insufficient to fund FPDR spending in any year between now and FYE38.

Total budgeted bureau expenditures for FYE20 are \$164.4 million. Additional fund-level requirements (primarily contingency, tax anticipation note repayment, and General Fund overhead payments) total \$66.6 million, for total FYE20 requirements of \$231.0 million. For the FYE20 budget, 77.7% of requirements are dedicated to FPDR plan benefits, 12.3% to PERS contributions made on behalf of members hired after December 31, 2006, 2.2% to program administration, and 7.7% to fund-level requirements. Net of tax anticipation notes, which are issued and repaid within the same fiscal year and whose inclusion therefore inflates the size of

the budget, FYE20 bureau requirements are \$178.1 million. Over the five-year forecast extending through FYE24, total bureau expenses are estimated at \$946.7 million and total requirements are projected to be \$1,346.1 million (\$1.3461 billion).



Revenue Assumptions

Approximately 98% of bureau resources derive from the dedicated FPDR property tax levy. Interest income, subrogation revenue, overpayment collections, and revenue from an FPDR overhead charge assessed when third parties contract with the Police and Fire Bureaus for sworn services make up the remainder. Since property taxes must fund nearly all FPDR expenses, generally tax revenues increase in step with those expenses. However, FYE20 property tax revenue is budgeted at \$156.3 million, which is just a \$1.6 million (1.1%) increase over expected collections for the current year, less than overall expenditure growth (8.8%). This is because an unusually large ending fund balance is projected for the current fiscal year. FPDR expects to end FYE19 with \$17.5 million, about \$6.7 million more than originally anticipated. Most of the additional funds derive from a one-time \$3.0 M prior year property tax payment from Comcast, plus an estimated \$2.7 million in underspending in the pension budget. By FYE24, annual tax collections are expected to rise to \$213.3 million – an increase of 37.9% over the life of the forecast – to meet growing benefit expenses.

FPDR must levy more taxes than are actually required, since not all taxes will actually be collected due to discounts, delinquencies, and compression under Measure 5/50 tax limits. FPDR relies on the City Economist to calculate an amount that will offset these losses. In FYE20 the tax levy will be “grossed up” by 8.9% to ensure the levy produces \$154.2 in current year tax revenues. Property tax assumptions for the life of the forecast are below.

	FYE19	FYE20	FYE21	FYE22	FYE23	FYE24
RMV Growth	7.5%	5.0%	4.5%	4.5%	4.5%	4.5%
AV Growth	3.3%	3.5%	3.2%	3.0%	3.0%	3.0%
Compression	-4.5%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%
Discounts/Delinquencies	-4.2%	-4.3%	-4.3%	-4.3%	-4.4%	-4.3%
RMV Total (\$Thousands)	\$149,692,154	\$155,183,531	\$162,166,789	\$169,464,295	\$177,090,188	\$185,059,247
AV Total (\$Thousands)	\$60,504,574	\$62,622,234	\$64,626,145	\$66,564,930	\$68,561,878	\$70,618,734
Current Year Taxes Required	\$149,342,839	\$154,243,417	\$172,684,019	\$184,990,416	\$196,882,926	\$211,230,222
Discounts/Delinquency Loss	\$6,547,390	\$6,991,862	\$7,784,009	\$8,369,976	\$9,030,252	\$9,520,459
Taxes Imposed	\$155,890,229	\$161,235,279	\$180,468,028	\$193,360,392	\$205,913,178	\$220,750,681
Compression Loss	\$7,318,598	\$6,718,137	\$7,519,501	\$8,056,683	\$8,579,716	\$9,197,945
Taxes Extended	\$163,208,827	\$167,953,415	\$187,987,529	\$201,417,075	\$214,492,894	\$229,948,626
AV Tax Rate	\$2.70	\$2.68	\$2.91	\$3.03	\$3.13	\$3.26
Effective RMV Tax Rate	\$1.09	\$1.08	\$1.16	\$1.19	\$1.21	\$1.24

Interest income on the FPDR fund balance is projected to rise to \$1.84 million for FYE20, a 26.0% increase, and to \$2.9 million by the end of the forecast period (which would be nearly double current interest earnings). This projection is based on the City Investment Officer's most recent interest rate forecast, which assumes interest rates rise to 2.45% for FYE20 and then to 2.85% for FYE21 and beyond. It also assumes that FPDR's average daily fund balance continues to increase as fund expenditures grow.

