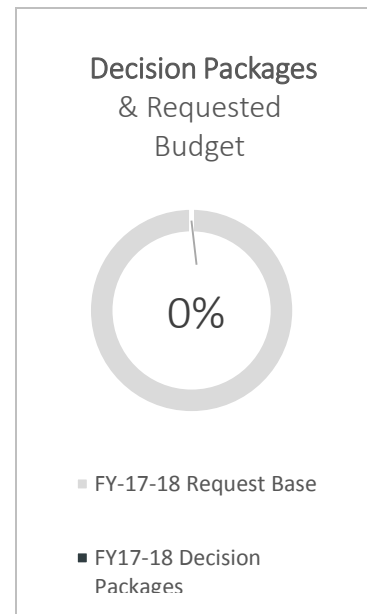
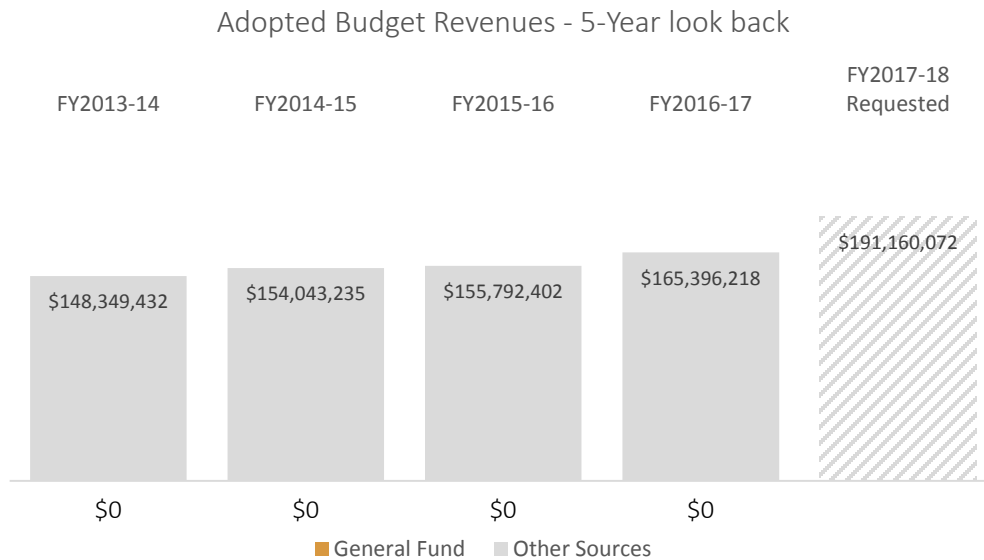


Analysis by: Ryan Kinsella

Bureau of Fire & Police Disability & Retirement

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 2017-18 Requested Budget estimates a levy of \$2.66 per \$1,000 Assessed Value (AV), which is an increase from the current rate of \$2.48 per \$1,000 AV. The implied Real Market Value rate in the Requested Budget is \$1.16 per \$1,000. In the short term the fund is not forecasted to exceed the cap (\$2.80 per \$1,000 RMV) and the long-term risk is very low. The bureau did not request any changes to its operational budget for FY 2017-18.



Key Issues

Impact of Portland Police Association Contract

Due to the recent approval of the Portland Police Association (PPA) contract, expenses will increase for FPDR beginning FY 2016-17 as a result of the three-year wage increase of 9.27%, totaling \$7.0 million over the five-year period ending in FY 2020-21. By FY 2020-21 additional ongoing FPDR costs will be \$2.6 million per year. Cost increases are spread between FPDR One pension benefits (which receive cost-of-living adjustments equal to increases in active police officer pay); future FPDR Two pension benefits (which will now be based on higher final pay); PERS contributions made by FPDR on behalf of FPDR Three members (which are a percent of pay); and disability and funeral benefits for FPDR Two and FPDR Three members (which are a percent of pay). Costs will continue to grow in real terms for the next 15 – 20 years as the entire FPDR Two population retires and the entire active

workforce becomes FPDR Three. FPDR's independent actuaries have estimated the additional cost of the PPA contract wage increases at \$25.5 million (today's dollars) over the life of the plan.

Prior actuarial valuation and tax levy adequacy analyses had assumed a certain degree of wage increase; however, the most recent actuarial analysis from January 2017 has taken into account the impact of the PPA contract. The analysis has not incorporated any specific impacts for the Portland Fire Fighters Association contract, as an agreement has not yet been reached.

Updated Actuarial Valuation and Tax Levy Adequacy Analysis

In January 2017, FPDR completed its biennial update to the actuarial valuation and levy adequacy analysis. As a result of this analysis, the forecasted pension liability increased due to a change in the discount rate, a change in COLA assumptions for FPDR Two retirees, and longer mortality assumptions. However, growth in Real Market Value (RMV) has lessened the probability of fund expenses exceeding the levy limits and reduced the degree to which the FPDR levy will compress other general government levies. Over the long-term, there remains a period between 2020 and the early 2030s during which FPDR will incur the full pension costs of One and Two retirees and disability costs for current employees while also prefunding the pension costs (via PERS) of Three employees. As noted in previous analyses, there is a very low possibility (2.6%, down from 4.0% in 2014 analysis) that FPDR fund costs may exceed tax capacity during this period. Most likely this would be funded with issuance of pension obligation bonds until costs of One and Two pensions decrease, allowing for a smoothing of this tax rate.

Bureau Budget Summary – Request and Recommendations

Below is a summary of the Bureau of Fire & Police Disability & Retirement budget.

	Adopted FY 2016-17	Request Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Revised (A+B+C)
Resources					
Budgeted Beginning Fund Balance	\$ 13,338,094	\$ 10,587,419	\$ -	\$ -	\$ 10,587,419
Taxes	128,071,818	143,224,772	-	-	143,224,772
Interagency Revenue	905,200	1,359,000	-	-	1,359,000
Fund Transfers - Revenue	1,500,000	1,500,000	-	-	1,500,000
Bond and Note Proceeds	34,476,000	44,312,000	-	-	44,312,000
Miscellaneous Sources	443,200	764,300	-	-	764,300
Total Resources	\$178,734,312	\$201,747,491	\$0	\$0	\$201,747,491
Requirements					
Personnel Services	\$ 2,086,912	\$ 2,119,714	\$ -	\$ -	\$ 2,119,714
External Materials and Services	120,468,600	127,855,597	-	-	127,855,597
Internal Materials and Services	11,161,988	14,376,154	-	-	14,376,154
Capital Outlay	46,000	46,451	-	-	46,451
Debt Service	34,899,037	44,835,166	-	-	44,835,166
Fund Transfers - Expense	1,653,664	1,656,555	-	-	1,656,555
Contingency	7,668,111	10,107,854	-	-	10,107,854
Unappropriated Fund Balance	750,000	750,000	-	-	750,000
Total Requirements	\$178,734,312	\$201,747,491	\$0	\$0	\$201,747,491

City of Portland

Decision Package Recommendations
(Includes Contingency and Ending Balance)

Bureau Priority	Bureau Requested					CBO Analyst Recommendations				
	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses

