CITY OF

PORTLAND, OREGON

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Date: October 3, 2011

To: Office of Management & Finance, Financial Planning Division

From: Commissioner Dan Saltzman Dan

Re: FPDR FY 2011-12 Fall BuMP Submittal

Attached please find the FY 2011-12 fall BuMP submittal from the Bureau of Fire & Police Disability & Retirement.

FPDR has no requests in the fall BuMP.

The following major object categories were addressed in the fund reconciliation report for the FPDR Fund:

- Bond expense and revenue were below budget, because the actual tax anticipation note issue was less than the budgeted authority.
- Fund transfer revenue was below budget because the transfer from the FPDR Reserve Fund was not needed to maintain a positive cash balance before the November property tax turnover.

Tax revenue will be $1.3 million above budget when the September tax turnover is booked. Beginning fund balance for FY 2011-12 is $18.1 million, $0.3 million above the budgeted amount.

If you have any questions or need more information, you may contact FPDR directly at 503.823.6823.

Prior Year Fund Reconciliation Report

	FY 2010-11 Revised Budget	FY 2010-11 Year-End Actuals	Percent of Actuals to Revised
800 - Fire & Police Disability & Retirement Fund			
EXPENDITURES			
Personal Services	1,636,867	1,597,808	97.61
External Materials and Services	103,173,727	98,767,265	95.73
Internal Materials and Services	4,028,860	3,753,453	93.16
Capital Outlay	20,000	9,900	49.50
Bond Expenses	32,844,224	22,275,958	67.82
Fund Transfers - Expense	383,671	383,671	100.00
Contingency	9,719,963	0	0.00
TOTAL EXPENDITURES	**151,807,312**	**126,788,055**	**83.52**
REVENUES			
Budgeted Beginning Fund Balance	8,793,144	0	0.00
Taxes	109,330,290	110,134,538	100.74
Charges for Services	0	30	0.00
Interagency Revenue	7,200	7,200	100.00
Fund Transfers - Revenue	751,678	1,678	0.22
Bond and Note	32,450,000	22,170,272	68.32
Miscellaneous	475,000	531,446	111.88
TOTAL REVENUES	**151,807,312**	**132,845,163**	**87.51**

Fund Reconciliation Narrative

Variances of more than 10% between budget and actuals occurred in the following categories: bond expenses, bond revenues, and fund transfer revenues.

FPDR issues tax anticipation notes (TANs) each year to prevent a cash shortfall prior to the receipt of property tax revenue in November. The TAN issue is budgeted in January, based on projected expenses for July through mid-November, less projected beginning fund balance. The size of the actual TAN issue is based on a cash flow analysis completed in June. These timing and methodology differences sometimes result in a variance between budgeted and actual TAN revenues and repayment expenses. In this specific case, actual cash on hand on July 1, 2010 was about $9 million higher than budgeted beginning fund balance, which allowed for a smaller TAN issue. Therefore, both bond revenues and expenses were less than budgeted.

Fund transfer revenue was below budget because the transfer from the FPDR Reserve Fund was not needed to maintain a positive cash balance before the November property tax turnover.

Prior Year Fund Reconciliation Report

	FY 2010-11 Revised Budget	FY 2010-11 Year-End Actuals	Percent of Actuals to Revised
801 - Fire & Police Disability & Retirement Res Fund			
EXPENDITURES			
Fund Transfers - Expense	750,000	0	0.00
TOTAL EXPENDITURES	**750,000**	**0**	**0.00**
REVENUES			
Budgeted Beginning Fund Balance	750,000	0	0.00
TOTAL REVENUES	**750,000**	**0**	**0.00**

Fund Reconciliation Narrative

Each year, FPDR budgets a transfer from the reserve fund to the operating fund to cover a potential cash shortfall prior to the receipt of property tax revenue in November. For FY 2010-11, the proceeds from tax anticipation notes were sufficient to maintain a positive cash balance in the operating fund. Therefore, the budgeted transfer from the reserve fund was not needed.

