# FY 2013-14 Requested Budget and Five-Year Financial Plan

Fire & Police Disability & Retirement City Council Budget Work Session February 14, 2013



# **FPDR Budget Process**

- FPDR staff prepares a Recommended Budget and Five-Year Financial Plan to present to the Board of Trustees
- The Board approved the Recommended Budget at its January 22 meeting
- Per Charter Section5-103, this Requested Budget is the Board's statement of the money FPDR requires, for the Council to levy a tax sufficient to provide the required amount



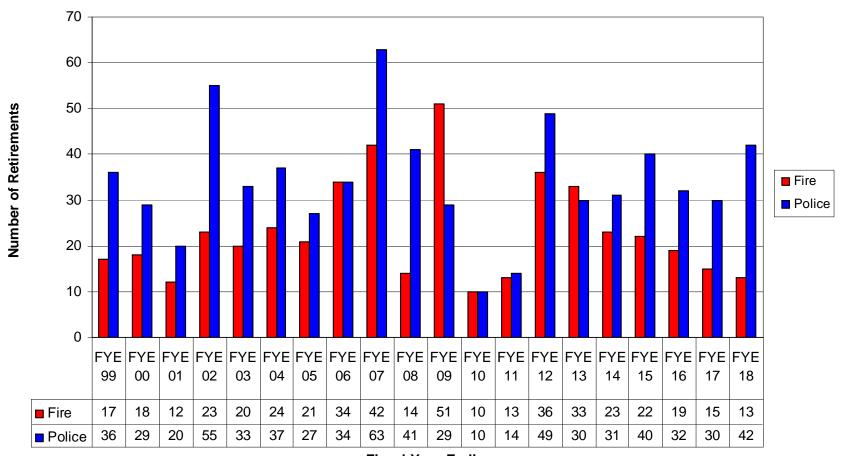
# Methodology & Assumptions

- Pension benefits projected based on:
  - □ 63 expected retirements in FY 2012-13
  - Benefit adjustments of:
    - FPDR 1: 2.7% actual CPI change known in February
    - FPDR 2: 2.0% Board will determine adjustment percentage after CPI change is known



# FPDR 2 Retirements

Actuals (FYE 99-12), FYE13 Projection & Five-Year Forecast (FYE 14-18) Includes Service, Disability and Vested Retirements



Fiscal Year Ending

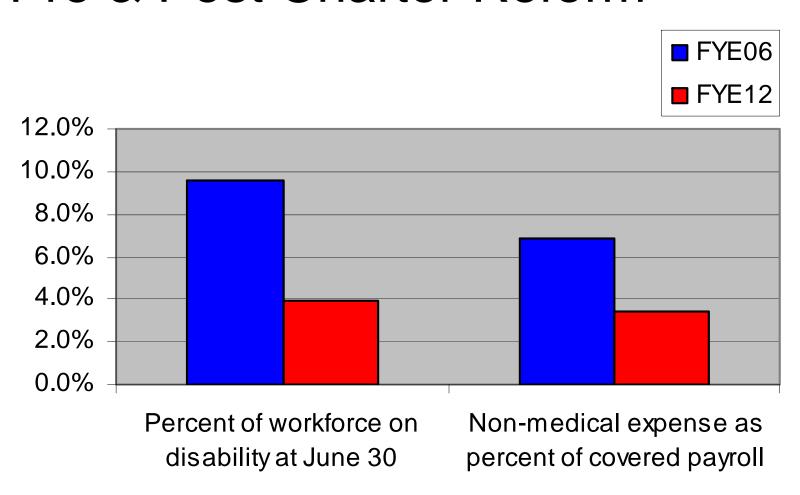


# Methodology & Assumptions, continued

- FPDR 3 PERS Contributions
  - □ Interagency agreements with Police & Fire
  - □ Cost driven by 22% OPSRP rate increase and 2.7% wage COLA—no new hires forecast in budget
- Disability
  - □ Trended with wage & medical inflation
  - □ Some adjustment for major claims
- Administration
  - □ Trended with inflation
  - □ \$200,000 for disability program audit



# FPDR Disability: Pre & Post Charter Reform





# Methodology & Assumptions, continued

- Contingency
  - Maintained at 9% + usual \$750,000 transfer from Reserve Fund if needed
- Risks to forecast
  - Library district impact on levy compression
  - □ Impact of General Fund cuts to Fire & Police
  - New Police contracts in negotiation
  - □ Outstanding litigation
  - □ Out-years: PERS rate increases