When police officer or fire fighter services are contracted out to third parties – most notably TriMet – the third party reimburses the City for wages and benefits, but also an FPDR overhead rate intended to compensate for pension and disability benefits. The pension rate charged is the current PERS sworn contribution rate for the Oregon Public System Retirement Program (OPSRP) tier. The disability rate charged is a rolling three-year average of FPDR service-connected disability expenses divided by sworn payroll. Overhead charges therefore move in relation to increases in these rates; wage growth; and the amount of third-party work performed by the Police and Fire bureaus. For FYE20 FPDR expects this revenue to increase 22.4% to \$1.59 million. This is partly because of increases in PERS contribution rates and wages. But the projection also assumes third-party work rebounds from the lower levels seen in the last two years. Sworn vacancies at the Police Bureau have reduced the bureau's capacity for third-party work, but as Police deploys many of the 86 officers hired over the last 18 months contracted work is expected to increase. After the bump in FYE20, this revenue is projected to increase only with growth in PERS rates and wages.

Other minor revenues are subrogation, received when third parties with the ability to pay are at fault in disability claims; recovery of benefit overpayments; vendor refunds; and various very small miscellaneous revenues. For the most part, these revenues are projected to simply grow with inflation.

Revenue Risks to Forecast

The primary revenue risk to the forecast is that property tax compression, discount, or delinquency assumptions are too low, which would lead to under-collection of property tax revenues. Since FPDR is almost entirely dependent on property tax revenues to cover its expenses, a significant shortfall in this area would necessitate unplanned short-term borrowing, either from capital markets or another City fund. Such a shortfall would also negatively impact interest income. Risks in revenue categories other than property taxes are not significant for the forecast as a whole. FPDR maintains enough in annual fund contingency to cover the loss of all other revenues if necessary.

Expenditure Assumptions

Of the \$946.7 million in bureau expenditures during the forecast period, 98% are nondiscretionary plan benefits mandated by City Charter. Plan benefits fall into three categories: pension benefits, disability benefits and death benefits. Of the three, pension benefits are by far the largest, and come in two forms: FPDR Plan pension payments to FPDR One and FPDR Two beneficiaries, and contributions to the PERS Plan to prefund PERS pensions for FPDR Three members. The most significant assumptions underlying the expenditure forecast are listed in the tables below.

Inflation Assumptions					
	FYE20	FYE21	FYE22	FYE23	FYE24
Wages (CPI-West)	4.0%	3.3%	2.8%	2.7%	2.7%
Medical	4.0%	4.0%	4.0%	4.0%	4.0%
PERS Contribution Rates					
Tier 1 & Tier 2*	27.86%	27.86%	33.00%	33.00%	40.00%
OPSRP General*	21.53%	21.53%	27.00%	27.00%	33.00%
OPSRP Public Safety*	29.16%	29.16%	34.00%	34.00%	38.00%
External Materials & Services	3.6%	2.6%	2.6%	2.6%	2.6%
Internal Materials & Services	3.1%	2.7%	2.7%	2.7%	2.7%
*Includes 9% Individual Account Program "pick up" for OPSRP Public Safety and 6% for Tier I/II/OPSRP General					

Other Assumptions					
	FYE20	FYE21	FYE22	FYE23	FYE24
FPDR 2 Service Retirements	50	52	51	53	64
Deaths, Members & Beneficiaries	61	60	62	59	59
Pension COLAs					
FPDR 1, Fire	4.00%	3.30%	2.80%	2.70%	2.70%
FPDR 1, Police	7.12%	3.30%	2.80%	2.70%	2.70%
FPDR 2, Average Among Members	1.98%	1.97%	1.96%	1.96%	1.95%
Percent of Sworn Workforce, FPDR 3	46.8%	50.4%	54.1%	57.5%	60.2%
Bureau Hiring Projections					
Fire Bureau	24	-	12	12	24
Police Bureau	50	70	45	40	40

