



FIRE AND POLICE DISABILITY AND RETIREMENT City of Portland, Oregon



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Samuel Hutchison, Director

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Date: September 9, 2016

To: City Budget Office

From: Samuel Hutchison, FPDR Director

Re: FPDR FY 2016-17 Fall BMP Submittal

Attached please find the FY 2016-17 fall budget monitoring process (BMP) submittal from the Bureau of Fire & Police Disability & Retirement.

BMP Requests

FPDR has one BMP request, to reimburse the General Fund for \$156,364 in payments made by the Fire Bureau to three retired Fire FPDR members. The payments were made to comply with an arbitrator's October 2015 order to increase those members' pension benefits by the amount of their deceased former spouse's monthly pension benefits. (Their former spouses were assigned a portion of the pensions as part of divorce agreements.) FPDR could not make the payments until the plan document, the City Charter, was amended in July 2016; therefore, the Fire Bureau received an appropriation from the General Fund to make the retroactive and ongoing monthly payments through June 2016. This request would reimburse the General Fund now that City Charter permits FPDR to make the payments.

Prior Year Variances

FPDR had no over-expenditures in FY 2015-16. Revenue under-collections exceeding 10% occurred in Bond and Note Proceeds and Fund Transfers-Revenue. Both were a result of FPDR requiring less borrowing than anticipated to maintain a positive cash balance before property taxes were received in November. To prevent a cash shortfall prior to November, FPDR issues tax anticipation notes (TANs) each year. The TAN issue is budgeted in January, based on projected expenses from July to mid-November less projected beginning balance. The TAN issue is sized in June based on an updated and more detailed cash flow analysis. These timing and methodology differences often produce a difference between budgeted and actual TAN requirements. Similarly, FPDR budgets a transfer from the FPDR Reserve Fund each year should TAN proceeds prove insufficient to maintain a positive cash balance in the operating fund. The transfer was not necessary in FY 2015-16.

If you have questions or need more information, please feel free to contact me or Stacy Jones at 503.823.2609.

**CBO Discussion and Recommendations
FY 2016-17 Fall BMP**

Bureau: Bureau of Fire & Police Disability & Retirement

Type: Technical Adjustment

Request: DR_001 - Transfer for alternate payee award

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	(156,364)	0	(156,364)
Fund Transfers - Expense	156,364	0	156,364
TOTAL EXPENDITURES	0	0	0

Bureau Description:

In 2009, the FPDR Board revoked Resolution 271, which authorized FPDR members to receive a reversionary interest if their alternate payees predeceased them. A grievance was filed by PFFA and sustained by an arbitrator in 2015. In FY 2015-16, the Fire Bureau made payments to satisfy the arbitration award through June 2016. In July 2016, Council retroactively amended the FPDR Plan to provide for the alternate payee reversion. With this technical adjustment, FPDR will reimburse the General Fund for those FY 2015-16 payments.

CBO Discussion and Recommendation

Prior Year Fund Reconciliation Report

	FY 2015-16 Revised Budget	FY 2015-16 Year-End Actuals	Percent of Actuals to Revised
800 - Fire & Police Disability & Retirement Fund			
EXPENDITURES			
Personnel Services	2,003,000	1,948,783	97.29
External Materials and Services	118,750,333	116,476,184	98.08
Internal Materials and Services	10,444,909	9,705,354	92.92
Capital Outlay	72,400	53,770	74.27
Bond Expenses	32,277,309	24,762,001	76.72
Fund Transfers - Expense	862,426	112,426	13.04
Contingency	10,081,882	0	0.00
TOTAL EXPENDITURES	174,492,259	153,058,517	87.72
REVENUES			
Budgeted Beginning Fund Balance	18,465,039	0	0.00
Taxes	122,058,820	122,764,712	100.58
Charges for Services	0	44	0.00
Interagency Revenue	1,037,200	1,076,739	103.81
Fund Transfers - Revenue	750,000	0	0.00
Bond and Note	31,885,000	24,637,339	77.27
Miscellaneous	296,200	495,682	167.35
TOTAL REVENUES	174,492,259	148,974,516	85.38

Fund Reconciliation Narrative

In order to prevent a cash shortfall prior to the receipt of property tax revenue in November, FPDR issues Tax Anticipation Notes (TANs) each year. The TAN issue is budgeted in January, based on projected expenses for July through mid-November, less projected beginning fund balance. The size of the actual TAN issue is based on a cash flow analysis completed in June. These timing and methodology differences resulted in a variance between budgeted and actual Bond and Note Revenues in FY 2015-16. In addition to TANs, FPDR plans a \$750,000 transfer from the FPDR Reserve Fund to the FPDR Fund each fall to maintain positive cash balance in the event the TANs are insufficient. In FY 2015-16, TANs alone were sufficient and the fund transfer was not necessary, resulting in a significant under-collection in Fund Transfer - Revenue.

Prior Year Fund Reconciliation Report

	FY 2015-16 Revised Budget	FY 2015-16 Year-End Actuals	Percent of Actuals to Revised
801 - Fire & Police Disability & Retirement Res Fund			
EXPENDITURES			
Unappropriated Fund Balance	750,000	0	0.00
Fund Transfers - Expense	750,000	0	0.00
TOTAL EXPENDITURES	1,500,000	0	0.00
REVENUES			
Budgeted Beginning Fund Balance	750,000	0	0.00
Fund Transfers - Revenue	750,000	0	0.00
TOTAL REVENUES	1,500,000	0	0.00

Fund Reconciliation Narrative

FPDR budgets a transfer from the FPDR Reserve Fund each year should tax anticipation note proceeds prove insufficient to maintain a positive cash balance in the operating fund. The transfer was not necessary in FY 2015-16.

Bureau of Fire & Police Disability & Retirement

Performance Measures

Performance Measure	Type	FY 2013-14 Year-End Actuals	FY 2014-15 Year-End Actuals	FY 2015-16 Adopted Budget	FY 2015-16 Year-End Actuals	FY 2016-17 Adopted Budget
DR_0002 - Administrative cost as a percentage of bureau budget	KPM	2.20%	1.57%	1.60%	1.61%	1.69%
DR_0003 - Number of FPDR 2 retirements from active service	KPM	26	40	72	57	59
DR_0004 - Number of pension estimates	WORKLOAD	219	240	204	424	293
DR_0005 - Number of Fire & Police Disability & Retirement 1 and 2 pension recipients	WORKLOAD	2,106	1,972	2,190	1,981	2,311
DR_0006 - Number of pre-retirement workshop participants	WORKLOAD	30	53	54	123	75
DR_0007 - Percentage of workshop participants who rated workshop helpful	EFFECTIVE	100%	100%	100%	100%	100%
DR_0008 - Percentage of pension estimates processed within one week	EFFICIENCY	69%	73%	70%	82%	80%
DR_0011 - Number of members on short-term disability	WORKLOAD	230	243	230	257	243
DR_0012 - Number of medical bills	WORKLOAD	4,351	4,114	4,143	3,671	4,159
DR_0013 - Number of long-term disability recipients	WORKLOAD	55	48	42	35	40
DR_0014 - Amount of medical cost savings	EFFECTIVE	\$2,005,553	\$1,306,255	\$1,981,505	\$1,382,411	\$1,298,046
DR_0015 - Savings as a percentage of total medical costs	EFFECTIVE	44.7%	38.8%	40.7%	38.8%	42.4%
DR_0020 - Percentage of disability claims decisions in 90 days	EFFICIENCY	99%	100%	99%	98%	97%
DR_0021 - Percentage of disability claims decisions in 60 days	EFFICIENCY	93%	93%	96%	88%	90%
DR_0022 - Percentage of disability claims decisions in 30 days	EFFICIENCY	65%	67%	69%	54%	55%
DR_0023 - Percentage of members whose final pay was 99% or more of last estimate	EFFECTIVE	100%	100%	100%	100%	100%
DR_0024 - Number of disability claims filed	KPM	343	360	330	398	356
DR_0025 - Percent of workforce who are FPDR 3	KPM	25%	27%	29%	31%	36%
DR_0026 - FPDR tax levy rate (per \$1,000 of Real Market Value)	KPM	\$1.62	\$1.48	\$1.36	\$1.30	\$1.29
DR_0027 - Percentage of workforce on disability at June 30	KPM	4.6%	4.2%	3.4%	3.4%	4.0%
DR_0028 - Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	EFFECTIVE	0%	50%	0%	71%	65%

Performance Measure Variance Descriptions

Administrative cost as a % of bureau budget was 1.61% this year. This is less than the strategic target of 1.67%. The number of service retirements was 57, similar to the 53 projected. The number fluctuates from year to year as the demographics of membership, labor negotiations, and the regional economy affect retirement patterns. A notable increase is seen in the number of pension estimates and the number of pre-retirement workshop participants. In both cases, actuals exceeded FY 2015-16 targets by more than 100%. FPDR attributes this growth to interest surrounding the potential return of the "27 pay date" pension methodology and enhanced FPDR outreach to promote retirement readiness. The number of disability claims has increased from last year, affecting the efficiency measures for claims processing slightly. The % of FPDR3 workforce has been increasing as expected. The tax rate per \$1,000 of RMV was \$1.30. The lower tax rate is due to the growth of RMV and lower discount and compression rates. FPDR's long-term strategic target is to keep the tax rate below the \$2.80 cap imposed by the City Charter. The % of workforce on disability was 3.4%. Since the Charter change in 2007, it decreased steadily for the first five years and has been stable at around 4% more recently.

Capital Program Status Report

Fire and Police Disability and Retirement

CIP Program	FY 2015-16 Adopted Budget	FY 2015-16 Revised Budget	FY 2015-16 Year-End Actuals	Variance \$	Variance %	FY 2016-17 Adopted Budget	Fall BMP Revised Budget	FY 2016-17 Year to Date Actuals	Variance \$	Variance %
Maintenance and Reliability	\$80,320	\$80,320	\$72,089	(\$8,231)	(10%)	\$46,000	\$46,000	\$0	\$0	0%
Total	\$80,320	\$80,320	\$72,089	(\$8,231)	(10%)	\$46,000	\$46,000	\$0	\$0	0%

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

** Current Year variances compare Revised Budget to Adopted Budget

Prior Year Variance Description

The variance between the Revised Budget and actual expenditures for FY 2015-16 is slightly more than 10%. FPDR budgeted conservatively in this category as it is comprised of one small capital project and even a small unanticipated expense could cause over-expenditure.

Current Year Variance Description

There is no variance between the FY 2016-17 Adopted Budget and the Fall BMP Revised Budget.