



FIRE AND POLICE DISABILITY AND RETIREMENT City of Portland, Oregon



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Samuel Hutchison, Director

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TO: Claudio Campuzano, City Budget Office
Josh Harwood, City Budget Office

FROM: Samuel Hutchison, FPDR Director

RE: FPDR FY 2018-19 Fall BMP Submission

DATE: September 12, 2018

BMP Requests

FPDR's requests are small and all technical in nature. We are re-budgeting \$6,319 in unspent funds from FY 2017-18: \$6,234 for a shared software implementation and \$85 for the DCTU professional development allowance. As you know, implementation of a new software tool to model long-term liabilities like pensions and labor contracts, with costs split among several bureaus, was delayed from FY 2017-18 to FY 2018-19. The DCTU contract requires a portion of any unspent professional development funds to be carried over to the next fiscal year, and each bureau with DCTU employees is required to budget a pro-rata share. FPDR will also move \$93 for the City flu vaccine program from FPDR's interagency agreement with Risk Management to its agreement with Human Resources, which now manages the program.

Prior Year Variances

The FPDR Fund ended FY 2017-18 within budget, both overall and within each major object category. All together, bureau expenses came in approximately two percent under budget. This was because of lower pension and disability benefit payments than expected; FY 2017-18 saw fewer new retirements than anticipated and members remained on disability for shorter periods than has historically been the case.

Property tax collections and interagency revenues came in lower than budgeted. Measure 5/50 compression loss was higher than projected, contributing to a \$1.8 million under-collection. The Police Bureau also received less in third-party reimbursements for contracted work than usual because of ongoing staff shortages. FPDR receives a portion of these reimbursements, so interagency revenues fell short of expectations by about \$190,000. Finally, FPDR did not need to transfer money from the FPDR Reserve Fund, or issue as much in tax anticipation notes (TANs) as originally budgeted to maintain a positive cash balance before the receipt of property taxes in November. This resulted in a variance between budgeted and actual revenues in the Bond and Note and Fund Transfer revenue categories.

Please feel free to contact me or Stacy Jones, FPDR Financial Manager, with any questions or concerns.

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**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Fire & Police Disability & Retirement

Type: Technical Adjustment

Request: DR_001 - OMF IA for GovInvest software

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	(6,234)	0	(6,234)
Internal Materials and Services	6,234	0	6,234
TOTAL EXPENDITURES	0	0	0

Bureau Description:

This request moves the unspent balance of funds for the GovInvest software implementation project from FY17-18 to FY18-19, due to changes in the implementation schedule. The software estimates long-term liabilities, such as pensions and OPEB. The project is managed by City Treasury, but project costs are allocated between FPDR, CBO, and two OMF bureaus.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Fire & Police Disability & Retirement

Type: Technical Adjustment

Request: DR_002 - OMF IA for DCTU Professional Development

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	(85)	0	(85)
Internal Materials and Services	85	0	85
TOTAL EXPENDITURES	0	0	0

Bureau Description:

This request increases the FPDR interagency agreement with OMF by \$85 for FPDR's pro rata share of unexpended DCTU professional development funds to be carried over from the prior fiscal year, per the DCTU contract.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Fire & Police Disability & Retirement

Type: Technical Adjustment

Request: DR_003 - OMF IA for Flu Vaccines from Risk Mgmt to BHR

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Internal Materials and Services	0	0	0
TOTAL EXPENDITURES	0	0	0

Bureau Description:

This request moves FPDR's share of the cost of flu vaccines (part of the City's Occupational Health Program) from Risk Management to Human Resources, per OMF direction.

CBO Discussion and Recommendation

Prior Year Fund Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
800 - Fire & Police Disability & Retirement Fund			
EXPENDITURES			
Personnel Services	2,163,014	2,114,363	97.75
External Materials and Services	128,004,484	126,014,677	98.45
Internal Materials and Services	14,786,138	14,327,749	96.90
Capital Outlay	156,451	98,456	62.93
Bond Expenses	44,835,166	36,620,708	81.68
Fund Transfers - Expense	920,378	170,378	18.51
Contingency	9,547,196	0	0.00
TOTAL EXPENDITURES	200,412,827	179,346,330	89.49
REVENUES			
Budgeted Beginning Fund Balance	9,058,579	0	0.00
Taxes	144,268,948	142,490,224	98.77
Charges for Services	0	52	0.00
Interagency Revenue	1,359,000	1,167,132	85.88
Fund Transfers - Revenue	750,000	0	0.00
Bond and Note	44,312,000	36,231,649	81.76
Miscellaneous	664,300	1,520,458	228.88
TOTAL REVENUES	200,412,827	181,409,514	90.52

Fund Reconciliation Narrative

There were no over-expenditures in the FPDR Fund in FY 2017-18. Revenues fell short of budget by more than ten percent in three categories: Bond and Note Proceeds, Fund Transfers, and Interagency Revenues. With respect to the first two categories, FPDR did not need to issue as much in tax anticipation notes (TANs) as originally anticipated, nor transfer funds from the FPDR Reserve Fund as budgeted, to meet cash flow needs in FY 2017-18. In order to prevent a cash shortfall prior to the receipt of property tax revenue in November, FPDR issues 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 typically result in a variance between budgeted and actual Bond and Note Revenues. In addition to TANs, FPR budgets a \$750,000 transfer from the FPDR Reserve Fund to the FPDR Fund each fall in the event TAN proceeds are insufficient to maintain a positive cash balance in the FPDR Fund. In FY 2017-18, TANs alone were sufficient and the fund transfer was net necessary. Interagency revenues were less than expected because the Police Bureau did not collect as many reimbursements for contracted work (for example, from TriMet for the Transit police) as budgeted due to continuing staff shortages. A portion of these reimbursements are passed to FPDR.

While the percentage variance is small, FPDR property taxes came in \$1.8 million under budget because of greater than expected compression losses. Fortunately, benefit expenses were also \$2.0 million under budget because there were fewer new retirements and fewer members on short-term disability during the year than expected.

Prior Year Fund Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 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 2017-18.

Bureau of Fire & Police Disability & Retirement

Performance Measures

Performance Measure	Type	FY 2015-16 Year-End Actuals	FY 2016-17 Year-End Actuals	FY 2017-18 Adopted Budget	FY 2017-18 Year-End Actuals	FY 2018-19 Adopted Budget
DR_0002 - Administrative cost as a percentage of bureau budget	KPM	1.61%	1.41%	1.54%	1.49%	1.62%
DR_0003 - Number of FPDR 2 retirements from active service	KPM	57	57	52	52	50
DR_0004 - Number of pension estimates	WORKLOAD	424	397	348	331	376
DR_0005 - Number of Fire & Police Disability & Retirement 1 and 2 pension recipients	WORKLOAD	1,981	2,018	2,060	2,059	2,104
DR_0006 - Number of pre-retirement workshop participants	WORKLOAD	123	126	75	110	132
DR_0007 - Percentage of workshop participants who rated workshop helpful	OUTCOME	100%	100%	100%	100%	100%
DR_0008 - Percentage of pension estimates processed within one week	EFFICIENCY	82%	76%	80%	94%	85%
DR_0011 - Number of members on short-term disability	WORKLOAD	257	244	260	282	244
DR_0012 - Number of medical bills	WORKLOAD	3,671	3,996	4,036	3,704	3,855
DR_0013 - Number of long-term disability recipients	WORKLOAD	35	37	38	35	37
DR_0014 - Amount of medical cost savings	OUTPUT	\$1,382,411	\$1,958,772	\$1,154,000	\$1,996,740	\$1,901,952
DR_0015 - Savings as a percentage of total medical costs	OUTPUT	38.8%	40.1%	41.7%	40.3%	39.9%
DR_0020 - Percentage of disability claims decisions in 90 days	EFFICIENCY	98%	99%	98%	100%	99%
DR_0021 - Percentage of disability claims decisions in 60 days	EFFICIENCY	88%	93%	87%	91%	94%
DR_0022 - Percentage of disability claims decisions in 30 days	EFFICIENCY	54%	65%	53%	64%	67%
DR_0023 - Percentage of members whose final pay was 99% or more of last estimate	OUTCOME	91%	100%	100%	95%	95%
DR_0024 - Number of disability claims filed	KPM	379	342	360	327	327
DR_0025 - Percent of workforce who are FPDR 3	KPM	31%	35%	43%	39%	47%
DR_0026 - FPDR tax levy rate (per \$1,000 of Real Market Value)	KPM	\$1.30	\$1.14	\$1.16	\$1.13	\$1.10
DR_0027 - Percentage of workforce on disability at June 30	KPM	3.4%	3.3%	3.8%	3.5%	3.6%
DR_0028 - Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	OUTPUT	71%	62%	65%	73%	65%