Direct Pension Benefits

The most significant assumptions underlying the forecast for FPDR One and Two pension payments relate to retirement rates, death rates, pension amounts for new retirees, and annual cost-of-living adjustments for existing retirees. Retirement rate and timing assumptions are based on actuarial probabilities developed during a FYE09-13 experience study of the FPDR Plan. Each retirement-eligible member is assigned a retirement probability in each year of the forecast, based on their age and years of service. Death rate and timing assumptions are based on mortality data through June 30, 2016 from the larger pool of sworn PERS retirees; a death probability is assigned to each beneficiary in each year of the forecast based on this data. It is assumed that 80% of retirees are married at death, for purposes of forecasting benefits for surviving spouses. Pension amounts for new retirees are based on averages of the actual pay and years of service in the pool of retirement-eligible members, as well as a historical average for the accrual rate. (The accrual rate is the third component of the pension formula, and determines the surviving spouse benefit at the member's death.) Annual retiree COLAs are projected based on the methodology the FPDR Board has approved for the last three years, which results in an average COLA of 1.98% in FYE20, declining to 1.95% by FYE23.

PERS Contributions

The PERS contribution budget depends on the number of working FPDR 3 members, their pay levels, and PERS contribution rates. The number of current FPDR 3 members is known, but the total projected number over the forecast period is reliant on hiring projections. This forecast assumes the Police Bureau hires 50 new officers in FYE20 and 70 in FYE21, a fairly high rate as the bureau continues to fill vacancies created by turnover and retirements over the last several years, as well as the addition of approximately 50 new sworn positions in the current fiscal year. The forecast assumes the Police Bureau hires 245 officers over the life of the entire forecast. The Fire Bureau is projected to hire at their typical rate, with 24 new fire fighters in FYE20 and 72 over the five-year forecast period. Hiring projections are based partly on actuarially predicted retirement rates and partly on bureau staffing plans, and are developed in

close consultation with the Police and Fire Bureaus. Actual hiring rates will vary based on actual retirements, the Fire and Police Bureaus' capacity to hire and train new hires, the success of bureau recruitment efforts, and the state of the overall employment market.

Sworn pay is budgeted to increase only with annual COLAs, which are in turn derived from the City Economist's forecast of the Consumer Price Index for the West Region (CPI-West). Overtime rates, the percent of employees with premium/specialty pays, and the overall size and distribution of the sworn workforce are presumed to remain the same over the forecast period.

PERS contribution rates for the public safety OPSRP tier – the tier FPDR 3 members participate in – are set biannually. The rate is 29.16% for FYE20 and FYE21. After that the rate is estimated. This forecast uses the City Economist's projection of 34.00% for FYE22 and FYE23 and 38.00% for FYE24.

Disability Benefits

Disability benefits are comprised of wage replacement while members are unable to work; medical costs; vocational rehabilitation expenses; wage subsidies to incentivize the Police and Fire Bureaus to keep members working in modified duty positions when possible; and funeral benefits. The two most important assumptions in costing disability benefits are wage growth and medical inflation. As discussed above the forecast assumes wage growth is limited to annual COLAs, projected with the City Economist's forecast of the CPI-West. Medical inflation is estimated at 4% for the life of the forecast, based on average inflation in the medical care component of the CPI-West for the last five years, plus an additional cushion of 1%. The forecast assumes that all members currently on long-term disability continue in that status until retirement, and that additional members suffer long-term disability at rates developed during the FYE09-FYE13 plan experience study (approximately 2.5 new members per year). For short-term disability costs, the forecast assumes that the number of claims – both overall and for large claims – remains steady, and that the job classifications of members receiving temporary disability payments has a profile similar to FYE19.

Administrative Expenses

The largest component of administrative expenses is personnel costs. The personnel budget assumes a 4.0% wage COLA on July 1, 2019 and annual COLAs of 2.7% to 3.3% thereafter, based on the City Economist's forecast of the CPI-West. It also assumes annual 4.0% increases in employee health benefit costs for the forecast period, likewise based on the City Economist's forecast for health benefit cost increases. FPDR has 17 employees, 13 nonrepresented and 4 represented (by the District Council of Trade Unions). The personnel forecast is unusually low confidence because of a new Oregon pay equity law and a new City classification/compensation structure and merit raise system for nonrepresented employees. For nonrepresented positions, future merit raises, hiring salaries, and potential future pay equity adjustments and/or red circling are all unknown. Partly to be conservative and partly

because of this uncertainty, the forecast assumes the maximum annual merit raise for all nonrepresented employees (4.1%) until they reach the top salary for their new job classification, as well as a generous hiring rate for a currently vacant nonrepresented position. The budget also reflects pay increases awarded in the middle of the current fiscal year to two nonrepresented employees when the pay equity law was implemented. Finally, the forecast includes mandatory step increases for represented employees where appropriate.

