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, March 24, 2015 – 1:15 p.m.

EXECUTIVE SESSION
#  1 Legal Updates – Alternate Payee Issue

The Board of Trustees will meet in Executive Session at 12:45 p.m. The Board will begin its
regular meeting at 1:15 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 – January 27, 2015 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 Resolution No. 499 – Pension Program Performance Evaluation Contract Authorization
   o Issue: FPDR staff conducted a competitive selection process for a pension program
     performance evaluation.
   o Expected Outcome: Board adopts resolution authorizing the FPDR Director to enter
     into an agreement for a pension program performance evaluation.
2 Disability Audit Report
   o Issue: Review Milliman disability claims and program evaluation report and FPDR
     response to report.
   o Expected Outcome: Board accepts report.

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 Disability Payment Processes Audit Report
2 2015 Legislative Session
3 Response to Question Asked by Citizens at the January 27, 2015 Board Meeting
4 FPDR Updates
5 Future Meeting Agenda Items
6 FPDR Summary of Expenditures

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)(l) 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 27th day of January at 1:05 p.m.

Board Members Present Included:

- Mayor Charlie Hales, Chair
- Mr. Robert Foesch, Police Trustee
- Mr. Justin Delaney, Citizen Trustee
- Mr. David Dougherty, Citizen Trustee

Board Members Absent:

- Mr. Jason Lehman, Fire 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. Kenneth A. McGair, Deputy City Attorney
- Mr. Lorne Dauenhauer, Outside Legal Counsel
- Mr. Matt Larrabee, Milliman
- Mr. Scott Preppernau, Milliman
- Mr. Gabe Sansone, Fire Liaison
- Ms. Crystal Viuhkola, Police Liaison
- Mr. Alan Ferschweiler, President PFFA
- Mr. Ty Walthers, Retired Fire Member
- Mr. Del Stevens, Retired Fire Member
- Mr. Henry Groepper, Retired Police Member
- Ms. Julie Falender, Attorney
- Ms. Maxine Bernstein, Oregonian
- (Other unknown audience members)

Mayor Hales called the meeting to order and roll call of the trustees present was taken. Mayor Hales then asked for a motion to approve the minutes.

*Mr. Delaney made a motion that was seconded by Mr. Dougherty and passed by a roll call vote of 4-0 to approve the November 18, 2014 minutes.*
[THE FOLLOWING SUMMARIZED MINUTES WERE CONDUCTED IN PUBLIC SESSION. THERE WAS NO PORTION OF THE MINUTES THAT WERE IN EXECUTIVE SESSION.]

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General Public Comment
Mr. Del Stevens addressed the Board. He stated that as a follow up from the last meeting he had several questions to ask. Mr. Stevens stated that the FPDR Board changed its meeting schedule to every other month and last year cancelled all of the summer meetings. He wanted to know if the schedule change and cancelling of meetings was in conflict with the Oregon Public Meetings Law. Mr. Stevens also stated that several of the overpaid retirees voluntarily repaid their entire overpayment without being part of the class settlement. He added that in previous meetings everyone on the Board felt it was wrong and even the judge that administered the class lawsuit was embarrassed by it. He stated that there was pretty much a unanimous consent that the people that did the right thing should not be punished for doing the right thing. Mr. Stevens stated that at the last Board meeting he suggested asking Risk Management if they could correct the mistake that was made and pay back those retirees the 40% they were not refunded. He asked whether the Board had a response to his suggestion.

Mr. Delaney stated that he did not agree with Mr. Stevens’ statement that it was a unanimous position of the Board that a refund be proffered to the people who voluntarily repaid the FPDR and they need to remember why the repayment occurred. He stated that nobody disagreed that there was an overpayment and that the settlement had to do with the method the City used to collect the funds. He said unfortunately that the Board’s hands were tied. Mr. Delaney stated that he sympathizes with Mr. Stevens but thinks he did the right thing in repaying the overpayment amount.

