City of Portland Bureau of Fire and Police Disability and Retirement
Agenda for Regular Meeting – Board of Trustees
City Council Chambers – City Hall
1221 SW Fourth Avenue, 2nd Floor, Portland, Oregon 97204
Tuesday, May 27, 2014 – 1:00 p.m.

ADMINISTRATION
The following consent item(s) are considered to be routine and will be acted upon by the Board in one motion, without discussion, unless a Board member, staff member or the public requests an item be held for discussion.

1 Approval of Minutes – March 25, 2014 Meeting

INTRODUCTION OF VISITORS

PUBLIC COMMENT PERIOD
A sign up sheet for members of the public wishing to make public comments will be available at the meeting. The public comment period will not exceed 30 minutes. Therefore, the Board may limit individual comments to three minutes per person. In addition, a sign up sheet will be available prior to the meeting to allow public members the opportunity to sign up for an agenda item which they wish to provide comment on. When discussion on a specific agenda item is to begin, the public member will be allowed three minutes to provide comments, unless additional time is allowed by the Board.

ACTION ITEMS

1 FPDR Experience Study
   o Issue: Presentation of FPDR Experience Study by Milliman.
   o Expected Outcome: Board accepts any recommended changes in actuarial assumptions.

2 Resolution No. 489 - Tax Anticipation Notes
   o Issue: Each year, FPDR issues tax anticipation notes (TANs) to maintain a positive cash balance until the receipt of November property tax revenues.
   o Expected Outcome: Board authorizes TANs sale.

3 Resolution No. 490 – Delegation of Authority to FPDR Director
   o Issue: The Board of Trustees mandates payments of warrants and checks under Section 5-203 of Chapter 5 of the Charter
   o Expected Outcome: Board adopts resolution authorizing the FPDR Director to make payments of warrants and checks for pension, disability and administration expenses.

4 Resolution No. 491 – Disability Audit Contract Authorization
   o Issue: The five-member Selection Committee recommends contracting with Milliman, Inc. to conduct the FPDR disability audit.
   o Expected Outcome: Board adopts resolution authorizing the FPDR Director to enter into an agreement for a disability audit.
INFORMATION ITEMS

The following information items do not require action by the Board and are solely for informational purposes unless a Board member, staff member or the public requests an item be held for discussion.

1. FPDR Updates
2. Future Meeting Agenda Items
3. FPDR Summary of Expenditures
4. Consult with Legal Counsel Regarding Alternate Payee Grievance (Executive Session)

Copies of materials supplied to the Board before the meeting, except confidential items and those referred to Executive Session, are available for review by the public on the FPDR website at www.portlandonline.com or at the FPDR offices located at: 1800 SW First Avenue, Suite 450, Portland, Oregon 97201

NOTE: If you have a disability that requires any special materials services or assistance call (503) 823-6823 at least 48 hours before the meeting.

*denotes items will be in Executive Session pursuant to ORS 192.660(2)(f) and not open to the public
#denotes items will be in Executive Session pursuant to ORS 192.660(2)(h) and not open to the public
A regular meeting of the Board of Trustees of the Fire and Police Disability and Retirement Fund was called to order on the 25th day of March 2014 at 1:05 p.m.

Board Members Present Included:

- Mayor Charlie Hales, Chair
- Mr. Jason Lehman, Fire Trustee
- Mr. David Dougherty, Citizen Trustee
- Mr. Robert Foesch, Police Trustee

Board Members Absent:

- Mr. Justin Delaney, Citizen Trustee

Also Present Were:

- Mr. Samuel Hutchison, FPDR Director
- Ms. Kimberly Mitchell, FPDR Claims Manager
- Ms. Nancy Hartline, FPDR Finance Manager
- Ms. Derily Bechthold, Deputy City Attorney
- Mr. Alan Ferschweiler, President PFPA
- Mr. Nelson Hall, Attorney
- Ms. Julie Falender, Attorney
- Mr. Ty Walthers, Retired Fire Member
- Mr. Doug Paul, Retired Fire Member
- Mr. Gabe Kaplan, Attorney
- Mr. Del Stevens, Retired Fire Member
- Mr. Lorne Dauenhauer, Outside Legal Counsel
- Mr. Gabe Sansone, Fire Liaison
- Mr. Henry Groepper, Retired Police Member
- Mr. Paul Corah, Retired Fire Member
- (Other unknown audience members)

Mayor Hales called the meeting to order and roll call of the trustees present was taken.

*Mr. Foesch made a motion, which was seconded by Mr. Lehman and passed by a roll call vote of 4-0 to approve the January 28, 2014 minutes. (Mr. Delaney was absent from the vote).*
Regular Meeting on March 25, 2014 of the Board of Trustees
Fire & Police Disability & Retirement Fund
Page 2 of 8
Minutes - Summary

[THE FOLLOWING SUMMARIZED MINUTES WERE CONDUCTED IN PUBLIC SESSION. THE EXECUTIVE SESSION PORTIONS OF THE MINUTES ARE CONFIDENTIAL AND NOT INCLUDED]

<table>
<thead>
<tr>
<th>Aye</th>
<th>Mr. Foesch, Mr. Lehman, Mr. Dougherty, Mayor Hales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nay</td>
<td>None</td>
</tr>
<tr>
<td>Abstain</td>
<td>None</td>
</tr>
<tr>
<td>Absent</td>
<td>Mr. Delaney</td>
</tr>
</tbody>
</table>

General Public Comment:
Mr. Del Stevens addressed the Board and asked about the status of an issue that he previously brought up regarding taxation of benefits when a disability benefit is converted to a retirement benefit. He stated that disability benefits are nontaxable benefits, but retirement benefits are and questioned why FPDR could not provide a nontaxable disability retirement benefit.

Mr. Hutchison explained that staff did research the issue and determined that the benefit structure of the FPDR plan would not meet the IRS criteria to allow retirement benefits to be tax-free. He added that the whole plan would need to be restructured and that would require a Charter amendment. He also discussed the differences with other states that may allow a tax-free disability retirement. Mr. Hutchison stated that a memorandum on the issue was provided at the September 2013 board meeting. Mayor Hales asked that a copy of the memorandum be provided to Mr. Stevens, as well as the Board, so they can all take another look at it. Ms. Bechthold explained that the benefits are clearly outlined in the Charter and in order to effect a proposal such as folding in disability benefits with retirement benefits, a Charter change would be required.

Mr. Stevens stated that a Charter change is not an insurmountable obstacle. He added that the Charter is amended regularly, usually for the advantage of the City, and maybe they can make a change for the advantage of the members in this case. Mr. Hutchison stated that he would have the September memorandum provided to Mr. Stevens.

**Action Item No. 1 – Resolution No. 485 (Stephens and Wurth Settlement and Mutual Release Agreement)**

Ms. Hartline went over the proposed settlement to the four cases concerning FPDR’s decision in 2008 not to include the new apparatus premium pay in the current salary of a first class firefighter (which is used to determine the benefits of FPDR One Fire participants). She added that there are appeals pending on three of the cases and that in October the Multnomah County Circuit Court issued a Writ of Mandamus for FPDR to include apparatus operator pay in the calculation of perspective benefits for three FPDR One participants. Ms. Hartline went over the terms of the proposed settlement and stated that with the settlement, the FPDR will make payments of approximately $2.25 million with 25 percent subtracted from that amount for legal fees. She explained that 470 class members will receive a total of $1.68 million and prospective benefit payments will increase by about $27,000 a month. She also added that by agreeing to the settlement,
Regular Meeting on March 25, 2014 of the Board of Trustees
Fire & Police Disability & Retirement Fund
Page 3 of 8
Minutes - Summary

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the FPDR does not have to pay the two percent apparatus operator pay that was in effect for fiscal year 2007/2008 so FPDR payments would be less than if they had included apparatus operator pay in the first class firefighter salary from the beginning. Ms. Hartline stated that FPDR also avoids the risk of a judgment that would award attorney fees and interest absent a settlement.

Public Comment:
Mr. Stevens addressed the Board, stated that he thought it was very appropriate to have the settlement, and was glad to see that the City was not going to appeal it any further.

Mr. Alan Ferschweiler addressed the Board and stated that one of the questions that has come up is whether the apparatus operator is true in terms of the current salary for the first class firefighter. He stated that neighboring departments normally pay their apparatus operators 12 percent to do that job and for years FPDR One members shared in that job responsibility without compensation. He added that three percent under the settlement is a modest amount of compensation for what they do for that work. Mr. Ferschweiler pointed out that 166 FPDR One members passed away before seeing the settlement come to fruition and encouraged the Board to approve the resolution before any more members pass away.

Mr. Lehman stated that one of the positives noted in the resolution is that the FPDR did not have to pay for the first year of increased pay; however, that is not how he looks at it. He stated that they need to pay attention to these situations when they come up and try to make the right decision at the beginning and not go right to litigation.

Mr. Foesch made a motion which was seconded by Mr. Dougherty and passed by a roll call vote of 4-0 to approve Resolution No. 485. (Mr. Delaney was absent from the vote).