# Methodology & Assumptions, continued

### Resources

- □ Current year property tax revenue balancer
- □ Prior year property tax revenue \$2.2M
- □ Beginning fund balance
- Other resources interest, pension overpayment recovery, subrogation, interagency revenue, fund transfer from FPDR Reserve Fund



# **Decision Packages**

FPDR has no decision packages other than those needed to balance with our partner bureaus

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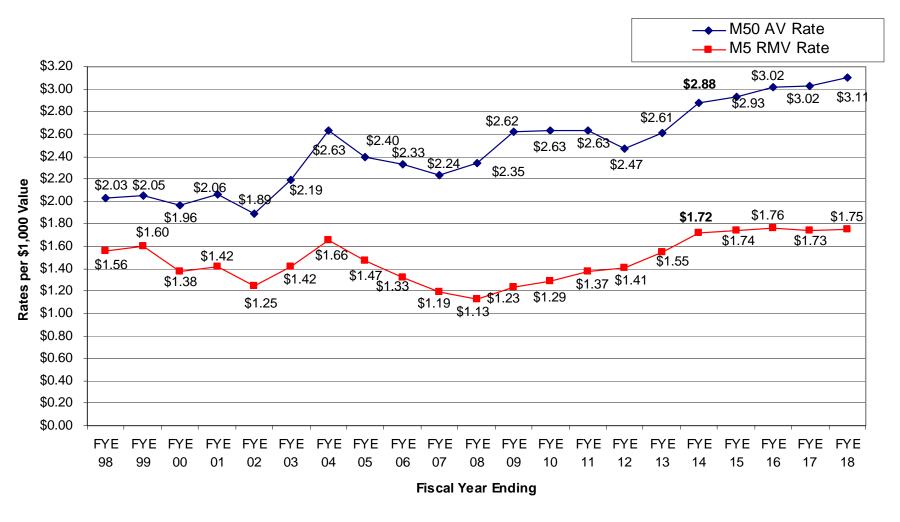
# FPDR Fund Resources & Requirements

	FY 2011-12 Actuals	FY 2012-13 Adopted Budget	FY 2012-13 Projection	FY 2013-14 Requested Budget	Adopted to Recom Change
Resources			•		
Property Taxes	\$104,761,974	\$112,072,367	\$112,964,367	\$120,200,269	7.3%
Tax Anticipation Notes	16,922,981	25,211,000	21,355,124	27,372,000	8.6%
Miscellaneous	1,433,212	1,868,200	2,125,200	972,200	-48.0%
Cash Transfers	753,970	752,152	750,000	750,000	-0.3%
Beginning Fund Balance	18,179,294	13,927,817	14,393,884	13,754,338	-1.2%
Total Resources	\$142,051,431	\$153,831,536	\$151,588,575	\$163,048,807	6.0%
Requirements					
FPDR 1 & 2 Pensions	\$94,708,986	\$99,938,137	\$99,433,797	\$104,657,722	4.7%
FPDR 3 PERS Contributions	4,735,637	5,798,739	5,629,564	7,800,000	34.5%
Disability & Death Benefits	7,064,187	8,054,862	7,560,475	7,526,863	-6.6%
Administration & Delivery	3,063,537	3,172,543	2,948,724	3,394,637	7.0%
Fund-Level Requirements	18,085,200	36,867,255	22,261,676	39,669,585	7.6%
Ending Fund Balance	14,393,884	-	13,754,338	-	NA
Total Requirements	\$142,051,431	\$153,831,536	\$151,588,575	\$163,048,807	6.0%
Total Net of TANs	\$125,128,450	\$128,620,536	\$130,233,451	\$135,676,807	5.5%