Spending on external materials and services is generally projected to grow by 3.6% for FYE20 and 2.6% for FYE21-24, again based on inflation factors provided by the City Economist. Some line items, such as office rent, are adjusted for specific contracts or other known circumstances. The internal materials and service (IMS) budget assumes no changes in services provided by other City bureaus to FPDR. IMS rates, which are generally set by the bureau providing the service or product (within certain constraints), are known for FYE20. Rates are assumed to grow by 2.6% to 3.1% over the life of the forecast. Capital spending is limited to upgrades to FPDR's database, which is used to make all benefit payments and to track member and beneficiary information. The forecast assumes FYE20 capital spending at the same level as the current year (approximately \$50K) while a new pension estimating module is completed; beyond that capital database spending is expected to drop by approximately half and grow only with inflation.

The table below lists FYE18 actual costs, FYE19 projected costs, and the FYE20 recommended budget for each of FPDR's administrative expenses.

Administration & Delivery: Budget Detail				
	FYE18 Actuals	FYE19 Projection	FYE20 Budget	Change: FYE19 to FYE20
Personnel Services	\$2,114,365	\$2,222,491	\$2,494,800	12.3%
External Materials & Services				
Computer Consulting	37,000	64,049	68,015	6.2%
Legal Services	48,981	58,411	60,500	3.6%
Audit Services	27,700	28,819	29,900	3.8%
Actuarial Services	8,200	85,850	88,900	3.6%
Claims Investigation	171,634	148,959	154,300	3.6%
Other Professional Services	152,476	132,409	137,200	3.6%
Repair & Maint Services	2,617	3,193	3,300	3.4%
Miscellaneous Services	7,705	8,405	8,700	3.5%
Office/Computer Supplies	12,993	16,642	17,200	3.4%
Minor Equipment & Tools	1,993	1,061	1,100	3.7%
Education, Subscrip, Dues	10,960	13,081	13,600	4.0%
Travel - Local	889	536	600	\$0
Travel - Out of Town	2,210	5,325	5,500	3.3%
External Rent	189,796	216,664	224,500	3.6%
Miscellaneous	909	536	600	11.9%
Total External M&S	676,064	783,940	813,915	3.8%
Internal Materials & Services				
Printing & Distribution	37,903	43,755	42,226	-3.5%
Facilities Services/Fleet	3,870	1,747	1,564	-10.5%
Technology Services	189,385	153,883	160,440	4.3%
EBS Services	29,379	25,649	-	-100.0%
Risk Management	38,528	35,244	33,484	-5.0%
City Attorney	248,169	259,711	272,670	5.0%
Bureau of Revenue/Fin Svs	17,923	31,682	26,307	-17.0%
Fire & Police Bureaus	114,963	124,526	132,100	6.1%
Total Internal M&S	680,120	676,197	668,791	-1.1%
Capital	\$98,456	\$50,000	\$50,000	0.0%
Total Admin & Delivery	\$3,569,004	\$3,732,628	\$4,027,506	7.9%
Staff: Full-Time Equivalents (FTE)				17.00

Labor Contracts

The current Portland Fire Fighters Association (PFFA) contract expires on June 30, 2019, which means that changes in contract terms could impact FPDR benefits in the budget year as well as forecast outyears. Sworn pay increases result in FPDR benefit increases in nearly all categories: FPDR One retirees and beneficiaries receives annual pension COLAs equal to active duty wage increases; higher wages result in higher final pay and thus higher pensions for new FPDR Two retirees; and PERS contributions for FPDR Three members, disability payments to cover lost time from work, and FPDR Two and Three funeral benefits are all a percentage of current pay. This forecast assumes the new PFFA contract includes annual wage growth equal to the annual growth in the CPI-West, but additional wage increases above and beyond this level represent a risk to the forecast. In addition, any change to the contract that results in a larger sworn Fire workforce represents a risk to the forecast, as when fire fighters' scheduled work hours are reduced.

The Portland Police Association and Portland Police Commanding Officers Association contracts also expire during the forecast period, but not until June 30, 2020. This means new contract terms for these bargaining units are a risk for the forecast but not the budget year.

