Bureau of Fire and Police Disability and Retirement

Public Safety Service Area

Jo Ann Hardesty, Commissioner-in-Charge

Samuel Hutchison, Director

FY 2021-22 Requested Budget and Five-Year Financial Forecast

FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

1800 SW First Ave., Suite 450, Portland, OR 97201 · (503) 823-6823 · Fax: (503) 823-5166

Samuel Hutchison, Director **fpdr@portlandoregon.gov**

TO:	Mayor Ted Wheeler Commissioner Mingus Mapps Commissioner Carmen Rubio Commissioner Dan Ryan Auditor Mary Hull Caballero
CC:	Jessica Kinard, City Budget Director
FROM:	Commissioner Jo Ann Hardesty
RE:	FPDR FY 2021-22 Requested Budget
Date:	January 29, 2021

Please find enclosed the FY 2021-22 Requested Budget and FYE 2022-26 Five-Year Financial Forecast and Plan for the Bureau of Fire and Police Disability and Retirement (FPDR). The FPDR Board of Trustees adopted the budget at its January 26, 2021 meeting. FPDR is not submitting any decision packages.

The FPDR Fund budget is $260.6 million for FY 2021-22. Net of tax anticipation notes, which are issued and repaid within the fiscal year, the FPDR budget is $200.1 million, an increase of $12.9 million (6.9%) from FY 2020-21. The growth is primarily attributable to changes made by Portland voters to the City's pension and disability plans for sworn employees in 2006. As a result of those reforms, FPDR is simultaneously funding two generations of pensions: pay-as-you-go FPDR Plan pensions for sworn retirees hired before 2007, and prefunded PERS pensions for sworn employees hired later. This transition will ultimately lower costs, but for the next 10 – 15 years FPDR Fund expenses will increase at a high annual rate. In addition, record-breaking sworn retirements in the current fiscal year and an increase in the sworn PERS contribution rate from 29.16% to 31.72% will contribute to even faster growth in pension expenses for FY 2021-22, as compared with earlier years.

FPDR is funded almost exclusively by its dedicated property tax levy. Tax revenue of $190.7 million is required for FY 2021-22, approximately 16% more than for FY 2020-21. Taxes must increase even more than expenditures for two reasons. First, FPDR will lose more than $2.0 million in non-tax revenue next year. Interest income will be lower – because of lower interest rates – and overhead revenue generated from the Police Bureau contract with TriMet will no longer be collected. Second, continued uncertainty with respect to the ongoing pandemic and economic downturn make it advisable to increase fund contingency to 9% of the operating budget ($16.1 million), up from the usual 7%.

Please don’t hesitate to contact Kristin Johnson on my staff, or the FPDR staff with any questions or concerns.

Thank you,

Commissioner Jo Ann Hardesty

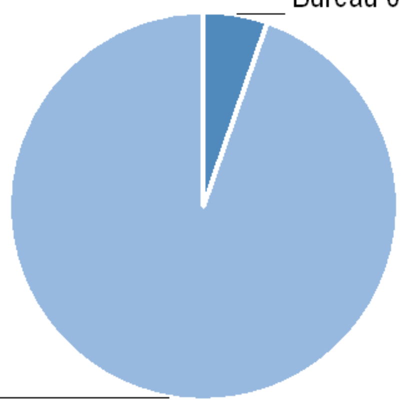
Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

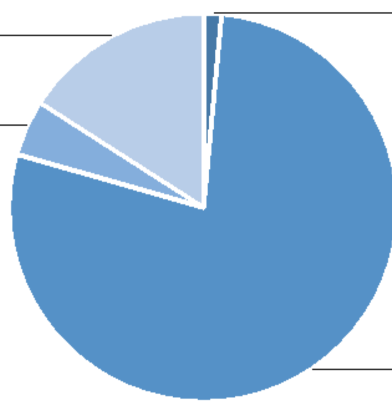
Jo Ann Hardesty, Commissioner-in-Charge

Samuel Hutchison, Director

Percent of City Budget Graph



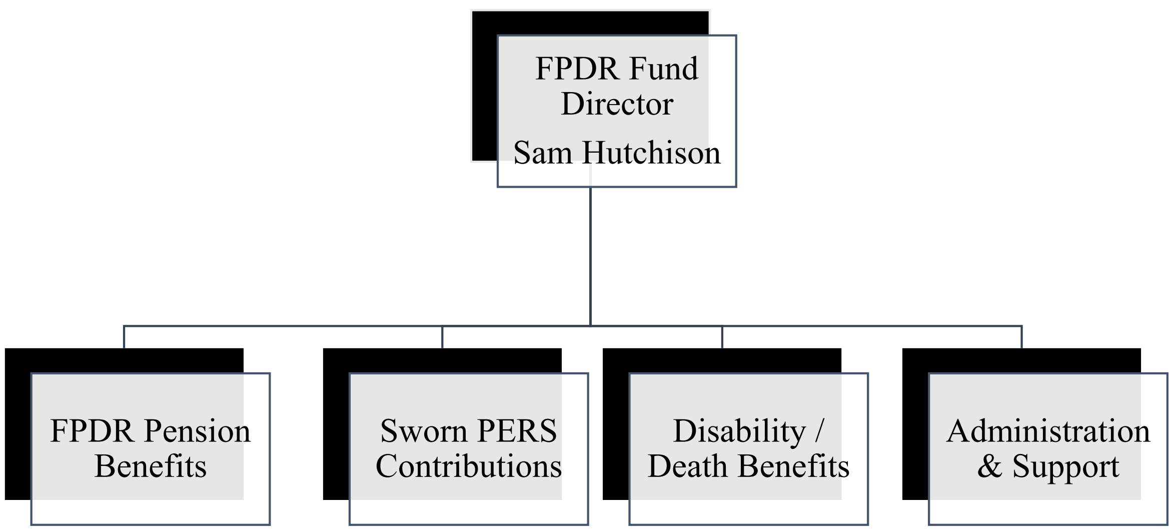
Bureau Programs



Bureau Overview

Requirements	Revised FY 2020-21	Requested FY 2021-22	Change from Prior Year	Percent Change
Operating	$230,152,601	$262,012,559	$31,859,958	14%
Capital	$50,000	$75,000	$25,000	50%
Total	**$230,202,601**	**$262,087,559**	**$31,884,958**	**14%**
Authorized Positions	17.00	17.00	—	—%

Bureau of Fire & Police Retirement & Disability



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 & Police Disability & Retirement (FPDR) consists of four sub-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; and 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 Benefits program pays direct pension benefits to FPDR One and Two members, and their survivors and alternate payees (former spouses). The program also provides retirement counseling, workshops, and pension estimates for FPDR Two members who are still working. The FY 2021-22 Requested Budget is $142.4 million, including $143,662 in direct program delivery costs. This is an increase of $4.8 million or 3.5% over the FY 2020-21 Revised Budget. Costs are growing for a variety of reasons, but the primary cause is the rising number of FPDR Two retirees. There are projected to be 107 new retirees in the current year (largely related to two 27-pay date retirement months in FY 2020-21, the number of retirements will decline significantly in FY 2021-22). FPDR Two members have a more generous pension benefit than FPDR One members. It is estimated that there will be 2,129 pension recipients in FY 2021-22, approximately 16% of whom will be FPDR One beneficiaries.

Disability and Death Benefits

The Disability and Death Benefits program administers both service-connected and nonservice disability benefits, including wage replacement for lost time from work, medical care expenses, vocational rehabilitation, and funeral benefits. The Requested Budget for FY 2021-22 totals $8.5 million, a decrease of $70,238 or 0.8% over the FY 2020-21 Revised Budget. The program budget includes $1.4 million in 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 FPDR Three members. Program expenditures are budgeted at $29.1 million for FY 2021-22, an increase of $4.7 million or 19.3% over the FY 2020-21 Revised Budget. Growth is due to the rising proportion of the sworn workforce hired after 2006; a deferred 2.9% wage cost-of-living adjustment (COLA) for most Police employees and an additional projected 1.6% COLA for all sworn employees on July 1, 2021; an increase in the PERS contribution rate from 29.16% to 31.72%; and the movement of FPDR Three employees through the police officer and fire fighter pay steps, as well as their increasing promotion rates and specialty pay rates as they spread through the ranks. In the current year (FY 2020-21), additional increases occurred as overtime costs grew in relation to protests and wildfires. This program will experience exponential expenditure growth through the early- to mid-2030s, when the entire sworn workforce will likely be comprised of FPDR Three members. At that point, cost increases will be limited to growth in wages and PERS contribution rates. Just over half of the sworn workforce (51.6%) is expected to be comprised of FPDR Three members in FY 2021-22.

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 2021-22 total $2.7 million, an increase of $168,871 or 6.6% as compared to the FY 2020-21 Revised Budget. The increase is mainly caused by higher personnel costs, for a 1.6% wage COLA on July 1, 2021, a projected 4.0% increases in health benefit expenses, and a new payroll tax to fund Oregon's paid family leave program. Capital spending will also increase for a planned Phase II of a project to partially automate pension estimates in bureau software. The Administration and Support budget represents 1.4% of total bureau requirements for FY 2021-22, as in FY 2020-21.

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 achieving its ultimate purpose: to deliver benefits accurately and efficiently. The percent of disability decisions reached within 60 days increased from 85% to 89% last year, consistent with the bureau's goal of 89% again this year. The percent of members whose pensions are very close to the estimates they received (those with a negative variation of less than 1%) reached 98% last year and is projected to reach 99% and remain in the 98% to 99% range going forward. FPDR outreach ensured that 74% of members who are close to retirement received updated pension estimates last year, which is consistent with the bureau's strategic target. Unfortunately, with the switch to a remote work environment, staff transitions, and a very large number of retirements to process, this percentage will likely dip temporarily in the current year. The percent of the sworn workforce on disability at June 30 each year remains fairly stable, at 3% to 4%. It is anticipated that the percentage of sworn workforce on disability during FY 2020-21 will show an increase due to protests, the pandemic, and wildfires but it is unlikely that increase will continue into FY 2021-22. FPDR also strives to be an exemplary steward of public resources. Administrative costs have comprised between 1% and 2% of the bureau budget for the last several years. Administrative costs per plan participant are expected to increase to $724 in FY 2021-22, after rising in the current year to $701 from $657 in FY 2019-20. The FPDR tax levy rate remains well under the $2.80 cap, at $1.15 currently and a projected $1.33 for FY 2021-22.

Strategic Plan

FPDR's mission and core responsibilities will not change over the next 20 years. Therefore, the strategic focus of the bureau is to ensure FPDR service delivery evolves to take advantage of the modern digital environment, and to meet the growing desire of members and beneficiaries for convenience, speed and excellent customer service. FPDR's goal is to become an "organization of the future." Objectives include providing seamless, real-time customer service across many platforms; digitizing as many paper records as possible, for cost, convenience, and continuity of operations purposes; recruiting and retaining top talent as employees retire; creating a supportive, efficient and modern work environment; and implementing next-generation claims processing. The recent pandemic has presented an unexpected opportunity to accelerate FPDR's progress towards many of these goals. Numerous work processes were modernized and digitized more quickly than would otherwise have been the case. The bureau was forced to upgrade its technology infrastructure to accommodate new customer service delivery methods and remote work. FPDR is now better positioned to allow many employees to telework routinely, an opportunity the modern workforce will expect.