Mr. Stevens also asked about a response to his PERS question. He stated that PERS had overpaid some pension benefits but forgave most of the overpayment so their members did not have to make any repayments. He asked why PERS could forgive an overpayment but the FPDR could not.

Mayor Hales stated he will be discussing Mr. Stevens’ issues with Mr. Hutchison and Mr. McGair and they will get answers to Mr. Stevens’ issues.

**Action Item No. 1 – Disability Audit Report**

This Action Item was postponed until the March 24, 2015 Board meeting.
Action Item No. 2 – Actuarial Valuation and Levy Adequacy Analysis

Actuaries Matt Larrabee and Scott Preppernau presented a report on the most recent actuarial valuation and levy adequacy analysis. Mr. Preppernau began by stating that the valuation of the FPDR program reflects changes made in the 2013 legislative session and reflects assumption changes adopted by the Board in May 2014. He went on to state that the actuarial valuation was conducted based on the June 30, 2014 snapshot of membership retirees and active members. He stated that because of the pay-as-you-go structure of the FPDR valuation, it is not used for funding or developing contribution policy and that it is much more the basis for financial reporting and levy adequacy work. Mr. Preppernau also stated that it is important to note that the valuation did not reflect the cost of the contributions made for FPDR Three members who get benefits under OPSRP. He went on to explain that the two big changes in the 2013 legislative session were: 1) Senate Bill 822 which eliminated tax offset benefits for retirees who were not subject to Oregon income tax because of residency and 2) Senate Bill 861 which limited the post-retirement COLA. For their valuation purposes and levy modeling, Mr. Preppernau stated that they assumed 1.25 percent COLA for FPDR Two members every year. He stated that in their model, benefits are projected to increase over the next 20 years when considered on a non-inflation adjustment basis and then subsequently decrease. He added that given the long-term nature of the modeling, assumptions play a key role in the calculations. He went over the assumptions and changes adopted based on their 2014 actuarial experience study and what they do in the valuation. Mr. Preppernau explained that it was the first valuation performed since the new GASB financial reporting requirements took effect. He also stated that a 4.29 percent discount rate was used which was raised from 3.5 percent. An increase from the 3.5 percent used for prior valuation.

Mr. Delaney stated that it seemed counterintuitive that GASB is requiring them to raise the discount rate, which is lowering their perceived financial obligation, but the people paying the property tax are not earning 4.92 percent on their investments right now. Mr. Larrabee replied that it is all about the financial reporting rather than the funding or the taxpayer group and that FPDR is a unique system.

Mr. Larrabee then transitioned over to the prefunded costs as a percentage of payroll for the FPDR Three members to fund their benefits from the OPSRP tier and the projected levy amount compared to the $2.80 that is allowed under the City Charter. He went over two broad categories: pay-as-you-go costs and prefunded cost. He added that changes from the 2006 reform helped lower the long-term projected cost of the FPDR program, but that the cost saving effects accrue very slowly with the most dramatic impact likely to occur more than 20 years out. Mr. Larrabee went over the variability in their analysis and their analysis results. He further went over the development of the final levy from the total requirements (expense) and added that based on consultations with both the City economist and FPDR, there is about a 9 percent difference between the total expense and final levy because of compression and discounts/delinquencies. Mr. Larrabee also
stated that the levy, when stated as a dollar amount of real market value, stays in the fairly narrow range, between $1.35 and $1.50 throughout the 20 years that they modeled.

Mr. Dougherty asked about the effects on the levy if SB 822 and 861 were overturned. Mr. Larrabee stated that he would anticipate moving the cost bars on his levy graph ten percent higher in dollars or levy rate than what they were currently and the median levy rather than staying flat would probably climb up a bit and the outlier bad scenarios would go up and start touching the $2.80. Mr. Delaney stated that even if SB 822 and 861 were overturned, the FPDR is benefitting from the increase in real market value so it would still be a little rosier than the last time.

