

Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

Mayor Charlie Hales, Commissioner-in-Charge

Samuel Hutchison, Director



FY 2015-16

**Requested Budget &
Five-Year Financial Forecast**



Office of Mayor Charlie Hales
City of Portland

Date: February 2, 2015

To: Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Steve Novick
Commissioner Dan Saltzman
Auditor LaVonne Griffin-Valade

From: Mayor Charlie Hales *Charlie Hales*

Re: Fire & Police Disability & Retirement's FY 2015-16 Requested Budget

Enclosed are the FY 2015-16 Requested Budget and FYE 2016-20 Financial Forecast for the Bureau of Fire & Police Disability & Retirement. The FPDR Board of Trustees approved the Requested Budget at its January 27, 2015 meeting. There are no decision packages.

For FY 2015-16, total bureau requirements are 4.1% above the current year's budget; total requirements net of tax anticipation notes (TANs) are also increasing 3.0%. Over the five-year forecast, bureau requirements are up 26.5%, and total requirements net of TANs are up 23.9%. Most of the increases are due to FPDR 2 pension benefits, increasing as more members retire, and FPDR 3 contributions to PERS that grow as the FPDR 3 membership and PERS contribution rates increase.

Current-year property taxes increase 1.0% in the Requested Budget and increase 29.5% over the five-year forecast. The Measure 50 Assessed Value rate decreases from \$2.67 per \$1,000 in the current year to \$2.52 and is projected to be \$2.83 in FYE20. The implied Real Market Value rate per \$1,000 decreases from \$1.48 to \$1.36 and is projected to be \$1.44 in FYE20.

c: Audit Services
City Budget Office

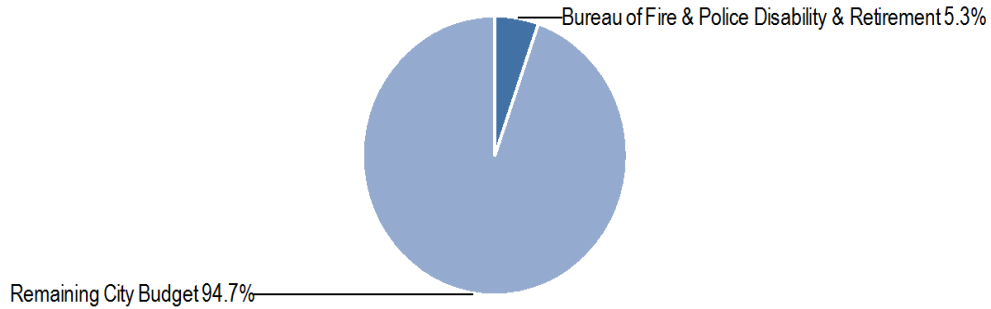
Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

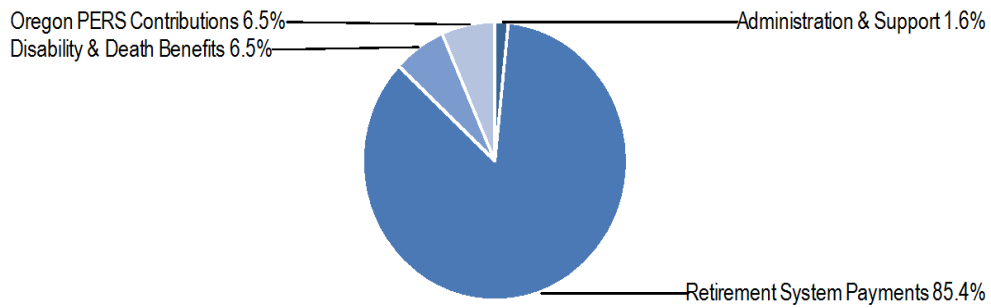
Mayor Charlie Hales, Commissioner-in-Charge

Samuel Hutchison, Director

Percent of City Budget



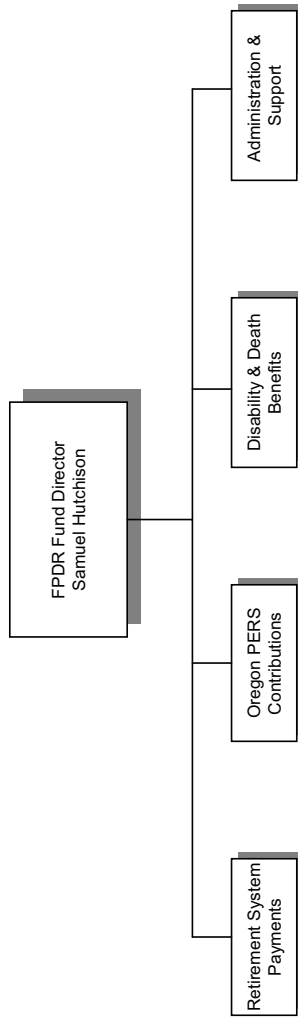
Bureau Programs



Bureau Overview

| Expenditures | Revised FY 2014-15 | Requested FY 2015-16 | Change from Prior Year | Percent Change |
|---------------------------|-----------------------|-------------------------|---------------------------|-------------------|
| Operating | 168,413,402 | 173,071,118 | 4,657,716 | 2.77 |
| Capital | 43,300 | 80,320 | 37,020 | 85.50 |
| Total Requirements | 168,456,702 | 173,151,438 | 4,694,736 | 2.79 |
| Authorized Positions | 16.80 | 16.20 | (0.60) | (3.57) |

Bureau of Fire & Police Disability & Retirement



Bureau Summary

Bureau Mission

We 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 programs: Administration and Support, Disability and Death Benefits, and two retirement programs - Retirement System Payments and Oregon Public Employees Retirement System (PERS) Contributions.

Retirement System Payments

The Retirement System Payments program governs direct pension benefits to members hired before January 1, 2007 and their survivors and alternate payees. The FY 2015-16 Requested Budget is \$109.5 million, including \$98,000 for program delivery. This is an increase of \$3.2 million or 3.0% over the FY 2014-15 Revised Budget. It is estimated that there will be 2,190 pension recipients in FY 2015-16.

Oregon PERS Contributions

The Oregon PERS Contributions program manages the reimbursements to Portland Fire & Rescue and the Portland Police Bureau for PERS contributions made on behalf of firefighters and police officers hired after 2006. Program expenditures are budgeted at \$8.4 million for FY 2015-16, an increase of \$1.4 million or 19.8% over the FY 2014-15 Revised Budget.

Disability and Death Benefits

The Disability and Death Benefits program administers all direct benefit costs for disability (i.e. lost time from work), medical claims, vocational rehabilitation, and death benefits. Estimated expenditures for FY 2015-16 total \$8.3 million, an increase of \$0.7 million or 9.8% from the FY 2014-15 Revised Budget. The program budget includes \$1.0 million of costs related to program delivery.

Administration and Support

The Administration and Support program includes all other costs of operating the bureau. Budgeted expenditures in the Administration and Support program total \$2.1 million, a decrease of \$0.2 million or 10.6% from the FY 2014-15 Revised Budget. The Administration and Support budget represents 1.6% of total bureau requirements. Including delivery costs allocated to the retirement and disability programs, the percentage is 2.5%.

Strategic Direction

FPDR will have two major focuses in FY 2015-16:

- ◆ Following the 2006 plan reforms the FPDR Board of Trustees established a goal to complete independent assessments of both the disability program and the pension program every five years. The most recent disability program evaluation will be presented to the FPDR Board in March 2015, and a new pension program evaluation should be available early in FY 2015-16. FPDR staff will implement program and process changes as appropriate.
- ◆ FPDR will complete the bureau's new five-year technology roadmap and begin implementing the highest priority and most feasible projects. A new phone system has already been installed and design of a new web portal for sworn employees is underway. Other projects from the roadmap will be added as time and resources permit. In addition, work will continue to complete the bureau continuity of operations plan.

Summary of Budget Decisions

FPDR has no FY 2015-16 budget decision packages.

Retirement System Payments

| | |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description | This program provides pension benefits to retired sworn members of the Fire and Police bureaus, hired prior to January 1, 2007, and their survivors and alternate payees. |
| Goals | Retirement benefits are essential in recruiting and retaining the most qualified individuals for important public safety operations. Thus, this program contributes to the City goal to ensure a safe and peaceful community. |
| Performance | <p>Actuarial assumptions based on prior experience predict that the number of service retirements will spike in FY 2014-15. However retirement patterns, which are influenced by the demographics of the membership and collective bargaining agreements among other factors, are highly variable and somewhat unpredictable. . The number of members participating in pre-retirement workshops is increasing in FY 2014-15 after dipping in FY 2013-14, which may indeed foretell increased retirements in the coming year. On the other hand, pension estimate requests have remained stable at around 200 per year.</p> <p>All other performance measures for this program are stable or exhibiting routine variability.</p> |
| Changes to Services and Activities | In FY 2014-15, FPDR is working with the Fire Bureau to make retirement workshop presentations available on the Fire Bureau’s internal video channel for the first time. This will allow members who cannot attend a workshop to view the presentations, and permits members who have attended workshops to review the presentation as necessary. |

| FTE & Financials | Actual FY 2012-13 | Actual FY 2013-14 | Revised FY 2014-15 | Requested No DP FY 2015-16 | Requested FY 2015-16 |
|---------------------------------------|----------------------|----------------------|-----------------------|----------------------------------|-------------------------|
| FTE | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Expenditures | | | | | |
| Pension Benefits | 99,466,314 | 103,127,052 | 106,184,464 | 109,389,835 | 109,389,835 |
| Retirement Administration and Support | 84,048 | 89,362 | 91,605 | 98,226 | 98,226 |
| Retirement System Payments | 0 | (1,213) | 0 | 0 | 0 |
| Total Expenditures | 99,550,362 | 103,215,201 | 106,276,069 | 109,488,061 | 109,488,061 |

| Performance | Actual FY 2012-13 | Actual FY 2013-14 | Yr End Est. FY 2014-15 | Base FY 2015-16 | Target FY 2015-16 |
|------------------------------------------------------------------------|----------------------|----------------------|---------------------------|--------------------|----------------------|
| Key Performance Measure | | | | | |
| Number of FPDR 2 retirements from active service | 45 | 26 | 78 | 53 | 53 |
| Effectiveness | | | | | |
| Percentage of workshop participants who rated workshop helpful | 100% | 100% | 100% | 100% | 100% |
| Percentage of members whose final pay was 99% or more of last estimate | 100% | 100% | 100% | 100% | 100% |
| Efficiency | | | | | |
| Percentage of pension estimates processed within one week | 65% | 69% | 66% | 70% | 70% |

Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

| Performance | Actual FY 2012-13 | Actual FY 2013-14 | Yr End Est. FY 2014-15 | Base FY 2015-16 | Target FY 2015-16 |
|--------------------------------------------------------------------------------|----------------------|----------------------|---------------------------|--------------------|----------------------|
| Workload | | | | | |
| Number of pension estimates | 228 | 219 | 204 | 204 | 204 |
| Number of Fire and Police Disability and Retirement 1 and 2 pension recipients | 1,953 | 2,106 | 2,162 | 2,190 | 2,190 |
| Number of pre-retirement workshop participants | 49 | 30 | 54 | 54 | 54 |

Disability & Death Benefits

| | |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description | This program provides disability benefits for injuries and illnesses, medical benefits, vocational rehabilitation benefits, and funeral benefits for sworn members of the Fire and Police bureaus and their survivors. |
| Goals | Disability benefits are essential in recruiting and retaining the most qualified individuals for important public safety operations. Thus, this program contributes to the City goal to ensure a safe and peaceful community. |
| Performance | <p>The percent of the sworn workforce on disability at June 30 of each year is expected to decline from 4.6% in FY 2013-14 to approximately 3.6% in FY 2014-15 and beyond, reflecting the fact that fewer members are on long-term disability. The number of members receiving disability benefits for more than a year has continued to decline after peaking in FY 2007-08, and is expected to drop to 42 in FY 2015-16 as members currently on long-term disability retire and fewer members transition from short-term to long-term disability.</p> <p>The timeliness of disability claims decisions is expected to improve slightly in FY 2014-15 and beyond, with the percent of claims receiving a decision within 30 days projected to increase from 65% to 69%. Nearly all claims continue to receive a decision within 90 days.</p> <p>All other performance and workload measures are essentially stable.</p> |
| Changes to Services and Activities | External programmatic audits of both the overall disability program and the disability payments process will be completed in FY 2014-15. Changes to this program may be pursued in FY 2015-16 as a result of these evaluations. |

| FTE & Financials | Actual FY 2012-13 | Actual FY 2013-14 | Revised FY 2014-15 | Requested No DP FY 2015-16 | Requested FY 2015-16 |
|---------------------------------------|----------------------|----------------------|-----------------------|----------------------------------|-------------------------|
| FTE | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Expenditures | | | | | |
| Disability & Death Benefits | 148,311 | 93,518 | 0 | 0 | 0 |
| Disability Administration and Support | 749,897 | 939,925 | 957,763 | 998,270 | 998,270 |
| Funeral | 33,445 | 47,400 | 71,700 | 77,600 | 77,600 |
| Long-term Disability | 2,856,262 | 2,541,037 | 2,210,000 | 2,022,000 | 2,022,000 |
| Medical | 2,523,901 | 2,981,890 | 2,786,600 | 3,238,000 | 3,238,000 |
| Return to Work | 295,883 | 325,216 | 294,000 | 316,000 | 316,000 |
| Short-term Disability | 1,007,507 | 1,515,929 | 1,218,000 | 1,623,000 | 1,623,000 |
| Vocational Rehabilitation | 8,712 | 720 | 10,300 | 10,000 | 10,000 |
| Total Expenditures | 7,623,918 | 8,445,635 | 7,548,363 | 8,284,870 | 8,284,870 |

| Performance | Actual FY 2012-13 | Actual FY 2013-14 | Yr End Est. FY 2014-15 | Base FY 2015-16 | Target FY 2015-16 |
|-----------------------------------------------|----------------------|----------------------|---------------------------|--------------------|----------------------|
| Key Performance Measure | | | | | |
| Number of disability claims filed | 313 | 343 | 380 | 330 | 330 |
| Percent of workforce on disability at June 30 | 4.1% | 4.6% | 3.6% | 3.4% | 3.4% |

Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

| Performance | Actual FY 2012-13 | Actual FY 2013-14 | Yr End Est. FY 2014-15 | Base FY 2015-16 | Target FY 2015-16 |
|------------------------------------------------------|----------------------|----------------------|---------------------------|--------------------|----------------------|
| Effectiveness | | | | | |
| Amount of medical cost savings | \$1,290,551 | \$2,005,553 | \$1,878,084 | \$1,981,505 | \$1,981,505 |
| Savings as a percentage of total medical costs | 39.1% | 44.7% | 40.7% | 40.7% | 40.7% |
| Efficiency | | | | | |
| Percentage of disability claims decisions in 90 days | 98% | 99% | 99% | 99% | 99% |
| Percentage of disability claims decisions in 60 days | 89% | 93% | 96% | 96% | 96% |
| Percentage of disability claims decisions in 30 days | 67% | 65% | 69% | 69% | 69% |
| Workload | | | | | |
| Number of members on short-term disability | 215 | 230 | 230 | 230 | 230 |
| Number of medical bills | 4,089 | 4,351 | 4,143 | 4,143 | 4,143 |
| Number of long-term disability recipients | 61 | 55 | 48 | 42 | 42 |

Administration & Support

Description This program provides the general administrative and support services that the bureau requires to fulfill its mission.

Goals By providing the administrative and support services needed to deliver the retirement and disability benefits that are essential in recruiting and retaining the most qualified individuals for important public safety operations, this program contributes to the City's goal to ensure a safe and peaceful community.

Performance For FY 2015-16 administrative costs as a percentage of the total bureau budget are expected to decline from 2.0% to 1.6%, largely because the database replacement project is complete. This measure does not include the program delivery support services assigned to the Retirement System Payments and Disability and Death Benefits programs.

Changes to Services and Activities Several technology projects to improve member service are complete or underway. A new phone system was installed in fall 2014 to ensure that a person, rather than a recording, answers the main FPDR line. This is a particularly valuable service to elderly retirees and survivors. FPDR has also made a number of fillable forms available online so members can complete the form online and print the completed form. Technology improvements will continue in FY 2015-16 with the planned addition of a new web portal for sworn employees of the Fire and Police Bureaus.

In FY 2014-15 FPDR converted an administrative supervisor position to a management assistant, a lower cost, nonsupervisory position. Some office management duties were redistributed as a result, and the office support specialist now reports directly to the FPDR Financial Manager.

| FTE & Financials | Actual FY 2012-13 | Actual FY 2013-14 | Revised FY 2014-15 | Requested No DP FY 2015-16 | Requested FY 2015-16 |
|-------------------------------------------------------|----------------------|----------------------|---------------------------|----------------------------------|-------------------------|
| FTE | 7.80 | 7.20 | 7.80 | 7.20 | 7.20 |
| Expenditures | | | | | |
| Administration & Support | 2,051,210 | 2,697,283 | 2,328,298 | 2,082,263 | 2,082,263 |
| Total Expenditures | 2,051,210 | 2,697,283 | 2,328,298 | 2,082,263 | 2,082,263 |
| Performance | Actual FY 2012-13 | Actual FY 2013-14 | Yr End Est. FY 2014-15 | Base FY 2015-16 | Target FY 2015-16 |
| Key Performance Measure | | | | | |
| Administrative cost as a percentage of bureau budget | 1.80% | 2.20% | 2.00% | 1.60% | 1.60% |
| FPDR Tax Levy Rate (Per \$1,000 of Real Market Value) | \$1.55 | \$1.62 | \$1.48 | \$1.36 | \$1.36 |

Oregon PERS Contributions

Description This program reimburses the Portland Police Bureau and Portland Fire & Rescue for the contributions they make to the Oregon Public Employees Retirement System (PERS) on behalf of their sworn members hired after 2006. Expenses are determined by the number of those members, their pensionable pay, and PERS contribution rates.

Goals Retirement benefits are essential in recruiting and retaining the most qualified individuals for important public safety operations. Thus, this program contributes to the City goal to ensure a safe and peaceful community.

Performance FPDR does not have performance measures for this program, which simply reimburses the Police and Fire Bureaus for actual PERS contribution expenses. The measure below shows the percent of the sworn workforce covered by PERS each year, currently at 26% and expected to increase to 29% in FY 2015-16. As this percentage grows, expenditures for the Oregon PERS Contributions program will also increase, until they eventually overtake FPDR direct pension benefits (under the FPDR Retirement Systems Payment program) as the bureau’s single largest expense.

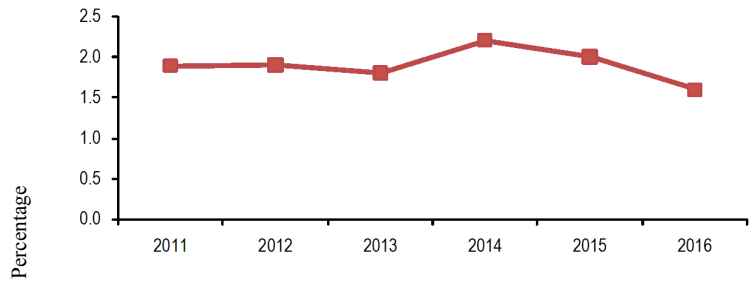
Changes to Services and Activities The OPSRP sworn contribution rate will change from 19.25% of wages in FY 2014-15 to 20.64% in FY 2015-16. The rate is typically reset every two years. The contribution rate is a primary driver of expenses for this program, together with salary increases and the hiring rates of the Police and Fire Bureaus.

| FTE & Financials | Actual FY 2012-13 | Actual FY 2013-14 | Revised FY 2014-15 | Requested No DP FY 2015-16 | Requested FY 2015-16 |
|-------------------------------------|----------------------|----------------------|---------------------------|----------------------------------|-------------------------|
| Expenditures | | | | | |
| Oregon PERS Contributions | 5,265,815 | 5,998,321 | 7,012,648 | 8,400,000 | 8,400,000 |
| Total Expenditures | 5,265,815 | 5,998,321 | 7,012,648 | 8,400,000 | 8,400,000 |
| Performance | Actual FY 2012-13 | Actual FY 2013-14 | Yr End Est. FY 2014-15 | Base FY 2015-16 | Target FY 2015-16 |
| Key Performance Measure | | | | | |
| Percent of workforce who are FPDR 3 | 24% | 25% | 26% | 29% | 29% |

Performance Measures

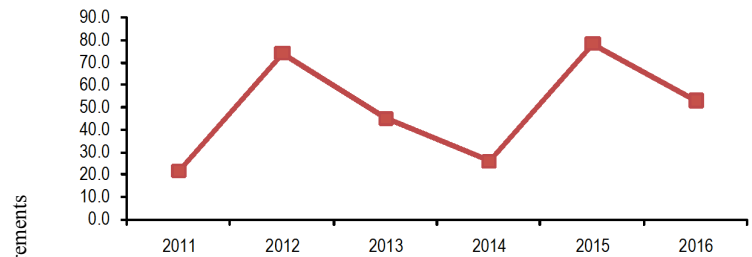
Administrative Cost as a % of Bureau Budget

Administrative costs have hovered between 1.8% and 2.0% of bureau requirements in recent years with a brief spike in FY 2013-14, when major capital improvements were made to the new FPDR database and the overall FPDR budget did not grow substantially. In FY 2015-16 administrative costs are projected to drop to 1.6% of bureau requirements. Since FY 2009-10 this measure has not included program delivery costs allocated to the retirement and disability programs. If those costs are included, administrative costs in FY 2015-16 would be approximately 2.5% of the bureau budget.



