



FIRE AND POLICE DISABILITY AND RETIREMENT City of Portland, Oregon




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Samuel Hutchison, Director

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TO: Jessica Kinard, City Budget Director
Christy Owen, Deputy Budget Director

FROM: Samuel Hutchison, FPDR Director 

RE: FPDR FY 2020-21 Fall BMP Submission

DATE: September 9, 2020

Attached is the bureau of Fire and Police Disability and Retirement's (FPDR) Fall Budget Monitoring Report for FY 2020-21.

BMP Requests

FPDR has not submitted any requests for FY 2020-21 Fall Revised Budget adjustments.

Prior Year Performance

The FPDR Fund ended FY 2019-20 within budget, both overall and within each major object category. Total bureau expenses (benefit payments, personnel, materials, services, and capital) came in approximately 3% under budget. This was primarily a result of fewer retirements than anticipated, although another factor was lower PERS contributions for sworn employees hired after 2006. The PERS contribution budget was increased in the spring 2020 BMP in anticipation of an increase in sworn overtime that failed to materialize, at least before June 30.

Property tax collections were slightly lower than budgeted: \$1.4 million under collected, but still more than 99% of the expected amount. Interagency revenue collection was lower than anticipated due to the Police Bureau receiving less in third party reimbursements for contracted work – interagency revenues fell short by just under \$250,000. In FY 2019-20 FPDR did not need to issue as much in tax anticipation notes as originally anticipated or transfer from the reserve fund to meet cash flow needs. As a result, there is a variance between budgeted and actual revenues in the Bond and Note and Fund Transfer revenue categories.

FPDR's key performance measures are either neutral or trending in a positive direction. FPDR pension estimate and disability claim response times were on par with the prior year despite operating disruptions as a result of the COVID-19 pandemic toward the end of the fiscal year. The number of retirements fluctuates year to year, and FY 2019-20 saw a larger fluctuation from average with only nine retirements from active service. The bulk of this record-low retirement figure can be explained by the absence of 27 pay date months in FY 2019-20 and the timing of 27 pay date months just outside the FY 2019-20 period, in March 2019 and August 2020.

Please feel free to contact me or Stacy Jones, Finance and Pension Manager, with any questions or concerns.

Prior Year Fund Reconciliation Report

Bureau of Fire & Police Disability & Retirement

800 - Fire & Police Disability & Retirement Fund

EXPENDITURES	2019-20 Revised Budget	2019-20 Actuals	Percent of Actuals to Revised
Personnel	2,494,800	2,422,650	97.11%
External Materials and Services	138,164,254	135,317,377	97.94%
Internal Materials and Services	23,600,554	21,916,989	92.87%
Capital Outlay	110,000	68,900	62.64%
Debt Service	54,206,581	27,098,678	49.99%
Contingency	11,560,932	0	0%
Fund Transfers - Expense	901,251	151,251	16.78%
TOTAL EXPENDITURES	231,038,372	186,975,844	80.93%

REVENUES	2019-20 Revised Budget	2019-20 Actuals	Percent of Actuals to Revised
Taxes	156,343,417	154,919,174	99.09%
Charges for Services	0	49	
Bond & Note Proceeds	52,900,000	26,725,625	50.52%
Miscellaneous	1,958,200	1,501,565	76.68%
Fund Transfers - Revenue	750,000	0	0%
Interagency Revenue	1,594,954	1,346,630	84.43%
Beginning Fund Balance	17,491,801	0	0%
TOTAL REVENUES	231,038,372	184,493,043	79.85%

Expenditure Discussion

In FY 2019-20 expenditures were 80.9% of budgeted amounts. Variance in budget and actual expenses are primarily due to the fund issuing less in tax anticipation notes (TANs) than originally budgeted. As a result Debt Service costs were lower. Not needing to transfer from the reserve fund reduced Fund Transfer expenses. The Revenue Discussion below explains these variances in more detail.

With regard to the Capital Outlay budget, plans to enter phase II of an FPDR software project to enhance the new pension estimate module were put on hold to focus on ensuring a smooth transition to remote work due to the COVID-19 crisis and in response to the Governor's stay at home order. As a result, actual capital expenses were much lower than anticipated.

