



FIRE AND POLICE DISABILITY AND RETIREMENT City of Portland, Oregon




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Samuel Hutchison, Director

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TO: Jessica Kinard, City Budget Director
Ari Korreshi, City Budget Office

FROM: Samuel Hutchison, FPDR Director 

RE: FPDR FY 2022-23 Fall BMP Submission

DATE: September 7, 2022

Attached is the Bureau of Fire and Police Disability and Retirement's (FPDR) fall budget monitoring (BMP) submission for FY 2022-23.

BMP Request

FPDR has one request, to add a 1.0 FTE Disability Claims Analyst I position to the bureau's FY 2022-23 Revised Budget. The position was authorized by the FPDR Board of Trustees at its July 2022 meeting. Assuming a midrange hire in January 2023, the FY 2022-23 cost is estimated at \$56,904 including benefits. The full year cost of the new position is projected at \$113,808. The position will be funded from FPDR Fund contingency in FY 2022-23 and from the FPDR tax levy in future years. The position is necessary to manage dramatically increased claim caseloads in response to legislative changes to benefits, as well as COVID. The legislative changes have permanently increased incentives for filing certain types of complex claims, and FPDR expects some level of COVID claims to continue for the next several years.

Prior Year Performance

The FPDR Fund ended FY 2021-22 within budget, both overall and within each major object category. Excluding fund-level expenses such as debt service and fund contingency, FPDR spent 96.7% of its Revised Budget. FPDR increased the budget for short-term disability benefits by \$2.0 million in the FY 2021-22 Spring BMP, following second and third waves of COVID claims. Fortunately, a fourth wave did not materialize before June 30 and only \$1.1 million of this additional budget authority was necessary. Short-term disability costs, always volatile, have become especially hard to predict during the COVID pandemic. Pension benefits came in at 99.7% of the Adopted Budget. Property tax collections, which comprise 99.6% of FPDR's revenues, were \$3.2 million or 1.7% over budget, indicating that delinquency and compression tax loss rates were not as high as anticipated in the second year of the pandemic.

The most important item to note from FPDR's performance measure report is the sustained increase in disability claims and the number of sworn employees on disability during the fiscal year. FPDR received 583 disability claims in FY 2021-22 and 536 in FY 2020-21, as compared with 300-400 claims per year in the decade before. Similarly, there were 407 sworn employees on short-term disability at some point during FY 2021-22 and 402 in FY 2020-21; in the 15 previous years there were never more than 300. These measures underscore the need for an additional disability analyst.

Please feel free to contact me or Stacy Jones with any questions or concerns.

DR - Bureau of Fire & Police Disability & Retirement

DP Type

Non GF Contingency

Request Name: 14326 -Disability Claims Analyst

Package Description

This request adds 1.0 Analyst I to the FPDR Disability & Death Benefits program. FPDR is requesting to increase its personnel budget by \$56,904 to fund a midrange Analyst I position with an estimated start date in January 2023 which is half the annual cost of the position, \$113,808 (salary and benefits). This position will be funded with a transfer from FPDR fund contingency.

Disability program benefits have expanded and caseloads across program analysts have increased beyond recommended levels to maintain service delivery. In their December 23, 2014, Disability Program Audit report, Milliman recommended that a senior claims analyst case load be kept to 85 claims due to the complexity of the claims administered at that level. However, current caseloads average 173 claims per senior analyst.

- Over the past few years state-imposed legislation and rules adopted by the FPDR Board of Trustees have expanded benefits as follows:
- o September 2019: The Oregon Legislature passed a bill creating a Workers' Compensation presumption that post-traumatic stress disorder (PTSD) and acute stress disorder (ASD) claims for first responders arose from mental health injuries or illnesses caused by work.
 - o March 2020: The FPDR Board of Trustees adopted rules to ensure that firefighters and police officers would receive disability benefits (time loss and medical treatment) if they were exposed to or contracted the coronavirus while serving the citizens of Portland.
 - o June 2021: The Oregon Legislature passed a bill extending the Workers' Compensation Heart and Lung Presumption to FPDR. Several heart and lung diseases are now presumed to arise from work-related causes.
 - o June 2022: The Oregon Legislature passed a bill expanding the Workers' Compensation firefighter's cancer presumption to FPDR. Several additional cancers are now presumed to arise from work-related causes.

The expanded benefits resulted in FPDR's receipt and administration of the largest number of new claims in FPDR's history. From FY 2014-15 to FY 2019-20, FPDR processed an average of 342 new claims per year. In FY 2020-21 FPDR administered 536 new claims, a 57% increase in the number of new claims administered compared to prior averages. The trend continued in FY 2021-22, when FPDR administered 583 new claims. While COVID-19 claims have played a significant role in recent spikes in claim numbers, benefit expansion due to legislative changes has created a sustained increase in the number and complexity of claims.

This position was authorized by the FPDR Board of Trustees at its July 27, 2022 board meeting.

Service Impacts

The addition of a disability analyst position will reduce caseloads for senior analysts across the board by handling moderate injury claims, freeing up those senior analysts to handle complex cases. As a result, FPDR anticipates the new analyst will speed up the claim decision-making process for members.