Performance	Actuals FY 2018-19	Actuals FY 2019-20	Target FY 2020-21	Target FY 2021-22	Strategic Target
EFFICIENCY					
Median Days to Prepare a Pension Estimate	5	5	4	5	5
Administrative Spending Per Participant	$643	$657	$711	$724	$819
Percentage of disability claims decisions in 60 days	85%	89%	90%	89%	89%
Percent of Pension Recipients Who are Paperless	36.0%	36.0%	38.0%	41.0%	51.0%
OUTCOME					
Percentage of members whose final pay was 99% or more of last estimate	98%	100%	98%	99%	99%
Administrative cost as a percentage of bureau budget	1.52%	1.47%	1.54%	1.44%	1.30%
OUTPUT					
FPDR tax levy rate (per $1,000 of Real Market Value)	$1.09	$1.10	$1.13	$1.33	$1.42
Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	82%	74%	82%	74%	74%
WORKLOAD					
Number of active employees in FPDR 3	647	657	781	754	1,058
Number of disability claims filed	298	331	330	320	320
Number of Fire & Police Disability & Retirement 1 and 2 pension recipients	2,125	2,052	2,187	2,129	2,305
Number of FPDR 2 retirements from active service	64	9	49	20	69
Number of long-term disability recipients	37	33	25	30	35
Number of medical bills	3,558	2,977	3,750	3,413	3,413
Number of members on short-term disability	265	220	264	260	260
Number of pension estimates	335	300	354	322	322
Number of pre-retirement workshop participants	100	110	142	107	107
Percent of workforce who are FPDR 3	43%	45%	51%	52%	70%
Percentage of workforce on disability at June 30	3.3%	3.2%	2.8%	2.9%	2.8%

	Actuals FY 2018-19	Actuals FY 2019-20	Revised FY 2020-21	Base FY 2021-22	Requested FY 2021-22
Resources					
External Revenues					
Taxes	155,576,484	154,919,174	166,062,018	190,686,734	190,686,734
Charges for Services	132	49	0	0	0
Bond & Note	36,525,597	26,725,625	42,000,000	60,470,000	60,470,000
Miscellaneous	1,659,003	1,501,234	1,382,800	409,000	409,000
External Revenues Total	193,761,217	183,146,083	209,444,818	251,565,734	251,565,734
Internal Revenues					
Fund Transfers - Revenue	0	0	1,500,000	1,500,000	1,500,000
Interagency Revenue	1,125,538	1,346,630	1,571,818	228,200	228,200
Internal Revenues Total	1,125,538	1,346,630	3,071,818	1,728,200	1,728,200
Beginning Fund Balance	12,602,569	20,323,339	17,685,965	8,793,625	8,793,625
Resources Total	**207,489,324**	**204,816,052**	**230,202,601**	**262,087,559**	**262,087,559**
Requirements					
Bureau Expenditures					
Personnel Services	2,155,392	2,422,650	2,464,800	2,665,674	2,665,674
External Materials and Services	131,152,921	135,317,377	145,124,200	149,567,950	149,567,950
Internal Materials and Services	16,503,746	21,916,995	25,501,327	30,395,201	30,395,201
Capital Outlay	25,731	68,900	50,000	75,000	75,000
Bureau Expenditures Total	149,837,790	159,725,921	173,140,327	182,703,825	182,703,825
Fund Expenditures					
Debt Service	37,159,043	27,098,678	43,152,972	60,886,741	60,886,741
Contingency	0	0	11,518,151	16,113,256	16,113,256
Fund Transfers - Expense	169,150	151,251	1,641,151	1,633,737	1,633,737
Fund Expenditures Total	37,328,193	27,249,929	56,312,274	78,633,734	78,633,734
Ending Fund Balance	20,323,339	17,840,202	750,000	750,000	750,000
Requirements Total	**207,489,322**	**204,816,052**	**230,202,601**	**262,087,559**	**262,087,559**
Programs					
Administration & Support	2,276,423	2,344,930	2,564,166	2,733,037	2,733,037
Disability & Death Benefits	35,035	—	—	—	—
Disability Administration and Support	1,178,736	—	—	—	—
Disability/Death Benefits	—	7,046,614	8,554,364	8,484,126	8,484,126
FPDR Pension Benefits	—	129,990,715	137,619,596	142,376,662	142,376,662
Funeral	72,310	—	—	—	—
Long-term Disability	1,684,404	—	—	—	—
Medical	3,072,377	—	—	—	—
Oregon PERS Contributions	15,515,328	—	—	—	—
Pension Benefits	124,577,434	(729,204)	—	—	—
Retirement Administration and Support	122,294	—	—	—	—
Retirement System Payments	(454,773)	—	—	—	—

	Actuals FY 2018-19	Actuals FY 2019-20	Revised FY 2020-21	Base FY 2021-22	Requested FY 2021-22
Return to Work	309,184	372,924	—	—	—
Short-term Disability	1,448,847	—	—	—	—
Sworn PERS Contributions	—	20,699,942	24,402,201	29,110,000	29,110,000
Vocational Rehabilitation	190	—	—	—	—
Total Programs	**149,837,790**	**159,725,921**	**173,140,327**	**182,703,825**	**182,703,825**

Class	Title	Salary Range Min	Salary Range Max	Revised FY 2020-21 No.	Revised FY 2020-21 Amount	Requested No DP FY 2021-22 No.	Requested No DP FY 2021-22 Amount	Requested FY 2021-22 No.	Requested FY 2021-22 Amount
30000063	Accountant II	54,912	81,151	1.00	78,437	1.00	79,560	1.00	79,560
30003003	Administrative Specialist II	48,277	94,878	1.00	91,374	1.00	91,374	1.00	91,374
30003006	Analyst I	53,290	104,701	2.00	192,795	2.00	192,795	2.00	192,795
30003007	Analyst II	63,336	111,681	3.00	287,872	3.00	287,872	3.00	287,872
30003012	Business Systems Analyst III	69,805	133,873	1.00	100,672	1.00	100,672	1.00	100,672
30000066	Claims Technician	45,885	71,371	1.00	68,983	1.00	69,971	1.00	69,971
30000065	Claims Technician, Assistant	35,610	60,253	1.00	58,240	1.00	59,072	1.00	59,072
30003034	Deputy Director I	91,728	161,390	1.00	126,734	1.00	126,734	1.00	126,734
30003037	Director I	111,696	201,191	1.00	164,674	1.00	164,674	1.00	164,674
30003055	Financial Analyst II	63,336	111,681	1.00	87,568	1.00	87,568	1.00	87,568
30003056	Financial Analyst III	69,805	133,873	1.00	111,363	1.00	111,363	1.00	111,363
30003077	Legal Assistant	53,290	104,701	1.00	92,206	1.00	92,206	1.00	92,206
30003081	Manager I	80,205	148,724	1.00	126,464	1.00	126,464	1.00	126,464
30000012	Office Support Specialist II	34,798	58,662	1.00	56,701	1.00	57,512	1.00	57,512
	Total Full-Time Positions			17.00	1,644,083	17.00	1,647,837	17.00	1,647,837
	Grand Total			**17.00**	**1,644,083**	**17.00**	**1,647,837**	**17.00**	**1,647,837**

	Actuals FY 2018-19	Actuals FY 2019-20	Revised FY 2020-21	Base Budget FY 2021-22	Requested FY 2021-22
Resources					
External Revenues					
Taxes	155,576,484	154,919,174	166,062,018	190,686,734	190,686,734
Charges for Services	132	49	0	0	0
Bond & Note	36,525,597	26,725,625	42,000,000	60,470,000	60,470,000
Miscellaneous	1,659,003	1,501,234	1,382,800	409,000	409,000
External Revenues Total	193,761,217	183,146,083	209,444,818	251,565,734	251,565,734
Internal Revenues					
Fund Transfers - Revenue	0	0	750,000	750,000	750,000
Interagency Revenue	1,125,538	1,346,630	1,571,818	228,200	228,200
Internal Revenues Total	1,125,538	1,346,630	2,321,818	978,200	978,200
Beginning Fund Balance	11,852,569	19,573,339	16,935,965	8,043,625	8,043,625
Resources Total	206,739,324	204,066,052	228,702,601	260,587,559	260,587,559
Requirements					
Bureau Expenditures					
Personnel Services	2,155,392	2,422,650	2,464,800	2,665,674	2,665,674
External Materials and Services	131,152,921	135,317,377	145,124,200	149,567,950	149,567,950
Internal Materials and Services	16,503,746	21,916,995	25,501,327	30,395,201	30,395,201
Capital Outlay	25,731	68,900	50,000	75,000	75,000
Bureau Expenditures Total	149,837,790	159,725,921	173,140,327	182,703,825	182,703,825
Fund Expenditures					
Debt Service	37,159,043	27,098,678	43,152,972	60,886,741	60,886,741
Contingency	0	0	11,518,151	16,113,256	16,113,256
Fund Transfers - Expense	169,150	151,251	891,151	883,737	883,737
Fund Expenditures Total	37,328,193	27,249,929	55,562,274	77,883,734	77,883,734
Ending Fund Balance	19,573,339	17,090,202	0	0	0
Requirements Total	206,739,322	204,066,052	228,702,601	260,587,559	260,587,559

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 (RMV).

Managing Agency Bureau of Fire & Police Disability & Retirement

Significant Changes from Prior Year

Net of tax anticipation notes (TANs) - 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 2021-22 are $200.12 million. This is an increase of $13.41 million or 7.2% from the FY 2020-21 budget, a slightly faster growth rate than in most recent years. However, FPDR expects to overspend the FY 2020-21 budget for bureau expenditures (program expenses, which excludes fund-level items like contingency) by about $2.0 million. The projected over-expenditure is the result of more retirements in the current year, higher contributions to the Oregon Public Employees Retirement System (PERS) on overtime wages at the Police and Fire Bureaus, and more COVID disability benefit costs than previously predicted – all factors ultimately related to the COVIC pandemic, protests, and Police Bureau reform. As compared with projected current year spending, bureau expenditures are only 4.4% higher in the FY 2021-22 budget.

Beginning fund balance for FY 2021-22 is projected to be the lowest in many years, at just $8.0 million. This is the result of overspending in the current year, as well as an unanticipated decline in overhead charges received from the Police Bureau and interest income in FY 2020-21.

FPDR costs will continue to increase above and beyond inflation for the next 10 – 15 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 PERS for FPDR Three members during their working lives. FPDR One and Two members were hired before January 1, 2007; FPDR Three members were hired on or after that date.