Revenue Discussion

Prior Year Fund Reconciliation Report

Bureau of Fire & Police Disability & Retirement

Total revenues were 79.9% of budgeted amounts, or \$46.6M under budget. This includes four categories where revenues fell short of budget by more than 10%: Bond & Note Proceeds, Fund Transfer revenues, Miscellaneous revenues, and Interagency Revenue.

In order to prevent a cash shortfall prior to the receipt of property tax revenue in November, FPDR issues TANs each year. In FY 2019-20 FPDR did not need to issue as much in TANs as originally anticipated or transfer from the reserve fund to meet cash flow needs. The TAN issue is budgeted in January, based on projected expenses from July to 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 & Note Revenues. FPDR also budgets a \$750,000 transfer from the FPDR Reserve Fund each fall in the event TAN proceeds are insufficient to maintain a positive cash balance in the FPDR Fund. In FY 2019-20, TANs were sufficient, and a fund transfer was not required.

Miscellaneous revenues are primarily interest income. With less TAN proceeds in fund balance and lower interest rates than originally projected, interest income was lower than anticipated. Interagency revenue actuals were \$248,324 less than expected due to the Police bureau collecting less reimbursements for third-party contracted work as originally budgeted – as a result there were fewer reimbursements passed on to FPDR for the benefit costs of contracted personnel.

Prior Year Fund Reconciliation Report

Bureau of Fire & Police Disability & Retirement

801 - Fire & Police Disability & Retirement Res Fund

EXPENDITURES	2019-20 Revised Budget	2019-20 Actuals	Percent of Actuals to Revised
Fund Transfers - Expense	750,000	0	0%
Ending Fund Balance	750,000	0	0%
TOTAL EXPENDITURES	1,500,000	0	0.00%

REVENUES	2019-20 Revised Budget	2019-20 Actuals	Percent of Actuals to Revised
Fund Transfers - Revenue	750,000	0	0%
Beginning Fund Balance	750,000	0	0%
TOTAL REVENUES	1,500,000	0	0.00%

Expenditure Discussion

FDPR 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. In FY 2019-20 that transfer was not necessary.

Revenue Discussion

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Capital Program Status Report

Office of Management & Finance - DRDR

CIP Program Name	2019-20 Adopted Budget	2019-20 Revised Budget	2019-20 Actuals	PY Variance	PY Percent of Actuals to Revised	2020-21 Adopted Budget	2020-21 FALL Requested Total	2020-21 July Actuals	Fall Req. to Adopted Variance	Fall Req. to Adopted % Variance
Maintenance and Reliability	75,000	110,000	68,900	-41,100	62.64%	50,000	50,000	0	0	0%
Sum:	75,000	110,000	68,900	-41,100	-37.36%	50,000	50,000	0	0	0%

Prior Year Variance Description

The capital program consists of one software project, and as a result minor unanticipated expenses could lead to over expenditure. To that end, FPDR generally budgets conservatively for capital program expenses. In FY 2019-20 FPDR planned to complete Phase II of a software project which would automate certain aspects of the FPDR database pension estimate module. However, due to the COVID-19 pandemic many of the planned programming changes to the pension estimate module were put on hold, leading to a larger than anticipated variance in the capital program budget.

Current Year Variance Description

There is no variance between FY 2020-21 Adopted Budget and the Fall BMP Revised Budget.

Bureau Performance Narrative

FPDR performance trends in FY 2019-20 were generally positive. During FY 2019-20 FPDR saw the onset of the COVID-19 pandemic, staffing turnover on the finance team, a transition to remote working operations and the completion of the first phase of a new pension estimate module in the FPDR database.