FPDR Fall 2011 BuMP
Add Package Report

Disability and Pension Database Replacement

The FY 2011-12 budget includes $240,000 to rebuild FPDR's FoxPro database in SQL server. The database is used by FPDR to track all member information and to process all beneficiary and vendor payments. Migration to a modern platform will bring the database into compliance with City technology standards, eliminate the risk that the database will not be supported by future operating systems, and reduce operational vulnerabilities associated with dependence on a small number of contractors. FPDR issued a request for proposals in July. Four vendors responded, and the selection committee chose two for the short list in August. FPDR hopes to have a signed contract with the selected vendor by November 1, and to go live with the new database between August and December 2012.

FPDR Service Improvement Plan Update

FY 2010-11 Adopted Budget Strategic Direction

Enhancements to Program Areas
Staff will continue to develop and implement enhancements to the FPDR program areas. The emphasis will continue to be improved customer service, efficiency of service delivery, professional program administration, and fiscal responsibility. Significant progress has been made with respect to the disability audit recommendations, and implementation of the pension audit recommendations began in FY 2009-10 and will be completed in FY 2010-11.

Community Conversations
The FPDR Community Conversations, held in September 2009, were an opportunity for members and staff to develop a shared vision of the relationships between members and staff and to discuss what they can do together to create the envisioned relationships. The conversations have led to a series of actions items that also will be completed in FY 2010-11. For example, the FPDR member survey will be conducted in 2010 after a gap of six years, various communication pieces will be developed about accessing FPDR benefits, more retirement workshops will be scheduled, and the FPDR website will be enhanced as part of the Portland Online refresh.

Winter BuMP Update

- Completed the biennial membership survey. The survey was distributed in the quarterly member newsletter, and that may account for the low response rate (6% compared to 18% in 2004, the prior survey). Future surveys will be distributed in a separate mailing to retired and disabled members, and active members will be offered an online survey.
- Reviewed disability packets for easy-to-follow, complete information on filing a claim. Delivered new packets July 1. Brochures have been created and/or updated.
- An informational notice on how to access FPDR benefits to post in Fire and Police offices has been developed, and a business-card size resource guide for members will be printed now that a new Fire liaison has been named.
- We recently conducted an online pulse poll to ask members who are eligible for retirement their format preference for retirement workshops and will continue with the mix of full-day and half-day formats.
- FPDR is still awaiting its turn for the PortlandOnline refresh; more information will be available once that is completed.

Other efforts need to be integrated into FPDR's overall IT strategy and/or to be coordinated with the Police and Fire Bureaus' leadership.

Spring BuMP Update

- We have added point-of-service surveys for pension estimates and retirements.

Fall BuMP Update

- We are implementing two member suggestions from retirement point-of-service surveys.
- We have selected a vendor for IT services to replatform our existing benefit administration database. The project will be finished in the second half of 2012. Its completion will address some outstanding issues from the pension audit, as well as position FPDR to make subsequent enhancements that will address the Charter requirement that FPDR keep disability records in a comparable manner to the City's Workers' Compensation records.
- We stopped producing quarterly newsletters after the October 2010 issue because the feedback we received from active members was that they were not reading them. For the July 1 deposit advice mailing, we began producing mini-newsletters for retirees only. Retirees seem pleased with the newsletters, but we are still trying to determine the best way to communicate with active members.
- Disability packets were updated, and active members received a mailing explaining the changes. The packets were made more sustainable, and forms for physician use were loaded to the MHN website for use by MHN physicians if a member does not have a form for the physician to complete.