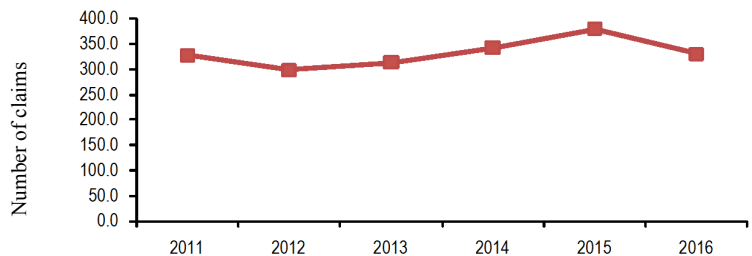
Number of FPDR 2 Retirements from Active Service

The number of retirements fluctuates from year to year, largely due to the demographics of the sworn workforce. Labor negotiations also affect retirement patterns. The large number of retirements in FY 2011-12 can be partly attributed to the fact that there were two periods in that fiscal year when the final pay calculation included an extra pay date; the November 2012 plan amendments have eliminated these periods going forward. Projections based on actuarial assumptions (which take into account the age and length of service of the current workforce) predict another wave of requirements in FY 2014-15.



Disability Claims Filed

The number of disability claims filed varies from year to year but has averaged 320 over the last five years. An unusually small number of claims were filed in FY 2011-12.

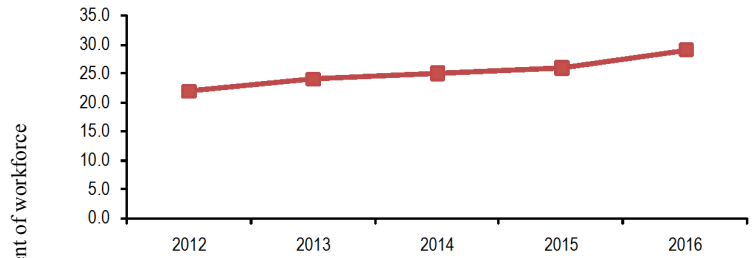


Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

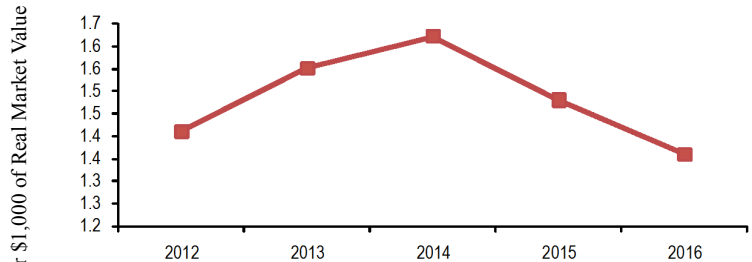
Percent of workforce who are FPDR 3

FPDR 3 members are those hired on or after January 1, 2007 and are members of the Oregon Public Public Employee Retirement System (PERS) for retirement benefits. FPDR reimburses the Fire and Police Bureaus for the PERS contributions they make on behalf of these members. The percent of the workforce who are FPDR 3 is expected to grow annually until it reaches 100% over next several decades. In time, FPDR will spend more on PERS contributions for FPDR 3 members than it does on direct pension benefits for FPDR 1 and 2 members.



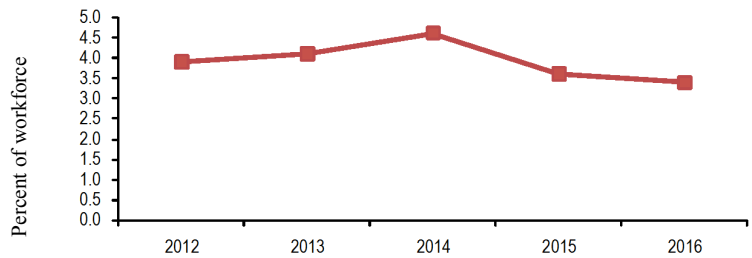
FPDR Tax Rate Per \$1,000 of RMV (\$)

Chapter 5 of the Portland City Charter provides FPDR with dedicated property tax levy authority of up to \$2.80 per \$1,000 of Real Market Value (RMV). As shown in the graph, the rate continues to be well below this limit. The most recent tax levy adequacy analysis, prepared by independent actuaries, estimates there is less than a five percent probability that FPDR requirements will exceed the levy limit over the next 20 years.



Percent of workforce on disability at June 30

The percent of the sworn workforce on disability has declined since the Charter reforms of 2007. The percentage shown includes those on short-term disability as well as long-term disability. While the number of members on short-term disability fluctuates widely from pay period to pay period, the number of members on long-term disability has decreased steadily since 2007.



| | Actual FY 2012-13 | Actual FY 2013-14 | Revised FY 2014-15 | Requested No DP FY 2015-16 | Requested FY 2015-16 |
|----------------------------------|----------------------|----------------------|-----------------------|-------------------------------|-------------------------|
| Resources | | | | | |
| External Revenues | | | | | |
| Taxes | 112,489,717 | 119,378,897 | 120,321,535 | 121,557,806 | 121,557,806 |
| Charges for Services | 31 | 34 | 0 | 0 | 0 |
| Bond & Note | 21,355,124 | 26,930,235 | 31,258,000 | 31,885,000 | 31,885,000 |
| Miscellaneous | 1,597,173 | 579,603 | 306,500 | 296,200 | 296,200 |
| Total External Revenues | 135,442,045 | 146,888,769 | 151,886,035 | 153,739,006 | 153,739,006 |
| Internal Revenues | | | | | |
| Fund Transfers - Revenue | 1,503,009 | 9,046 | 1,500,000 | 1,500,000 | 1,500,000 |
| Interagency Revenue | 360,200 | 542,200 | 657,200 | 952,200 | 952,200 |
| Total Internal Revenues | 1,863,209 | 551,246 | 2,157,200 | 2,452,200 | 2,452,200 |
| Beginning Fund Balance | 15,143,884 | 14,949,476 | 14,413,467 | 16,960,232 | 16,960,232 |
| Total Resources | \$152,449,138 | \$162,389,491 | \$168,456,702 | \$173,151,438 | \$173,151,438 |
| Requirements | | | | | |
| Bureau Expenditures | | | | | |
| Personnel Services | 1,688,512 | 1,757,833 | 1,851,231 | 1,933,000 | 1,933,000 |
| External Materials and Services | 106,520,788 | 112,035,728 | 113,408,664 | 116,940,835 | 116,940,835 |
| Internal Materials and Services | 6,111,357 | 6,873,482 | 7,862,183 | 9,308,959 | 9,308,959 |
| Capital Outlay | 170,648 | 69,040 | 43,300 | 72,400 | 72,400 |
| Total Bureau Expenditures | 114,491,305 | 120,736,083 | 123,165,378 | 128,255,194 | 128,255,194 |
| Fund Expenditures | | | | | |
| Debt Service | 21,437,345 | 27,032,276 | 31,636,349 | 32,277,309 | 32,277,309 |
| Contingency | 0 | 0 | 12,009,064 | 10,260,000 | 10,260,000 |
| Fund Transfers - Expense | 1,571,012 | 109,699 | 1,645,911 | 1,608,935 | 1,608,935 |
| Total Fund Expenditures | 23,008,357 | 27,141,975 | 45,291,324 | 44,146,244 | 44,146,244 |
| Ending Fund Balance | 14,949,476 | 14,511,433 | 0 | 750,000 | 750,000 |
| Total Requirements | \$152,449,138 | \$162,389,491 | \$168,456,702 | \$173,151,438 | \$173,151,438 |
| Programs | | | | | |
| Disability & Death Benefits | 7,623,918 | 8,445,635 | 7,548,363 | 8,284,870 | 8,284,870 |
| Administration & Support | 2,051,210 | 2,697,283 | 2,328,298 | 2,082,263 | 2,082,263 |
| Traffic Safety | 0 | 379,643 | 0 | 0 | 0 |
| Retirement System Payments | 99,550,362 | 103,215,201 | 106,276,069 | 109,488,061 | 109,488,061 |
| Oregon PERS Contributions | 5,265,815 | 5,998,321 | 7,012,648 | 8,400,000 | 8,400,000 |
| Total Programs | 114,491,305 | \$120,736,083 | \$123,165,378 | \$128,255,194 | \$128,255,194 |

Public Safety Service Area

This table summarizes project expenses by capital programs. Only projects that are budgeted within the five-year capital plan are displayed.