Fund Requirements Personnel services is budgeted to increase 8.1% in FY 2021-22 as compared with FY 2020-21, although much of this increase was caused by budgeting $50,000 in salary contingency for FY 2021-22, as wage increases next year are highly uncertain. With the exception of four employees covered by the District Council of Trade Unions contract, pay was frozen for FPDR staff in the current fiscal year.

Internal materials and services is the fastest growing component of FPDR's budget, increasing $4.9 million, or 19.2%, for FY 2021-22. (However it should be noted the growth rate from projected FY 2020-21 spending, as opposed to the FY 2020-21 budget, is only 13.94%.) 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. In FY 2021-22 PERS contributions are projected to increase by $4.7 million, a 19.3% increase over the prior year's budget. This budget will continue to increase exponentially over the next 10 – 15 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, 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, and receive annual cost-of-living wage adjustments. This budget category experiences even steeper growth in fiscal years ending in even numbers because PERS contribution rates are re-calculated biannually. The current contribution rate of 29.16% will increase to 31.72% in FY 2021-22.

Growth in external materials and services is in line with usual inflationary increases. Although FPDR expects at least 100 FPDR Two retirements in the current fiscal year, and therefore plans to spend $4.76 million more on FY 2021-22 pension benefits than budgeted in FY 2020-21, the increase is still slight (3.5%) in the context of the entire pension budget. The capital budget will grow by a small amount ($25,000) for a planned second phase of a project to automate certain aspects of pension estimates.

Within fund level expenditures, FY 2021-22 debt service for the annual TAN issue is projected to increase by $17.7 million (41.1%). This is partly because of increasing fund expenditures, which means a larger TAN issue is needed to cover cash flow between July 1 and the receipt of property tax revenues in November, and partly because FPDR has planned for higher interest rates on municipal debt next year. Given the current economic outlook and myriad sources of risk and uncertainty in the financial forecast, FPDR has increased fund contingency from the typical 7% of bureau operating expenses to 9%. Contingency is thus budgeted at $16.1 million for FY 2021-22 as compared with $11.5 million in FY 2020-21.

Fund Revenues

Budgeted property tax collections will increase significantly more than usual for FY 2021-22: $24.6 million or 14.8%. This growth is needed to support rising expenditures in direct pension benefits and PERS contributions, rebuild fund balance, and allow for a larger contingency budget in FY 2021-22. The FPDR property tax rate on RMV remains well below the $2.80 cap proscribed by City Charter; the rate is currently $1.15 and is projected to grow to $1.33 for FY 2021-22. The increase in the RMV FPDR tax rate is exacerbated by the expectation that City of Portland RMV itself will not grow at all from FY 2020-21 to FY 2021-22. The FPDR tax rate on assessed value, which is the basis for actual tax bills, is anticipated to increase from $2.76 currently to $3.11 for FY 2021-22.

Excluding bond and note proceeds for the TAN issue, non-property tax revenues will comprise only 0.3% of FPDR’s total revenues in FY 2021-22. This is a notable drop from the current year budget and prior year actuals. Interest income (part of miscellaneous revenue) and overhead charges collected when the Police and Fire Bureaus contract their services out to third parties (part of interagency revenue) make up nearly all of FPDR’s non-property tax revenue. Both are projected to decline to approximately one-third of their previous levels in the current fiscal year, and then to drop to only one-quarter of their previous levels for FY 2021-22. In the case of interest income this is because of declining interest rates; in the case of overhead charges it is because the Police Bureau canceled their largest third-party contract, with TriMet to provide Transit Police, on December 31, 2020.

	Actuals FY 2018-19	Actuals FY 2019-20	Revised FY 2020-21	Base Budget FY 2021-22	Requested FY 2021-22
Resources					
Internal Revenues					
Fund Transfers - Revenue	0	0	750,000	750,000	750,000
Internal Revenues Total	0	0	750,000	750,000	750,000
Beginning Fund Balance	750,000	750,000	750,000	750,000	750,000
Resources Total	750,000	750,000	1,500,000	1,500,000	1,500,000
Requirements					
Fund Expenditures					
Fund Transfers - Expense	0	0	750,000	750,000	750,000
Fund Expenditures Total	0	0	750,000	750,000	750,000
Ending Fund Balance	750,000	750,000	750,000	750,000	750,000
Requirements Total	750,000	750,000	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 currently totals $1.5 million. 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 these resources is booked directly to the FPDR Fund.

Managing Agency Bureau of Fire & Police Disability & Retirement

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), their surviving spouses and/or minor children, and sometimes their former spouses (where directed by a court). 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. Performance data indicates that members are receiving increasingly precise and timely pension estimates from FPDR. The percent of members receiving a final pension benefit that is at least 99% of the most recent estimate they received was 98% last year and is expected to rise to 99% in the current year. The percent of members who are within two years of retirement eligibility and have received an updated pension estimate is expected to decrease in the current year (from 74% in FY 2019-20 to 64% in FY 2020-21) due to the impacts of COVID-19, staffing changes, and increased requests prior to 27-pay date retirement months. FPDR also continues to issue pension estimates very quickly, usually within one week of request.

Performance	Actuals FY 2018-19	Actuals FY 2019-20	Target 2020-21	Target FY 2021-22	Strategic Target
Median Days to Prepare a Pension Estimate	5	5	4	5	5
Percentage of members whose final pay was 99% or more of last estimate	98%	100%	98%	99%	99%
Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	82%	74%	82%	74%	74%
Number of Fire & Police Disability & Retirement 1 and 2 pension recipients	2,125	2,052	2,187	2,129	2,305
Number of FPDR 2 retirements from active service	64	9	49	20	69
Number of pension estimates	335	300	354	322	322
Number of pre-retirement workshop participants	100	110	142	107	107

Explanation of Services

The purpose of this program is to pay retirement benefits to sworn Police and Fire employees and their survivors, an important component of overall compensation, and to provide FPDR retirement information and guidance during sworn employees' working careers. The program provides monthly pension payroll services for members, surviving spouses and/or minor children after a member dies, and alternate payees (former spouses). This includes calculation of pension benefits at retirement, federal and Oregon income tax withholding and reporting, insurance premium and child support withholding, calculation of annual cost-of-living adjustments (COLAs), 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

The FPDR pension program serves only sworn employees and retirees, whose composition is based on the hiring of the Fire and Police Bureaus, and their surviving family members. As a result, equity impacts are limited.

Changes to Program

This program serves more beneficiaries each year as FPDR Two member retirements outstrip FPDR One deaths, a growth pattern that has been in place for some time. The most significant change to this program in the current year are the projected 100 service retirements, which will exceed the previous record of 94 in FY 2006-07 (when consequential amendments to the FPDR Plan were enacted by Portland voters). The unprecedented level of retirements is driven largely by the timing of 27 pay-date months: there are two in the current fiscal year, in August 2020 and January 2021, and none in the prior or upcoming fiscal years. However, the pandemic, protests, and organizational change at the Police Bureau have no doubt had an impact on retirements as well. The number of retirements is a major factor in the growth in FPDR One and Two pension expenses in the current fiscal year, which increased 7% despite the absence of wage increases in FY 2020-21 for most Police employees, which meant no increase in final pensionable pay for most new Police retirees and no COLA for existing Police FPDR One retirees and surviving spouses. Going forward, retirements are forecast to return to much lower levels. FPDR projects only 20 service retirements for FY 2021-22, partly because of the high number of retirements in FY 2020-21 and partly because of the absence of a 27 pay date month in FY 2021-22. A second recent change are updates to many of the actuarial assumptions that underpin the pension budget, as recommended by a 2014-19 experience study of the FPDR Plan conducted by an independent actuarial firm in 2020. Previously, retirement rates were predicted based solely on age. Now retirement rates are predicted based on age only until a member reaches their 25-year anniversary; after that the probability of retirement is level each year (at 45% for Police and 25% for Fire) regardless of age. In addition, FPDR used to assume that all Fire members retired by age 60; that has now been extended to age 65 to match Police.

Program Budget

	Actuals FY 2018-19	Actuals FY 2019-20	Revised FY 2020-21	Requested No DP FY 2021-22	Requested FY 2021-22
Requirements					
Bureau Expenditures					
Personnel Services	0	141,009	144,596	143,662	143,662
External Materials and Services	0	129,849,568	137,475,000	142,233,000	142,233,000
Internal Materials and Services	0	138	0	0	0
Bureau Expenditures Total	0	129,990,715	137,619,596	142,376,662	142,376,662
Ending Fund Balance					
Requirements Total	**0**	**129,990,715**	**137,619,596**	**142,376,662**	**142,376,662**
FTE	0.00	1.00	1.00	1.00	1.00

Budget Narrative

Resources

All FPDR programs, including the pension program, are funded almost exclusively 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 monthly pension payments, personnel costs for the one employee solely dedicated to this program, and other minor administrative expenses (such as a contracted death audit service). Monthly pension costs are nondiscretionary and derive from plan benefits defined in City Charter and federal and state law. Pension expenses are impacted by beneficiary longevity, the number of new retirements, wage increases for active employees (which increase FPDR One pensions and new FPDR Two pensions), COLA increases awarded to FPDR Two beneficiaries by the FPDR Board, 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 & Liabilities

Unlike most pension plans, the FPDR pension plan for FPDR One and Two members is funded on a pay-as-you-go basis with no long-term investment assets. Pension program assets are limited to fund balance. The long-term liability of the entire FPDR plan is $4.4 billion, but this includes some disability plan liabilities.

Program Information

Program Contact: Stacy Jones

Contact Phone: 503-823-2609

Website: www.portlandoregon.gov/fpdr

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, who are enrolled in PERS for their pension benefits. 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 approximately 730 in the current year, less than previously forecast because Police Bureau hiring has been paused. The number is expected to increase to 754 in FY 2021-22 and grow to over 1,000 (or about 2/3 of the sworn workforce) within four or five years. The program's primary goal is to verify all contributions, so reimbursements are accurate, and to remit payment to the Police and Fire Bureaus in a timely manner.

Performance	Actuals FY 2018-19	Actuals FY 2019-20	Target 2020-21	Target FY 2021-22	Strategic Target
Number of active employees in FPDR 3	647	657	781	754	1,058
Percent of workforce who are FPDR 3	43%	45%	51%	52%	70%

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

This program does not have equity impacts as it functions internally to reimburse 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. Program expenses increase as more PERS-covered employees are hired, advance through the police officer and fire fighter pay steps, and are promoted or assigned specialty pays as they gain seniority at the Police and Fire Bureaus. In addition, the Oregon Public Service Retirement Program public safety contribution rate (the rate that applies to nearly all sworn City employees) will increase from the current 29.16% to 31.72% for FY 2021-22 and FY 2022-23. Finally, across-the-board wage increases for sworn employees - such as annual cost-of-living adjustments and other pay raises required by labor contracts - drive up pay on which contributions are made and further increase costs. Portland Police Association (PPA) members did not receive a COLA on July 1, 2020 and will instead receive two COLAs in the summer of 2021. The deferred PPA COLA lowered PERS contributions in the current year (FY 2020-21) but will ultimately result in two years' worth of wage growth for most Police employees in FY 2021- 22.