Retirement Rates

If more members retire than predicted, pension costs will be higher than forecast. However, there have been fewer retirements than budgeted in each of the last two years. That trend may continue if it is the result of lasting changes in retirement behavior - for example, if employees are choosing to work longer as life expectancy lengthens. On the other hand, it is possible that retirements have been suppressed in the last few years because of one-time or cyclical factors, such as contract uncertainty, the 27 pay date grievances and arbitration, fluctuations in the secondary employment market, and changes in Fire and Police Bureau leadership. If that is the case, FPDR may experience an unusually high number of retirements over the next few years as pent-up retirement demand is released. The relatively recent return of the 27 pay date pension calculation also adds uncertainty to the pension budget. There have only been two 27 pay date months since that calculation was made available again, and FPDR has insufficient data to predict how many members will chose to retire in 27 pay date months going forward. Given that uncertainty, the forecast assumes all retirements occur in 27 pay date months.

A lower death rate than modeled for this forecast also represents a risk to the pension budget, but mortality patterns are fairly predictable when based on professionally and regularly adjusted mortality tables, as is the case with the FPDR forecast. Likewise, higher pension benefits for new retirees than budgeted – because of higher final pay or more years of service than assumed – is also a risk, but these can only vary within the known parameters of the pay and service years of retirement-eligible members, which limits the degree to which the budget could vary from actual experience.

Wage COLAs

As mentioned above, this forecast assumes annual increases in sworn pay equal to annual growth in the CPI-West. FPDR uses the City Economist's projection for this index; if that projection is too low the cost of nearly all FPDR benefits will be higher than forecast. Annual pension COLAs for FPDR Two retirees and beneficiaries are awarded by the FPDR Board at their discretion. The forecast assumes the Board chooses the same COLA methodology and timing as it has for the last three fiscal years. While the Board could choose a different approach, City Charter prohibits the Board from awarding a COLA above the maximum PERS COLA, which is set at 2%. Since the methodology assumed in the forecast results in an average annual COLA of 1.95% to 1.98% during the forecast period, there is limited upward financial exposure in this category of expense.

PERS Contribution Rates in Outyears

PERS contribution rates are known for FYE20 and FYE21, but rates in future years are based on the City Economist's projection as of November 2018. If actual rates for FYE22 and beyond are higher than predicted, PERS contributions for FPDR Three members will be more than budgeted. Since the current PERS rate projections did not contemplate the stock market downturn in December 2018, which will lower PERS investment portfolio earnings for 2018 and potentially drive up future contribution rates, it is certainly possible that future PERS contribution rates could exceed those forecast.

Other

Other factors that would increase the FYE20 budget or outyear forecast, but to a smaller degree than those mentioned above, are:

- Faster sworn hiring than projected
- More sworn overtime than assumed
- Faster promotion rates or premium pay assignment rates in the FPDR Three population than predicted
- More new retirees selecting the lowest survivor benefit, or establishing eligibility for the additional state offset benefit, than forecast
- More newly deceased retirees with surviving spouses than expected, or more newly deceased retirees with higher survivor benefits than expected
- Higher than projected medical cost inflation
- More disability claims than forecast
- More catastrophic and/or expensive disability claims than forecast
- A disproportionate share of disability claims from higher paid employees
- Greater use of the modified duty program than budgeted
- Higher than projected inflation in the cost of administrative services and supplies purchased for bureau operations
- Unforeseen information technology (IT) expenses, or higher costs for planned expenses

Introduction

The FY 2019-20 budget development process includes a number of significant changes, in particular the transition to Program Offer budgeting. The Program Offer template is intended to provide a clear, concise description of bureau budgeted programs at the 6-digit functional area level. The template includes both general guiding questions to help bureaus use an equity lens when writing program descriptions, as well as a dedicated section within the template to provide equity information specific to that program. Bureaus will also be expected to identify equity impacts in any decision packages resulting from a Council Direction to Develop.

The Budget Equity Tool will continue to serve as a guide for more robust equity analysis. In your responses below, please consider your Requested Budget as a whole.

SECTION 1: BUREAU OPERATIONS

1. How does your Requested Budget advance your achievement of equity goals as outlined in your bureau's Racial Equity Plan?

Our budget supports employee participation in diversity trainings and multicultural events focusing on racial equity.

2. Are there deficiencies in your base budget that inhibit your bureau's achievement of equity or the goals outlined in your Racial Equity Plan?