<table>
<thead>
<tr>
<th>Aye</th>
<th>Mr. Lehman, Mr. Dougherty, Mayor Hales, Mr. Foesch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nay</td>
<td>None</td>
</tr>
<tr>
<td>Abstain</td>
<td>None</td>
</tr>
<tr>
<td>Absent</td>
<td>Mr. Delaney</td>
</tr>
</tbody>
</table>

Action Item No. 2 – Resolution No. 486 – Administrative Rule Amendments

Mr. Hutchison went over the rule amendments. He provided a bit of background on the rules and explained the three packets of amendments. He also stated that a public Q&A session to go over the rule amendments was held on February 14, 2014. Mr. Nelson Hall, Mr. Jason Lehman and Mr. Gabe Sansone participated in the Q&A session. He stated that the rules presented under Resolution No. 486 are primarily housekeeping changes. He also pointed out language in the resolutions that would allow staff permission to go through the rules and make any housekeeping changes (e.g. capitalization, pagination,
cross-referencing, spelling and section lettering) that will not affect the meaning of the rules.

*Mr. Lehman made a motion which was seconded by Mr. Dougherty and passed by a roll call vote of 4-0 to approve Resolution No. 486. (Mr. Delaney was absent from the vote).*

<table>
<thead>
<tr>
<th>Aye</th>
<th>Mr. Dougherty, Mayor Hales, Mr. Foesch, Mr. Lehman</th>
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</thead>
<tbody>
<tr>
<td>Nay</td>
<td>None</td>
</tr>
<tr>
<td>Abstain</td>
<td>None</td>
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<tr>
<td>Absent</td>
<td>Mr. Delaney</td>
</tr>
</tbody>
</table>

**Action Item No. 3 – Resolution No. 487 – Administrative Rule Amendments**

Mr. Hutchison explained that the amendments under Resolution No. 487 revolve around offsets and some definitions that were added for clarification. He added that staff wants to recognize self-employment as a viable employment option. Mr. Hutchison also stated that he and the claims manager will be looking in detail at what to do about other income earned prior to disability and will come back to the Board at a later time to address concerns about it that came out of the public Q&A session. He also explained “Other Employment” and provided some background about the term. He went over the proposed wording under the Guidelines for Substantial Gainful Activity Wage Offset Administration that “The Director will initially estimate the Member’s Self-Employment wages as one-third of the Member’s Base Pay in Effect at Disability”. He also provided alternative wording if the Board wanted the member to have zero offset in the first six months after self-employment began. After discussion, consensus of the Board was to use the alternative wording.

**Public Comment:**

Mr. Nelson Hall addressed the Board and stated that he was speaking on behalf of the PPPOA, PPA and PFFA. He thanked staff and stated that working with Mr. Hutchison and Ms. Mitchell has been a pleasure. He stated that he was addressing Resolutions 487 and 488. He encouraged the Board to pull Other Employment, which includes Self Employment, from the resolution. He added that before the Board approves outside employment they need to come to an agreement about what outside employment will be.

Mr. Hutchison explained that he understands Mr. Hall’s concern, but given FPDR’s current practice, they do offset earnings in other employment before an injury. He stated that staff would do an investigation and come back to the Board to further define what Other Employment is and how they should treat earnings in other employment before injury.
Mr. Hall asked that the definition of Other Employment or Outside Employment and the assumption for Self-Employment be tabled for further consideration. Mayor Hales asked Mr. Hall if he had an opinion regarding the alternative language and Mr. Hall stated that he would prefer seeing the zero estimate for the first six months.

Mr. Ferschweiler addressed the Board and stated that he was in agreement with Mr. Hall and possibly having a work session to deal with some of the issues regarding Outside Employment and Self-Employment.

Mr. Hutchison stated that the way Other Employment is defined matches the FPDR’s present practice and whether it is left in or taken out, it is not going to make any different to the FPDR’s present practice.

Mr. Ferschweiler asked that if the resolution is passed, there be a timeline set for looking at this issue again. Mr. Hutchison committed to bringing this matter back to the Board in September.

**Mr. Dougherty made a motion, which was seconded by Mr. Lehman and passed by a roll call vote of 4-0 to adopt Resolution No. 487 as amended with the alternative self-employment language. (Mr. Delaney was absent from the vote)**

<table>
<thead>
<tr>
<th>Aye</th>
<th>Mayor Hales, Mr. Foesch, Mr. Lehman, Mr. Dougherty</th>
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</thead>
<tbody>
<tr>
<td>Nay</td>
<td>None</td>
</tr>
<tr>
<td>Abstain</td>
<td>None</td>
</tr>
<tr>
<td>Absent</td>
<td>Mr. Delaney</td>
</tr>
</tbody>
</table>

**Action Item No. 4 – Resolution No. 488 – Administrative Rule Amendments**

Mr. Hutchison explained that the definitions they discussed are memorialized in Resolution No. 488. Mayor Hales reiterated that it was staff’s recommendation to approve the Other Employment definition but that it will be revisited in September.

**Mr. Foesch made a motion, which was seconded by Mr. Dougherty and passed by a roll call vote of 4-0 to adopt Resolution No. 488. (Mr. Delaney was absent from the vote)**

<table>
<thead>
<tr>
<th>Aye</th>
<th>Mr. Foesch, Mr. Lehman, Mr. Dougherty, Mayor Hales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nay</td>
<td>None</td>
</tr>
<tr>
<td>Abstain</td>
<td>None</td>
</tr>
<tr>
<td>Absent</td>
<td>Mr. Delaney</td>
</tr>
</tbody>
</table>
Mr. Hutchison stated that the Board had previously given him five directives to look at and he wanted to recap what they were. 1) Staff used the term “any other gathering” in Section 5.7.03. Staff decided to drop that term and did not go forward with that. 2) Off hours IME time. The wording that staff proposed already existed in another chapter so it is status quo on that issue. 3) Staff was asked to define “good cause”. Staff elected not to define good cause. The FPDR has some good case law and guidelines set by the ALJs and that is what staff will use going forward when they do a good cause analysis. 4) Board recommended the Director not get “down in the weeds” and inadvertently dilute his authority on some of the rules. Therefore, some of the rules that staff originally proposed are not going to be proposed again as they were actually duplicated elsewhere in the rules. 5) IMEs for elective surgeries. Ms. Mitchell explained that members had raised concerns about the elective procedure in the administrative rules. She stated that it is not something new and presented information on what the FPDR has done to assist members in cases where treatment has been proposed and a provider has said that they wanted to hold the treatment in abeyance until FPDR made a decision. She explained the understandings FPDR has with MODA and Kaiser and their continued commitment for participation in their coordination of benefits policy. She added that the purpose of the coordination of benefits is if somebody needs elective surgery or other treatment that the FPDR would need time to evaluate to determine whether they are going to pay it on the claim, the treatment would continue so it would not be held up.

Action Item No. 5 – Annual Adjustment Review

Ms. Hartline went over her memorandum and explained that SB 861 was passed in the special session of the Legislature last fall and restricted the benefit adjustment the Board can authorize. She stated that it is staff’s understanding that the Board can now authorize the percentage rate equal to or less than the maximum percentage rate used by PERS, which under SB 861 is 1.25 percent. Alternatively, the Board can choose to use the PERS tiered rate increase of 1.25 percent on the first $60,000 of annual retirement allowance which would be a $5,000 monthly base allowance and above $60,000, 0.15 percent on those amounts.

Public Comment:

Mr. Doug Paul, retired Fire member, addressed the Board. He stated that the COLA issue has been going on for about three years and he wanted the Board to know that COLA is very important to retirees to keep up with rising prices. He added that he still strongly supports a two percent COLA but understood that it is not feasible until the court makes a decision on the issue.

Mr. Ty Walthers, retired Fire member, addressed the Board and stated that he would prefer the Board authorize a 1.25 benefit adjustment. He explained that one good reason is Social Security and he went over the federal legislation referred to as the “Windfall
Act” that states that if you draw a majority of your pension from a plan where you did not pay into Social Security, even if you earned your Social Security quarters elsewhere, you will be penalized. He added that in most cases Social Security is a couple of thousand dollars or more. However, in his case, because he is penalized for not paying into Social Security, he receives only $213.

Mr. Del Stevens, retired Fire member, addressed the Board and stated that he thought he understood the issues the Pension Board deals with. One of those being fiscally prudent and being ethical and fair with the retired members. He wondered if the Board realized that in 2013 the CPI change was 2.7 percent so even if they were to approve a 1.25 percent benefit adjustment, they are losing the difference from 1.25 to 2.7 percent. He added that translates to a retired member seeing the purchasing power of his or her pension decrease. He stated that he did not understand the philosophy that is going on in the State of Oregon that they want to focus on retired elderly people to increase the general fund. He hoped the Board wants to protect the retired members that protected the City of Portland.

Mr. Alan Ferschweiler addressed the Board and stated that health insurance rates are going up by 6.4 percent next year, which is about $1200 a month for a retiree and spouse. He added that while he would love to see the Board return to a two percent benefit adjustment he understands the Supreme Court and SB 822 and SB 861 are handcuffing the Board right now. However, until that time, he would request the Board consider the 1.25 benefit adjustment and not the tiered rate.

Mayor Hales asked legal counsel even though the statute is constructed in such a way that PERS’ tiering could be construed to applying to the FPDR, whether the Board has the discretion to make either choice. Ms. Bechtold replied “yes” and stated that the City Attorney’s office has looked at the issue and believes the Board can do a 1.25 percent adjustment across the board or implement the tiered system.