| Bureau Capital Program Project | Prior Years | Revised | Requested | Capital Plan | | | | 5-Year Total |
|------------------------------------------|----------------|---------------|---------------|--------------|------------|------------|------------|---------------|
| | | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | |
| Maintenance and Reliability | | | | | | | | |
| Database Capital Improvements | 309,581 | 43,300 | 80,320 | 0 | 0 | 0 | 0 | 80,320 |
| Total Maintenance and Reliability | 309,581 | 43,300 | 80,320 | 0 | 0 | 0 | 0 | 80,320 |
| Total Requirements | 309,581 | 43,300 | 80,320 | 0 | 0 | 0 | 0 | 80,320 |

| Class | Title | Salary Range | | Revised FY 2014-15 | | Requested No DP FY 2015-16 | | Requested FY 2015-16 | |
|-------------------------------------|-----------------------------------------|--------------|---------|-----------------------|-----------|-------------------------------|-----------|-------------------------|-----------|
| | | Minimum | Maximum | No. | Amount | No. | Amount | No. | Amount |
| 30000063 | Accountant II | 53,248 | 67,038 | 1.00 | 67,044 | 1.00 | 67,044 | 1.00 | 67,044 |
| 30000449 | Business Systems Analyst, Sr | 67,850 | 90,605 | 1.00 | 90,600 | 1.00 | 90,600 | 1.00 | 90,600 |
| 30000066 | Claims Technician | 44,491 | 58,968 | 1.00 | 52,608 | 1.00 | 55,608 | 1.00 | 55,608 |
| 30000065 | Claims Technician, Assistant | 34,528 | 49,795 | 1.00 | 49,800 | 1.00 | 49,800 | 1.00 | 49,800 |
| 30000412 | FPDR Director | 99,861 | 139,464 | 1.00 | 122,472 | 1.00 | 127,488 | 1.00 | 127,488 |
| 30001384 | FPDR Financial Manager | 86,466 | 115,149 | 1.00 | 115,152 | 1.00 | 115,152 | 1.00 | 115,152 |
| 30000582 | FPDR Operations Manager | 80,413 | 107,099 | 1.00 | 101,484 | 1.00 | 104,260 | 1.00 | 104,260 |
| 30000592 | Legal Assistant, Sr | 58,573 | 78,083 | 1.00 | 78,084 | 1.00 | 78,084 | 1.00 | 78,084 |
| 30000450 | Management Assistant | 48,256 | 74,339 | 2.00 | 129,931 | 2.00 | 135,155 | 2.00 | 135,155 |
| 30000012 | Office Support Specialist II | 33,738 | 48,443 | 1.00 | 33,744 | 1.00 | 42,864 | 1.00 | 42,864 |
| 30000480 | Workers Comp/Disability Analyst, Sr | 64,605 | 86,154 | 2.00 | 167,346 | 2.00 | 172,296 | 2.00 | 172,296 |
| 30000479 | Workers Compensation/Disability Analyst | 58,573 | 78,083 | 2.00 | 142,572 | 2.00 | 144,340 | 2.00 | 144,340 |
| TOTAL FULL-TIME POSITIONS | | | | 15.00 | 1,150,837 | 15.00 | 1,182,691 | 15.00 | 1,182,691 |
| 30000568 | Financial Analyst, Sr | 67,850 | 90,605 | 1.80 | 99,852 | 1.20 | 108,720 | 1.20 | 108,720 |
| TOTAL PART-TIME POSITIONS | | | | 1.80 | 99,852 | 1.20 | 108,720 | 1.20 | 108,720 |
| TOTAL LIMITED TERM POSITIONS | | | | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 |
| GRAND TOTAL | | | | 16.80 | 1,250,689 | 16.20 | 1,291,411 | 16.20 | 1,291,411 |



| | Actual FY 2012-13 | Actual FY 2013-14 | Revised FY 2014-15 | Requested No DP FY 2015-16 | Requested FY 2015-16 | Proposed FY 2015-16 |
|----------------------------------|----------------------|----------------------|-----------------------|----------------------------------|-------------------------|------------------------|
| Resources | | | | | | |
| Taxes | 112,489,717 | 119,378,897 | 120,321,535 | 121,557,806 | 121,557,806 | |
| Charges for Services | 31 | 34 | 0 | 0 | 0 | |
| Bond & Note | 21,355,124 | 26,930,235 | 31,258,000 | 31,885,000 | 31,885,000 | |
| Miscellaneous | 1,597,173 | 579,603 | 306,500 | 296,200 | 296,200 | |
| Total External Revenues | 135,442,045 | 146,888,769 | 151,886,035 | 153,739,006 | 153,739,006 | |
| Fund Transfers - Revenue | 753,009 | 9,046 | 750,000 | 750,000 | 750,000 | |
| Interagency Revenue | 360,200 | 542,200 | 657,200 | 952,200 | 952,200 | |
| Total Internal Revenues | 1,113,209 | 551,246 | 1,407,200 | 1,702,200 | 1,702,200 | |
| Beginning Fund Balance | 14,393,884 | 14,199,476 | 13,663,467 | 16,210,232 | 16,210,232 | |
| Total Resources | 150,949,138 | 161,639,491 | 166,956,702 | 171,651,438 | 171,651,438 | |
| Requirements | | | | | | |
| Personnel Services | 1,688,512 | 1,757,833 | 1,851,231 | 1,933,000 | 1,933,000 | |
| External Materials and Services | 106,520,788 | 112,035,728 | 113,408,664 | 116,940,835 | 116,940,835 | |
| Internal Materials and Services | 6,111,357 | 6,873,482 | 7,862,183 | 9,308,959 | 9,308,959 | |
| Capital Outlay | 170,648 | 69,040 | 43,300 | 72,400 | 72,400 | |
| Total Bureau Expenditures | 114,491,305 | 120,736,083 | 123,165,378 | 128,255,194 | 128,255,194 | |
| Debt Service | 21,437,345 | 27,032,276 | 31,636,349 | 32,277,309 | 32,277,309 | |
| Contingency | 0 | 0 | 11,259,064 | 10,260,000 | 10,260,000 | |
| Fund Transfers - Expense | 821,012 | 109,699 | 895,911 | 858,935 | 858,935 | |
| Total Fund Expenditures | 22,258,357 | 27,141,975 | 43,791,324 | 43,396,244 | 43,396,244 | |
| Ending Fund Balance | 14,199,476 | 13,761,433 | 0 | 0 | 0 | |
| Total Requirements | 150,949,138 | 161,639,491 | 166,956,702 | 171,651,438 | 171,651,438 | |

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.

Managing Agency Bureau of Fire & Police Disability & Retirement

Significant Changes from Prior Year

Net of tax anticipation notes, requirements for FY 2015-16 are increasing by \$4.1 million or 3.0% from the FY 2014-15 Revised Budget. Direct pension benefits to members hired before 2007, part of external materials and services, continue to increase as more members retire with higher final pay. Oregon Public Employees Retirement System contributions for members hired after 2006, part of internal materials and services, continue to grow as salaries increase and the proportion of the workforce hired after 2006 grows. In addition, the contribution rate will increase slightly in FY 2015-16; the rate is typically reset every two years. Personnel services is a small and stable portion of FPDR's budget, as is the capital budget since the completion of FPDR's new database in FY 2012-13.

Despite higher requirements, continued improvement in the local real estate market and economy will permit the FPDR property tax levy to decrease for the second year in a row, from \$1.49 per \$1,000 of real market value for FY 2014-15 to \$1.36 for FY 2015-16. Real market value continues to grow, which in turn also reduces property tax compression, and tax delinquencies continue to fall as the overall economy improves. Total property tax collections will increase by \$1.2 million or 1.0% for FY 2015-16. Miscellaneous revenue, primarily interest income and subrogation revenue, is expected to remain essentially level after dropping in FY 2013-14, when FPDR completed the recovery of state tax offset benefits overpaid to members from 1991 to 2008. Interagency revenue will increase by \$0.3 million, or 45%, as the Portland Police Bureau begins passing 100% of pension and disability overhead rates charged to all third parties (such as private event operators requiring police security) to FPDR in FY 2015-16, in addition to the overhead rates charged to other governmental entities like TriMet.

| | Actual FY 2012-13 | Actual FY 2013-14 | Revised FY 2014-15 | Requested No DP FY 2015-16 | Requested FY 2015-16 | Proposed FY 2015-16 |
|----------------------------------|----------------------|----------------------|-----------------------|----------------------------------|-------------------------|------------------------|
| Resources | | | | | | |
| Total External Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund Transfers - Revenue | 750,000 | 0 | 750,000 | 750,000 | 750,000 | |
| Total Internal Revenues | 750,000 | 0 | 750,000 | 750,000 | 750,000 | |
| Beginning Fund Balance | 750,000 | 750,000 | 750,000 | 750,000 | 750,000 | |
| Total Resources | 1,500,000 | 750,000 | 1,500,000 | 1,500,000 | 1,500,000 | |
| Requirements | | | | | | |
| Total Bureau Expenditures | 0 | 0 | 0 | 0 | 0 | 0 |
| Contingency | 0 | 0 | 750,000 | 0 | 0 | |
| Fund Transfers - Expense | 750,000 | 0 | 750,000 | 750,000 | 750,000 | |
| Total Fund Expenditures | 750,000 | 0 | 1,500,000 | 750,000 | 750,000 | |
| Ending Fund Balance | 750,000 | 750,000 | 0 | 750,000 | 750,000 | |
| Total Requirements | 1,500,000 | 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 is to be maintained in the amount of \$750,000. 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 the \$750,000 is booked directly to the FPDR Fund.

Managing Agency Bureau of Fire & Police Disability & Retirement



FPDR Five-Year Financial Forecast: FYE 2016-20

The Bureau of Fire & Police Disability & Retirement (FPDR) administers retirement and disability programs for the sworn members of Portland Fire & Rescue and the Portland Police Bureaus. These benefits are defined in Chapter 5 of the City of Portland’s Charter. FPDR’s financial forecast for the fiscal years ending 2016 through 2020 is detailed below. The first year of the forecast is FPDR’s FY 2015-16 Requested Budget.

Current Service Level and Risks to the Forecast – FPDR Fund

The current service level is described by program for bureau expenditures and by major object category for fund-level requirements and resources. Risks to the forecast are presented at the end of the section. Resources and requirements are summarized below.