Bureau of Fire & Police Disability & Retirement

Performance Measures

Performance Measure	Type	FY 2015-16 Year-End Actuals	FY 2016-17 Year-End Actuals	FY 2017-18 Adopted Budget	FY 2017-18 Year-End Actuals	FY 2018-19 Adopted Budget
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Performance Measure Variance Descriptions

Administrative cost as a percent of the bureau operating budget fell to 1.49% for FY 2017-18, the lowest level since FPDR began tracking this measure. However, this is attributable to growth in the operating budget rather than to a reduction in administrative expenses, which grew 2.02% (still less than inflation) for FY 2017-18. The number of service retirements was 52, comparable to the 50 projected. While 50+ service retirements in any given year is not unusual, it is unusual to experience three consecutive years with this number of retirements. Retirements typically fluctuate more from year to year as the demographics of the membership, labor negotiations, and the regional economy affect retirement patterns.

The number of disability claims has cooled slightly compared to last year, which allowed the FPDR disability team to settle claims faster, with zero claims taking over 90 days. The percent of the sworn workforce on disability was 3.5%, comparable to the prior two years but lower than the historic average. This ratio decreased steadily following the 2007 Charter changes that reformed claims processing, but has been stable at around 4% more recently.

The percent of the sworn workforce in the FPDR 3 tier has been increasing as expected, around 4% per year for the last five years. This growth is related to costs, as FPDR 3 pensions are pre-funded by the FPDR fund whereas pension benefits for the current retiree population are funded on a pay-as-you-go-basis; thus, FPDR is now financing two generations of pensions simultaneously. The tax rate per \$1,000 of real market value (RMV) for FPDR's dedicated property tax levy was \$1.13 for FY 2017-18. The lower tax rate is due primarily to the historic growth of RMV in Portland. FPDR's long-term strategic target is to keep the tax rate below the \$2.80 cap imposed by the City Charter.

Although not key performance measures, over the last several years it is worth noting that there has been a significant increase in the number of pension estimates prepared and the number of pre-retirement workshop participants, although it tapered somewhat in FY 2017-18. Prior to FY 2015-16, FPDR prepared 200 to 250 pension estimates a year and had 25 to 60 members attending workshops. FPDR attributes the growth in recent years to interest surrounding the potential return of the "27 pay date" pension methodology and enhanced FPDR outreach to promote retirement readiness. However, FPDR staff have still been able to prepare most estimates quickly; the percentage of estimates calculated within one week grew to 91% in FY 2017-18, the highest level in recent years. In addition, a larger percent of members who are retirement eligible, or will be within two years, have received a recent estimate (73%).

Capital Program Status Report

Fire and Police Disability and Retirement

CIP Program	FY 2017-18 Adopted Budget	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Variance \$	Variance %	FY 2018-19 Adopted Budget	Fall BMP Revised Budget	FY 2018-19 Year to Date Actuals	Variance \$	Variance %
Maintenance and Reliability	\$46,451	\$156,451	\$108,482	(\$47,969)	(31%)	\$42,850	\$42,850	(\$747)	\$0	0%
Total	\$46,451	\$156,451	\$108,482	(\$47,969)	(31%)	\$42,850	\$42,850	(\$747)	\$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 2017-18 was higher than anticipated. FPDR typically budgets conservatively for capital, because the bureau's capital budget is comprised of just one project and even a small unanticipated expense could therefore cause over-expenditure. However, the variance was larger than usual this year because the programmer for FPDR's database was less available to work in the last quarter of the year than expected when the budget was increased in the spring BMP.

Current Year Variance Description

There is no variance between the FY 2018-19 Adopted Budget and the Fall BMP Revised Budget. Year-to-date actuals appear negative because of the accrual.