# Five-Year Forecast (\$000)

	FYE12 Actuals	FYE13 Adopted Budget	FYE13 Projection	FYE14 Request Budget	FYE15 Forecast	FYE16 Forecast	FYE17 Forecast	FYE18 Forecast	FYE13 Budget- FYE18 Change
Resources			•						
Property Taxes	\$104,762	\$112,072	\$112,964	\$120,200	\$126,504	\$134,848	\$139,894	\$148,739	32.7%
Tax Anticipation Notes	16,923	25,211	21,355	27,372	31,014	34,156	35,771	39,149	55.3%
Miscellaneous	1,433	1,868	2,125	972	1,025	1,075	1,115	1,166	-37.6%
Cash Transfers	754	752	750	750	750	750	750	750	-0.3%
Beginning Fund Balance	18,179	13,928	14,394	13,754	11,854	11,038	11,597	10,697	-23.2%
Total Resources	\$142,051	\$153,832	\$151,589	\$163,049	\$171,147	\$181,867	\$189,127	\$200,501	30.3%
Requirements									
FPDR 1&2 Pensions	\$94,709	\$99,938	\$99,434	\$104,658	\$109,379	\$113,980	\$118,412	\$122,906	23.0%
FPDR 3 PERS Contributions	4,736	5,799	5,630	7,800	8,521	10,770	12,507	14,892	156.8%
Disability & Death Benefits	7,064	8,055	7,560	7,527	7,343	7,488	7,718	8,148	1.2%
Administration & Delivery	3,064	3,173	2,949	3,395	3,362	3,346	3,467	3,593	13.2%
Fund-Level Requirements	18,085	36,867	22,262	39,670	42,542	46,284	47,023	50,963	38.2%
Ending Fund Balance	14,394	-	13,754	-	-	-	-	-	N/A
Total Requirements	142,051	153,832	151,589	163,049	171,147	181,867	189,127	200,501	30.3%
Total Net of TANs	\$125,128	\$128,621	\$130,233	\$135,677	\$140,133	\$147,711	\$153,356	\$161,352	25.4%

# FPDR Tax Levy Rates





# Levy Adequacy Analysis

- FPDR's actuary performs a levy adequacy analysis in alternate years in conjunction with the actuarial valuation
- The following slides are excerpts of Milliman's January 22 presentation to the Board of Trustees

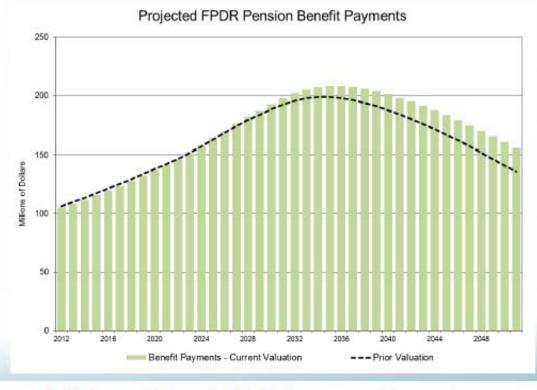
# Levy Analysis - Total Requirement Calculation

- Our model includes separate components to develop the Total Requirements for FPDR
  - Pay-as-you go costs
    - FPDR One/Two retiree payments, including death, disability and disabilityrelated medical
    - FPDR Three death, disability and disability-related medical
    - Administrative and operating expenses for the program
  - Pre-funded costs charged on FPDR Three payroll
    - Variable contributions to the OPSRP tier of the defined benefit Oregon PERS (OPERS) program
      - Set by the OPERS Board, and includes charges for the value of benefits currently being earned and a shortfall amortization charge for OPERS unfunded liability
    - Fixed 9% of payroll contribution to the account balance based Individual Account Program (IAP) administered by OPERS



# Actuarial Valuation – Projected Benefits

- This chart shows projected FPDR pension benefit payments on a non-inflation adjusted basis
- Benefits are projected to increase for the next 20 to 25 years and then decrease thereafter