Mayor Hales confirmed with Ms. Hartline that the difference in the annual cost or fiscal impact was a little over $100,000 for the fiscal year. Mr. Foesch stated that a motion should be connected to the PERS coalition challenge of SB 822 and SB 861.

Mr. Foesch made a motion which was seconded by Mr. Lehman and passed by a roll call vote of 4-0 that the FPDR Two 2014 benefit adjustment rate be 1.25 percent across the board with reconsideration for up to 2 percent if SB 822 and 861 are overturned. (Mr. Delaney was absent from the vote).

Mayor Hales stated that the Board has discretion within the Charter and legal limits and it is the right call to make.
Information Item No. 1 – Budget Update

Ms. Hartline provided an update on the budget process. She stated that the FPDR budget had been based on an assumption of 1.8 percent, but the CPI used for the City’s Collective Bargaining Agreements came in at 2.7 percent so that increase is going to require a $330,000 increase in the FPDR budget. However, she added that the levy rate should remain the same. Ms. Hartline stated that staff would make the adjustment during the Mayor’s proposed budget process.

Information Item No. 2 – FPDR Director – Strategic Plan

Mr. Hutchison explained his strategic direction for the FPDR. He stated that his goal is to leverage and integrate processes and technology to assure that FPDR can effectively and efficiently deliver on its mission.

Information Item No. 3 – FPDR Updates

Mr. Hutchison provided an update on the RFP process for the disability audit and stated that the goal is to complete negotiations and have a contract ready for the Board to approve at the April meeting.

The next Board meeting is scheduled for April 22, 2014.

April agenda:
1) Tax Anticipation Notes
2) Disability Audit Contract
3) Mayor to address overpayment issue with Board

There being no further business, the meeting was adjourned at 2:55 p.m.

Samuel Hutchison
Director

/kk
City of Portland Fire & Police
Disability & Retirement Fund (FPDR)
Actuarial Experience Study

May 27, 2014

Presented by:
Matt Larrabee, FSA, EA
Scott Preppernau, FSA, EA

Agenda

- Introduction
- Economic assumptions
- Demographic assumptions
Introduction
Actuarial Valuation and Assumptions

- Biennial actuarial valuations provide financial statement reporting information for both FPDR and the City of Portland
- An actuarial valuation is a very long-term calculation
- Given the long-term nature of the modeling, assumptions play a key role in the calculations

Assumptions used both to
- Project future benefit payments
- Convert these payments to a present value

### Assumptions in our last FPDR valuation (2012) based on:

- Study of FPDR experience conducted prior to the 2008 valuation
  - Determined most demographic assumptions, including rates of retirement, disability, and salary growth
- Oregon PERS Police & Fire assumptions for mortality
  - Due to a much larger number of members, Oregon PERS public safety experience is more credible than FPDR-only experience

- Best practice to refresh experience studies every five to ten years to reflect current trends
  - Accordingly, we have prepared a new study to recommend assumptions for the June 30, 2014 valuation
Introduction
Experience Study

- The new study analyzed experience from recent periods
  - Most demographic assumptions use data from July 2008 to June 2013
  - Salary increases reflect 2010-11 to 2013-2014 fiscal year data
- Assumptions can be broadly divided into two categories:
  - Economic assumptions
  - Demographic assumptions
- Full detail of methodology and recommended assumptions in Appendix

Economic Assumptions
## Economic Assumptions
### Inflation
- The inflation assumption affects other assumptions
- Inflation has varied significantly in the past
- One estimate of future inflation comes from Treasury Inflation Protected Securities (TIPS) yields
- Social Security’s current “middle of the road” long-term inflation assumption is 2.80%
  - Combining this with its lower near-term assumption gives a 30-year average of 2.72%
- We recommend no change to the current long-term assumption of 2.75%

<table>
<thead>
<tr>
<th>Historical Period</th>
<th>Average Annual Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 years</td>
<td>4.15%</td>
</tr>
<tr>
<td>40 years</td>
<td>4.26%</td>
</tr>
<tr>
<td>30 years</td>
<td>2.88%</td>
</tr>
<tr>
<td>20 years</td>
<td>2.43%</td>
</tr>
<tr>
<td>10 years</td>
<td>2.43%</td>
</tr>
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</table>

### As of 4/30/2014

<table>
<thead>
<tr>
<th></th>
<th>10-Year</th>
<th>30-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Yield</td>
<td>2.67%</td>
<td>3.47%</td>
</tr>
<tr>
<td>TIPS Yield</td>
<td>0.49%</td>
<td>1.16%</td>
</tr>
<tr>
<td>Imputed Inflation</td>
<td>2.18%</td>
<td>2.31%</td>
</tr>
</tbody>
</table>

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## Economic Assumptions
### Real Wage Growth
- Each individual member’s annual salary increase assumption is composed of:
  - Inflation, plus
  - Real wage growth, plus
  - Merit/longevity wage growth
- Real wage growth represents the increase in wages above inflation for the entire group due to productivity improvements and competitive wage pressures among employers
- Social Security’s long-term “middle of the road” assumption for real wage growth is 1.13%
- We recommend no change to the current assumption of 1.00%

<table>
<thead>
<tr>
<th>Period Ending</th>
<th>Average Real Wage Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2012</td>
<td></td>
</tr>
<tr>
<td>20 Years</td>
<td>0.80%</td>
</tr>
<tr>
<td>30 Years</td>
<td>0.87%</td>
</tr>
<tr>
<td>40 Years</td>
<td>0.36%</td>
</tr>
<tr>
<td>50 Years</td>
<td>0.63%</td>
</tr>
</tbody>
</table>
Economic Assumptions
Discount Rate

- New Governmental Accounting Standards Board (GASB) standards change how the discount rate should be set
- For a pay-as-you go plan such as FPDR:
  - Prior standards set the rate equal to long-term average annual expected return on the employer’s general assets
  - Typically this was based on long-term average annual return expectations for a mixture of cash and short-term bonds
  - FPDR used 3.50% in the 2012 valuation
  - New standards require use of a municipal bond yield or index rate
    - Based on high-quality 20-year, tax-exempt, general obligation bonds
    - Plan sponsor selects specific source of bond rates to use
## Economic Assumptions Reviewed

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Current</th>
<th>Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation</td>
<td>2.75%</td>
<td>No change</td>
</tr>
<tr>
<td>Real Wage Growth</td>
<td>1.00%</td>
<td>No change</td>
</tr>
<tr>
<td>Payroll Growth (sum of above)</td>
<td>3.75%</td>
<td>No change</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>3.50%</td>
<td>TBD*</td>
</tr>
</tbody>
</table>

*Based on market information at 6/30/2014, consistent with new GASB standards

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## Demographic Assumptions
Demographic Assumptions
Salary Increase due to Merit/Longevity

- Overall system payroll expected to grow according to inflation and real wage growth assumptions
- For an individual member, expected salary progression includes an additional component for increase due to merit or longevity
  - Individuals earn promotions and step/grade increases
- Our analysis reviewed 2010-2014 member experience, backing out actual CPI and assumed real wage growth to isolate the member-specific merit/longevity component
  - Resulting assumption varies by service, reflecting career patterns
- Merit/longevity rates are added to overall wage growth assumption
  - Merit assumption of 5% => member's pay expected to grow 8.75%
  - Merit assumption of 0% => member's pay expected to grow 3.75%
**Demographic Assumptions**

**Salary Increase due to Merit/Longevity**
- Proposed assumption:
  - Consolidate Police and Fire assumptions
  - More closely reflects recent observed experience

![Salary Increase for Merit/Longevity](image)

**Demographic Assumptions**

**Retirement Rates**
- Current assumed rates for Fire members track experience reasonably well
- Police experience warrants lower rates for ages 55 to 64
- Valuation 100% assumed retirement rate at:
  - Ages 60+ for Fire
  - Ages 65+ for Police

![Fire Retirement Rates](image)

![Police Retirement Rates](image)
Demographic Assumptions

Retirement Elections

- New assumption needed for percentage of non-resident retirees to reflect Senate Bill 822 changes

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Current Assumption</th>
<th>Observed Experience</th>
<th>Proposed Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit from elected</td>
<td>2.6% of pay: 80%</td>
<td>2.8% of pay: 83%</td>
<td>No change</td>
</tr>
<tr>
<td>(of final pay)</td>
<td>2.6% of pay: 20%</td>
<td>Below 2.8%: 17%</td>
<td></td>
</tr>
<tr>
<td>Percent married</td>
<td>88%</td>
<td>77%</td>
<td>80%</td>
</tr>
<tr>
<td>Spousal age difference</td>
<td>+/- 4 years</td>
<td>+/- 2.9 years</td>
<td>+/- 3 years</td>
</tr>
<tr>
<td>Out-of-state retirees</td>
<td>N/A</td>
<td>22%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Demographic Assumptions

Withdrawal

- Rates of pre-retirement withdrawal are very low after a member’s initial two years of service
  - Experience during study period suggests lowering the assumption as shown

<table>
<thead>
<tr>
<th>Service</th>
<th>Current Assumption</th>
<th>Observed Experience</th>
<th>Proposed Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 years</td>
<td>25%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>1 year</td>
<td>25%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>2+ years</td>
<td>0.75%</td>
<td>0.50%</td>
<td>0.50%</td>
</tr>
</tbody>
</table>
Demographic Assumptions

