

Analysis By: Christy Owen

FIRE & POLICE DISABILITY & RETIREMENT

All Funds Budget Summary	Adopted FY 2013-14	Request Base FY 2014-15	Decision Pkgs FY 2014-15	Request Total FY 2014-15	Percent Change
Resources					
Budgeted Beginning Fund Balance	\$14,504,338	\$16,473,467	\$0	\$16,473,467	13.6%
Taxes	118,618,232	120,394,919	0	120,394,919	1.5%
Interagency Revenue	542,200	652,200	0	652,200	20.3%
Fund Transfers - Revenue	759,000	1,500,000	0	1,500,000	97.6%
Bond and Note Proceeds	28,000,000	31,258,000	0	31,258,000	11.6%
Miscellaneous Sources	430,000	306,500	0	306,500	-28.7%
Total Resources	\$162,853,770	\$170,585,086	\$0	\$170,585,086	4.7%
Expenditures					
Personnel Services	\$1,848,432	\$1,839,937	\$0	\$1,839,937	-0.5%
External Materials and Services	112,539,688	115,552,600	0	115,552,600	2.7%
Internal Materials and Services	7,509,065	7,847,199	0	7,847,199	4.5%
Capital Outlay	30,000	43,300	0	43,300	44.3%
Debt Service	28,339,886	31,636,349	0	31,636,349	11.6%
Fund Transfers - Expense	859,699	1,640,701	0	1,640,701	90.8%
Contingency	11,727,000	12,025,000	0	12,025,000	2.5%
Total Requirements	\$162,853,770	\$170,585,086	\$0	\$170,585,086	4.7%
Total Bureau FTE	16.20	16.20	0.00	16.20	0.0%

Percent Change is the change from FY 2013-14 Adopted Budget to FY 2014-15 Total Requested Budget.

Key Issues**Short Term Financial Issues**

The Bureau Fire & Police Disability & Retirement (FPDR) is responsible for managing the pensions and disability programs for sworn police and fire personnel. The bureau receives all revenues from a separate property tax levy on a pay-as-you-go basis where the levy is set to cover the anticipated requirements for one fiscal year. The FY 2014-15 Requested Budget assumes a levy of \$2.71 per \$1,000 Assessed Value (AV), which is a decrease from the previous rate of \$2.78 per \$1,000 AV. The implied Real Market Value rate in the Requested Budget is \$1.47 per \$1,000.

The largest expense category is retirement pensions, estimated to be \$108 million dollars in FY 2014-15. The most recent levy actuarial analysis was completed in 2012, and there is a 10% risk that the levy will not be fully adequate in FY 2029-30 and FY 2030-31. The levy is capped at \$2.80 of the Real Market Value and in the short term it is not forecasted for the fund to need to set the rate greater than \$2.80. Current projections provided in the bureau's Five-Year plan for pension payments show modest growth up to FY 2018-19. Currently, the largest number of members is in the FPDR 2 plan; however the projected number of new hires in FPDR 3 contributes to that plan showing the greatest percent growth over the next five years.

Retirement Benefits Summary from Bureau Five-Year Plan (Dollars in Millions)

	FY 2013-14 Adopted Budget	FY 2014-15 Req Budget	FY 2015-16 Estimated Budget	FY 2016-17 Estimated Budget	FY 2017-18 Estimated Budget	FY 2018-19 Estimated Budget
FPDR 1 Benefits/ Suppl	\$ 22,881	\$ 23,793	\$ 20,681	\$ 19,918	\$ 19,223	\$ 18,536
FPDR 2 Benefits	\$ 81,545	\$ 84,666	\$ 89,235	\$ 93,568	\$ 97,896	\$ 102,293
FPDR 3 PERS Contribution	\$ 6,707	\$ 7,000	\$ 9,530	\$ 10,790	\$ 13,730	\$ 15,290
Total Retirement Benefits	\$ 111,133	\$ 115,459	\$ 119,446	\$ 124,276	\$ 130,849	\$ 136,119

Risks to the short-term financial forecast for the pension program are the outcomes of pending legislation for Oregon State Senate Bills 822 and 861. These two bills are proceeding through the legal system and could have cost implications should the outcome be against the State. Unfavorable rulings may require the fund to pay one-time retroactive benefits as well as increased ongoing benefits to retirees, and a ruling could come in early 2015.

The Disability and Death Benefits program administers the disability or death benefit payments on a pay-as-you-go basis. The 2006 ballot measure restructured the duties of the Board of Trustees to no longer approve claim decisions. As a result, the number of members receiving disability benefits has been reduced starting in FY 2007-08. An outside audit on the Disability and Death Benefits program will be submitted to the Board of Trustees in the summer of 2014. This audit will be the first audit since the initial audits that were required by the 2006 ballot measure.

The most probable risk to the Disability and Death Benefits program five-year forecast is any outcome of pending judicial cases. To the extent that costs associated with cases are known, the bureau has included the expenses in either the Requested Budget or in the Five-Year Plan. Expense projections could be lower should the City prevail on outstanding claims litigation.

Long Term Financial Issues

FPDR completes an adequacy of levy analysis every two years. The most recent report was completed in January 2013 and the next report submission is scheduled for January 2015. The actuarial valuation provides financial statement reporting on the forecast levy rates for the next 20 years. Results of this report conclude that FY 2031-32 will be the high point for retirement pension payments based on current assumptions. To the extent that this long-term projection is accurate, there is a small potential risk for the levy to push up against the maximum amount of \$2.80 per \$1,000 of Real Market Value (RMV). FPDR works in tandem with the City's Economist on the long-term issues related to property tax forecasting for the fund.

Continuity of Operation Planning (COOP)

FPDR is in the process of revising the bureau's Continuity of Operations Plan (COOP) in order to ensure that critical functions continue in the event of an emergency. The bureau is working with the Bureau of Technology Services (BTS) to identify how critical technology needs would be met in an emergency. The

most time-sensitive operational need for FPDR is to pay retirement pensions and disability benefits on time. The timeline for the bureau to complete the COOP is in the spring of the current fiscal year.

Decision Package Analysis & Recommendations

FPDR has no decision packages for FY 2014-15. The Requested Budget is submitted within the guidelines for a stability budget. CBO has no concerns with the submission.