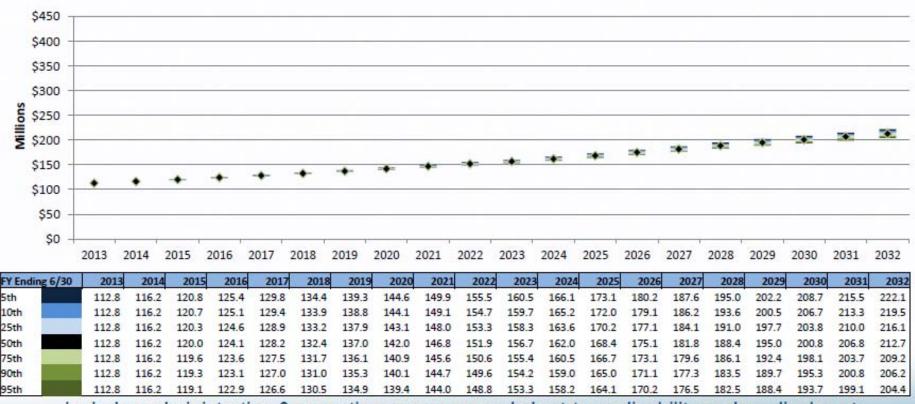
# Variability in Analysis

- A levy adequacy forecast is not a guarantee of what will occur, and our analysis illustrates the potential variability of outcomes
- The two largest items that drive variability are:
  - Changes in Real Market Value (RMV) that deviate from the baseline forecast
  - Oregon PERS investment experience varying from baseline forecast
    - Variability due to this factor increases over time as a greater percentage of total payroll becomes FPDR Three
- In many of the poor economic scenarios modeled, low RMV growth and poor OPERS investment results are linked, leading to a leveraged upward effect on the levy calculated as a fraction of RMV

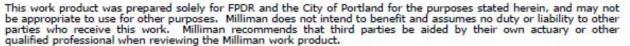


# Total Requirements Pay-As-You-Go Costs Subcomponent

 Relatively predictable; increasing until FPDR Two actives retire; FPDR Three disability and inflation-linked values of future FPDR Two benefits add volatility in later years



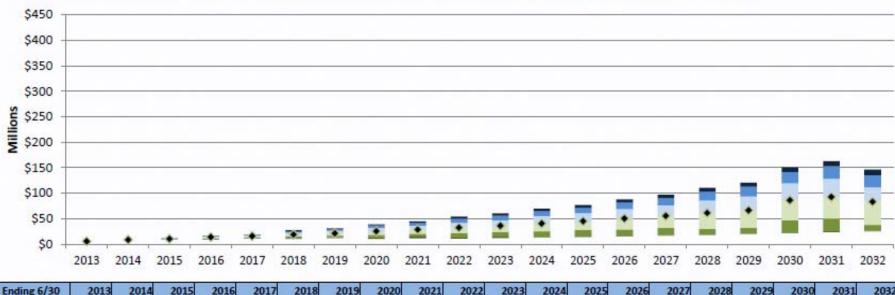
Includes administrative & operating expenses and short-term disability and medical costs





# Total Requirements Pre-Funded Costs Subcomponent

 Increases as the portion of payroll that is FPDR Three grows; more volatile than pay-as-yougo costs since OPSRP contribution rates are linked to variable investment results



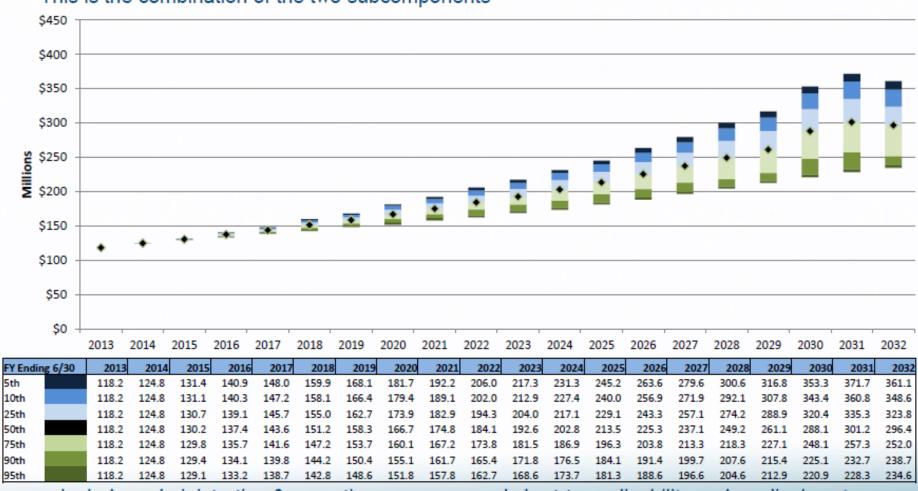
FY Ending 6/30	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
5th	5.4	8.5	10.5	16.2	18.9	27.0	30.7	39.0	44.5	54.1	60.2	69.5	76.7	88.0	96.6	110.3	120.3	150.9	162.6	146.6
10th	5.4	8.5	10.5	16.0	18.6	25.2	28.8	36.9	41.6	49.7	55.5	64.7	71.5	81.8	90.0	102.8	112.2	141.5	152.7	135.2
25th	5.4	8.5	10.4	15.1	17.6	22.6	25.8	31.8	35.9	42.2	46.9	55.1	60.8	68.8	76.0	85.9	93.7	119.3	128.5	111.6
50th	5.4	8.5	10.3	13.4	15.6	18.8	21.3	25.0	28.3	32.2	35.7	40.5	44.8	50.1	55.4	61.2	66.3	85.9	92.4	82.9
75th	5.4	8.5	10.1	11.7	13.6	14.9	16.9	18.0	20.2	22.0	24.2	25.2	27.9	28.8	31.6	29.4	32.1	47.0	50.7	37.5
90th	5.4	8.5	10.0	10.0	11.7	11.8	13.6	13.7	15.3	12.9	14.3	13.4	14.8	16.0	17.6	19.0	20.7	23.2	25.0	26.3
95th	5.4	8.5	10.0	9.4	10.8	10.5	11.9	10.0	11.1	10.6	11.9	12.7	13.9	15.2	16.8	18.3	20.0	21.9	23.6	25.1