Program Budget

	Actuals FY 2018-19	Actuals FY 2019-20	Revised FY 2020-21	Requested No DP FY 2021-22	Requested FY 2021-22
Requirements					
Bureau Expenditures					
Internal Materials and Services	0	20,699,942	24,402,201	29,110,000	29,110,000
Bureau Expenditures Total	0	20,699,942	24,402,201	29,110,000	29,110,000
Ending Fund Balance					
Requirements Total	**0**	**20,699,942**	**24,402,201**	**29,110,000**	**29,110,000**

Budget Narrative

Resources

All FPDR programs, including the Sworn PERS Contributions program, are funded almost exclusively 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 outside the control or influence of FPDR: the number of sworn employees hired after 2006, their pay, and PERS contribution rates. Program expenses are expected to grow by 23% in FY 2020-21, even more than can be explained by the factors discussed above under Changes to Program. This is because PERS contributions are made on overtime pay as well as regular wages, and Police and Fire Bureau overtime spiked in 2020 due to the pandemic, protests, and regional wildfires.

Staffing

No FTE are dedicated entirely to this program. The Financial Analysts assigned to the Administration & Support program verify PERS contribution expenses and remit payment to the Fire and Police Bureaus.

Assets & 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

Program Contact: Stacy Jones

Contact Phone: 503-823-2609

Website: www.portlandoregon.gov/fpdr

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), benefits for surviving spouses or minor children when a member dies before retirement, 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, to manage claims for the benefit of disabled members while demonstrating stewardship of public funds, and to make disability payments accurately and on time. The percent of disability claim decisions reached within 60 days increased to 89% in FY 2019-20 and has held constant thus far in FY 2020-21. In FY 2020-21, the COVID-19 pandemic has significantly increased disability claims and the number of medical bills, but these increases are expected to decline by FY 2021-22.

In FY 2020-21, the number of short-term disability claims filed was projected to decrease to 330 (from 331 in the prior year). However, due to COVID-19 exposure claims FPDR is now projecting approximately 710 claims for the current year, more than double that number. Due to the City's efforts to vaccinate the sworn workforce, FPDR expects that the number of claims will decline again to 320 in FY 2021-22. COVID-related disability claims tend to have wage replacement costs while members recover and/or quarantine and low medical expenses. The number of medical bills decreased between FY 2018-19 and FY 2019-20 (from 3,558 to 2,977) but is projected to increase to 3,750 in the current year – well above the program target of 3,413, again due to the impacts of COVID-19 in FY 2020-21. Likewise, wage replacement payments made to those on short-term disability increased in FY 2020-21 due to a large number of COVID case and exposure disability claims, but are expected to decline by FY 2021-22. By their nature, metrics and costs associated with short-term disability claims tend to vary appreciably from one year to the next, although FY 2020-21 was notable for its COVID-19 impacts. Long-term disability measures and expenses are more stable. While the number of members on long-term disability decreased between FY 2018-19 and FY 2019-20 (from 37 to 33) it is expected to increase by as many as five members over the next few months, unrelated to COVID, adding to the current population of 25. FPDR expects that figure to remain constant over the next couple of years as few new beneficiaries are added to the long-term disability rolls.

Performance	Actuals FY 2018-19	Actuals FY 2019-20	Target 2020-21	Target FY 2021-22	Strategic Target
Percentage of disability claims decisions in 60 days	85%	89%	90%	89%	89%
Number of disability claims filed	298	331	330	320	320
Number of long-term disability recipients	37	33	25	30	35
Number of medical bills	3,558	2,977	3,750	3,413	3,413
Number of members on short-term disability	265	220	264	260	260
Percentage of workforce on disability at June 30	3%	3%	3%	3%	3%

Explanation of Services

The purpose of this program is to provide a service disability benefit, in lieu of workers' compensation benefits, for sworn City employees, as well as nonservice disability benefits for those with at least five years of service. 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 upon member death.

Equity Impacts

The disability and death program serves only sworn employees and retirees, whose composition is based on the hiring of the Fire and Police Bureaus. As this program is internal facing and serving a population of members comprised of Fire and Police bureau employees, public facing equity impacts are minimal.

Changes to Program

New administrative rules were created for this program in FY 2019-20, to make it simpler for active duty Fire and Police members to apply and qualify for disability benefits related to COVID-19 infection.

Program Budget

	Actuals FY 2018-19	Actuals FY 2019-20	Revised FY 2020-21	Requested No DP FY 2021-22	Requested FY 2021-22
Requirements					
Bureau Expenditures					
Personnel Services	0	1,057,463	1,080,964	1,106,226	1,106,226
External Materials and Services	0	5,839,627	7,063,500	6,819,600	6,819,600
Internal Materials and Services	0	149,523	409,900	558,300	558,300
Bureau Expenditures Total	0	7,046,614	8,554,364	8,484,126	8,484,126
Ending Fund Balance					
Requirements Total	**0**	**7,046,614**	**8,554,364**	**8,484,126**	**8,484,126**
FTE	0.00	8.00	8.00	8.00	8.00

Budget Narrative

Resources

All FPDR programs, including the disability program, are funded almost exclusively 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

The majority of program expenses are for member disability benefits, including wage replacement for members while they cannot work, wage subsidies for members in modified duty assignments, medical costs, and vocational rehabilitation expenses. Other program costs are pre-retirement death survivor benefits, funeral benefits, and administrative expenses directly associated with program delivery. Most disability expenses are nondiscretionary and derive from plan benefits defined in City Charter and state law. Disability claim costs are one of the most volatile components of FPDR's budget and are most impacted by wage inflation, medical cost inflation, and the number and severity of disability claims. Program administrative expenses include personnel costs for the eight employees engaged in direct disability program delivery and professional and miscellaneous services associated with claims investigation (such as fees for independent medical exams).

Staffing

There are 8.0 FTE dedicated to this program: 1.0 Manager I, 3.0 Analyst IIs, 1.0 Analyst I, 1.0 Accountant II, 1.0 Claims Technician and 1.0 Assistant Claims Technician. No staffing changes are contemplated for this program in the future.

Assets & Liabilities

The disability program has no assets. The long-term liability of the disability program is not calculated separately from the FPDR pension plan.

Program Information

Program Contact: Kimberly Mitchell

Contact Phone: 503-823-3071

Website: www.portlandoregon.gov/fpdr

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 and 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 - administrative spending as a percent of total spending may decrease even if administrative spending increases quickly. Administrative cost per plan participant is perhaps a more stable measure of administrative spending, since the number of covered employees and retirees should remain relatively constant. Administrative cost will rise from approximately $701 per participant now to an estimated $724 in FY 2021-22, a 3.3% increase. In the current fiscal year (FY 2020-21) none of FPDR's nonrepresented employees received pay raises; the four DCTU staff received a delayed 2.9% wage COLA on January 1, 2021. In accordance with the Mayor's direction, the personnel budget for FY 2021-22 includes a 1.6% wage COLA on July 1, 2021 for all staff, but again no merit pay increases for nonrepresented employees. (All four DCTU employees are already at the top of their pay scales.) For FY 2021-22 spending on administrative materials and services (both external and internal) is expected to decline slightly (-1.6%) for FY 2021-22. Capital spending is limited to programming and other improvements to FPDR's database. In FY 2021-22 FPDR is planning to complete Phase II of its software project to automate certain aspects of pension estimates.

Performance	Actuals FY 2018-19	Actuals FY 2019-20	Target 2020-21	Target FY 2021-22	Strategic Target
Administrative Spending Per Participant	$643	$657	$711	$724	$819
Administrative cost as a percentage of bureau budget	1.52%	1.47%	1.54%	1.44%	1.30%
FPDR tax levy rate (per $1,000 of Real Market Value)	$1.09	$1.10	$1.13	$1.33	$1.42

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

The Administration and 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. As a result, the equity impacts of this program are internal facing and limited.

Changes to Program

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

Program Budget

	Actuals FY 2018-19	Actuals FY 2019-20	Revised FY 2020-21	Requested No DP FY 2021-22	Requested FY 2021-22
Requirements					
Bureau Expenditures					
Personnel Services	0	1,224,177	1,239,240	1,415,786	1,415,786
External Materials and Services	0	357,385	585,700	515,350	515,350
Internal Materials and Services	0	694,468	689,226	726,901	726,901
Capital Outlay	0	68,900	50,000	75,000	75,000
Bureau Expenditures Total	0	2,344,930	2,564,166	2,733,037	2,733,037
Fund Expenditures					
Debt Service	0	27,098,678	43,152,972	60,886,741	60,886,741
Contingency	0	0	11,518,151	16,113,256	16,113,256
Fund Transfers - Expense	0	151,251	1,641,151	1,633,737	1,633,737
Fund Expenditures Total	0	27,249,929	56,312,274	78,633,734	78,633,734
Ending Fund Balance	20,323,339	17,840,202	750,000	750,000	750,000
Requirements Total	**20,323,339**	**47,435,061**	**59,626,440**	**82,116,771**	**82,116,771**
FTE	0.00	7.80	8.00	8.00	8.00

Budget Narrative

Resources

All bureau revenues are booked to the Administration & Support program. In FY 2021-22 99.3% of bureau revenues are forecasted to be derived from FPDR’s dedicated property tax levy. The levy is a very stable resource, even in the post-pandemic economic environment. In FY 2021-22 it is possible that property tax delinquencies will be more than usual due to the economic recession. Further, it is also probable that compression losses will increase in the next year as many taxing authorities increase their levies to manage potentially higher delinquencies. To that end, the FY 2021-22 tax levy will be "grossed up” by 11.9% in an attempt to ensure that the levy produces the required $189.1 million in current year tax revenues – which is higher than the usual 9% to 10%. In the current year, property taxes have come in at or above projections which indicates that the FY 2020-21 "gross up” was appropriate. The current levy rate of $1.15 is projected to increase to $1.33 per $1,000 of real market value for FY 2021-22, well below the $2.80 cap imposed by City Charter. Every two years, FPDR hires an actuarial firm to conduct an analysis of the ability of the levy to fund all FPDR expenditures over the long term. The most recent analysis, conducted using data as of June 30, 2020, 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. Both interest income and overhead charges are forecast to decline quite substantially in the current fiscal year (FY 2020-21) – to roughly one-third of their previous levels – and to decline slightly again in FY 2021-22. In the case of interest income this is because of declining interest rates; in the case of overhead charges it is because the Police Bureau canceled their largest third-party contract, with TriMet to provide Transit Police, on December 31, 2020. Other 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 and Support expenses include some personnel costs, material and service costs related to overall bureau operations, and capital costs for programming upgrades to the FPDR database. As opposed to other FPDR programs, some Administration and Support expenses are discretionary, such as the education and office supply budgets. However, many administrative costs are set centrally by other City bureaus or Citywide contracts.