Disability

- First full five-year study observation period for disability since 2006 reforms
- Experience showed significantly fewer members initiating long-term disability than expected under the current assumption
  - Prior assumption developed on pre-reform experience
- We recommend lowering the assumed rate of disabilities and moving to a widely-used standard table
  - Sample rates shown below

<table>
<thead>
<tr>
<th>Age</th>
<th>Current Assumption</th>
<th>Proposed Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>0.25%</td>
<td>0.04%</td>
</tr>
<tr>
<td>40</td>
<td>0.60%</td>
<td>0.16%</td>
</tr>
<tr>
<td>50</td>
<td>0.80%</td>
<td>0.43%</td>
</tr>
</tbody>
</table>

Expected over study period: 36.7 18.6

Demographic Assumptions

Mortality

- Mortality differs by:
  - Gender
  - Member vs. spouse
  - Healthy vs. disabled
  - Active vs. retired

<table>
<thead>
<tr>
<th>Retire Age</th>
<th>Prior Assumption</th>
<th>New Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member vs. spouse</td>
<td>55  29.3  30.5</td>
<td></td>
</tr>
<tr>
<td>Healthy vs. disabled</td>
<td>65  19.8  20.6</td>
<td></td>
</tr>
<tr>
<td>Active vs. retired</td>
<td>75  11.8  12.6</td>
<td></td>
</tr>
</tbody>
</table>

- The most recently observed PERS Police & Fire mortality experience led us to increase life expectancy assumption for male retirees and disabled retirees of both genders
  - No changes for other groups
Demographic Assumptions

Mortality

- FPDR experience shows trends similar to PERS experience
  - Male retirees had lower mortality than current assumption
  - Female retiree mortality was consistent with current assumption
- Recommend continuing to link FPDR mortality assumption to the most recent PERS Police & Fire mortality assumption
  - Because death rates at most ages are low, large amounts of data required for statistically credible experience
  - PERS study has significantly more mortality experience than FPDR

Demographic Assumptions Reviewed

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Current</th>
<th>Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary increase due to merit/longevity</td>
<td>7-year select and ultimate; separate Police &amp; Fire assumptions</td>
<td>6-year select and ultimate; combined Police &amp; Fire assumptions</td>
</tr>
<tr>
<td>Retirement rates</td>
<td>Age-based, with separate rates for Police versus Fire</td>
<td>Lower Police rates; retain current Fire rates</td>
</tr>
<tr>
<td>Retirement elections</td>
<td>Detailed in prior slides</td>
<td>Changes to % married and spousal age difference; assumption for % out-of-state</td>
</tr>
<tr>
<td>Withdrawal</td>
<td>2-year &quot;select and ultimate&quot; structure</td>
<td>Decreases to both select and ultimate rates</td>
</tr>
<tr>
<td>Disability</td>
<td>Age-based rates from graded from 0.25% up to 0.90%</td>
<td>Change to use an industry standard disability table</td>
</tr>
<tr>
<td>Mortality</td>
<td>Police &amp; Fire assumptions from 2010 PERS study</td>
<td>Police &amp; Fire assumptions from 2012 PERS study</td>
</tr>
</tbody>
</table>

This work product was prepared solely for FPDR and the City of Portland for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that such parties be aided by their own analysis or other qualified professionals when evaluating the Milliman work product.
Effect on 2012 Actuarial Valuation Results

<table>
<thead>
<tr>
<th></th>
<th>6/30/2012 Valuation - Current Assumptions</th>
<th>6/30/2012 Valuation - Proposed Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>PV of Projected Benefits</td>
<td>$3.86 billion</td>
<td>$3.89 billion</td>
</tr>
<tr>
<td>Accrued Liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active</td>
<td>$1.12 billion</td>
<td>$1.12 billion</td>
</tr>
<tr>
<td>Inactive</td>
<td>$1.78 billion</td>
<td>$1.83 billion</td>
</tr>
<tr>
<td>Total</td>
<td>$2.90 billion</td>
<td>$2.95 billion</td>
</tr>
<tr>
<td>PV of Future Normal Cost</td>
<td>$986 million</td>
<td>$939 million</td>
</tr>
<tr>
<td>Normal Cost</td>
<td>$83 million</td>
<td>$78 million</td>
</tr>
</tbody>
</table>

- Does not illustrate effects of:
  - Change in COLA provisions due to legislative changes
  - Potential change in discount rate to comply with GASB standards
  - Removal of out-of-state tax offset (data unavailable at 6/30/12)

Caveats and Disclaimers

This presentation discusses actuarial methods and assumptions for use in the valuation of the Fire & Police Disability & Retirement Fund ("FPDR" or "the Fund") sponsored by the City of Portland. For the most recent complete actuarial valuation results, including cautions regarding the limitations of use of valuation calculations, please refer to our formal Actuarial Valuation Report as of June 30, 2012 (the Valuation Report) published on December 20, 2012. The Valuation Report, including all supporting information regarding data, assumptions, methods, and projections, is incorporated by reference into this presentation. The statements of reliance and limitations on the use of this material are reflected in the actuarial report and still apply to this presentation.

In preparing this presentation, we relied, without audit, on information (some oral and some in writing) supplied by Fund and City of Portland staff. This information includes, but is not limited to, fund benefit provisions as defined by City Charter, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

Milliman’s work is prepared solely for the internal business use of the City of Portland and FPDR.

Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. No third party recipient of Milliman’s work product should rely upon it. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman’s advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.
Circular 230 Notice

The following disclosure is provided in accordance with the Internal Revenue Service's Circular 230 (21 CFR Part 10). This communication is not intended to constitute tax advice to any specific taxpayer or for any specific situation. Any tax advice contained in this communication is intended to be preliminary, for discussion purposes only, and not final. Any such advice is not intended to be used for marketing, promoting or recommending any transaction or for the use of any person in connection with the preparation of any tax return. Accordingly, this advice is not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding tax penalties that may be imposed on such person.

Appendix
Salary Increase due to Merit/Longevity

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Current Assumption Police</th>
<th>Fire</th>
<th>Proposed Assumption Police &amp; Fire</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>10.25%</td>
<td>10.25%</td>
<td>20.00%</td>
</tr>
<tr>
<td>1</td>
<td>10.25%</td>
<td>10.25%</td>
<td>8.50%</td>
</tr>
<tr>
<td>2</td>
<td>10.25%</td>
<td>10.25%</td>
<td>5.50%</td>
</tr>
<tr>
<td>3</td>
<td>4.25%</td>
<td>8.25%</td>
<td>4.80%</td>
</tr>
<tr>
<td>4</td>
<td>4.25%</td>
<td>8.25%</td>
<td>4.50%</td>
</tr>
<tr>
<td>5</td>
<td>4.25%</td>
<td>6.25%</td>
<td>2.50%</td>
</tr>
<tr>
<td>6</td>
<td>1.25%</td>
<td>3.75%</td>
<td>0.00%</td>
</tr>
<tr>
<td>7 + Over</td>
<td>0.00%</td>
<td>0.50%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>
Appendix

Retirement Rates

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
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<td>40%</td>
</tr>
<tr>
<td>51</td>
<td>25%</td>
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</tr>
<tr>
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<td>40%</td>
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<td>56</td>
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<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>57</td>
<td>25%</td>
<td>40%</td>
<td>40%</td>
<td>25%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>58</td>
<td>33%</td>
<td>40%</td>
<td>20%</td>
<td>33%</td>
<td>40%</td>
<td>20%</td>
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<tr>
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<td>50%</td>
<td>40%</td>
<td>20%</td>
<td>50%</td>
<td>40%</td>
<td>20%</td>
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<tr>
<td>60</td>
<td>100%</td>
<td>40%</td>
<td>20%</td>
<td>100%</td>
<td>40%</td>
<td>20%</td>
</tr>
<tr>
<td>61</td>
<td>100%</td>
<td>40%</td>
<td>20%</td>
<td>100%</td>
<td>40%</td>
<td>20%</td>
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<tr>
<td>62</td>
<td>100%</td>
<td>40%</td>
<td>20%</td>
<td>100%</td>
<td>40%</td>
<td>20%</td>
</tr>
<tr>
<td>63</td>
<td>100%</td>
<td>40%</td>
<td>20%</td>
<td>100%</td>
<td>40%</td>
<td>20%</td>
</tr>
<tr>
<td>64</td>
<td>100%</td>
<td>40%</td>
<td>20%</td>
<td>100%</td>
<td>40%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Appendix

Disability Rates

- Proposed disability incidence assumption is 1985 Disability Study Class 1 Rates
- Propose maintaining the current assumption that 90% of long-term disabilities are service-related

<table>
<thead>
<tr>
<th>Age</th>
<th>Current Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 40</td>
<td>0.25%</td>
</tr>
<tr>
<td>40 – 49</td>
<td>0.50%</td>
</tr>
<tr>
<td>50+</td>
<td>0.50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>1985 Disability Study Class 1 - Sample Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>30.05%</td>
</tr>
<tr>
<td>35</td>
<td>0.10%</td>
</tr>
<tr>
<td>40</td>
<td>0.15%</td>
</tr>
<tr>
<td>45</td>
<td>0.26%</td>
</tr>
<tr>
<td>50</td>
<td>0.45%</td>
</tr>
<tr>
<td>55</td>
<td>0.85%</td>
</tr>
</tbody>
</table>
Appendix
Mortality

- Current and proposed mortality tables shown below:

<table>
<thead>
<tr>
<th>Age</th>
<th>Current Assumption</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Retiree</td>
<td>RP-2000 Male, Generational per Scale AA,</td>
<td>RP-2000 Male, Generational per Scale AA,</td>
</tr>
<tr>
<td></td>
<td>Combined, Blended 50% Blue Collar, set back 12 months</td>
<td>Combined, White Collar</td>
</tr>
<tr>
<td>Female Retiree</td>
<td>RP-2000 Female, Generational per Scale AA,</td>
<td>RP-2000 Female, Generational per Scale AA,</td>
</tr>
<tr>
<td></td>
<td>Combined, White Collar</td>
<td>Combined, White Collar</td>
</tr>
<tr>
<td>Male Beneficiary</td>
<td>RP-2000 Male, Generational per Scale AA,</td>
<td>RP-2000 Male, Generational per Scale AA,</td>
</tr>
<tr>
<td></td>
<td>Combined, Blended 25% Blue Collar, set back 12 months</td>
<td>Combined, Blended 25% Blue Collar, set back</td>
</tr>
<tr>
<td>Female Beneficiary</td>
<td>RP-2000 Female, Generational per Scale AA,</td>
<td>RP-2000 Female, Generational per Scale AA,</td>
</tr>
<tr>
<td></td>
<td>Combined, White Collar</td>
<td>Combined, White Collar</td>
</tr>
<tr>
<td>Male Active</td>
<td>70% of rates for Male Retiree</td>
<td>55% of rates for Male Retiree</td>
</tr>
<tr>
<td>Female Active</td>
<td>50% of rates for Female Retiree</td>
<td>55% of rates for Female Retiree</td>
</tr>
<tr>
<td>Disabled Males</td>
<td>RP-2000 Healthy Male, Static, Combined, No</td>
<td>65% of RP-2000 Disabled Male, Static, Combined, No</td>
</tr>
<tr>
<td></td>
<td>Collar, set forward 90 months</td>
<td>Collar, No Collar</td>
</tr>
<tr>
<td>Disabled Females</td>
<td>RP-2000 Healthy Female, Static, Combined, No</td>
<td>90% of RP-2000 Disabled Female Static, Combined, No</td>
</tr>
<tr>
<td></td>
<td>Collar, set forward 45 months</td>
<td>Collar, No Collar</td>
</tr>
</tbody>
</table>

The work product was prepared solely for PDCS and the City of Portland for the purposes stated herein, and may not be reproduced, distributed, or otherwise used in any manner for any purpose. Milliman does not intend to convey or assume any duty or liability to other parties with respect to this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.
RESOLUTION NO. 489

WHEREAS, there will not be sufficient cash funds in the Bureau of Fire and Police Disability and Retirement (FPDR) and FPDR Reserve Fund to meet pensions and benefits for the months of September through early November, 2014; and

WHEREAS, it is in the interest of the FPDR and the general public welfare to join with the City of Portland, Office of Management and Finance, in the borrowing of sufficient monies to meet its obligations until tax monies become available; and

WHEREAS, pursuant to Section 5-202(b) of Chapter 5 of the Charter of the City of Portland, the Board of Trustees is empowered to borrow from the General Fund and the General Fund will join with the FPDR in the sale of tax anticipation notes in an amount not to exceed $31,258,000, said sum or any portion thereof which the FPDR has borrowed to be repaid on or before June 30, 2015; and

NOW, THEREFORE, BE IT RESOLVED that the FPDR be authorized to borrow, as needed, from the General Fund, up to $31,258,000 to meet the obligations of the Board of Trustees.

ADOPTED by the Board of Trustees at its regular meeting on May 27, 2014.

____________________________________
Samuel Hutchison
Director
Resolution No. 490

WHEREAS, the Fire and Police Disability and Retirement Fund (FPDR) provides retirement and disability benefits for sworn officers of the Bureau of Fire and the Bureau of Police of the City of Portland, and their surviving spouses and dependent minor children; and

WHEREAS, the Board of Trustees mandates payments of warrants or checks under Section 5-203 of Chapter 5 of the Charter of the City of Portland; and

WHEREAS, the FPDR is obligated to make timely payments for pension, disability and administration; and

WHEREAS, the Board of Trustees generally meets every other month and is unable to approve payments in a timely manner; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees that the Fund Director is authorized to make pension, disability and administrative expense payments. The Fund Director shall also provide the Board of Trustees with a monthly summary of expenditures made at each board meeting.

ADOPTED by the Board of Trustees on the 27th day of May, 2014.

__________________________________________
Samuel Hutchison
Director

/kk
Res490
RESOLUTION NO. 491

WHEREAS, the Bureau of Fire and Police Disability and Retirement (FPDR) requires the services of a disability consultant to conduct a disability audit pursuant to Section 5-205 of Chapter 5 of the Charter of the City of Portland; and

WHEREAS, a bid process through the City’s Request for Proposal process was conducted and an expert in disability management was selected by the FPDR Selection Committee; and

WHEREAS, Milliman, Inc. has indicated that they are ready, willing and able to conduct a disability audit; and

WHEREAS, a “draft” form of agreement implementing the desires of the parties has been prepared and is attached hereto as Exhibit “A”.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the FPDR, that the FPDR Director be and hereby is authorized to negotiate and administer, on behalf of the Board of Trustees, an agreement on behalf of the Board of Trustees and the FPDR for disability audit services with Milliman, Inc. in an amount not to exceed $65,000.

ADOPTED by the Board of Trustees on this 27th day of May, 2014.

______________________________
Samuel Hutchison
Director
EXHIBIT "A"

CITY OF PORTLAND
AGREEMENT FOR PROFESSIONAL, TECHNICAL, OR EXPERT SERVICES

CONTRACT NUMBER ____________

TITLE OF WORK PROJECT
DISABILITY MANAGEMENT CLAIM AUDIT AND PROGRAM EVALUATION

This contract is between the City of Portland, Bureau of Fire and Police Disability and Retirement ("City," or "Bureau") acting by and through its Board of Trustees and Milliman, Inc., hereafter called Consultant. The City’s Project Manager for this contract is Kim Mitchell.

Effective Date and Duration
This contract shall become effective on May 1, 2014 (or on the date each party has signed this contract, whichever is later.) This contract shall expire, unless otherwise terminated or extended, on December 31, 2014.

Consideration
(a) City agrees to pay Consultant a sum not to exceed $65,000 for accomplishment of the work.
(b) Interim payments shall be made to Consultant according to the schedule identified in the STATEMENT OF THE WORK AND PAYMENT SCHEDULE.

CONSULTANT DATA AND CERTIFICATION

Name (print full legal name): Milliman, Inc.
Address: 111 SW Fifth Ave, Suite 3700, Portland OR 97201
Employer Identification Number (EIN): 91-0675641
INDEPENDENT CONTRACTORS: DO NOT PROVIDE SOCIAL SECURITY NUMBER (SSN) – LEAVE BLANK IF NO EIN
City of Portland Business Tax Registration Number: 48012
Citizenship: Nonresident alien ☐ Yes ☐ No
Business Designation (check one): ☐ Individual ☐ Sole Proprietorship ☐ Partnership ☐ Corporation
☐ Limited Liability Co (LLC) ☐ Estate/Trust ☐ Public Service Corp. ☐ Government/Nonprofit

Payment information will be reported to the IRS under the name and taxpayer I.D. number provided above. Information must be provided prior to contract approval.

TERMS AND CONDITIONS

1. Standard of Care
Consultant shall perform all services under this contract using that care, skill, and diligence that would ordinarily be used by similar professionals in this community in similar circumstances.

2. Effect of Expiration
Passage of the contract expiration date shall not extinguish, prejudice, or limit either party’s right to enforce this Contract with respect to any default or defect in performance that has not been corrected.

3. Order of Precedence
This contract consists of these Terms and Conditions, the Statement of Work and Payment Schedule, and any exhibits that are attached. Any apparent or alleged conflict between these items will be resolved by using the following order of precedence:
a) these Terms and Conditions; b) Statement of Work and Payment Schedule; and c) any exhibits attached to the contract.

4. Early Termination of Contract
(a) The City may terminate this Contract for convenience at any time for any reason deemed appropriate in its sole discretion. Termination is effective immediately upon notice of termination given by the City.
(b) Either party may terminate this Contract in the event of a material breach by the other party that is not cured. Before termination is permitted, the party seeking termination shall give the other party written notice of the breach, its intent to terminate, and fifteen (15) calendar days to cure the breach. If the breach is not cured within 15 days, the party seeking termination may terminate immediately by giving written notice that the Contract is terminated.

5. Remedies and Payment on Early Termination
   (a) If the City terminates pursuant to 4(a) above, the City shall pay the Consultant for work performed in accordance with the Contract prior to the termination date. No other costs or loss of anticipated profits shall be paid.
   (b) If the City terminates pursuant to 4(b) above, the City is entitled all remedies available at law or equity. In addition, Consultant shall pay the City all damages, costs, and sums incurred by the City as a result of the breach.
   (c) If the Consultant justifiably terminates the contract pursuant to subsection 4(b), the Consultant’s only remedy is payment for work prior to the termination. No other costs or loss of anticipated profits shall be paid.
   (d) If the City’s termination under Section 4(b) was wrongful, the termination shall be automatically converted to one for convenience and the Consultant shall be paid as if the Contract was terminated under Section 4(a).
   (e) In the event of early termination the Consultant’s work product before the date of termination becomes property of the City.