FPDR Fund Five-Year Forecast Summary (\$Million)

| | FYE14 Actuals | FYE15 Adopted Budget | FYE15 Projection | FYE16 Requested Budget | FYE17 Forecast | FYE18 Forecast | FYE19 Forecast | FYE20 Forecast | FYE15 Budget- FYE20 Change |
|-----------------------------|------------------|----------------------------|---------------------|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------------|
| Resources | | | | | | | | | |
| Property Taxes | \$119.38 | \$120.32 | \$121.35 | \$121.56 | \$132.07 | \$140.66 | \$147.04 | \$155.45 | 29.2% |
| Tax Anticipation Notes | 26.93 | 31.26 | 25.82 | 31.89 | 39.90 | 43.53 | 45.44 | 48.13 | 54.0% |
| Miscellaneous | 1.12 | 0.96 | 0.97 | 1.25 | 1.39 | 1.53 | 1.58 | 1.71 | 76.9% |
| Cash Transfers | 0.01 | 0.75 | 0.00 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.0% |
| Beginning Fund Balance | 14.20 | 13.66 | 13.76 | 16.21 | 10.26 | 9.36 | 9.87 | 10.33 | -24.4% |
| Total Resources | \$161.64 | \$166.96 | \$161.89 | \$171.65 | \$184.36 | \$195.84 | \$204.69 | \$216.36 | 29.6% |
| Requirements | | | | | | | | | |
| Retirement Benefits | \$109.51 | \$113.20 | \$109.19 | \$117.79 | \$123.06 | \$129.89 | \$135.80 | \$143.49 | 26.8% |
| Disability & Death Benefits | 7.41 | 6.59 | 7.20 | 7.29 | 7.42 | 7.77 | 8.15 | 8.46 | 28.4% |
| Administration & Delivery | 3.82 | 3.38 | 3.23 | 3.18 | 3.28 | 3.39 | 3.56 | 3.92 | 16.2% |
| Fund-Level Requirements | 27.14 | 43.79 | 26.05 | 43.40 | 50.60 | 54.79 | 57.18 | 60.48 | 38.1% |
| Ending Fund Balance | 13.76 | 0.00 | 16.21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | N/A |
| Total Requirements | \$161.64 | \$166.96 | \$161.89 | \$171.65 | \$184.36 | \$195.84 | \$204.69 | \$216.36 | 29.6% |
| Total Net of TANs | \$134.71 | \$135.70 | \$136.08 | \$139.76 | \$144.46 | \$152.31 | \$159.25 | \$168.23 | 24.0% |

Resources

Property Taxes

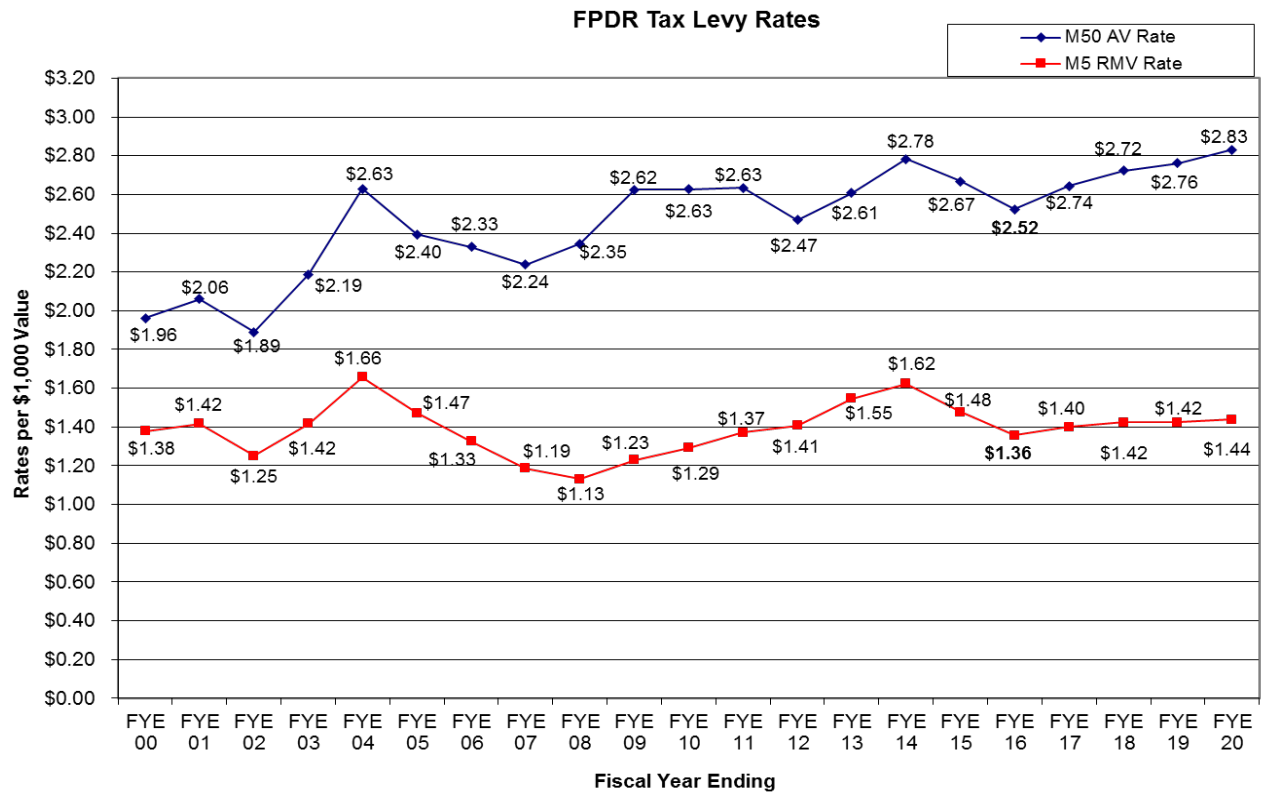
Current-year taxes are increasing \$1.1 million, or 1.0%, for the Requested Budget and \$34.8 million, or 29.5%, over the five-year plan. The certified levy amount, which includes an adjustment for expected discounts and compression, is actually decreasing by \$2.4 million, or 1.8%, for the Requested Budget due to lower assumptions about discount and compression rates. Over the five-year forecast, the certified levy is increasing by \$34.8 million, or 29.5%. Prior-year tax revenue is budgeted at \$2.4 million in FYE16, increasing by \$50,000 in each of the subsequent years.

The City Economist expects Measure 50 Assessed Value (M50 AV) to increase annually for a total of 17.6% growth over the five-year forecast. Measure 5 Real Market Value (M5 RMV), is expected to rise 28.2% over the plan. As a result of growth and lower discount and compression assumptions, the M50 AV rate and the implied M5 RMV rate are both expected to decline for FYE16. The M50 AV rate will decrease from \$2.67 in FYE15 to \$2.52 in FYE16 and will rise to \$2.83 over the five-year forecast. The M5 RMV rate will decrease from \$1.48 in FYE15 to \$1.36 for FYE16 and remain fairly stable through FYE20, rising to \$1.44 for FYE20.

FYE17 rates will be higher to the extent any of the one-time risks to the forecast identified in that section occur; all out-year rates will be higher if any ongoing risks occur. FPDR's imposed levy is capped at \$2.80 per \$1,000 of real market value by Charter and Measure 50. The five-year forecast RMV average rate of \$1.41 is \$0.06 less than last year's plan. As a result, the FPDR levy will cause less compression on other general government levies.

Property Tax Summary (\$000)

| | FYE15 Adopted Budget | FYE16 Requested Budget | FYE17 Forecast | FYE18 Forecast | FYE19 Forecast | FYE20 Forecast | FYE15 - FYE20 Change |
|-----------------------------|----------------------------|------------------------------|----------------|----------------|----------------|----------------|----------------------------|
| Required Current-Year Taxes | \$118,022 | \$119,158 | \$129,630 | \$138,176 | \$144,505 | \$152,781 | 29.5% |
| Discount/Compression Adj. | 18,862 | 15,323 | 16,189 | 16,742 | 17,371 | 18,100 | -4.0% |
| Levy Amount | 136,883 | 134,481 | 145,819 | 154,918 | 161,877 | 170,880 | 24.8% |
| Required CY Tax Gross-up | 16.0% | 12.9% | 12.5% | 12.1% | 12.0% | 11.8% | |
| M50 Assessed Value | 51,321,383 | 53,271,596 | 55,136,102 | 56,900,457 | 58,607,471 | 60,365,695 | 17.6% |
| M5 Real Market Value | 92,618,336 | 99,101,619 | 104,056,700 | 108,739,252 | 113,632,518 | 118,745,981 | 28.2% |
| M50 AV Rate/\$1000 | 2.67 | 2.52 | 2.64 | 2.72 | 2.76 | 2.83 | 6.1% |
| M5 RMV Rate/\$1000 | 1.48 | 1.36 | 1.40 | 1.42 | 1.42 | 1.44 | -2.6% |



Other Resources

Other resources include tax anticipation notes (TANs), cash transfers, beginning balance and miscellaneous and interagency revenue. All are detailed in the Five-Year Forecast Summary on page 1.

TANs are estimated as four and a half months of other requirements, less beginning balance, and so grow as requirements grow; a cash-flow analysis is performed each spring to size the borrowing. Because of regulations for TANs, the borrowing amount should be slightly less than the amount needed to fund FPDR until current-year tax receipts begin in mid-November. The \$750,000 cash transfer budgeted each year is the FPDR Reserve Fund balance, which is also budgeted as a transfer out to return the funds if needed to keep the FPDR Fund in a positive cash position in November.

Beginning balance is expected to increase from an actual \$13.8 million in FYE15 to \$16.2 million for FYE16 and then decrease to \$10.3 million for FYE20 as out-year contingency levels drop.

The key components of other revenue are interest income, interagency revenue and other miscellaneous income, of which subrogation is the largest part. Interest income is expected to decline slightly: \$252,575 in FYE14 to \$246,000 projected in FYE15 and \$234,000 budgeted for FYE16. The interest rate the City can earn on its investments appears to have bottomed out. While the forecast spreads between borrowing rates and investment returns are unfavorable compared to FYE15, the actual spreads may be better.

Interest Rate Spread

| | FYE14 Actuals | FYE15 Projection | FYE16 | | | | |
|-----------------------------|------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| | | | Requested Budget | FYE17 Forecast | FYE18 Forecast | FYE19 Forecast | FYE20 Forecast |
| Interest on Investments | 0.51% | 0.50% | 0.45% | 0.60% | 0.60% | 0.60% | 0.60% |
| Interest on TANs | 0.18% | 0.11% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Interest Rate Spread | 0.33% | 0.39% | -0.55% | -0.40% | -0.40% | -0.40% | -0.40% |

While interagency (IA) revenue is expected to increase for FYE16, subrogation/miscellaneous revenue is budgeted slightly above FYE15. IA revenue represents the Police Bureau's fully phased-in sharing of what it has been receiving for pension and disability benefits for contracted work such as the transit police contract with TriMet, as well as the comparable revenue from Portland Fire & Rescue.