Staffing

There are 8.0 FTE dedicated to this program: The Bureau Director and Deputy Director, a Business Systems Analyst III, a Financial Analyst III, a Financial Analyst II, a Legal Assistant, an Administrative Specialist II and an Office Support Specialist II.

Assets & Liabilities

The Administration and Support program has no liabilities. The program has one intangible capital asset, the FPDR database, with a book value of $290,516 on June 30, 2020. The database is used to make all FPDR benefit payments and to track general member and beneficiary information. It is in its ninth year of service and the original capital investment is being depreciated over ten years. However, FPDR expects to use the database for more than one additional year, as the system continues to function well and FPDR has been able to add new functionality to the software to meet emerging needs. FPDR budgets for annual maintenance and periodic upgrades to database 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 expenditures.

Program Information

Program Contact: Stacy Jones

Contact Phone: 503-823-2609

Website: www.portlandoregon.gov/fpdr

OUTCOME MEASURES

	Performance Measure	KPM	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Actuals	FY 2020-21 Target	FY 2020-21 YTD Actuals	FY 2021-22 Target	Strategic Target
DR_0002	Administrative cost as a percentage of bureau budget	X	1.49%	1.52%	1.47%	1.54%	1.46%	1.44%	1.30%
DR_0023	Percentage of members whose final pay was 99% or more of last estimate		95%	98%	100%	98%	99%	99%	99%

EFFICIENCY MEASURES

	Performance Measure	KPM	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Actuals	FY 2020-21 Target	FY 2020-21 YTD Actuals	FY 2021-22 Target	Strategic Target
DR_0021	Percentage of disability claims decisions in 60 days		91%	85%	89%	90%	89%	89%	89%
DR_0029	Administrative Spending Per Participant		$601	$643	$657	$711	$701	$724	$819
DR_0030	Percent of Pension Recipients Who are Paperless		36%	36%	36%	38%	39%	41%	51%
DR_0032	Median Days to Prepare a Pension Estimate		N/A	5	5	4	6	5	5

OUTPUT MEASURES

	Performance Measure	KPM	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Actuals	FY 2020-21 Target	FY 2020-21 YTD Actuals	FY 2021-22 Target	Strategic Target

DR_0026	FPDR tax levy rate (per $1,000 of Real Market Value)	X	$1.13	$1.09	$1.10	$1.13	$1.15	$1.33	$1.42
DR_0028	Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years		73%	82%	74%	82%	64%	74%	74%

WORKLOAD MEASURES

	Performance Measure	KPM	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Actuals	FY 2020-21 Target	FY 2020-21 YTD Actuals	FY 2021-22 Target	Strategic Target
DR_0003	Number of FPDR 2 retirements from active service	X	52	64	9	49	107	20	69
DR_0024	Number of disability claims filed	X	327	298	331	330	710	320	320
DR_0025	Percent of workforce who are FPDR 3	X	39%	43%	45%	51%	50%	52%	70%
DR_0027	Percentage of workforce on disability at June 30	X	4%	3%	3%	3%	3%	3%	3%
DR_0004	Number of pension estimates		331	335	300	354	356	322	322
DR_0005	Number of Fire & Police Disability & Retirement 1 and 2 pension recipients		2,059	2,125	2,052	2,187	2,136	2,129	2,305
DR_0006	Number of pre-retirement workshop participants		110	100	110	142	53	107	107
DR_0011	Number of members on short-term disability		282	265	220	264	330	260	260
DR_0012	Number of medical bills		3,704	3,558	2,977	3,750	3,413	3,413	3,413
DR_0013	Number of long-term disability recipients		35	37	33	25	30	30	35

DR_0031	Number of active employees in FPDR 3	603	647	657	781	730	754	1,058

FPDR - Funds 800 & 801

Resources	CY Estimate	FY 2021-22 Plan	FY 2022-23 Plan	FY 2023-24 Plan	FY 2024-25 Plan	FY 2025-26 Plan
Beginning Fund Balance	$ 17,840,202	$ 8,793,625	$ 16,863,256	$ 14,350,000	$ 15,350,000	$ 16,550,000
Taxes	$ 165,243,036	$ 190,686,734	$ 191,186,643	$ 209,001,453	$ 226,256,337	$ 243,706,645
Licenses & Permits	$ -	$ -	$ -	$ -	$ -	$ -
Charges for Services	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -
Interagency Revenue	$ 576,794	$ 228,200	$ 239,600	$ 271,100	$ 282,600	$ 314,200
Fund Transfers - Revenue	$ -	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
Bond & Note Proceeds	$ 31,658,596	$ 60,470,000	$ 56,623,000	$ 64,513,000	$ 69,917,000	$ 75,276,000
Miscellaneous	$ 498,500	$ 409,000	$ 365,000	$ 391,000	$ 416,000	$ 442,000
General Fund Discretionary & Overhead	$ -	$ -	$ -	$ -	$ -	$ -
Resource Total	$ 215,817,128	$ 262,087,559	$ 266,777,499	$ 290,026,553	$ 313,721,937	$ 337,788,845

Expenditures	CY Estimate	FY 2021-22 Plan	FY 2022-23 Plan	FY 2023-24 Plan	FY 2024-25 Plan	FY 2025-26 Plan
Personnel	$ 2,437,528	$ 2,665,674	$ 2,760,596	$ 2,994,618	$ 3,141,527	$ 3,364,027
External Materials and Services	$ 145,921,100	$ 149,567,950	$ 156,194,200	$ 161,703,300	$ 171,383,900	$ 176,154,200
Internal Materials and Services	$ 26,676,627	$ 30,395,201	$ 34,972,560	$ 43,567,760	$ 50,814,570	$ 63,312,280
Capital Outlay	$ 55,000	$ 75,000	$ 35,900	$ 36,800	$ 37,800	$ 38,800
Debt Service	$ 31,792,097	$ 60,886,741	$ 56,838,243	$ 64,744,775	$ 70,161,440	$ 75,533,338
Fund Transfers - Expense	$ 141,151	$ 1,633,737	$ 1,626,000	$ 1,629,300	$ 1,632,700	$ 1,636,200
Contingency	$ 8,793,625	$ 16,863,256	$ 14,350,000	$ 15,350,000	$ 16,550,000	$ 17,750,000
Debt Service Reserves	$ -	$ -	$ -	$ -	$ -	$ -
Expense Total	$ 215,817,128	$ 262,087,559	$ 266,777,499	$ 290,026,553	$ 313,721,937	$ 337,788,845
Planned FTE Total	17.00	17.00	17.00	17.00	17.00	17.00

Note: This table includes fund balance (beginning and ending) and fund transfers (expense and revenue) for Fund 801, the FPDR Reserve Fund. Tables in the FPDR FYE22-26 Five-Year Forecast document include only values for Fund 800, the FPDR Fund. The difference is $1,500,000 (total resources and requirements for Fund 801 each fiscal year).

Fire and Police Disability and Retirement
City of Portland

Five-Year Forecast

FYE 2022–26

Five-Year Forecast Summary ($ Millions)									
	FYE20 Actuals	FYE21 Adopted Budget	FYE21 Projection	FYE22 Recomm. Budget	FYE23 Forecast	FYE24 Forecast	FYE25 Forecast	FYE26 Forecast	FYE21 Project-FYE26 Change
Resources									
Property Taxes	$154.92	$166.06	$165.24	$190.69	$191.19	$209.00	$226.26	$243.71	47.48%
Tax Anticipation Notes	26.73	42.00	31.66	60.47	56.62	64.51	69.92	75.28	137.77%
Miscellaneous	2.85	2.95	1.08	0.64	0.66	0.66	0.70	0.76	-29.68%
Cash Transfers	-	0.75	-	0.75	0.75	0.75	0.75	0.75	N/A
Beginning Fund Balance	19.57	16.94	17.09	8.04	16.10	13.60	14.60	15.80	-7.55%
Total Resources	**$204.07**	**$228.70**	**$215.07**	**$260.59**	**$265.30**	**$288.53**	**$312.22**	**$336.29**	**56.36%**
Requirements									
Pension Benefits	$149.88	$161.88	$163.22	$171.34	$182.17	$195.80	$212.18	$229.04	40.33%
Disability & Death Benefits	5.99	7.23	7.86	7.12	7.40	7.89	8.33	8.75	11.37%
Administration	3.85	4.04	4.01	4.24	4.39	4.62	4.86	5.07	26.37%
Fund-Level Requirements	27.25	55.56	31.93	77.88	71.34	80.22	86.84	93.42	192.55%
Ending Fund Balance	17.09	-	8.04	-	-	-	-	-	N/A
Total Requirements	**$204.07**	**$228.70**	**$215.07**	**$260.59**	**$265.30**	**$288.53**	**$312.22**	**$336.29**	**56.36%**
Total Net of TANs	$177.34	$186.70	$183.41	$200.12	$208.67	$224.01	$242.30	$261.031	42.31%
Change as a %				**9.1%**	**4.3%**	**7.4%**	**8.2%**	**7.7%**	**7.3%**

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. The FPDR disability plan is both the workers' compensation substitute plan for the City's sworn workforce, and a nonservice disability plan for sworn employees with at least five years of service. These benefits are defined in Chapter 5 of the City of Portland Charter, which serves as FPDR's legal plan document. Fire and Police employees sworn after December 31, 2006 (FPDR Three members) are enrolled in the Oregon Public Employee Retirement System (PERS) pension plan but still covered by FPDR's disability plan. In addition to paying for its own plan benefits, the FPDR Fund pays the PERS contributions on behalf of FPDR Three members 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 careers. As this transition is phased in, FPDR costs will grow far in excess of inflation. Expenses (on an inflation-adjusted basis) are projected to peak in the early to mid 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.

Total FPDR FYE22 requirements are budgeted at $260.6 million. Net of tax anticipation notes (TANs), which are issued and repaid within the same fiscal year and whose inclusion therefore inflates the size of the budget, FYE22 requirements are $200.1 million. For the FYE22 budget, 71% of bureau requirements are for FPDR plan pension benefits, 14% for PERS contributions made on behalf of FPDR Three members, 4% for FPDR plan disability benefits, 2% for program administration, and 9% for fund-level requirements. Total budgeted bureau expenditures (which excludes fund-level requirements such as contingency, TANs, and General Fund overhead) for FYE22 are $182.7 million. Over the five-year forecast extending through FYE26, total bureau expenses are estimated at $1.463 billion and total requirements net of the annual TAN issues are projected to be $1.137 billion.