Equity Impacts

FPDR does not anticipate any related impacts on equity.

2022-23 FALL Requested Adj		
Expense	Contingency	-56,904
	Personnel	56,904
Expense	Sum:	\$0

Bureau Performance Narrative

In FY 2021-22 three FPDR performance measures reflect an overall increase in disability claims, short term disability recipients, and pension estimates. There was a slight increase in administrative spending as a percentage of the bureau budget. Although administrative costs increased, this is attributed to one-time costs associated with the office relocation and a large retirement payout.

FPDR set a record for the number of disability claims in a single year with 583 claims in FY 2021-22, which surpassed the prior record of 536 in FY 2020-21 by 9%. Under normal circumstances, FPDR receives 300-400 claims per year. In addition, the increase in the number of sworn employees on short term disability surpassed the prior year record of 402, with a new record of 407 sworn employees on short-term disability at some point during FY 2021-22. These figures reflect a continued increase in disability claim activity. In the preceding 15 years, there has never been more than 300 members on short-term disability in a given year.

The number of FPDR 2 retirements from active duty sharply decreased to 23 from 99, a 76.8% drop, in FY 2020-21. This decrease is largely attributable to the timing of 27 pay date retirement months. In the prior year there were two 27-pay date retirement months and a record number of retirements, while there were zero favorable, 27-pay date retirement months in FY 2021-22.

The number of total plan participants decreased by more than 100, primarily because of a reduction in the number of active sworn employees. In conjunction with higher administrative costs this yielded an increase in the administrative spending per plan participant. Pension estimate services increased by 20% over the prior year despite the fact that FPDR placed restrictions on the number of requests per member due to workload issues. In FY 2021-22 estimate requests exceeded the prior two fiscal years, at 336. Median estimate turnaround times increased from five days to six while the accuracy increased to 100%.

Key Performance Measures	Measure Type Name	FY 2019-20 Actuals	FY 2020-21 Actuals	FY 2021-22 Target	FY 2021-22 Actuals	FY 2022-23 Target	Strategic Target	Details
DR_0002 Administrative cost as a percentage of bureau budget	OUTCOME	1.47%	1.35%	1.44%	1.43%	1.45%	1.50%	
DR_0003 Number of FPDR 2 retirements from active service	WORKLOAD	9	99	20	23	60	63	
DR_0024 Number of disability claims filed	WORKLOAD	331	536	320	583	388	388	
DR_0025 Percent of workforce who are FPDR 3	WORKLOAD	45%	50%	52%	51%	58%	75%	
DR_0026 FPDR tax levy rate (per \$1,000 of Real Market Value)	OUTPUT	\$1.10	\$1.15	\$1.32	\$1.26	\$1.15	\$1.37	
DR_0027 Percentage of workforce on disability at June 30	WORKLOAD	3.2%	3.2%	2.9%	3.8%	2.9%	3%	

Bureau of Fire & Police Disability & Retirement

Prior Year Performance Reporting

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Other Performance Measures	Measure Type Name	FY 2018-19 Actuals	FY 2019-20 Actuals	FY 2020-21 Target	FY 2020-21 Actuals	FY 2021-22 Target	Strategic Target	Details
DR_0004	Number of pension estimates	WORKLOAD	335	300	354	281	322	305
DR_0005	Number of FPDR 1 and 2 pension recipients	WORKLOAD	2,125	2,052	2,187	2,129	2,129	2,358
DR_0006	Number of pre-retirement workshop participants	WORKLOAD	100	110	142	0	107	107
DR_0011	Number of members on short-term disability	WORKLOAD	265	220	264	402	260	296
DR_0012	Number of medical bills	WORKLOAD	3,558	2,977	3,750	3,129	3,413	3,221
DR_0013	Number of long-term disability recipients	WORKLOAD	37	33	25	27	30	32
DR_0021	Percentage of disability claims decisions in 60 days	EFFICIENCY	85%	89%	90%	89%	89%	89%
DR_0023	Percentage of members whose final pay was 99% or more of last estimate	OUTCOME	98%	100%	98%	99%	99%	98%
DR_0028	Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	OUTPUT	82%	74%	82%	75%	74%	80%
DR_0029	Administrative spending per participant	EFFICIENCY	\$643	\$657	\$711	\$679	\$724	\$825
DR_0030	Percent of pension recipients who are paperless	EFFICIENCY	36.0%	36.0%	38.0%	39.0%	41.0%	50%
DR_0031	Number of active employees in FPDR 3	WORKLOAD	647	657	781	723	754	1,152
DR_0032	Median days to prepare a pension estimate	EFFICIENCY	5	5	4	5	5	5

Capital Program Status Report

Fire and Police Disability & Retirement - DR

(Office of Management & Finance - DRDR)

CIP Program Name	2021-22 Adopted Budget	2021-22 Revised Budget	2021-22 Actuals	PY Variance	PY Percent of Actuals to Revised	2022-23 Adopted Budget	2022-23 FALL Requested Total	2022-23 July Actuals	Fall Req. to Adopted Variance	Fall Req. to Adopted % Variance
Maintenance and Reliability	75,000	75,000	39,780	-35,220	53.04%	35,000	35,000	0	0	0%
Sum:	75,000	75,000	39,780	-35,220	-53.04%	35,000	35,000	0	0	0%

Prior Year Variance Description

The capital program consists of one software project, and as a result minor unanticipated expenses could lead to over expenditure. To that end, FPDR generally budgets conservatively for capital program expenses. In FY 2021-22 FPDR actuals reflect non-capital improvements, consulting and routine maintenance charges.