Miscellaneous & Interagency Revenue (\$000)

| | FYE15 | | FYE16 | | | | | |
|------------------------------|------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| | FYE14 Actuals | Adopted Budget | FYE15 Projection | Requested Budget | FYE17 Forecast | FYE18 Forecast | FYE19 Forecast | FYE20 Forecast |
| Interest on Investments | \$253 | \$256 | \$246 | \$234 | \$344 | \$367 | \$384 | \$406 |
| Interagency Revenue | 542 | 657 | 657 | 952 | 980 | 1,100 | 1,130 | 1,230 |
| Subrogation/Other Misc | 111 | 51 | 63 | 62 | 63 | 65 | 67 | 69 |
| Total Misc/IA Revenue | \$906 | \$964 | \$966 | \$1,248 | \$1,387 | \$1,532 | \$1,581 | \$1,705 |

Requirements

Retirement Benefits

Retirements benefits are FPDR's largest requirements. They consist of benefits paid to FPDR 1 and 2 members, and reimbursements to the Police and Fire Bureaus for the contributions made to the Oregon Public Employees Retirement System (PERS) on behalf of their FPDR 3 employees who were sworn in 2007 or later. FPDR 1 and 2 are closed plans funded on a pay-as-you-go basis. FPDR 3 was created by Portland voters in November 2006 to begin prefunding the retirements of new police officers and firefighters. The 2012 Charter change delayed FPDR membership for sworn hires starting in 2013; they become FPDR 3 members after completing six consecutive months of sworn employment.

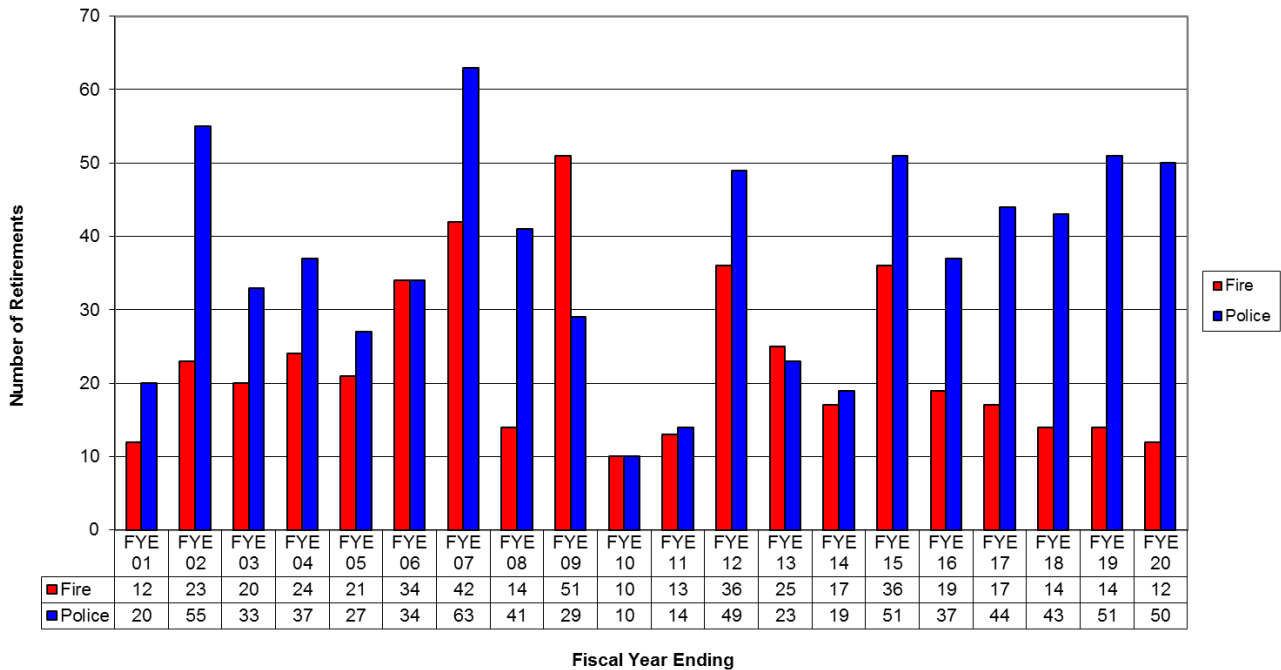
The FYE15 projection for retirement benefits is 96.5% of budget. FPDR 1 and FPDR 2 benefits are projected at 96.3% of budget, with fewer FYE14 retirements than expected. FPDR 3 contributions are projected at 99.0% of budget due to fewer hires than expected.

FPDR 1 members are almost all retired; a few remain on monthly disability. This tier's benefits increase in accordance with the collective bargaining agreements for the Portland Fire Fighters Association (PFFA) and the Portland Police Association (PPA), as the Charter defines the benefits in relation to the pay for a first class firefighter or police officer. For FYE16, FPDR 1 pension expenses are expected to decline, as deaths exceed benefit increases. In addition to their FPDR 1 benefits, some members receive a supplemental pension through Standard Insurance that FPDR funds; the FYE16 budget is \$271,308. Supplemental pensions provide a greater salary replacement for high-ranking members than only a base pension tied to firefighter or police officer pay could do.

FPDR 2 benefits increase as more members retire. Retirements are driven by Fire and Police Bureau demographics as well as labor agreements. Once retired, members' benefits increase by no more than the PERS increase. State legislation reduced the PERS COLA from a 2% maximum to a maximum rate of 1.25% for July 1, 2014 and beyond. The new PERS methodology provides for a 1.25% adjustment on the first \$60,000 of annual base benefit (excluding the tax offset benefit) and 0.15% on amounts above \$60,000. The FPDR Board approved a 1.25% adjustment for all FPDR 2 retirees for July 1, 2014. The FPDR Two adjustment has been budgeted and forecast at 1.25% for each year. State legislation also eliminated the tax offset benefit for participants not subject to Oregon personal income tax. Challenges to the COLA and tax offset changes are before by the Oregon Supreme Court, with a ruling expected in spring 2015.

The FYE16 budget for FPDR 2 pension expense is driven by an FYE15 retirement projection based on actuarial valuation retirement rate assumptions. The projection of 87 retirements includes 43 active Police members (6 of whom have retired to date), 35 active Fire members (3 of whom have retired) and 9 disability or vested retirements. This compares to a low of 20 in FYE10 and a high of 105 in FYE07 and is equivalent to FYE12, when there were two 27-pay date months under the pre-2012 Charter change final pay calculation. Although staff has typically estimated the number of retirements based on the actuarial estimate plus a "cushion" of 10 additional retirements in the current year, there is no cushion in the FYE15 estimate because staff does not expect a high number of retirements between now and June 30.

FPDR 2 Retirements
Actuals (FYE 01-14), FYE15 Projection & Five-Year Forecast (FYE 16-20)
 Includes Service, Disability and Vested Retirements



FPDR 3 contributions to PERS are determined by the number of FPDR 3 members, their pay and the PERS contribution rates. The forecast is based on the bureau's hiring projections, which reflect their retirement assumptions and budget constraints. FPDR 3 costs are forecast to increase by 142% over the five years. New hires are much of the increase, but contribution rates are also expected to continue to increase. FYE16 and FYE17 rates of 20.64% are 7.2% higher than FYE15's 19.25%, and future increases are forecast: 12.9% in FYE18 and 7.3% in FYE20.

The FPDR 3 PERS contributions budget is negotiated with the Fire and Police Bureaus and assumes 30 new members in FYE15 and 48 new members in FYE16. The final budgets for Fire and Police could require adjustments to FPDR's PERS contributions interagency agreements with these bureaus.

Retirement Benefits Summary (\$000)

| | FYE14 Actuals | FYE15 Adopted Budget | FYE15 Projection | FYE16 Requested Budget | FYE17 Forecast | FYE18 Forecast | FYE19 Forecast | FYE20 Forecast | FYE15 Budget- FYE20 Change |
|------------------------------|------------------|----------------------------|---------------------|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------------|
| FPDR 1 Benefits/Suppl | \$ 23,906 | \$ 21,479 | \$ 21,291 | \$ 20,685 | \$ 19,940 | \$ 19,228 | \$ 18,633 | \$ 18,131 | -15.6% |
| FPDR 2 Benefits | 79,601 | 84,707 | 80,962 | 88,705 | 93,517 | 98,359 | 103,167 | 108,361 | 27.9% |
| FPDR 3 PERS Contribs | 5,998 | 7,013 | 6,940 | 8,400 | 9,600 | 12,300 | 14,000 | 17,000 | 142.4% |
| Total Retirement Bens | \$109,505 | \$113,199 | \$109,193 | \$117,790 | \$123,057 | \$129,888 | \$135,800 | \$143,492 | 26.8% |

Disability & Death Benefits

This program includes disability wage replacement payments to members, medical payments on approved service-connected or occupational claims, vocational rehabilitation expenses, funeral benefits and payments to the Fire and Police Bureaus for return to work, whereby FPDR pays up to 75% of the salary of members who would otherwise be on disability for a certain period of time. These subprograms are generally budgeted using trend data, with large claim data factored

in. Return to work, however, is managed as interagency agreements with Fire and Police and budgeted as other interagencies are. No above-COLA increases are included in the disability wage replacement budget. Medical expense uses a medical inflator, and vocational rehabilitation uses the inflator for external materials and services.

Disability benefits paid to members who cannot work at their positions due to approved claims for service-connected injuries and illnesses and occupational disabilities in the first year of their disability, are paid every two weeks. Monthly benefits are generally paid to members who have received biweekly benefits for a year or who cannot work at their positions due to approved claims for nonservice-connected injuries or illnesses. Biweekly benefit expenses are more volatile than monthly expenses, which are declining as members reach their mandatory retirement dates and few new members are added. Biweekly benefits also include interim benefits paid before the service-connected or occupational disability claim decision has been made. Interim benefits were added in the 2012 Charter change and must be repaid if the claim is denied and the denial becomes final.