Plan Overview

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. The FPDR Reserve Fund is not included in this five-year forecast, but is required by City Charter to be funded at exactly $0.75 million on July 1 and June 30 of each year. In between, the FPDR Fund may borrow from it interest-free. Interest earnings on the FPDR Reserve Fund balance are credited directly to the FPDR Fund. Non-property tax revenues comprise just 0.7% of total revenues (net of TANS) in the FYE22 budget, or $1.4 million, and just $7.1 million over the entire FYE22-26 forecast. The remainder of resources needed to fund the expenditures discussed below derive from property taxes, of which $1.061 billion will be required over the same five-year period.

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 $1.15, and is expected to rise to $1.33 for FYE22 and to $1.42 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, 2020, predicts there is less than a 1% probability that the $2.80 cap will be insufficient to fund FPDR spending in any year between now and FYE40.

Revenue Assumptions

More than 99% 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 make up most of the remainder. Property tax revenues will need to grow very significantly this year: 15.4%, from an expected $165.2 million in the current year (FYE21) to $190.7 million in FYE22. Most of this increase has been foreseen for several years. The presence of two 27 pay date months in FYE21 – months when retiring members receive 27 pay checks in their pensionable pay calculations instead of the usual 26 – was always expected to result in an exceptionally high number of FYE21 retirements and a subsequent jump in FPDR direct pension costs. In addition, rapid growth in the PERS-covered population, their salaries, and PERS contribution rates were all expected to accelerate PERS contribution costs. However, of the $25.4 million increase in property taxes now needed for FYE22, only about $20.1 million was planned in June 2020, before the current year budget was adopted. The remaining $5.4 million is the result of unforeseen circumstances related to the pandemic, economic downturn, and organizational and financial restructuring at the Police Bureau. Costs associated with these events have reduced projected ending fund balance for FYE21 (and thus beginning fund balance for FYE22) and also, in some cases, increased ongoing expenses or reduced ongoing revenues.

By FYE26, annual tax collections are expected to rise to $243.7 million – an increase of 47.5% over the life of the forecast – to meet rapidly growing benefit expenses, mostly caused by the ongoing transition from a pay-as-you-go pension plan (FPDR) to a pre-funded pension plan (PERS). That transition requires exponential annual cost increases while pensions for two generations of retirees are funded simultaneously.

In addition, FPDR must levy more taxes than are actually required, since not all taxes will be collected due to discounts, delinquencies, and compression under Measure 5/50 tax limits. FPDR relies on the City Economist to calculate the amount that will offset these losses.

Unfortunately, it is possible that FYE22 property tax delinquencies will be more than usual because of the recession. It is also probable that compression losses will increase next year, as many taxing authorities increase their levies in the face of potentially higher delinquency rates. In FYE22 the tax levy will be "grossed up" by 11.9% to attempt to ensure that the levy produces the $189.1 million in current year tax revenues required by FPDR. That "gross up" percentage is very similar to FYE21, when FPDR and the City Economist decided to increase taxes in response to the same concerns, but is certainly higher than the usual 9% to 10%. Property taxes for FYE21 have been coming in at or slightly above projections thus far, which indicates the FYE21 gross up level was reasonably accurate, perhaps with a bit of cushion.

RMV grew 4.1% in the current fiscal year (FYE21), slower than the average growth rate over the last 20 years (6.5%) but faster than FYE20 when growth was only 2.1%. However, the City Economist has forecast no growth at all in RMV for FYE22. While market values for many residential properties continue to increase, downtown commercial property values may be declining. He does currently expect annual RMV growth to return to 4% or so for FYE23 – FYE26. Assessed value (AV) growth, on the other hand, has remained high for two years in a row, at 4.6% for FYE20 and 4.5% for FYE21. (Since the assessed values of most properties are far below their real market values, changes in actual property value don't impact AV as much as RMV.) The City Economist expects AV growth to return to a more usual 3.0% to 3.2% for FYE22 and beyond. The AV rate is currently $2.76, and is projected to rise to $3.11 for FYE22 and to $3.44 by the end of the forecast period. The City Economist's property tax assumptions are detailed below.

PROPERTY TAX ASSUMPTIONS						
	FYE21	FYE22	FYE23	FYE24	FYE25	FYE26
RMV Growth	4.0%	0.0%	4.0%	4.0%	4.0%	4.0%
AV Growth	3.5%	3.0%	3.2%	3.2%	3.0%	3.0%
Compression	-4.5%	-4.9%	-4.8%	-4.6%	-4.4%	-4.4%
Discounts/Delinquencies	-6.0%	-6.0%	-4.9%	-4.9%	-4.7%	-4.5%
AV Tax Rate	$2.7580	$3.1069	$2.9790	$3.1359	$3.2862	$3.4379
Effective RMV Tax Rate	$1.1467	$1.3305	$1.2659	$1.3224	$1.3724	$1.4220

The only two non-property tax revenues of significance are interest income and overhead charges on contracted Police services. 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 other very small miscellaneous revenues. Both interest income and overhead charges are forecast to decline quite substantially in the current fiscal year (FYE21) – to roughly one-third of their previous levels – and to decline again in FYE22. Both revenue sources are then expected to remain at these new lower amounts throughout the forecast period.

Interest income is forecast based on the City Investment Officer's projected annual returns on the City Treasury investment pool and FPDR's estimated average daily cash balance.

While FPDR's cash balance will rise from roughly $49.0 million in the current year to an estimated $71.4 million by the end of the forecast period (as tax revenue grows to match increasing benefit expenses) interest earnings on that balance are expected to drop to 0.75% this year, then to 0.5% in FYE22, and finally to 0.4% for FYE23 – FYE26. Therefore, interest earnings on fund balance are assumed to be just $0.4 million in the current year, down from $1.3 million in FYE20 and $1.5 million in FYE19, and to fall even further over the next five years, to $0.2 million to $0.3 million annually.

When police officer or fire fighter services are contracted out to third parties – most notably TriMet – the third party reimburses the City for wages, benefits, and overhead, including an FPDR-specific overhead rate intended to compensate the City for pension and disability benefits. Nearly all of this revenue comes from the Police Bureau, and over the last five years 59% to 76% of the Police amount has come from their contract with TriMet for Transit Police. Since the Police Bureau pulled out of that contract on December 31, 2020, a majority of this revenue source will disappear permanently. In addition, much of the remaining Police overhead revenue is earned when police officers provide security at large gatherings like sporting competitions and community festivals; this portion has also been reduced, at least temporarily, because of the pandemic and continued staffing challenges at PPB. The overhead charges are calculated as a pension rate plus a disability rate, charged on all wages earned by the sworn employees while they are performing third-party work. The pension rate is the current sworn contribution rate for the Oregon Public System Retirement Program (OPSRP) tier of PERS, including the City's 9% contribution to the Individual Account Program (IAP) at PERS. The disability rate is a rolling three-year average of FPDR service-connected disability expenses divided by sworn payroll. Overhead charges therefore move in relation to these rates and wage growth, as well as the amount of third-party work performed by the Police and Fire bureaus. The pension overhead rate will increase with the PERS rate, from 29.16% in FYE21 to 31.72% in FYE22, and an estimated 41.00% by FYE26. The disability overhead rate is currently 3.13% and is expected to remain fairly stable. Wages are forecast to grow only with COLAs, which are assumed to equal growth in the Consumer Price Index for the West Region (CPI-West), as required by the City's sworn labor contracts and forecast by the City Economist. However, increases in wages and the FPDR overhead rate will have a very small impact within the larger context of the precipitous decline in third-party work being undertaken by the Police Bureau.

Together, the reductions in interest income and Police overhead charges will result in a $2 million to $3 million annual revenue loss for FPDR, beginning in the current fiscal year and continuing for the forecast period. This loss will have to be offset with an unplanned increase in the property tax levy.

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. As discussed above, these risks are greater than usual for the budget year (FYE22), as the pandemic and associated economic downturn may increase both property tax nonpayment and compression. Accordingly, FPDR and the City Economist have assumed higher than usual delinquency and compression loss rates for FYE22, as detailed in the Property Tax Assumptions table above under Revenue Assumptions. In addition, FPDR has increased fund contingency from the typical 7% of bureau operating expenses to 9%. This level of contingency ($16.1 million) would cover an additional 9.2% shortfall in property tax collections. Risks in revenue categories other than property taxes are not significant for the forecast as a whole, as they comprise less than 1% of FPDR's resources.

Expenditure Assumptions

Of the $1.053 billion in bureau expenditures during the five-year forecast period, 98% or $1.030 billion are nondiscretionary plan benefits mandated by City Charter. Plan benefits fall into three categories: FPDR pension benefits, PERS contributions, and FPDR disability/death benefits. Of the three, FPDR pension benefits are by far the largest, making up 74% of planned bureau expenditures over the next five years. PERS contributions, while still only 21% of budgeted bureau expenditures in FYE22, are the fastest-growing component. Each year a larger percentage of the sworn workforce is comprised of FPDR Three members enrolled in PERS. Disability and death benefits are trending significantly higher than usual in the current fiscal year (FYE21), primarily because of COVID cases and exposures in the sworn workforce, but are expected to return to normal and grow only with wage inflation beginning in FYE22.

The most significant assumptions underlying the expenditure forecast are listed in the tables below.

Inflation Assumptions						
	FYE21	FYE22	FYE23	FYE24	FYE25	FYE26
Wages	2.90%	1.60%/2.00%	3.10%	2.70%	2.80%	2.80%
Medical	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
PERS Contribution Rates						
Tier 1 & Tier 2*	27.86%	28.35%	28.35%	33.00%	33.00%	38.00%
OPSRP General*	21.53%	24.36%	24.36%	29.00%	29.00%	33.00%
OPSRP Public Safety*	29.16%	31.72%	31.72%	36.00%	36.00%	41.00%
External Materials & Services	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
Internal Materials & Services	3.10%	2.60%	2.70%	2.60%	2.60%	2.60%
*Includes 9% Individual Account Program "pick up" for OPSRP Public Safety and 6% for Tier I/II/OPSRP General						

Other Assumptions						
	FYE21	FYE22	FYE23	FYE24	FYE25	FYE26
FPDR 2 Service Retirements	107	20	56	69	70	69
Deaths, Members & Beneficiaries	59	60	61	61	62	62
Pension COLAs						
FPDR 1, Fire	2.90%	1.60%/2.00%	3.10%	2.70%	2.80%	2.80%
FPDR 1, Police	0.00%	4.55%/4.96%	3.10%	2.70%	2.80%	2.80%
FPDR 2, Average Among Members	1.99%	1.99%	1.98%	1.98%	1.98%	1.97%
Percent of Sworn Workforce, FPDR 3	50.1%	51.6%	55.8%	60.8%	65.7%	70.5%
Bureau Hiring Projections						
Fire Bureau	24	24	24	24	24	24
Police Bureau	-	40	49	58	53	56

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 (COLAs) for existing retirees. FPDR projects there will be at least 100 service retirements in the current fiscal year (FYE21), blowing past the previous record of 94 in FY 2006-07 when consequential amendments to the FPDR Plan were enacted by Portland voters. The unprecedented level of retirements is driven largely by the timing of 27 pay-date months: there are two in the current fiscal year, in August 2020 and January 2021, and none in the prior or upcoming fiscal years. However, the pandemic, protests, and organizational change at the Police Bureau have no doubt had an impact on retirements as well. The number of retirements is a major factor in the growth in FPDR One and Two pension expenses in the current fiscal year, which increased 7% despite the absence of wage increases in FYE21 for most Police employees, which meant no increase in final pensionable pay for most new Police retirees and no COLA for existing Police FPDR One retirees and surviving spouses. Going forward, retirements are forecast to return to much lower levels. FPDR projects only 20 service retirements for FYE22, partly because of the high number of retirements in FYE21 and partly because of the absence of a 27 pay date month in FYE22. In forecast years beyond FYE22, each retirement-eligible member is assigned an actuarial probability of retirement in each year of the forecast. These probabilities have been updated this year, to incorporate the results of a new FYE14 – 19 experience study of the FPDR Plan conducted by an independent actuarial firm. Previously, retirement rates were predicted based solely on age. Now retirement rates are predicted based on age only until a member reaches their 25-year anniversary; after that the probability of retirement is level each year (at 45% for Police and 25% for Fire) regardless of age. In addition, FPDR used to assume that all Fire members retired by age 60; that has now been extended to age 65 to match Police. These changes reflect the emerging reality that more members are now working past age 60, and that after reaching 25 years of service (when most members become retirement-eligible) the probability of retirement is not strongly associated with age.