Excludes administrative & operating expenses and short-term disability and medical costs



# **Total Requirements**

This is the combination of the two subcomponents



Includes administrative & operating expenses and short-term disability and medical costs



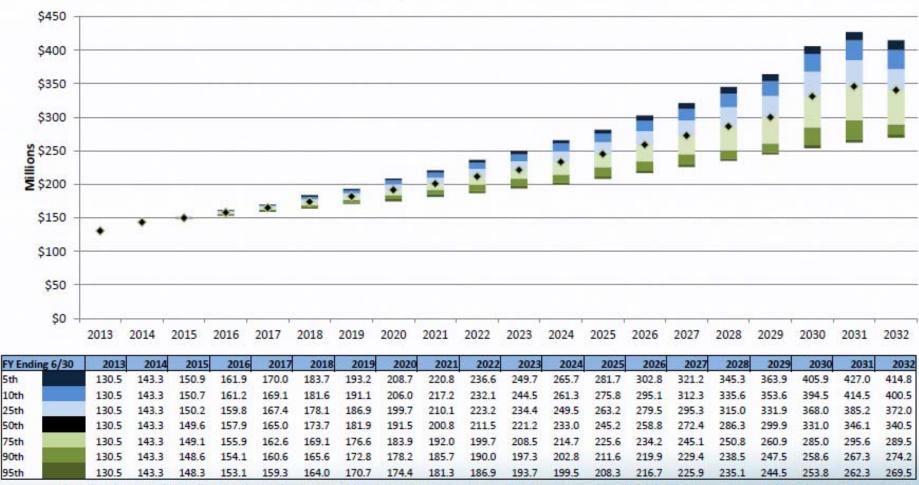
# **Development of Final Levy**

- The Total Requirements shown on the prior slide are the estimate of the funds needed for the operation of FPDR
- Several adjustments are made to the Total Requirements amount to develop a Final Levy for Board and Council review
  - Decrease to account for other revenue sources
  - Increase to reflect the effects of discounts and delinquencies
  - Increase to reflect the effects of tax compression on some properties
- Based on discussions with the City Economist and FPDR, the net effects of these three adjustments for years after fiscal 2012-2013 was a 14.9% increase



# Final Levy

This shows the estimated Final Levy request as a dollar amount

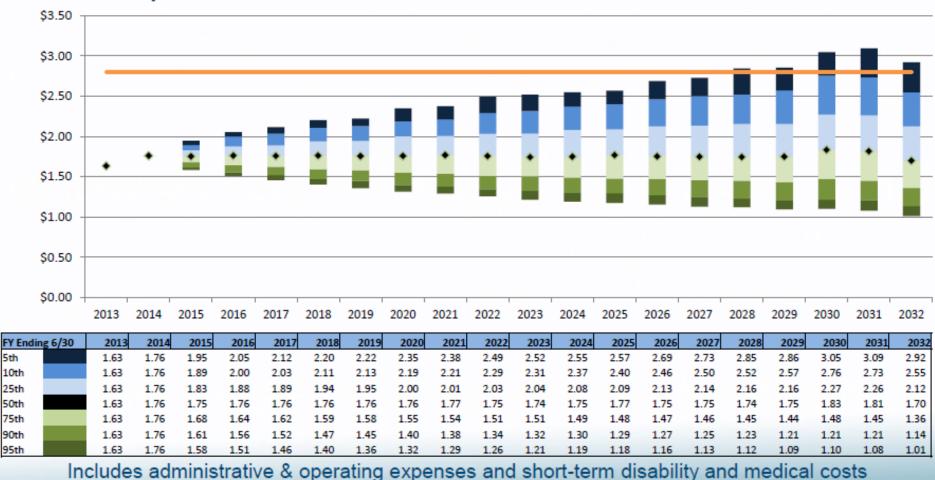


Includes administrative & operating expenses and short-term disability and medical costs