Current Year Variance Description

There is no variance between FY 2022-23 Adopted Budget and the Fall BMP Revised Budget.

Prior Year Fund Reconciliation Report

Bureau of Fire & Police Disability & Retirement

800 - Fire & Police Disability & Retirement Fund

EXPENDITURES	2021-22 Revised Budget	2021-22 Actuals	Percent of Actuals to Revised
Personnel	2,715,674	2,607,578	96.02%
External Materials and Services	151,567,950	148,555,724	98.01%
Internal Materials and Services	31,009,165	28,006,617	90.32%
Capital Outlay	75,000	39,780	53.04%
Debt Service	60,886,741	38,689,771	63.54%
Contingency	13,707,443	0	0%
Fund Transfers - Expense	886,693	136,693	15.42%
TOTAL EXPENDITURES	260,848,666	218,036,164	83.59%

REVENUES	2021-22 Revised Budget	2021-22 Actuals	Percent of Actuals to Revised
Taxes	190,947,841	194,147,020	101.68%
Charges for Services	0	30	
Bond & Note Proceeds	60,470,000	38,542,500	63.74%
Miscellaneous	409,000	469,055	114.68%
Fund Transfers - Revenue	750,000	0	0%
Interagency Revenue	228,200	324,343	142.13%
Beginning Fund Balance	8,043,625	0	0%
TOTAL REVENUES	260,848,666	233,482,949	89.51%

Expenditure Discussion

There were no over-expenditures in the FPDR Fund for FY 2021-22.

FPDR spent less than budgeted for Capital Outlay because fewer capital improvements than anticipated were made to FPDR's custom database. As the database is FPDR's only capital asset, and even a small unplanned expense could cause an over-expenditure in this major object category, FPDR usually budgets conservatively for Capital Outlay. Under-spending in Debt Service and Fund transfers is explained in the Revenue Discussion below. Spending in all other categories was within 10% of budget.

Revenue Discussion

Revenues fell short of budget by more than 10% in two categories: Bond/Note Proceeds and Fund Transfer Revenue. This is because FPDR did not need as large a tax anticipation note (TAN) issue as originally planned, nor the budgeted transfer from the FPDR Reserve Fund, to meet cash flow needs in FY 2021-22. Actual revenues in these two categories are offset by actual expenses in Debt Service and Fund Transfer Expense, as both TANs and FPDR Reserve Fund transfers must be repaid in the same fiscal year. Therefore, deviations between budget and actuals in these four categories have no impact on bureau operations or finances.

Prior Year Fund Reconciliation Report

Bureau of Fire & Police Disability & Retirement

Revenues exceeded 10% of budget in two minor revenue categories: Miscellaneous Revenue and Interagency Revenues. Interest income on fund balance was the source of the excess revenue in the miscellaneous revenue category, as the Federal Reserve raised interest rates more quickly than expected. The budget was built with the City Investment Officer's forecast interest rate for FY 2021-22 of 0.30%; actual interest earnings for the year were 0.61%. For interagency revenues, the Police Bureau collected more reimbursements for contracted work than originally anticipated. (A portion of these reimbursements are passed to FPDR.) As the pandemic eased and more festivals, sports games, and other community events for which the Police Bureau provides paid security services returned, this revenue source rebounded more quickly than expected.

Other Notes

None.

Prior Year Fund Reconciliation Report

Bureau of Fire & Police Disability & Retirement

801 - Fire & Police Disability & Retirement Res Fund

EXPENDITURES	2021-22 Revised Budget	2021-22 Actuals	Percent of Actuals to Revised
Fund Transfers - Expense	750,000	0	0%
Ending Fund Balance	750,000	0	0%
TOTAL EXPENDITURES	1,500,000	0	0.00%

REVENUES	2021-22 Revised Budget	2021-22 Actuals	Percent of Actuals to Revised
Fund Transfers - Revenue	750,000	0	0%
Beginning Fund Balance	750,000	0	0%
TOTAL REVENUES	1,500,000	0	0.00%

Expenditure Discussion

FDPR budgets a transfer from the FPDR Reserve Fund each year should tax anticipation note proceeds prove insufficient to maintain a positive cash balance in the operating fund. In FY 2021-22 that transfer was not necessary.

Revenue Discussion

Bureau of Fire & Police Disability & Retirement

Other Notes

FDPR budgets a transfer from the FPDR Reserve Fund each year should tax anticipation note proceeds prove insufficient to maintain a positive cash balance in the operating fund. In FY 2021-22 that transfer was not necessary.