Death rate and timing assumptions are likewise based on actuarial probabilities, but derived from mortality data through June 30, 2020 for the similar but larger (and therefore more statistically useful) pool of sworn PERS members; a death probability is assigned to each beneficiary in each year of the forecast based on these probabilities. Unfortunately, the updated assumptions reflect a higher likelihood of death each year for the largest group receiving FPDR pensions: male retirees 70 or older. In addition, average life expectancy fell for male retirees of all ages by an average of about one year. The FYE14 – 19 FPDR Plan experience study also found that a smaller percentage of retirees are married at death than in the past, so this assumption has been reduced from 80% to 70%. These two assumption changes reduced pension costs over the life of the forecast, as more retirees are now projected to pass away during the next five years, and fewer are expected to leave a surviving spouse with a survivor's pension benefit.

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 survivor benefits at the member's death.) Pay for Portland Fire Fighter Association and Portland Police Commanding Officers Association employees grew by a 2.9% COLA awarded on July 1, 2020, as well as step increases and longevity pay for additional years of service. Pay for Portland Police Association (PPA) members grew by less because their COLA was deferred to June 30, 2021. However, this means PPA members will most likely receive a "double" COLA in summer 2021: 2.9% on June 30, 2021 and 1.6% on July 1, 2021. With the exception of the July 1, 2020 deferral for PPA, all three sworn labor contracts require annual COLAs equal to the increase in the CPI-West, although the current PPA contract expires on June 30, 2021. This forecast relies on the City Economist's projection for the CPI-West for FYE22-FYE26.

Per City Charter, COLAs for FPDR One retirees and widow/ers are equal to increases in active duty pay, discussed above. COLAs for FPDR Two retirees and widow/ers are at the discretion of the FPDR Board, up to a maximum of 2.0%. The forecast assumes the Board continues to use the COLA methodology used for FPDR Two COLA awards on July 1, 2020: 2.0% for service credit earned before October 8, 2013 and 1.75% for service credit earned after that date. This results in an average COLA of 1.99% on July 1, 2021 for FPDR Two retirees and widow/ers, declining to 1.97% by July 1, 2025. This method is similar to the manner in which PERS COLAs are calculated, although PERS uses 1.25% instead of 1.75%, and an even lower rate for annual benefits amounts above $60,000.

PERS Contributions

The second largest item in the FPDR budget is PERS contributions made by the FPDR Fund on behalf of sworn employees hired in 2007 or later. The PERS contribution budget depends on the number of working FPDR 3 members, their pay levels, and PERS contribution rates. Growth in this budget category is exponential: in addition to increases resulting from wage inflation, the number of PERS-covered employees grows each year as FPDR-covered employees retire and are replaced by new hires. Secondly, this population is still maturing; as compared with the total sworn population, a larger proportion of PERS-covered employees are still at the police officer or fire fighter rank (and at lower pay levels on those pay scales), ineligible for longevity pay, and less likely to have attained premium and specialty pay assignments. As they move through pay steps, promote into higher paying classifications, receive specialty pay assignments, and begin to earn longevity pay, their pay grows above and beyond simple wage COLAs. Finally, the PERS Board continues to raise contribution rates every two years to reduce PERS' unfunded liability, although PERS reforms enacted by the Oregon Legislature enacted in 2019 have slowed the growth in these rates somewhat.

The number of current FPDR 3 members is known, but the total projected number over the forecast period is reliant on hiring projections. FPDR usually bases hiring projections partly on actuarially predicted retirement rates (derived from the most recent plan experience study) and partly on the Police and Fire Bureaus' staffing plans. However, for this forecast, projected Police hiring is based entirely on the Police Bureau's internal hiring plans, as the bureau has indicated they do intend to replace all retiring employees. Indeed, the Police Bureau has not hired any new officers since June 1, 2020 and does not intend to have any new officers in place until July 2021, despite 72 retirements since August 2020. This forecast assumes the Police Bureau hires only 40 new officers in FYE22, and then 50 – 60 annually after that. For the Fire Bureau, the forecast includes new hires at the historical rate of 24 per year. This is likely to be enough hiring to replace retiring Fire employees. In addition, a maximum of 12 new hires can be accommodated by each Fire training academy and the Fire Bureau typically runs two academies each year.

Sworn pay is budgeted to increase with annual growth in the CPI-West, although it should again be noted that PPA members did not receive a COLA on July 1, 2020 and will instead receive two COLAs in the summer of 2021 (as discussed above under Direct Pension Benefits). The deferred PPA COLA lowered PERS contributions in the current year (FYE21), but will ultimately result in two years' worth of wage growth for most Police employees in FYE22. In addition to COLAs, the PERS Contribution budget assumes a promotional "drift" factor of 5% of total wages at Police and 4% at Fire to account for salary maturation as discussed previously. Overtime rates are assumed to return their usual levels for FYE22 and beyond after spiking in the current year as a result of protests, wildfires, and the pandemic. PERS contributions are paid on overtime as well as regular wages; contributions on this higher overtime are the main cause of the unusually large growth in PERS contributions in the current year.

PERS contribution rates are set biannually by the PERS Board. The rate for the public safety OPSRP tier – the tier FPDR 3 members participate in – will increase from 29.16% in the current year (FYE21) to 31.72% for FYE22 and FYE23: 22.72% for the defined benefit portion of the PERS benefit and 9% for the defined contribution portion (known as the IAP). After that the rate is projected to increase again to 36.00% for FYE24 and FYE25, and then to 41.00% for FYE26. Projected PERS rates for FYE24–FYE26 are provided by the City Economist. Although this growth in PERS rates is substantial, it is less than forecast at this time last year. The slower growth in contribution rates is partly because 2019 PERS investment returns were better than expected and partly because rate projections now reflect PERS reforms enacted by the 2019 Oregon Legislature that withstood legal challenge and were upheld by the Oregon Supreme Court in 2020.

Disability Benefits

Disability benefits are comprised of medical costs; wage replacement while members are unable to work; wage subsidies to incentivize the Police and Fire Bureaus to keep members working in modified duty positions when possible; funeral benefits; and vocational rehabilitation expenses. Medical benefits and wage replacement costs for short-term disability are the most volatile items in the FPDR budget; thankfully they are also a small piece of that budget. In the past, medical costs have made up about half of total disability benefit expenses, with most of the remainder in wage replacement. However, this ratio is shifting. In the current year (FYE21) there have been a large number of COVID case and exposure disability claims, which have wage replacement costs while members recover and/or quarantine, but very low medical expenses. (Fortunately, it seems more likely than not that COVID-related claims will decline before FYE22 as the City's sworn employees are expected to be largely vaccinated by March 2021.) But FPDR also expects as many as five members to move on to long-term disability over the next few months, unrelated to COVID, adding to the current population of 25. Members on long-term disability don't usually have high medical costs since their conditions have stabilized, but do require full-time wage replacement. The increase in long-term disability recipients is the primary reason it appears likely that wage replacement will outstrip medical expenses as the largest disability benefit cost over the coming years.

The two most important assumptions in the disability benefit budget are wage growth and medical inflation. As discussed above the forecast assumes wage growth is limited to annual growth in the CPI-West. Again, the absence of a 2020 COLA and double 2021 COLA for most Police employees has both depressed wage growth and wage replacement costs in the current fiscal year (FYE21) and will lead to higher wage growth and wage replacement costs for FYE22. However, much of this increase in wage replacement cost will, hopefully, be offset by lower short-term disability claim volume as COVID ebbs. The mix of pay rates for members receiving temporary wage replacement is projected to be similar to the past, before the rise in COVID claims. Medical inflation is estimated at 4% for the life of the forecast, based on guidance from the City Economist. Medical costs for large claims (those with more than $50,000 in lifetime medical expenses) is based on a three-year average. FPDR spent more than usual on return-to-work wage subsidies in FYE20 (about $0.5 million) as the Police Bureau made extensive use of the program. This is expected to continue, with wage subsidies steady at this higher level and growth equal to wage COLAs. Funeral benefits are projected using the same mortality models built into the pension budget. Although a very small portion of the budget, they are growing rapidly as more FPDR Two members (who are entitled to a more generous funeral budget than FPDR One members) pass away.

Administrative Expenses

Administrative expenses include all general operating expenses for the bureau: staff, office space, information technology and legal services, and various other goods and services. The largest component of administrative expenses is personnel costs. Staff salaries and benefits are set by the City compensation plan and policies, but the FPDR Director and Board have authority over the number and type of positions. FPDR currently has 17 employees: 13 nonrepresented and 4 represented (by the District Council of Trade Unions). In the current fiscal year (FYE21) none of FPDR's nonrepresented employees received pay raises; the four DCTU staff received a delayed 2.9% wage COLA on January 1, 2021. In accordance with the Mayor's direction, the personnel budget for FYE22 includes a 1.6% wage COLA on July 1, 2021 for all staff, but again no merit pay increases for nonrepresented employees. (All four DCTU employees are already at the top of their pay scales.) In FYE23 through FYE26, the personnel budget reflects estimated annual COLAs of 2.7% to 3.1% each year based on the City Economist's forecast of the CPI-West, as well as the return of annual merit increases of up to 4.1% for nonrepresented employees, until they reach the maximum salary for their job classification.