Medical benefits include medical and hospitalization expenses, as well as prescription and some other costs, associated with approved service-connected and occupational disability claims. Medical benefits are paid for both active members and members who retired either from disability or, starting in 2007, from active service. These are the most volatile expenses in the Disability & Death Benefits program; large claims – those costing more than \$50,000 in a year – can create large year-to-year swings. The FYE14 large claims cost exceeded \$800,000, 27.4% of total medical costs.

Vocational rehabilitation expenses include vocational assessments and other related services to members on disability who have been permanently restricted from their required duties in Portland Fire & Rescue or the Police Bureau. A portion of any outside earned income offsets a member's disability benefits, so investing in vocational rehabilitation programs can lead to lower benefit payments.

Return to work expenses are currently limited to early return to work (limited-duty assignments for members who would otherwise be disability until they can return to their regular positions). The pilot program for restricted duty assignments for members with permanent restrictions ended and has not been replaced with a permanent program. The return to work budget is part of the interagency agreements with the Fire and Police Bureaus.

Disability & Death Benefits Summary (\$000)

| | FYE14 | FYE15 | FYE15 | FYE16 | FYE17 | FYE18 | FYE19 | FYE20 | FYE15 |
|------------------------------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| | Actuals | Adopted Budget | FYE15 Projection | Request Budget | Forecast | Forecast | Forecast | Forecast | Budget-FYE20 |
| | | | | | | | | | Change |
| Biweekly Disability Bens | \$1,516 | \$1,218 | \$1,583 | \$1,623 | \$1,666 | \$1,712 | \$1,763 | \$1,815 | 49.0% |
| Monthly Disability Bens | 2,541 | 2,210 | 2,133 | 2,022 | 1,873 | 1,915 | 1,969 | 1,931 | -12.6% |
| Medical Benefits | 2,982 | 2,786 | 3,069 | 3,238 | 3,465 | 3,708 | 3,968 | 4,246 | 52.4% |
| Vocational Rehabilitation | 1 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | -2.9% |
| Return to Work | 325 | 294 | 333 | 316 | 324 | 332 | 342 | 352 | 19.7% |
| Funeral Benefits | 47 | 72 | 73 | 78 | 86 | 92 | 98 | 108 | 49.9% |
| Total Disability/Death Bens | \$7,412 | \$6,591 | \$7,201 | \$7,287 | \$7,424 | \$7,769 | \$8,150 | \$8,462 | 28.4% |

Administration & Delivery

Most of the non-benefit payment expenditures are allocated to the Administration & Support program, but some program delivery expenses are allocated to the retirement and disability programs. Some expenses that are shared between the programs – such as legal services – remain in Administration & Support. The table below includes all bureau-level, non-benefit expenditures.

Administration & Delivery Summary (\$000)

| | FYE14 | FYE15 | FYE15 | FYE16 | FYE17 | FYE18 | FYE19 | FYE20 | FYE15 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| | Actuals | Adopted | Projection | Requested | Forecast | Forecast | Forecast | Forecast | Budget- |
| | | Budget | | Budget | | | | | FYE20 |
| | | | | | | | | | Change |
| Personnel Services | \$1,758 | \$1,851 | \$1,848 | \$1,933 | \$2,011 | \$2,130 | \$2,218 | \$2,365 | 27.8% |
| External Material & Svs | 1,443 | 928 | 742 | 580 | 642 | 620 | 680 | 799 | -13.8% |
| Internal Materials & Svs | 550 | 554 | 571 | 593 | 614 | 634 | 652 | 668 | 20.6% |
| Capital | 69 | 43 | 74 | 72 | 23 | 23 | 24 | 25 | -43.4% |
| Total Admin & Delivery | \$3,820 | \$3,376 | \$3,235 | \$3,179 | \$3,290 | \$3,408 | \$3,574 | \$3,857 | 14.2% |

The administration and delivery budget is 5.8% lower in the FYE16 budget than in the FYE15 budget. The FYE15 personnel services budget is 4.4% above FYE15, with an expected wage COLA of 2.5%, a 5.5% health benefit increase and PERS contribution rate increases.

External materials and services is budgeted 37.4% below FYE15, as the two program performance evaluations will be completed in FYE15 and FYE15 is not an actuarial valuation year. Legal services was unusually high in the FYE14 actuals due to the settlement of two pension lawsuits. The internal materials and services budget is expected to increase 6.6% from FYE15 to FYE16, with the largest dollar increases coming from Technology Services, Enterprise Business Services, Risk Management and the City Attorney's Office.

Capital expenditures for the database are expected to be \$74,000 in FYE15. \$72,000 is budgeted for FYE16, including \$50,000 of unspecified technology enhancements that may not all be capitalized.

Administration & Delivery: Budget Detail

| | FYE14 Actuals | FYE15 Adopted Budget | FYE15 Projection | FYE16 Requested Budget | Adopted- Requested Change |
|------------------------------------------|--------------------|----------------------------|---------------------|------------------------------|---------------------------------|
| Personnel Services | \$1,757,833 | \$1,851,231 | \$1,847,573 | \$1,933,000 | 4.4% |
| External Materials & Services | | | | | |
| Consulting Services | 5,758 | 300,000 | 200,000 | - | - |
| Computer Consulting | 25,000 | 21,900 | 21,900 | 29,500 | 34.7% |
| Legal Services | 826,228 | 54,400 | 50,800 | 51,900 | -4.6% |
| Audit Services | 26,864 | 27,200 | 27,200 | 27,800 | 2.2% |
| Actuarial Services | 52,571 | 53,400 | 53,400 | 15,000 | -71.9% |
| Claims Investigation | 162,479 | 146,700 | 80,000 | 120,000 | -18.2% |
| Other Professional Services | 145,746 | 80,000 | 81,000 | 98,500 | 23.1% |
| Medical Bills Processing | (514) | - | - | - | 0.0% |
| Repair & Maint Services | 2,351 | 2,600 | 2,600 | 2,700 | 3.8% |
| Miscellaneous Services | 5,742 | 21,000 | 10,000 | 10,200 | -51.4% |
| Office/Computer Supplies | 10,460 | 11,900 | 11,900 | 12,200 | 2.5% |
| Minor Equipment & Tools | 680 | 1,000 | 1,000 | 1,000 | 0.0% |
| Education, Subscrip, Dues | 11,466 | 12,000 | 9,800 | 11,900 | -0.8% |
| Travel - Local | 854 | 500 | 500 | 500 | 0.0% |
| Travel - Out of Town | 2,763 | 5,000 | 2,500 | 5,000 | 0.0% |
| External Rent | 163,707 | 189,000 | 189,000 | 193,200 | 2.2% |
| Miscellaneous | 1,118 | 1,000 | 500 | 1,000 | 0.0% |
| Total External M&S | 1,443,273 | 927,600 | 742,100 | 580,400 | -37.4% |
| Internal Materials & Services | | | | | |
| Printing & Distribution | 39,754 | 46,137 | 37,000 | 44,506 | -3.5% |
| Facilities Services/Fleet | 2,483 | 178 | 2,100 | 1,714 | 862.9% |
| Technology Services | 91,962 | 92,062 | 115,000 | 97,451 | 5.9% |
| EBS Services | 28,757 | 29,045 | 29,045 | 34,820 | 19.9% |
| Risk Management | 27,165 | 26,045 | 26,045 | 30,604 | 17.5% |
| City Attorney | 222,337 | 223,732 | 223,732 | 240,164 | 7.3% |
| Office of Mgmt & Finance | 17,385 | 19,800 | 21,336 | 20,700 | 4.5% |
| Fire & Police Bureaus | 120,102 | 117,000 | 117,000 | 123,000 | 5.1% |
| Total Internal M&S | 549,945 | 553,999 | 571,258 | 592,959 | 7.0% |
| Capital | 69,040 | 43,300 | 73,600 | 72,400 | 67.2% |
| Total Admin & Delivery | \$3,820,091 | \$3,376,130 | \$3,234,531 | 3,178,759 | -5.8% |

Fund-Level Requirements

Fund-level requirements include contingency; tax anticipation notes principal, interest and borrowing costs; General Fund overhead and pension obligation bond expense. TANs expenditures were discussed in the Other Resources section above. Budgeted interest expense, part of TANs expenditures, is \$85,000 more than interest revenue in FYE16.

The 8% contingency, down from 9% in the current year, reflects risks to the forecast described in that section below. Out years are forecast at 7% as some legal challenges, such as those to the PERS changes, are expected to be resolved in time.

General Fund overhead (GFOH) decreases in FYE16, due to negative true-up adjustments. The forecast assumes the FYE15 GFOH amount continues, with inflation.

General Fund Overhead Summary

| | FYE14 Actuals | FYE15 Adopted Budget | FYE16 Requested Budget | Change Percent |
|-----------------------|------------------|----------------------------|------------------------------|-------------------|
| General Fund Overhead | \$102,158 | \$137,931 | \$100,636 | -27.0% |

Fund transfers in the fund-level requirements table below includes a \$750,000 fund transfer to the Reserve Fund to return the balance that may be transferred to the FPDR Fund in November to insure a positive cash balance until current-year tax revenues are received. Through FYE14, the return was not budgeted unless the transfer from the Reserve Fund to the FPDR Fund was made. At the suggestion of the external auditor, it is now budgeted as a fund transfer rather than in contingency. Other debt expenditures are FPDR’s share of the City’s pension obligation bonds; in the actuals and budget columns a small part of this shows in fund transfers.

Fund-Level Requirements (\$000)

| | FYE14 Actuals | FYE15 Adopted Budget | FYE15 Projection | FYE16 Requested Budget | FYE17 Forecast | FYE18 Forecast | FYE19 Forecast | FYE20 Forecast | FYE15 Budget- FYE20 Change |
|------------------------------|------------------|----------------------------|---------------------|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------------|
| Contingency | \$0 | \$11,259 | \$0 | \$10,260 | \$9,364 | \$9,874 | \$10,326 | \$10,907 | -3.1% |
| Fund Transfers | 9 | 758 | 8 | 758 | 750 | 750 | 750 | 750 | -1.1% |
| General Fund Overhead | 102 | 138 | 138 | 101 | 103 | 106 | 109 | 112 | -18.9% |
| TANs Expenditures | 26,995 | 31,594 | 25,866 | 32,231 | 40,330 | 43,997 | 45,929 | 48,612 | 53.9% |
| Other Debt Expenditures | 37 | 42 | 42 | 46 | 61 | 65 | 69 | 72 | 71.1% |
| Total Fund-Level Reqs | \$27,143 | \$43,791 | \$26,054 | \$43,396 | \$50,608 | \$54,792 | \$57,182 | \$60,453 | 38.0% |

Risks to the Forecast

The following risks to the forecast have been identified.

