

Analysis By: Christy Owen

FIRE & POLICE DISABILITY & RETIREMENT

All Funds Budget Summary	Adopted FY 2014-15	Request Base FY 2015-16	Decision Pkgs FY 2015-16	Request Total FY 2015-16	Percent Change
Resources					
Beginning Fund Balance	\$14,413,467	\$16,960,232	\$0	\$16,960,232	17.7%
Taxes	120,321,535	121,557,806	0	121,557,806	1.0%
Interagency Revenue	657,200	952,200	0	952,200	44.9%
Fund Transfers - Revenue	1,500,000	1,500,000	0	1,500,000	0.0%
Bond and Note Proceeds	31,258,000	31,885,000	0	31,885,000	2.0%
Miscellaneous Sources	306,500	296,200	0	296,200	-3.4%
Total Resources	\$168,456,702	\$173,151,438	\$0	\$173,151,438	2.8%
Expenditures					
Personnel Services	\$1,851,231	\$1,933,000	\$0	\$1,933,000	4.4%
External Materials and Services	113,410,200	116,940,835	0	116,940,835	3.1%
Internal Materials and Services	7,860,647	9,308,959	0	9,308,959	18.4%
Capital Outlay	43,300	72,400	0	72,400	67.2%
Debt Service	31,636,349	32,277,309	0	32,277,309	2.0%
Fund Transfers - Expense	1645911	1608935	0	1,608,935	-2.2%
Contingency	12,009,064	10,260,000	0	10,260,000	-14.6%
Unappropriated Fund Balance	0	750,000	0	750,000	N/A
Total Requirements	\$168,456,702	\$173,151,438	\$0	\$173,151,438	2.8%
Total Bureau FTE	16.20	16.20	0.00	16.20	0.0%

Percent Change is the change from FY 2014-15 Adopted Budget to FY 2015-16 Total Requested Budget.

Key Issues**Current Financial Position and Levy Adequacy Analysis**

The Bureau of 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 2015-16 Requested Budget estimates a levy of \$2.52 per \$1,000 Assessed Value (AV), which is a decrease from the previous rate of \$2.67 per \$1,000 AV. The implied Real Market Value rate in the Requested Budget is \$1.36 per \$1,000.

The largest expense category is retirement benefits, estimated to be \$117.8 million dollars in FY 2015-16. The most recent levy actuarial analysis was completed in 2015 as of June 30, 2014, and this analysis includes short-term and long-term forecasting for retirement payments, the ability of the dedicated tax levy to provide adequate resources to meet projected expenses, and potential risks to the forecast. The levy is capped at \$2.80 of 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 2019-20. The majority of current members are in the FPDR 2 tier; however the projected number of new hires in FPDR 3 contributes to that tier showing the greatest percent growth over the next five years, especially as the Portland Police Bureau and Portland Fire & Rescue have both started hiring newly sworn personnel in the past two years.

Short-term risks to the fund primarily include the potential outcome of legal challenges that are pending on Senate Bill 822 and 861 which changed the calculation of benefits to members. Other litigation risks include pending lawsuits from individual claimant disputes. There is approximately \$6.8 million in claims that have been filed against the return-to-work pilot program. It is anticipated that there will be legal rulings on Senate Bills 822 and 861 in 2015, and there is no definitive timeline on other pending litigation. Unfavorable rulings may require the fund to pay one-time retroactive benefits as well as increased ongoing benefits to retirees.

Disability Program Audit

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 March 2015. This audit is the first disability audit since the initial audits that were required by the 2006 ballot measure.

The scope of this audit was to assess the disability claims management program, identify areas for process improvements or efficiency gains, and to review the program as it compares to industry benchmarks and standards where applicable. Results of this audit are largely positive, with auditors finding that FPDR is managing the disability claims program above industry standards in the following key areas:

- Initial claims handling- 100% of the claims reviewed met or exceeded industry standards.
- Investigations- 99% of claims reviewed met or exceeded industry standards and the claims handlers are pursuing very detailed investigations.
- Medical management- 99% of the claims reviewed met or exceeded industry standards, specifically noting this is an area of strength for the program.
- Return to work efforts- 97% of the claims reviewed met or exceeded industry standards.
- Expense control- 100% of the claims reviewed met or exceeded industry standards, where internal FPDR staff are appropriately handling claims in-house and not reliant upon third-party resources.

Areas for improvement were identified for internal training opportunities; implementation of key management reports for time-loss, pending claims, and total benefits paid out reporting; potential workload reassignment; and opportunities for more automation in the claims management process. Several of the recommendations are currently under review at FPDR as this audit was released within the last two months, however some of the recommendations are already being implemented by the bureau.

Key Performance Measures

As part of the FY 2015-16 Budget guidance, FPDR has identified six Key Performance Measures (KPMs) to report to Council and the public the performance associated with the bureau. The KPMs selected by FPDR cross all areas of the bureau's operations, including calculations of the percent of the program's spending on administration as compared to the total program budget. CBO supports the bureau's overall approach to performance reporting, where the focus is on assessing either efficient use of City resources or effective program performance.

Decision Package Analysis & Recommendations

FPDR has no decision packages for FY 2015-16. The Requested Budget is submitted within the guidelines for a stabilization budget. CBO has no concerns with the submission.