### Final Levy

 This shows the estimated Final Levy request as a rate per \$1,000 of RMV; the City Charter limits the levy to \$2.80



This work product was prepared sololy for EDDR and the City of Portland for the purposes stated barries and may not



# Bureau of Fire & Police Disability & Retirement

#### **Management Data**

Commissioner in Charge: Dan Saltzman

Bureau Director: Linda Jefferson

Website: http://www.portlandonline.com/fpdr

Administration: 1.9%

M/W/ESB Contract \$: 0.0% Prime & 0.0% Sub

#### **Workforce Data**

Minorities: 31.25% Female: 93.75%

Non-Represented: 82.00%

Span of Control: 3.8 positions per supervisor

Management Layers: 1 to 3

#### **Resource and FTE Summary**

	FY 2012-13	FY 2013-14	FY 2013-14	FY 2013-14	FY 2013-14
	Adopted	Base	Reductions	Add Packages	Requested
General Fund	\$0	\$0	\$0	\$0	\$0
Property Taxes	112,072,367	117,336,842	0	2,863,427	120,200,269
Other Revenues	42,509,169	43,598,538	0	0	43,598,538
<b>Total Revenues</b>	\$154,581,536	\$160,935,380	\$0	\$2,863,427	\$163,798,807
FTE	16.20	16.20	0.00	0.00	16.20

### **Bureau Overview and Significant Issues**

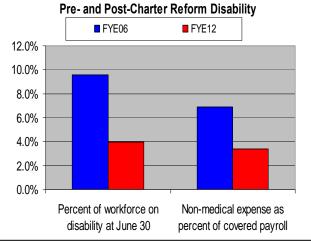
The Bureau of Fire & Police Disability & Retirement (FPDR) administers disability, death and retirement benefits to the sworn members of the Portland Fire and Police Bureaus and their survivors as defined in Chapter 5 of the Charter of the City of Portland. Nearly all sworn Fire and Police employees hired before January 1, 2007 are enrolled in a pension plan administered by FPDR. Sworn employees hired since that date are enrolled in the Oregon Public Employees Retirement System (PERS); FPDR makes the required PERS contributions on their behalf. In addition FPDR provides disability and death benefits for almost all sworn employees, regardless of hire date.

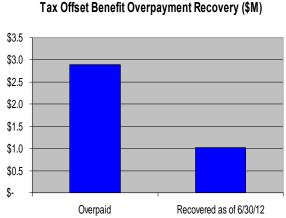
The bureau is comprised of the following four programs: Retirement System Payments, PERS Contributions, Disability & Death Benefits and Administration & Support. The FY 2013-14 requested operating budget for these four programs is \$123.4 million. Direct benefit costs and delivery costs of the retirement and disability programs represent 98% of the operating budget; the remaining 2% is allocated to the Administration and Support program. The budget request includes three decision packages to match "add back" packages requested by partner bureaus. Two of those packages comprise the estimated PERS contributions to be reimbursed to the Fire and Police Bureaus if all sworn positions requested in their packages are retained. The third package is to balance the add back requests of Office of Management and Finance service providers. The Requested Budget also includes fund-level requirements totaling \$40.4 million. Fund-level requirements include contingency, tax anticipation notes (TANs) and cash transfers.

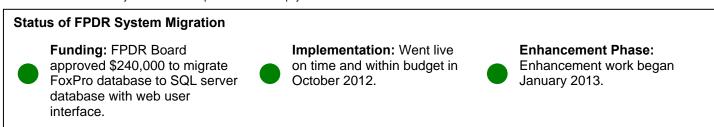
The primary funding source for FPDR is property tax revenues totaling \$120.2 million. The estimated levy rate for FY 2013-14 is \$1.72 per \$1,000 of Measure 5 Real Market Value (RMV) or \$2.88 per \$1,000 of Measure 50 Assessed Value (AV). The Charter provides FPDR with separate property tax levy authority up to \$2.80 per \$1,000 of RMV. Other resources include tax anticipation notes (TANs), interest income, cash transfers, interagency revenues, subrogation income and beginning fund balance.