6. Assignment
   Consultant shall not subcontract, assign, or transfer any of the work scheduled under this agreement, without the prior written consent of the City. Notwithstanding City approval of a subconsultant, the Consultant shall remain obligated for full performance hereunder, and the City shall incur no obligation other than its obligations to the Consultant hereunder. The Consultant agrees that if subconsultants are employed in the performance of this Agreement, the Consultant and its subconsultants are subject to the requirements and sanctions of ORS Chapter 656, Workers’ Compensation.

7. Compliance with Applicable Law
   Consultant shall comply with all applicable federal, state, and local laws and regulations. Consultant agrees it currently is in compliance with all tax laws. Consultant shall comply with Title VI of the Civil Rights Act of 1964 and its corresponding regulations as further described at: http://www.portlandoregon.gov/bibs/article/44006. In connection with its activities under this Contract, the Contractor shall comply with all applicable Grant Terms and conditions. This includes all terms and conditions contained in this contract and, for a contract involving a grant, the Grant Terms and Conditions as further described at: http://www.portlandoregon.gov/bibs/article/455735.

8. Indemnification for Property Damage and Personal Injury
   Consultant shall indemnify, defend, and hold harmless the City, its officers, agents, and employees, from all claims, losses, damages, and costs (including reasonable attorney fees) for personal injury and property damage arising out of the intentional or negligent acts or omissions of the Consultant, its Subconsultants, suppliers, employees or agents in the performance of its services. Nothing in this paragraph requires the Consultant or its insurer to indemnify the City for claims of personal injury or property damage caused by the negligence of the City. This duty shall survive the expiration or termination of this contract.

9. Insurance
   Consultant shall obtain and maintain in full force at Consultant expense, throughout the duration of the Contract and any warranty or extension periods, the required insurance identified below. The City reserves the right to require additional insurance coverage as required by statutory or legal changes to the maximum liability that may be imposed on Oregon cities during the term of the Contract.
   (a) Workers’ compensation insurance as required by ORS Chapter 656 and as it may be amended. Unless exempt under ORS Chapter 656, the Consultant and all subconsultants shall maintain coverage for all subject workers.

   ✔ Required and attached // ☐ Proof of exemption (i.e., completion of Workers’ Compensation Insurance Statement)

   (b) General commercial liability (CGL) insurance covering bodily injury, personal injury, property damage, including coverage for independent contractor’s protection (required if any work will be subcontracted), premises/operations, contractual liability, products and completed operations, in per occurrence limit of not less than $1,000,000, and aggregate limit of not less than $2,000,000.

   ✔ Required and attached // ☐ Waived by Bureau Director or designee // ☐ Reduce by Bureau Director or designee

   (c) Automobile liability insurance with coverage of not less than $1,000,000 each accident, and an umbrella or excess liability coverage of $2,000,000. The insurance shall include coverage for any auto or all owned, scheduled, hired and non-owned auto. This coverage may be combined with the commercial general liability insurance policy.

   ✔ Required and attached // ☐ Waived by Bureau Director or designee // ☐ Reduce by Bureau Director or designee

   (d) Professional Liability and/or Errors & Omissions insurance to cover damages caused by negligent acts, errors or omissions related to the professional services, and performance of duties and responsibilities of the Consultant under this contract in an amount with a combined single limit of not less than $1,000,000 per occurrence and aggregate of $3,000,000 for all claims.
per occurrence. In lieu of an occurrence based policy, Consultant may have claims-made policy in an amount not less than $1,000,000 per claim and $3,000,000 annual aggregate, if the Consultant obtains an extended reporting period or tail coverage for not less than three (3) years following the termination or expiration of the Contract.

☑ Required and attached // ☐ Waived by Bureau Director or designee // ☐ Reduce by Bureau Director or designee

Continuous Coverage; Notice of Cancellation: The Consultant agrees to maintain continuous, uninterrupted coverage for the duration of the Contract. There shall be no termination, cancellation, material change, potential exhaustion of aggregate limits or non-renewal of coverage without thirty (30) days written notice from Consultant to the City. If the insurance is canceled or terminated prior to completion of the Contract, Consultant shall immediately notify the City and provide a new policy with the same terms. Any failure to comply with this clause shall constitute a material breach of Contract and shall be grounds for immediate termination of this Contract.

Additional Insured: The liability insurance coverages, except Professional Liability, Errors and Omissions, or Workers’ Compensation, shall be without prejudice to coverage otherwise existing, and shall name the City of Portland and its bureaus/divisions, officers, agents and employees as Additional Insureds, with respect to the Consultant’s activities to be performed, or products or services to be provided. Coverage shall be primary and non-contributory with any other insurance and self-insurance. Notwithstanding the naming of additional insureds, the insurance shall protect each additional insured in the same manner as though a separate policy had been issued to each, but nothing herein shall operate to increase the insurer's liability as set forth elsewhere in the policy beyond the amount or amounts for which the insurer would have been liable if only one person or interest had been named as insured.

Certificate(s) of Insurance: Consultant shall provide proof of insurance through acceptable certificate(s) of insurance, including additional insured endorsement form(s) and all other relevant endorsements, to the City prior to the award of the Contract if required by the procurement documents (e.g., request for proposal), or at execution of Contract and prior to any commencement of work or delivery of goods or services under the Contract. The Certificate(s) will specify all of the parties who are endorsed on the policy as Additional Insureds (or Loss Payees). Insurance coverages required under this Contract shall be obtained from insurance companies acceptable to the City of Portland. The Consultant shall pay for all deductibles and premiums. The City reserves the right to require, at any time, complete, certified copies of required insurance policies, including endorsements evidencing the coverage the required.

Subconsultant(s): Consultant shall provide evidence that any subconsultant, if any, performing work or providing goods or service under the Contract has the same types and amounts of coverages as required herein or that the subconsultant is included under Consultant’s policy.

10. Ownership of Work Product

All work product produced by the Consultant under this contract is the exclusive property of the City. “Work Product” includes, but is not limited to: research, reports, computer programs, manuals, drawings, recordings, photographs, artwork and any data or information in any form. The Consultant and the City intend that such Work Product shall be deemed “work made for hire” of which the City shall be deemed the author. For any reason a Work Product is deemed not to be a “work made for hire,” the Consultant hereby irrevocably assigns and transfers to the City all right, title and interest in such work product, whether arising from copyright, patent, trademark, trade secret, or any other state or federal intellectual property law or doctrines. Consultant shall obtain such interests and execute all documents necessary to fully vest such rights in the City. Consultant waives all rights relating to work product, including any rights arising under 17 USC 105A, or any other rights of authorship, identification or approval, restriction or limitation on use or subsequent modifications. If the Consultant is an architect, the Work Product is the property of the Consultant-Architect, and by execution of this contract, the Consultant-Architect grants the City an exclusive and irrevocable license to use that Work Product.

Notwithstanding the above, all pre-existing trademarks, services marks, patents, copyrights, trade secrets, and other proprietary rights of Consultant are and will remain the exclusive property of Consultant.

11. EEO Certification

In the event Consultant provides in excess of $2,500.00 for services to the City in any fiscal year, Consultant shall obtain EEO certification from the City.

12. Equal Benefits

Consultant must comply with the City’s Equal Benefits program as prescribed by Chapter 3.100 of the Code of the City of Portland. The required documentation must be filed with Procurement Services, City of Portland, prior to contract execution.

13. Successors in Interest

The provisions of this contract shall be binding upon and shall inure to the benefit of the parties hereto, and their respective successors and approved assigns.

14. Severability

The parties agree that if any term or provision of this contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the particular term or provision held to be invalid.
15. Waiver
The failure of the City to enforce any provision of this contract shall not constitute a waiver by the City of that or any other provision.

16. Errors
The Consultant shall promptly perform such additional services as may be necessary to correct errors in the services required by this contract without undue delays and without additional cost.

17. Governing Law/Venue
The provisions of this contract shall be interpreted, construed and enforced in accordance with, and governed by, the laws of the State of Oregon without reference to its conflict of laws provisions that might otherwise require the application of the law of any other jurisdiction. Any action or suits involving any question arising under this contract must be brought in the appropriate court in Multnomah County Oregon.

18. Amendments
All changes to this contract, including changes to the scope of work and contract amount, must be made by written amendment and approved by the Chief Procurement Officer to be valid. Any amendment that increases the original contract amount by more than 25% must be approved by the City Council to be valid.

The Consultant shall obtain a City of Portland business tax registration number as required by PCC 7.02 prior to beginning work under this Contract.

20. Prohibited Conduct
The Consultant shall not hire any City employee who evaluated the proposals or authorized the award of this Contract for two years after the date the contract was authorized without the express written permission of the City and provided the hiring is permitted by state law.

21. Payment to Vendors and Subconsultants
The Consultant shall timely pay all subconsultants and suppliers providing services or goods for this Contract.

22. Access to Records
The Consultant shall maintain all records relating to this Contract for three (3) years after final payment. The City may examine, audit and copy the Consultant’s books, documents, papers, and records relating to this contract at any time during this period upon reasonable notice. Copies of these records shall be made available upon request. Payment for the reasonable cost of requested copies shall be made by the City.