FPDR's primary revenue source, a dedicated property tax levy, is capped at \$2.80 per \$1,000 of real market value (RMV) by the Portland City Charter. FY 2019-20 saw a slight increase above the prior year, \$1.09 in FY 2018-19, with an increase to \$1.10 in FY 2019-20. Although FPDR expenses are increasing, administrative costs continue to increase at a slower pace and have continued to fall as a percentage of overall bureau budget. While the number of FPDR 2 retirements from active service fluctuates from year to year, FY 2019-20 saw 9 retirements, which is one of the lowest numbers on file and much lower than the target 49 retirements predicted. Much of the decrease is a result of the absence of 27 pay date months in FY 2019-20 and the nearby timing of 27 pay date months just before and after the fiscal year. For example, potential retirees from the beginning of the fiscal year may have shifted their retirement date to March 2019 which is just before the start of FY 2019-20, and those wishing to retire toward the end of the fiscal year may have waited a couple of months to August 2020, just after the end of FY 2019-20.

To better facilitate the transition to remote work and manage service expectations FPDR restricted pension estimates to dates before February 2021 which could have resulted in a lower volume of estimate requests. With the lower than usual number of retirements in FY 2019-20 and a smaller pension estimate request window, the median business days to complete a pension estimate held constant at 5, despite the operating interference resulting from COVID-19, staffing turnover, and software programming adjustments.

Disability operations were affected by the transition to remote work as not all processes could quickly be transitioned from paper to digital. Furthermore, the end of the fiscal year saw an increase in COVID-19 related disability claims. Although the percent of claims decisions reached within 60 days fell short of the FY 2019-20 target the rate improved from 85% in FY 2018-19 to 89% in FY 2019-20, despite disruptions caused by the shift to remote work and an increase in disability claims filed.

Key Performance Measures	Measure Type Name	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Target	FY 2019-20 Actuals	FY 2020-21 Target	Strategic Target	Details
DR_0002 Administrative cost as a percentage of bureau budget	OUTCOME	1.49%	1.52%	1.65%	1.47%	1.54%	1.42%	
DR_0003 Number of FPDR 2 retirements from active service	WORKLOAD	52	64	50	9	49	65	
DR_0024 Number of disability claims filed	WORKLOAD	327	298	335	331	330	330	
DR_0025 Percent of workforce who are FPDR 3	WORKLOAD	39%	43%	48%	45%	51%	68%	
DR_0026 FPDR tax levy rate (per \$1,000 of Real Market Value)	OUTPUT	\$1.13	\$1.09	\$1.08	\$1.10	\$1.13	\$1.32	
DR_0027 Percentage of workforce on disability at June 30	WORKLOAD	3.5%	3.3%	3.5%	3.2%	2.8%	2%	

Bureau of Fire & Police Disability & Retirement

Prior Year Performance Reporting

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Other Performance Measures	Measure Type Name	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Target	FY 2019-20 Actuals	FY 2020-21 Target	Strategic Target	Details
DR_0004	Number of pension estimates	WORKLOAD	331	335	397	300	354	354
DR_0005	Number of Fire & Police Disability & Retirement 1 and 2 pension recipients	WORKLOAD	2,059	2,125	2,132	2,052	2,187	2,337
DR_0006	Number of pre-retirement workshop participants	WORKLOAD	110	100	156	110	142	142
DR_0011	Number of members on short-term disability	WORKLOAD	282	265	282	220	264	264
DR_0012	Number of medical bills	WORKLOAD	3,704	3,558	3,724	2,977	3,750	3,750
DR_0013	Number of long-term disability recipients	WORKLOAD	35	37	37	33	25	21
DR_0021	Percentage of disability claims decisions in 60 days	EFFICIENCY	91%	85%	92%	89%	90%	90%
DR_0023	Percentage of members whose final pay was 99% or more of last estimate	OUTCOME	95%	98%	95%	100%	98%	98%
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	73%	82%	73%	74%	82%	82%
DR_0029	Administrative Spending Per Participant	EFFICIENCY	\$601	\$643	\$723	\$657	\$711	\$809
DR_0030	Percent of Pension Recipients Who are Paperless	EFFICIENCY	36.0%	36.0%	39.0%	36.0%	38.0%	47%
DR_0031	Number of active employees in FPDR 3	WORKLOAD	603	647	760	657	781	1,137
DR_0032	Median Days to Prepare a Pension Estimate	EFFICIENCY	N/A	5	5	5	4	4