No

Please take a look at the City of Portland's workforce demographic dashboard: <https://www.portlandoregon.gov/oehr/article/595121>. How does your bureau's Requested Budget support employee equity in hiring, retention, and inclusion, particularly for communities of color and people with disabilities?

FPDR's workforce is 30% employees of color and 88% female. FPDR's Requested Budget includes funding to hire a new employee into an already authorized but vacant Analyst II position. FPDR's recruitment strategy will include marketing to communities of color and people with disabilities.

3. How does your bureau use quantitative and qualitative data to track program access and service outcomes for different populations?

Not applicable. FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public.

4. How did you consider the impacts on underserved communities in the development of your budget?

Most FPDR spending will not impact underserved communities, as FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public.

However, we considered the impact on underserved communities in developing our budget for personnel services, education and training, and travel. Our budget supports employee participation in the following diversity trainings and multicultural events: monthly Equity Committee and Assessment Team meetings, annual staff diversity training/retreat, monthly diversity book club meetings, staff brown bag sessions, multicultural potluck, the Northwest Diversity Conference and other off-site training opportunities.

5. Have you made any significant realignments or changes to your bureau's budget? If so, how/do these changes impact the community? Is this different for communities of color and/or people with disabilities?

FPDR's budget does not include realignments for FY 2019-20.

6. If your bureau has capital assets, how does your Requested Budget take into consideration intergenerational equity (ensuring that those who are currently benefiting from the service are paying for its upkeep versus placing the financial burden on future generations)?

Not applicable.

7. If applicable, how is funding being prioritized to meet obligations related to Title II of the Americans with Disabilities Act and the [bureau's Transition Plan barrier removal schedule](#)?

FPDR's budget includes funds to provide special materials, services and assistance to disabled FPDR members, employees, and citizens interested in FPDR. Most of these items have minimal budget impact. FPDR Board meetings are closed captioned; the budget includes approximately \$1,000 for this service. FPDR does not budget for translation and interpretation services, although FPDR would hire these services and/or use the City's interpretation service if the need arose.

8. If applicable, how does your bureau's budget create contracting opportunities for disadvantaged, minority, women, and emerging small businesses (D/M/W/ESB)?

FPDR follows the City's procurement requirements. When reviewing proposals, we look first for D/M/W/ESB firms. FPDR does not anticipate entering into new contracts with external vendors in FY 2019-20.

9. If your bureau has dedicated equity staff, such as an Equity Manager, how were they involved in developing your bureau's Requested Budget?

Not applicable; FPDR does not have dedicated equity staff.

SECTION TWO: EQUITABLE ENGAGEMENT AND ACCESS

10. What funding have you allocated in your bureau's budget to meet the requirements of ADA (Americans with Disabilities Act) Title II and Civil Rights Title VI? This includes but is not limited to:

- Funding for translation, interpretation, video captioning, and other accommodations
- Translation of essential documents into safe harbor languages

FPDR's budget includes funds to provide special materials, services and assistance to disabled FPDR members, employees, and citizens interested in FPDR. Most of these items have minimal budget impact. FPDR Board meetings are closed captioned; the budget includes approximately \$1,000 for this service. FPDR does not budget for translation and interpretation services, although FPDR would hire these services and/or use the City's interpretation service if the need arose.

11. How have community members engaged with your requested budget, including this tool?

The five-member FPDR Board of Trustees includes two citizen trustees who are appointed by the Mayor and approved by the City Council. The Board has the legal authority to adopt FPDR's budget. FPDR's requested budget is posted a week before the meeting at which the Board adopts the budget, and unlimited public testimony is accepted at the meeting.

12. How does this budget build the bureau's capacity to engage with and include communities most impacted by inequities? (e.g., improved leadership opportunities, advisory committees, commissions, targeted community meetings, stakeholder groups, increased outreach, etc.)

Not applicable, as FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public.

13. How does this budget build community capacity and power in communities most impacted by inequities? (e.g., improved leadership opportunities within BAC, community meetings, stakeholder groups, increased outreach, etc.)

Not applicable, as FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public.

Identifying Impacts Worksheet

Please use the following chart to name the potential burdens and benefits.

Populations Impacted	Potential Positive Impacts	Potential Negative Impacts
N/A No realignments or decision packages		

Stacy Jones, FPDR Financial Manager

Name of Staff Contact

Sam Hutchison

Name of Bureau Director

February 4, 2019

Date

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