23. Audits
(a) The City may conduct financial and performance audits of the billings and services specified in this agreement at any time in the course of the agreement and during the three (3) year period established by paragraph 22. Audits will be conducted in accordance with generally accepted auditing standards as promulgated in Government Auditing Standards by the Comptroller General of the United States Government Accountability Office.
(b) If an audit discloses that payments to the Consultant exceed the amount to which the Consultant was entitled, the Consultant shall repay the amount of the excess to the City.

24. Electronic Signatures
The City and Consultant may conduct this transaction, including any contract amendments, by electronic means, including the use of electronic signatures.

25. Merger Clause
This Contract encompasses the entire agreement of the parties, and supersedes all previous understandings and agreements between the parties, whether verbal or written.

26. Dispute Resolution/Work Regardless of Disputes
The parties shall participate in mediation to resolve disputes before conducting litigation. The mediation shall occur at a reasonable time after the conclusion of the Contract with a mediator jointly selected by the parties. Notwithstanding any dispute under this Contract, the Consultant shall continue to perform its work pending resolution of a dispute, and the City shall make payments as required by the Contract for undisputed portions of the work. In the event of litigation no attorney fees are recoverable. No different dispute resolution paragraph(s) in this contract or any attachment hereto shall supersede or take precedence over this provision.

27. Progress Reports: ☑/Applicable ☐/Not Applicable
If applicable, the Consultant shall provide monthly progress reports to the Project Manager as described in the Statement of the Work and Payment Schedule.
28. Consultant's Personnel: [✓] Applicable / [ ] Not Applicable
If applicable, the Consultant shall assign the personnel listed in the Statement of the Work and Payment Schedule for the work required by the Contract and shall not change personnel without the prior written consent of the City, which shall not be unreasonably withheld.

29. Subconsultants
The Consultant shall use the subconsultants identified in its proposals. The Consultant shall not change subconsultant assignments without the prior written consent of the Chief Procurement Officer. The City will enforce all social equity contracting and Minority, Women and Emerging Small Business (M/W/ESB) subcontracting commitments submitted by the Consultant in its proposals. Failure to use the identified M/W/ESB subcontractors without prior written consent is a material breach of contract.
For contracts valued $50,000 or more, the Consultant shall submit a Monthly Subconsultant Payment and Utilization Report (MUR), made part of this contract by reference, reporting ALL subconsultants employed in the performance of this agreement. An electronic copy of the MUR may be obtained at: http://www.portlandoregon.gov/bibs/45495.

30. Third Party Beneficiaries
There are no third party beneficiaries to this contract. Enforcement of this contract is reserved to the parties.

31. Conflict of Interest
Contractor hereby certifies that, if applicable, its contract proposal is made in good faith without fraud, collusion or connection of any kind with any other proposer of the same request for proposals or other City procurement solicitation(s), that the Contractor as a proposer has competed solely on its own behalf without connection or obligation to, any undisclosed person or firm. Contractor certifies that it is not a City official/employee or a business with which a City official/employee is associated, and that to the best of its knowledge, Contractor, its employee(s), its officer(s) or its director(s) is not a City official/employee or a relative of any City official/employee who: i) has responsibility in making decisions or ability to influence decision-making on the contract or project to which this contract pertains; ii) has or will participate in evaluation or management of the contract; or iii) has or will have financial benefits in the contract. Contractor understands that should it elect to employ any former City official/employee during the term of the contract then that the former City official/Contractor employee must comply with applicable government ethics and conflicts of interest provisions in ORS Chapter 244, including but not limited to ORS 244.040(5) and ORS 244.047, and the City's Charter, Codes and administrative rules, including lobbying prohibitions under Portland City Code Section 2.12.080.

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STATEMENT OF THE WORK
AND PAYMENT SCHEDULE

SCOPE OF WORK
The Consultant shall successfully perform the following tasks and provide the following deliverables to complete the project:

1) Create project plan:
   a) Meet with Bureau director and Project Manager to confirm the scope, objectives and logistical details concerning the project; and
   b) Work with Project Manager to create the project plan.

Deliverable:
(i) Develop a project plan that includes a project schedule and describes how Consultant will manage quality, risks, change requests and communications with Bureau director and Project Manager.

2) Evaluate and recommend improvements in the Bureau's current disability management practices:
   a) Conduct a review of Bureau of Fire and Police Disability and Retirement Administrative Rules, Chapter 5 of the Charter of the City of Portland, FPDR internal polices/procedures and data reports as provided by Bureau staff and the Fire and Police Bureaus;
   b) Conduct interviews with the Bureau director, Bureau claims manager, FPDR Board of Trustees and other City staff as necessary;
   c) Audit a sample of FPDR service-connected and nonservice-connected disability claims sufficient to collect the necessary information to provide the deliverables listed below; and
   d) Make recommendations that are within the Bureau’s ability (resources, staffing, budget, etc.) to implement.

Deliverables:
(i) Provide a detailed summary report of the meetings held between staff and Consultant, including notes.
(ii) Provide a detailed summary of audit findings identifying specific problems and issues as well as good claim
adjudication and management practices.

iii) Develop an Assessment Report describing Consultant’s findings and recommendations for any changes in the following disability claims handling procedures:
   (1) Claim management practices
   (2) Internal policies and procedures
   (3) Personnel and training
   (4) Use of medical resources
   (5) Return-to-work and vocational rehabilitation programs
   (6) Information technology systems and procedures

   iv) Provide a written report with recommendations on how to improve return-to-work results for members who are permanently unable to return to the job they had at the time of injury.

   v) Provide a written report with recommendations on how best to manage non-occupational disability claims.

3) Evaluate and recommend potential cost savings measures including process improvements:
   a) Identify claim management cost savings measures that are within the Bureau’s ability (resources, staffing, budget, etc.) to implement;
   b) Identify how each measure will result in cost savings;
   c) Project cost savings for each measure and the time frame to achieve those savings; and
   d) Identify what tools, resources, etc. are needed for each measure.

   Deliverable:
   i) Provide a written report with recommendations for potential cost-saving measures including process improvements.

4) Recommend a design for an internal benchmark program that will allow Bureau to measure future performance against baseline benchmarks:
   a) Review Bureau’s existing standards of performance and management reports;
   b) Review the 2008 Benchmark Summary report written by Marsh;
   c) Identify key (qualitative and quantitative) benchmarks the Bureau should be using when measuring claim analyst performance and claim management quality;
   d) Identify key benchmarks (qualitative and quantitative) the Bureau should use to evaluate to the overall performance of the disability plan; and
   c) Design a benchmarking model that will allow the Bureau to chart its progress over time.

   Deliverable:
   i) Provide a written report with recommended design for an internal benchmark program and provide example reports and documents.

5) Evaluate how the Bureau’s disability benefits compare with similar occupational disability programs for public safety officers:
   a) Conduct a review of Bureau’s Administrative Rules, Chapter 5 of the Charter of the City of Portland, and Bureau’s internal policies/procedures;
   b) Review the 2008 Benchmark Summary report written by Marsh;
   c) Identify other disability programs that are similar to the Bureau’s; and
   d) Compare Bureau’s disability benefits to the benefits offered by similar programs, note significant or out of the ordinary differences and implications and the costs of those differences.

   Deliverable:
   i) A written report comparing the Bureau’s disability benefits with those offered by similar occupational disability programs for public safety officers noting significant or out of the ordinary differences.

6) Assist in comparing audit findings and recommendations to prior audit reports:
   a) Review the following reports from audits conducted by Marsh:
      i) 2008 Claim Audit Summary
      ii) 2008 Assessment Report of Findings and Recommendations
      iii) 2009 Claim Audit Summary
   b) Compare audit findings and recommendations from these previous audits to your findings and recommendations; and
c) Identify areas of improvement and decline.

**Deliverable:**
  i) A written report comparing Consultant’s audit findings and recommendations to those made in prior audit reports.

7) **Provide regular project reports:**
   a) Monthly written report outlining status of project, compliance with project schedule, discussion of issues and risks;
      i) Report must be submitted by the 15th of each month along with monthly invoices.
   b) Brief weekly report to Project Manager summarizing work completed that week and identifying any new issues or risks (email report acceptable);
   c) Ad hoc status reports at the request of the Bureau director; and
   d) Report to the Bureau’s Board of Trustees on a periodic basis or as requested.

**Deliverable:**
  i) Provide progress reports as outlined above.

8) **Present deliverables and findings:**
   a) Present draft deliverables to Bureau director and Project Manager for review;
   b) Formally present final deliverables to Bureau director and Project Manager for review; and
   c) Present findings to Bureau’s Board of Trustees.

**Deliverable:**
  i) Deliverables are to be provided as noted above.

9) **Protect the confidentiality and sensitive information of the Bureau, City and plan members:**
   a) Review and sign the FPDR Records Security Policy;
   b) Acknowledge that, by signing the Records Security Policy, Consultant agrees that all of its employees and contractors will abide by the policy;
   c) Consultant will share confidential and sensitive information only with those employees and contractors who need to see it to perform services defined in this contract;
   d) Consultant will return all confidential and sensitive information upon completion of this contract; and
   e) Consultant will provide the confidentiality agreement to the employees and contractors who will be providing services to the Bureau under the terms of this contract.

**Deliverable:**
  i) Sign FPDR Records Security Policy; and
  ii) Provide a copy of the confidentiality agreement to employees and contractors of Consultant who will be providing services to the Bureau under the terms of this contract.