Bureau of Fire & Police Disability & Retirement

Performance Measures

Performance Measure	Type	FY 2009-10 Year-End Actuals	FY 2010-11 Year-End Actuals	FY 2011-12 Revised Budget	FY 2012-13 Performance No Dec Pkg	FY 2012-13 Performance With Dec Pkg
DR_0002 - Administrative cost as a percentage of bureau budget	EFFICIENCY	1.74%	1.89%	2.04%	0.00%	0.00%
DR_0003 - Number of retirements from active service	WORKLOAD	20	22	55	0	0
DR_0004 - Number of pension estimates	WORKLOAD	207	256	345	0	0
DR_0005 - Number of FPDR 1 & 2 pension recipients	WORKLOAD	1,871	1,882	1,969	0	0
DR_0006 - Number of pre-retirement workshop participants	WORKLOAD	50	56	77	0	0
DR_0007 - Percentage of workshop participants who rated workshop helpful	EFFECTIVE	100%	80%	100%	0%	0%
DR_0008 - Percentage of pension estimates processed within one week	EFFICIENCY	80%	79%	70%	0%	0%
DR_0009 - Number of new no-time-loss claims	WORKLOAD	139	121	126	0	0
DR_0010 - Number of new time-loss claims	WORKLOAD	155	165	154	0	0
DR_0011 - Number of members on short-term disability	WORKLOAD	253	227	253	0	0
DR_0012 - Number of medical bills	WORKLOAD	6,336	5,657	5,950	0	0
DR_0013 - Number of long-term disability recipients	WORKLOAD	100	92	86	0	0
DR_0014 - Medical cost savings	EFFECTIVE	$1,190,224	$1,157,980	$1,233,559	$0	$0
DR_0015 - Savings as a percentage of total medical costs	EFFECTIVE	29.6%	49.9%	37.2%	0.0%	0.0%
DR_0020 - Percentage of disability claims decisions in 90 days	EFFICIENCY	99%	98%	100%	0%	0%
DR_0021 - Percentage of disability claims decisions in 60 days	EFFICIENCY	95%	86%	94%	0%	0%
DR_0022 - Percentage of disability claims decisions in 30 days	EFFICIENCY	75%	70%	77%	0%	0%
DR_0023 - Percentage of members whose final pay was 99% or more of last estimate	EFFECTIVE	92%	94%	95%	0%	0%

Performance Measure Variance Descriptions

The administrative cost as a percentage of bureau operating expenses is slightly higher than the forecast due to significant under-expenditures in retirement system payments and disability and death benefits.

The number of retirements fluctuates from year to year largely due to the demographics of the Fire and Police Bureaus. Labor negotiations also affect retirement patterns. In FY 2010-11, the number of retirements was well below the forecast as some members may have postponed their retirements to the following year to take advantage of the change FPDR made two years ago in the retirement benefit calculation regarding final pay.

Medical cost savings as a percentage of total medical costs have increased dramatically with FPDR's access to the Oregon Fee Schedule used by the Oregon workers' compensation program. This schedule allows FPDR to receive substantial discounts on members' medical expenses. Nevertheless, the current performance measure may overstate the medical cost savings percentage by calculating them as a percent of paid medical expenses rather than as a percent of billed medical expenses. FPDR is likely to revise this performance measure as part of the FY 2012-13 budget process.

The number of members who receive long-term disability benefits continues to decline as members currently receiving these benefits reach mandatory retirement age and fewer members stay off work long enough to need long-term disability benefits.

Capital Program Status Report

Fire and Police Disability and Retirement

CIP Program	FY 2010-11 Adopted Budget	FY 2010-11 Revised Budget	FY 2010-11 Year-End Actuals	Variance $	Variance %	FY 2011-12 Adopted Budget	Fall BuMP Revised Budget	FY 2011-12 Year to Date Actuals	Variance $	Variance %
	$0	$20,000	$9,900	($10,100)	(51%)	$240,000	$240,000	$500	$0	0%
Total	**$0**	**$20,000**	**$9,900**	**($10,100)**	**(51%)**	**$240,000**	**$240,000**	**$500**	**$0**	**0%**

*** Prior Year variances compare Year-End Actuals to Revised Budget**
**** Current Year variances compare Revised Budget to Adopted Budget**

Current Year Variance Description

FPDR's only capital project is to enhance the FPDR database.

Prior Year Variance: There is a variance of more than 10% between the revised budget and actual expenditures for this project in FY 2010-11. The project budget was deliberately increased in the spring 2011 BuMP to accommodate the highest potential spending level, given uncertainty about the amount of work that would be completed in June 2011 and the fact that this is the only project in FPDR's capital outlay budget. FPDR did not wish to risk an over-expenditure in a major object category.