- The Oregon State Legislature passed two bills in 2013 that affect FPDR. Senate Bill 822 eliminated the tax offset benefit for participants whose pension benefits are not subject to Oregon personal income tax and capped the July 1, 2013 FPDR Two benefit adjustment at 1.5%. Senate Bill 861 reduced the 2014 and beyond benefit adjustment to a maximum of 1.25%. Challenges to both bills are before the Oregon Supreme Court. The estimated savings to FPDR from these bills is \$2.7 million through FYE15.
- Contract claims totaling \$6.8 million have been filed relating to the return to work pilot program.
- PERS contribution rates are expected to increase again in FYE18 and FYE20. If the challenges to Senate Bills 822 and 861 are successful, future rate increases are likely to be higher. Significant investment gains in the PERS portfolio could reduce out-year rates; losses or lower than expected gains could increase rates further. FPDR’s budget will become increasingly sensitive to contribution rate fluctuation as the proportion of members who are in FPDR 3 rises over time.

FPDR Funds

FPDR manages two funds: the Fire & Police Disability & Retirement Fund and the Fire & Police Disability & Retirement Reserve Fund. The Reserve Fund is limited by Charter to \$750,000, which is budgeted as beginning fund balance and a transfer to the FPDR Fund. Interest on the Reserve Fund balance is recorded in the FPDR Fund.



Budget Equity Assessment Tool

CITY POLICY

This Budget Equity Assessment Tool is a general set of questions to guide city bureaus and their Budget Advisory Committees in assessing how budget requests benefit and/or burden communities, specifically communities of color and people with disabilities. As noted in Portland's 25-year strategic plan, the Portland Plan, Goal-Based Budgeting, and page 102:

When fully implemented, the new budget approach will direct City of Portland bureaus and offices to:

- Use an asset management approach to achieve more equitable service levels across communities and geographies.
- Track and report on service levels and investments by community and geography, including expanding the budget mapping process
- Assess the equity and social impacts of budget requests to ensure programs, projects and other investments to help reduce disparities and promote service level equity, improve participation and support leadership development.
- Identify whether budget requests advance equity, represent a strategic change to improve efficiency and service levels and/or are needed to provide for basic public welfare, health and/or meet all applicable national and state regulatory standards.

This is a critical part of the City of Portland's commitment to ending inequity. The mission and charge of the Office of Equity is to focus on ending inequality based on race and disability, and this document addresses these two specific populations.

However, it is the policy of the City of Portland that no person shall be denied the benefits of, or be subjected to, discrimination in any City program, service, or activity on the grounds of race, color, national origin, English proficiency, sex, age, disability, religion, sexual orientation, gender identity, or source of income. Additionally, the City's Civil Rights Title VI program guidelines obligate public entities to develop systems and procedures that guard against or proactively prevent discrimination, while simultaneously ensuring equitable impacts on all persons. Therefore, City bureaus are encouraged to use this document to assist in evaluating equitable impacts on all residents.

It is recommended that all managers and others who work on the budget for the bureau use this tool. Bureau Equity Committees may also be a resource in its completion. The Office of Equity and Human Rights is also available for discussion/training/consultation regarding the use of this document.

Bureau of Fire and Police Disability and Retirement

BUREAU/OFFICE/DEPARTMENT

FPDR EQUITY STATEMENT

The Bureau of Fire and Police Disability and Retirement (FPDR) administers disability, death and retirement benefits to sworn Portland firefighters, police officers and their survivors. FPDR strives to provide the best possible service to members and other stakeholders in a competent, respectful and equitable manner.

Although FPDR has no direct interaction with the public through any public programs or services, FPDR is committed to meet the City mandate to eliminate institutional racism by abiding with the practices, policies and procedures of the City of Portland's Racial Equity Plan.

FPDR is firmly committed to diversity and equity in all areas of its operations. FPDR is committed to encouraging diversity and eliminating discrimination as a bureau and as a provider of services. FPDR aims to create a culture that respects and values each other's differences, that promotes dignity, equality and diversity, and that encourages individuals to maintain, develop and maximize their true potential.

FPDR will strive to provide equity and fairness for all in our employment and in the provision of services and not to discriminate on the grounds of gender, marital status, race, ethnic origin, color, nationality, national origin, disability, sexual orientation, religion or age. FPDR opposes all forms of unlawful and unfair discrimination.

SECTION ONE: ADVANCING EQUITY

1. How does this budget request increase, reduce, limit or eliminate programs or services that are vital to communities of color, immigrant and refugee communities and/or people living with a disability?

A: This budget request will not increase, reduce, limit, or eliminate any programs or services.

2. What considerations were taken into account in this request to maximize equity?

A: None, as FPDR does not directly serve the public.

SECTION TWO: PERSONNEL

See Workforce Demographics by Bureau [here](#) or by visiting our website at www.portlandoregon.gov/oehr

(It is understood that final demographics resulting from any staff reduction or increase may not be known at the time of the budget request. However, it is important to monitor the demographics of any layoffs or staff reductions to assess the specific impact to people of color and people with disabilities, if known. Human Resources can be a resource to bureaus.)

3. What is the impact on employees of color?

A: None, as this budget request does not propose any staffing changes.



4. What is the impact on employees with a disability?

A: None, as this budget request does not propose any staffing changes.

SECTION THREE: PROGRAMS/SERVICES

If your bureau or office has multiple programs, please address the budget request for each program or groups of programs.

5. How does this program or service align with the goal of advancing equity?

A: FPDR's programs and services do not directly align with the goal of advancing equity, as FPDR does not directly serve the public.

6. Identify the impacts of the budget request on specific geographic areas:
(Citywide/Regional; Northeast; Northwest; North; Central; Northeast; Southeast; Southwest; East; Central City; or Unknown)

A: N/A, FPDR does not directly serve the public.

7. What areas of the city will be impacted by your program or service and is there a larger than average population of people of color in those areas?

A: N/A, FPDR does not directly serve the public.

To help you answer this question, the following map link shows where communities of color are greater than average for the city of Portland.

<https://www.portlandoregon.gov/bps/article/508117>

This next link provides information on overall vulnerability, including maps of communities of color, lower income households, renters, and level of educational attainment. Together these four components are indicators of at risk populations.

<http://www.portlandoregon.gov/bps/66107>

8. Identify potential impacts on people living with a disability. (See Attached Worksheet)

A: FPDR provides disability benefits (partial wage replacement and payment of medical expenses) for sworn employees of the Fire and Police Bureaus. This budget request makes no changes to those benefits.



Section Four: EQUITABLE PUBLIC PARTICIPATION

9. How does this budget build community capacity and power in communities most impacted by inequities? (e.g., improved leadership opportunities within BAC, community meetings, stakeholder groups, increased outreach, etc.)

A: N/A, FPDR does not directly serve the public.

Identifying Impacts Worksheet –

Once you have identified the populations/communities impacted, use the following chart to name the potential burdens and benefits.

| Populations Impacted | Potential Positive Impacts | Potential Negative Impacts |
|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|----------------------------|
| Permanently or temporarily disabled sworn employees of the City Police and Fire Bureaus | FPDR provides partial wage replacement and pays for disability-related medical expenses | None |
| | | |
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| | | |
| | | |
| | | |

Samuel Hutchison

1/29/2015

Name of Bureau Director

Date

Bureau of Fire and Police Disability and Retirement, FY 2015-16 Requested Budget

| functional area | formula | frequency of collection | bureau data source contact | bureau data source program manager | Relevant URL, "for more info" | Collection Methodology | Reliability of Data |
|-----------------|------------------------------------------------------------|-------------------------|--------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| DR_0002 | Administration cost as a percent of total operating budget | annually | Mika Obara mika.obara@portlandoregon.gov (503)823-3727 | Nancy Hartline nancy.hartline@portlandoregon.gov (503)823-5501 | N/A | The percentage is calculated by dividing the administration program cost excluding delivery costs allocated to benefit programs (personnel services for pension and disability programs and EM&S for disability) by total bureau budget in BRASS report | high |
| DR_0003 | Number of FPDR 2 retirements from active service | annually | Mika Obara mika.obara@portlandoregon.gov (503)823-3727 | Nancy Hartline nancy.hartline@portlandoregon.gov (503)823-5501 | N/A | Master Data Report from FPDR database provides this number. For projections, the number is calculated by applying actuarial assumption retirement rates to active membership data. | high |
| DR_0024 | Number of disability claims filed | annually | Mika Obara mika.obara@portlandoregon.gov (503)823-3727 | Nancy Hartline nancy.hartline@portlandoregon.gov (503)823-5501 | N/A | "Claim Data Report" from the FPDR database produces the number of claims by injury date. Occurrence greater than 1 (recurrence) is excluded. | high |
| DR_0025 | Percent of workforce who are FPDR 3 | annually | Mika Obara mika.obara@portlandoregon.gov (503)823-3727 | Nancy Hartline nancy.hartline@portlandoregon.gov (503)823-5501 | N/A | This is calculated by dividing the June 30 number of active FPDR3 members by the June 30 number of all active members as reported in Note 2, Plan Features and Other Information in the annual financial audit report. | high |
| DR_0026 | FPDR tax levy rate per \$1,000 of Real Market Value | annually | Mika Obara mika.obara@portlandoregon.gov (503)823-3727 | Nancy Hartline nancy.hartline@portlandoregon.gov (503)823-5501 | N/A | This number is provided by City Economist. | high |
| DR_0027 | Percent of workforce on disability as of June 30 | annually | Mika Obara mika.obara@portlandoregon.gov (503)823-3727 | Nancy Hartline nancy.hartline@portlandoregon.gov (503)823-5501 | N/A | This is calculated by dividing the June 30 number of members on biweekly disability and monthly disability by the June 30 number of active members and members on monthly disability in Audit Schedule 5 Membership Summary . | high |