Significant issues and projects for FY 2013-14 include implementation of the eleven Charter amendments approved by Portland voters in November 2012, continued recovery of state tax offset benefits overpaid to members from 1991 to 2008, capital improvements to FPDR's new database that went live in October 2012, and an external audit of the Disability & Death Benefits program.

### PERFORMANCE DASHBOARD







### **Operating and Capital Requirements**

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15
	Actuals	Adopted	Base	Request	Estimate
Operating - Base	\$128,268,613	\$154,486,036	\$160,905,380	\$163,768,807	\$171,117,105
Operating - One-Time Initiatives	0	0	0	0	0
Capital - New Construction	0	0	0	0	0
Capital - Major Maintenance	138,934	95,500	30,000	30,000	30,000
Unappropriated Ending Balance	15,143,884	0	0	0	0
Total	\$143,551,431	\$154,581,536	\$160,935,380	\$163,798,807	\$171,147,105

#### **Overview of Major Projects and Initiatives**

**Charter Amendments:** Portland voters approved eleven amendments to the FPDR Plan in November 2012. FY 2013-14 will be the first full year the amendments are in effect. The most significant changes clarified the definition of final pay for FPDR Two pension calculations, created a six-month service requirement before new employees are covered by the FPDR Plan, and authorized interim disability benefits.

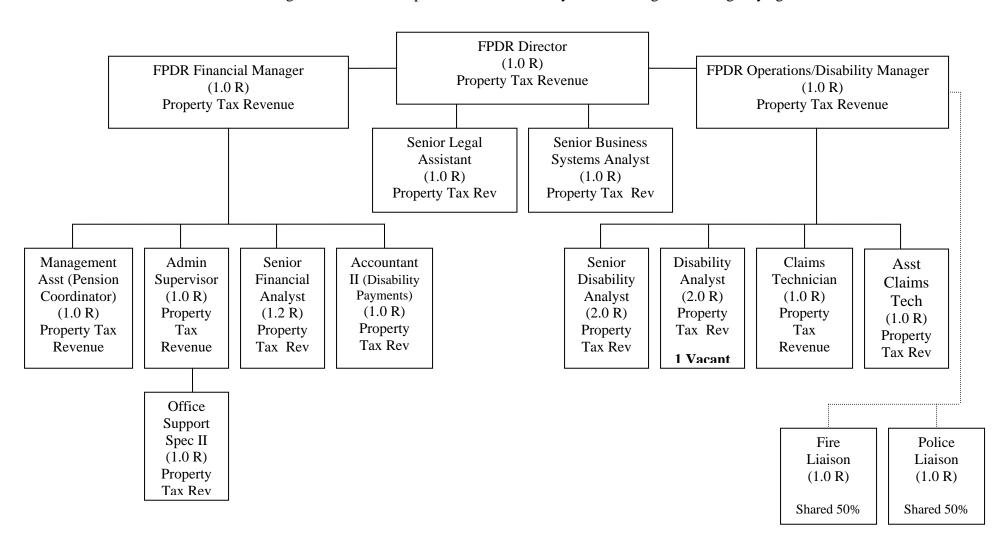
**Tax Offset Benefit Overpayment Recovery:** The recovery of state tax offset benefits overpaid to members from 1991 to 2008 will continue in FY 2013-14, with repayment expected to be substantially complete by the end of the fiscal year. By July 1, 2014 less than \$500 in FPDR Two overpayments will remain to be collected.

**FPDR System Migration:** FPDR completed the migration of its software system to an SQL platform in October 2012. Planned post go-live improvements will continue through FY 2013-14.

**Disability Program Audit:** The FPDR Board of Trustees has established a goal that disability and pension program audits be completed every five years. The last disability program audit was completed in June 2009. The audit will include assessment of FPDR disability management practices, processes, and outcomes.

### **Bureau of Fire & Police Disability & Retirement**

All positions except Fire and Police liaisons are fully funded by FPDR resources; none are in decision packages. The liaisons are regular Fire or Police positions funded half by FPDR through an interagency agreement.