**CONSULTANT PERSONNEL**

The Consultant shall assign the following personnel to do the work in the capacities designated:

<table>
<thead>
<tr>
<th>NAME</th>
<th>ROLE ON PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Briscoe</td>
<td>Overseer the project and direct the analysis of the FPDR claims practices and random sample of claims to be reviewed.</td>
</tr>
<tr>
<td>Christine Fleming</td>
<td>Conduct the interviews with FPDR’s claims staff and analysis of FPDR’s claim practices</td>
</tr>
<tr>
<td>Dan Skwire</td>
<td>Assist with aspects of project involving nonoccupational disability benefits, performance benchmarking, plan comparisons and financial issues</td>
</tr>
<tr>
<td>Matt Larabee</td>
<td>Local office contact for project. Provide high-level oversight and peer review</td>
</tr>
</tbody>
</table>

**SUBCONSULTANTS**

The Consultant shall assign the following subconsultants to perform work in the capacities designated:

<table>
<thead>
<tr>
<th>NAME</th>
<th>ROLE ON PROJECT</th>
<th>SUBCONTRACT AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

The City will enforce all social equity contracting and Minority, Women and Emerging Small Business (M/W/ESB) subcontracting commitments submitted by the Consultant in its Proposal. For contracts valued $50,000 or more, the Consultant shall submit a Monthly Subconsultant Payment and Utilization Report (MUR), made part of this contract by reference, reporting ALL subconsultants employed in the performance of this agreement. An electronic copy of the MUR may be obtained at: http://www.portlandoregon.gov/bibs/45475.
COMPENSATION

The maximum that the Consultant can be paid on this contract is $65,000 (hereafter the "not to exceed" amount). The "not to exceed" amount includes all payments to be made pursuant to this contract, including reimbursable expenses, if any. Nothing in this contract requires the City to pay for work that does not meet the Standard of Care or other requirements of the Contract. The actual amount to be paid Consultant may be less than the maximum amount.

The Consultant is entitled to receive progress payments for its work pursuant to the Contract as provided in more detail below. The City will pay Consultant based on these invoices for acceptable work performed and approved until the "not to exceed" amount is reached. Thereafter, Consultant must complete work based on the Contract without additional compensation unless there is a change to the scope of work.

Any estimate of the hours necessary to perform the work is not binding on the City. The Consultant remains responsible if the estimate proves to be incorrect. Exceeding the number of estimated hours of work does not impose any liability on the City for additional payment.

If work is completed before the "not to exceed" amount is reached, the Consultant's compensation will be based on the Consultant's bills previously submitted for acceptable work performed and approved.

Progress Payments

On or before the 15th of each month, the Consultant shall submit to the City's Project Manager an invoice for work performed by the Consultant during the preceding month. The invoice shall contain the City's Contract Number and set out all items for payment including, but not limited to: the name of the individual, labor category, direct labor rate, hours worked during the period, and tasks performed. The Consultant shall also attach photocopies of claimed reimbursable expenses, if applicable. The Consultant shall stamp and approve all subconsultant invoices and note on the subconsultant invoice what they are approving as "billable" under the contract. The billing from the prime should clearly roll up labor and reimbursable costs for the prime and subconsultants—matching the subconsultant invoices. Prior to initial billing, the Consultant shall develop a billing format for approval by the City.

The City shall pay all amounts to which no dispute exists within 30 days of receipt of the invoice. Payment of any bill, however, does not preclude the City from later determining that an error in payment was made and from withholding the disputed sum from the next progress payment until the dispute is resolved.

ACH Payments

It is the City's policy to pay its Consultant invoices via electronic funds transfers through the automated clearing house (ACH) network. To initiate payment of invoices, Consultants shall execute the City's standard ACH Vendor Payment Authorization Agreement which is available on the City's website at: http://www.portlandoregon.gov/bfs/article/409834.

Upon verification of the data provided, the Payment Authorization Agreement will authorize the City to deposit payment for services rendered directly into Consultant accounts with financial institutions. All payments shall be in United States currency.
WORKERS' COMPENSATION INSURANCE STATEMENT

IF YOUR FIRM HAS CURRENT WORKERS' COMPENSATION INSURANCE, CONTRACTOR MUST SIGN HERE:

I, undersigned, am authorized to act on behalf of entity designated below, and I hereby certify that this entity has current Workers' Compensation Insurance.

Contractor Signature: ___________________________ Date: ___________________________ Entity: ___________________________

IF YOUR FIRM DOES NOT HAVE CURRENT WORKERS' COMPENSATION INSURANCE, CONTRACTOR MUST COMPLETE THE FOLLOWING INDEPENDENT CONTRACTOR CERTIFICATION STATEMENT:

As an independent contractor, I certify that I meet the following standards:

1. The individual or business entity providing labor or services is registered under ORS Chapter 701, if the individual or business entity provides labor or services for which such registration is required;

2. Federal and state income tax returns in the name of the business or a business Schedule C or Form Schedule F as part of the personal income tax return were filed for the previous year if the individual or business entity performed labor or services as an independent contractor in the previous year; and

3. The individual or business entity represents to the public that the labor or services are to be provided by an independently established business. Except when an individual or business entity files a Schedule F as part of the personal income tax return and the individual or business entity performs farm labor or services that are reportable on Schedule C, an individual or business entity is considered to be engaged in an independently established business when four or more of the following circumstances exist. Contractor, check four or more of the following:

   A. The labor or services are primarily carried out at a location that is separate from the residence of an individual who performs the labor or services, or are primarily carried out in a specific portion of the residence, which portion is set aside as the location of the business;

   B. Commercial advertising or business cards are customary in operating similar businesses are purchased for the business, or the individual or business entity has a trade association membership;

   C. Telephone listing and service are used for the business that is separate from the personal residence listing and service used by an individual who performs the labor or services;

   D. Labor or services are performed only pursuant to written contracts;

   E. Labor or services are performed for two or more different persons within a period of one year;

   F. The individual or business entity assumes financial responsibility for defective workmanship or for service not provided as evidenced by the ownership of performance bonds, warranties, errors and omission insurance or liability insurance relating to the labor or services to be provided.

Contractor Signature: ___________________________ Date: ___________________________

FOR CITY USE ONLY

PROJECT MANAGER-COMPLETE ONLY IF CONTRACTOR DOES NOT HAVE WORKER'S COMPENSATION INSURANCE ORS 670.600 Independent contractor standards. As used in various provisions of ORS Chapters 316, 656, 657, and 701, an individual or business entity that performs labor or services for remuneration shall be considered to perform the labor or services as an "independent contractor" if the standards of this section are met. The contracted work meets the following standards:

1. The individual or business entity providing the labor or services is free from direction and control over the means and manner of providing the labor or services, subject only to the right of the person for whom the labor or services are provided to specify the desired results;

2. The individual or business entity providing labor or services is responsible for obtaining all assumed business registrations or professional occupation licenses required by state law or local government ordinances for the individual or business entity to conduct the business;

3. The individual or business entity providing labor or services furnishes the tools or equipment necessary for performance of the contracted labor or services;

4. The individual or business entity providing labor or services has the authority to hire and fire employees to perform the labor or services;

5. Payment for the labor or services is made upon completion of the performance of specific portions of the project or is made on the basis of an annual or periodic retainer.

City Project Manager Signature: ___________________________ Date: ___________________________
CONSULTANT SIGNATURE:

This contract may be signed in two (2) or more counterparts, each of which shall be deemed an original, and which, when taken together, shall constitute one and the same Agreement.

The parties agree the City and Consultant may conduct this transaction, including any contract amendments, by electronic means, including the use of electronic signatures.

I, the undersigned, agree to perform work outlined in this contract in accordance to the STANDARD CONTRACT PROVISIONS, the terms and conditions, made part of this contract by reference, and the STATEMENT OF THE WORK made part of this contract by reference; hereby certify under penalty of perjury that I/my business am not/is not in violation of any Oregon tax laws; hereby certify that my business is certified as an Equal Employment Opportunity Affirmative Action Employer and is in compliance with the Equal Benefits Program as prescribed by Chapter 3.100 of Code of the City of Portland; and hereby certify I am an independent contractor as defined in ORS 670.600.

MILLIMAN, INC.

BY: ____________________________ Date: ____________________________

Name: ____________________________

Title: ____________________________
CONTRACT NUMBER: ______________________

CONTRACT TITLE: DISABILITY MANAGEMENT CLAIM AUDIT AND PROGRAM EVALUATION

CITY OF PORTLAND SIGNATURES:

By: ___________________________ Date: __________
   Bureau Director

By: ___________________________ Date: __________
   Chief Procurement Officer

By: ___________________________ Date: __________
   Elected Official

Approved:
By: ___________________________ Date: __________
   Office of City Auditor

Approved as to Form:
By: ___________________________ Date: __________
   Office of City Attorney
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<tr>
<th>Description</th>
<th>Original Budget</th>
<th>Current Budget</th>
<th>Apr Actuals</th>
<th>YTD Actuals</th>
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<tr>
<td><strong>Revenues</strong></td>
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<td>126,103,816.00</td>
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<td><strong>Beginning fund balance</strong></td>
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<td>13,754,338.20</td>
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<td>Bond and note proceeds</td>
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<td>112,468,253.00</td>
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<td>Professional services</td>
<td>5,218.00</td>
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