The personnel budget 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. New this year, the forecast incorporates a statewide payroll tax scheduled for implementation on January 1, 2022 to fund Oregon's new paid family leave program. The tax is 1% on wages up to $132,000 per year, with the employer paying 0.4% and the employee paying 0.6%. FPDR's cost for this new program will be a little over $10,000 annually and will grow with wage increases. PERS contribution rates for general service employees will increase for FYE22, just as for public safety employees. The forecast uses the City's economist projection for City PERS rates in all years. A slight majority of FPDR employees (10) are in the OPSRP tier, where the contribution rate will grow from 21.53% currently to 24.36% for FYE22 and FYE23, including the 6% individual account program (IAP) contribution. FPDR's seven other employees belong to PERS Tier I or II, where the contribution rate, including the 6% IAP portion, will climb from 27.86% now to 28.35% for FYE22 and 23. Beyond FYE23, PERS rates are forecast to grow to 33% for OPSRP and 38% for Tier I/II by FYE26.

Spending on administrative materials and services (both external and internal) is actually expected to decline slightly (-1.6%) for FYE22. Most costs for internal materials and services – those services and goods procured from other City bureaus – are based on rates set by the bureaus providing the service and/or materials. Next year's budget assumes no changes in these service levels or inventory. FPDR's largest internally procured goods and services are legal services provided by the City Attorney's office, liaison services provided by two sworn employees at the Fire and Police Bureaus, and computer/telecommunications equipment and services purchased from the Bureau of Technology Services. Costs for externally procured goods and services are estimated based on past experience, known upcoming purchases, contract provisions where they exist, and a general external materials/services inflation factor provided by the City Economist. The largest of these items is the office lease, which will expire in the spring of 2022. The space rent forecast is based on the projected costs of leasing the same or similar space for the next five years, but FPDR will evaluate its space needs after the pandemic. Capital spending is limited to programming and other improvements to FPDR's database, which is used to process all benefit payments and to track member and beneficiary information.

The table below lists FYE20 actual costs, FYE21 projected costs, and the FYE22 recommended budget for each of FPDR's administrative expense

Administration & Delivery: Budget Detail				
	FYE20 Actuals	FYE21 Projection	FYE22 Recomm. Budget	Change: FYE21 to FYE22
Personnel Services	$ 2,422,650	$ 2,437,528	$ 2,665,674	9.4%
External Materials & Services				
Computer Consulting	$ 44,506	$ 49,000	$ 55,200	12.7%
Legal Services	47,882	62,100	63,700	2.6%
Audit Services	29,969	30,700	31,500	2.6%
Actuarial Services	8,200	113,400	25,000	-78.0%
Professional Services - Disability Program	194,602	248,300	256,000	3.1%
Other Professional Services	75,533	52,000	53,400	2.7%
Repair and Maintenance Services	8,901	3,400	3,500	2.9%
Miscellaneous Services	11,772	8,900	9,100	2.2%
Computer and Office Supplies	13,774	17,600	18,000	2.3%
Minor Equipment and Tools	1,521	1,100	1,100	0.0%
Education, Subscriptions and Dues	12,135	14,000	14,400	2.9%
Travel - Local	615	600	600	0.0%
Travel - Out of Town	798	-	2,950	N/A
Office Rent	216,665	230,300	236,300	2.6%
Miscellaneous	1,602	600	600	0.0%
Total External M&S	$ 668,476	$ 832,000	$ 771,350	-7.3%
Internal Materials & Services				
Fleet	$ 127	$ 259	$ 189	-27.0%
Printing & Distribution	37,741	38,010	43,868	15.4%
Facilities Services	11,891	1,672	1,762	5.4%
Technology Services	167,852	147,958	168,195	13.7%
Risk Management	33,988	30,280	30,659	1%
City Attorney	272,670	276,158	289,676	4.9%
Government Relations		10,000	10,000	0.0%
Bureau of Revenue & Financial Services	35,664	48,620	42,562	-12.5%
Fire & Police Bureaus	134,674	136,890	139,990	2.3%
Total Internal M&S	$ 694,606	$ 689,847	$ 726,901	5.4%
Capital	$ 68,900	$ 55,000	$ 75,000	36.4%
Total Admin & Delivery	$ 3,854,631	$ 4,014,375	$ 4,238,925	5.6%
Staff: Full-Time Equivalents (FTE)	17	17	17	0.0%

Police Bureau Hiring and Retirement Rates

The Police Bureau has not hired any new sworn employees since June 2020. They expect to begin hiring again soon, but only anticipate bringing on 40 new officers between now and June 30, 2022. Meanwhile, at least 72 Police members will have retired during that same time period, with many more resignations. It seems possible that the Police Bureau could revise its FYE22 hiring forecasts upward if budgetary and financial considerations permit. If this comes to pass, OPSRP contribution expenses could be more than budgeted for FYE22 and outyears.

FPDR has forecast only 20 sworn retirements (10 Police and 10 Fire) in FYE22 because of the large number of retirements in the current fiscal year and the absence of a 27 pay date month in FYE22. FPDR believes that most sworn employees contemplating near-term retirement chose to retire in August 2020 or January 2021, or have decided to wait for the next 27 pay date month in July 2022. But 20 retirements are considerably less than the 55 retirements a purely actuarial projection would predict (based on age and years of service among retirement-eligible employees). If FPDR's prediction of just 20 retirements is wrong and many more members choose to retire in FYE22, pension expenses will be higher than budgeted in all years of the forecast. This risk seems greater at the Police Bureau, where ongoing political, organizational, and financial change may motivate earlier retirements than planned for some members.

Portland Police Association Contract

The PPA contract, which governs the wages and working conditions of nearly all Police FPDR members, will expire on June 30, 2021. (A one-year letter of agreement extended the contract from its previous end date of June 30, 2020.) Negotiations are underway but new contract terms are still unknown. FPDR's budget assumes a retroactive wage COLA of 2.9% on June 30, 2021 for PPA employees, as required by the letter of agreement, plus future wage COLAs equal to the annual growth in the CPI-West each July 1. No other salary increases and no new sworn Police positions are anticipated in FPDR's forecast. Should the final contract include provisions different from these, FPDR costs could be more or less than budgeted. 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 subsidize modified duty assignments, and FPDR Two and Three funeral benefits are all a percentage of current pay. In addition, any change to the contracts that results in a larger sworn workforce represents a risk to the forecast, as additional sworn employees will increase PERS contribution expenses and disability costs.

PERS Contribution Rates in Outyears

PERS contribution rates are known for FYE22 and FYE23, but rates in future years are based on the City Economist's projection as of fall 2020. (See the "Other Assumptions" table under Expenditure Assumptions for details.) Contribution rates are influenced by a wide variety of factors, but annual PERS investment returns are a notable source of contribution rate risk because of their volatility and importance to the PERS unfunded liability calculation. Investment returns are always unsure, of course, but uncertainty about the timing and size of a national and global economic recovery from the pandemic make predicting investment returns an even more opaque exercise than usual.

Wage and Pension COLAs

As mentioned several times 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. Wage COLAs are the single largest source of variability risk in the entire FPDR forecast because they impact nearly all expenses. If the projection is too low the cost of nearly all FPDR benefits, and most likely salaries for FPDR staff as well, will be higher than forecast. Fortunately it is unusual for actual wage COLAs to be meaningfully different from the City Economist's forecast, particularly in the short run.

As discussed in the Expenditure Assumptions section of this document, the forecast assumes the Board awards a blended rate COLA to FPDR Two beneficiaries going forward: 2% for the percent of service credit earned before October 8, 2013 and 1.75% for the percent of service credit earned after. This is the methodology employed by the Board for the July 1, 2020 COLA award, and yields an average annual COLA of 1.97% to 1.99% during the forecast period. This means there is limited upward financial exposure should the Board instead choose the maximum possible COLA (2%) in any or all years of the forecast.

Other

Other factors that would increase expenses, but to a smaller degree, are:

- Fewer deaths than projected using the mortality tables and assumptions recommended by the FPDR actuaries
- More sworn overtime than assumed
- Faster promotion rates or more premium pay assignments 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
- 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 already planned IT expenses

Bureau of Fire & Police Disability & Retirement

Requested Budget & Racial Equity Plan Update:

Most FPDR spending will not impact Indigenous people, Black people, immigrants and refugees, and people of color as FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public. However, FPDR's budget supports the bureau's Racial Equity Plan and has funded employee participation in the following diversity trainings and multicultural events: Oregon's History of Discrimination, Displacement and Segregation training by the Oregon Fair Housing Council, Equity Committee and Assessment Team meetings, monthly diversity book club meetings, staff brown bag sessions, quarterly multicultural potlucks, annual Northwest Diversity Conference and other offsite training opportunities. FPDR has also integrated diversity development training and/or activity into its performance evaluations.

Racial Equity Plan Link:	https://www.portlandoregon.gov/oehr/article/589638

Requested Budget Community Engagement:

Under Chapter 5 of the Charter of the City of Portland the FPDR budget provides disability and pension benefits to plan members. The FPDR Board of Trustees has the legal authority to adopt the FPDR's budget which is adopted at a regular meeting each year in January. The budget is published for public viewing one week prior to the board meeting and public testimony is accepted and considered at the board meeting.

FPDR is administered by a five-member Board of Trustees composed of: the Mayor or the Mayor's designee, an Active Member serving in the Bureau of Fire (and elected by the Active Members in the Bureau of Fire), an Active Member serving in the Bureau of Police (and elected by the Active Members in the Bureau of Police), and two citizens who are Portland residents who are nominated by the Mayor and approved by the City Council. FPDR has no control over the appointment of its trustees. However, as part of its Racial Equity Plan, the Director meets with the Mayor/ FPDR Commissioner in Charge to encourage and promote diversity of membership when a citizen member's term is up.

Base Budget Constraints:

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

Notable Changes:

Not applicable.

Equity Manager Role in Budget Development

Not applicable. FPDR does not have dedicated equity staff but has an equity committee that meets regularly.

Equity Manager:	None	Contact Phone:	

ADA Title II Transition Plan:

Not applicable.

Accommodations:

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.

Capital Assets & Intergenerational Equity

Not applicable.

Measure Title	PM 2018-19 Actuals	PM 2019-20 Actuals	PM 2019-20 Target	PM 2020-21 Target	Strategic Target

Data Tracking Methodology:	Not applicable. FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public. Therefore, FPDR does not have performance data related to equity goals.

Hiring, Retention, & Employment Outreach:

FPDR is a small bureau of 17 employees. FPDR's workforce is 31% employees of color and 94% female. FPDR has worked diligently and successfully to hire qualified candidates of diverse and protected class backgrounds. FPDR has been successful in retaining female and minority employees. FPDR currently has no vacant positions. However, FPDR has historically utilized a recruitment process that ensures outreach to communities of color and people with disabilities and will continue to do so.

Contracting Opportunities

FPDR follows the City's procurement requirements. When reviewing proposals, we look first for disadvantaged, minority, women, and emerging small businesses.

Engaging Communities Most Impacted by Inequities

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

Empowering Communities Most Impacted by Inequities

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