### Bureau of Fire & Police Disability & Retirement Program Summary Template

1. Program Title	2. Program Description	3. Staff (FTE)		4. Require	ements	5. Percent		6. Re	esources			8. Progran	n Rankings
Manager Phone #		Regular	Limited Term	Operating	Capital	Admin	General Fund	Rates, Fees & IAs	Federal, State & Local	Other	7. Output or Efficiency Measure(s)	Bureau	BAC
Retirement System Payments Nancy Hartline 503.823.5501	This program provides pension benefits to retired sworn members of the Fire and Police Bureaus who were hired prior to January 1, 2007, and their survivors. Mandated by Chapter 5 of the Portland City Charter. Operating budget includes cost of one staff person.	1.00		104,747,346		0.1%		7,200			Percentage of members whose final pay was 99% or more of last estimate FY 2011-12 Actuals: 100% FY 2013-14 Target: 95% Percentage of pension estimates processed within one week FY 2011-12 Actuals: 80% FY 2013-14 Target: 80% Percentage of workshop participants who rated workshop helpful FY 2011-12 Actuals: 100% FY 2013-14 Target: 100% Number of pension estimates FY 2011-12 Actuals: 225 FY 2013-14 Target: 246 Number of pre-retirement workshop participants FY 2011-12 Actuals: 25 FY 2013-14 Target: 30 Number of retirements from active service FY 2011-12 Actuals: 74 FY 2013-14 Target: 51 Number of pension recipients FY 2011-12 Actuals: 1,936 FY 2013-14 Target: 1,995	mandated)	NA

### Bureau of Fire & Police Disability & Retirement Program Summary Template

1. Program Title		3. Staff	f (FTE)	4. Requir	ements	5. Percent		6. Re	esources			8. Progran	n Rankings
Manager Phone #	2. Program Description	Regular	Limited Term	Operating	Capital	Admin	General Fund	Rates, Fees & IAs	Federal, State & Local	Other	7. Output or Efficiency Measure(s)	Bureau	BAC
503.823.3071	This program provides wage replacement benefits for injuries and illnesses, medical benefits, vocational rehabilitation benefits and funeral benefits for FPDR members and death benefits for their survivors. Mandated by Chapter 5 of the Portland City Charter. Operating cost includes staff of eight and some materials and services associated with program delivery.	8.00		8,435,326		10.8%				8,435,326	Medical savings as % of total medical costs FY 2011-12 Actuals: 36.5% FY 2013-14 Target: 36.3% Percentage of disability decisions in 90 days FY 2011-12 Actuals: 98% FY 2013-14 Target: 99% Percentage of disability decisions in 60 days FY 2011-12 Actuals: 89% FY 2013-14 Target: 87% Percentage of disability decisions in 30 days FY 2011-12 Actuals: 63% FY 2013-14 Target: 71% Number of long-term disability recipients FY 2011-12 Actuals: 90 FY 2013-14 Target: 61 Number of members on short-term disability FY 2013-14 Target: 196 Number of new no-time-loss claims FY 2011-12 Actuals: 116 FY 2013-14 Target: 115 Number of new time-loss claims FY 2011-12 Actuals: 142 FY 2013-14 Target: 161	2 (Charter mandated)	NA
Nancy Hartline 503.823.5501	This program reimburses the Fire and Police Bureaus for the contributions they make to the Oregon Public Employees Retirement System on behalf of their sworn members hired January 1, 2007 or later. Mandated by November 2006 change to Chapter 5 of the Portland City Charter.	-	-	4,949,699		0.0%				4,949,699	None	3 (Charter mandated)	NA
Adminstration & Support Nancy Hartline 503.823.5501	This program provides the general adminstrative and support services that the bureau requires to fulfill its mission.	7.20	-	2,353,424	30,000	57.8%		1,285,000		1,098,424	Administrative cost as a percentage of bureau budget FY 2011-12 Actuals: 1.91% FY 2013-14 Target: 1.94%	4	NA
Fund Level Expenses	This line contains fund-level expenses, which includes all debt service, cash transfers, contingency, and unappropriated fund balance.	NA	NA	40,419,585		NA				40,419,585		NA	NA
Total		16.20	_	160,905,380.00	30,000.00		-	1,292,200	-	159,643,180			