Public Comment:
Mr. Ty Walthers, retired firefighter, addressed the Board and asked whether there would be any pressure in any of the outlying years on the millage had they not added the PERS component. Mr. Larrabee replied that he thought it was reasonable to presume that without the 2006 Charter changes they would potentially have an increase or the median could be headed up towards the levy, but they did not analyze that. Mr. Walthers then asked whether there is not necessarily more pressure on the 2.8 levy than would have occurred anyway without the 2006 changes. Mr. Larrabee stated that he thought the 2006 changes significantly reduced pressure on the 2.8 levy because it decreased benefits paid and created the potential for actual investment earnings.

Mr. Walthers then asked whether there was still a significant amount of property in the City, such as in the Pearl and in South Waterfront, that is not fully on the tax rolls and whether that would make any significant difference down the road. Ms. Hartline stated that her understanding is that there is only one real market value number per property and that the assessors cannot tell what part of the property’s value is associated with the increase since the urban renewal district was created. Ms. Hartline then stated that she did not think releasing urban renewal properties onto the general rolls affects the real market value levy.

Mr. Delaney made a motion that was seconded by Mr. Dougherty and passed by a roll call vote of 4-0 to accept the actuarial valuation report and levy adequacy analysis.

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Action Item No. 3 – Adopt 2015-2016 Budget

Ms. Hartline presented the FPDR 2015-2016 Recommended Budget and Five-Year Forecast for FYI 2016-2020. She started with the pension methodology and assumptions. She stated that staff was assuming no cushion in the FPDR 2 retirements in FY 2015-16 and that the pension benefit adjustments being assumed are 2.5 for FPDR One and 1.25 for FPDR Two. She then explained the FPDR Three contributions and stated that cost is being driven by the PERS rate increase to 20.64 percent. Ms. Hartline went on to explain that disability is trended with wage and medical inflation and administration is growing by 4.4 percent. She added that the materials and services portion of the administration cost are down 20.8 percent and explained the increase in the capital budget.

Mr. Delaney asked about the 4.4 percent growth in personnel services. Mr. Hutchison explained that in the past few years, City employees only got half of the cost-of-living and this year received the full cost-of-living. In addition, that there are newer employees that are eligible for step increases. Ms. Hartline stated that step increases for represented employees are determined by the labor agreements and for non-represented employees they can have up to a 4.1 percent merit increase per year until they reach the top of the range. Ms. Hartline also explained that another part of the inflation is the increase in the PERS contribution rates of more than 7 percent. She also went over the level of contingency and stated staff was comfortable lowering the contingency from 9 percent to 8 percent and went over the risks to the forecast.

Ms. Hartline then turned to the non-property tax revenue sources and stated that it was a small part of funding the Plan. She went over resources and requirements and stated that the property tax number for fiscal year 2015-16 was $121.6 million. The recommended budget was $171.6 million. Ms. Hartline also went over the five-year forecast. She explained that the Measure 50 assessed value levy rate declines from $2.67 this year to $2.52 in the budget year and rises slowly to $2.83 by the end of the five-year forecast. In addition, the gross Measure 5 real market value rate was declining from $1.48 to $1.36. She stated that it then rises slowly to $1.44 at the end of the five-year period assuming later real market growth is 4 ½ to 5 percent a year. Ms. Hartline reminded that the FPDR levy is capped at $2.80 per thousand dollars of real market value by the Charter so they are roughly about half of their maximum levy and the lowering rates will be good news for the taxpayers as well.

Ms. Hartline then went over key performance measures and stated that because FPDR does not provide a service to the public, it was decided to focus on what drives their budget and the public’s tax rate. Mr. Delaney commented that the key performance measures are phenomenal and the only missing item for him is the number of workers returned to work.
Minutes - Summary

[THE FOLLOWING SUMMARIZED MINUTES WERE CONDUCTED IN PUBLIC SESSION. THERE WAS NO PORTION OF THE MINUTES THAT WERE IN EXECUTIVE SESSION.]

Mr. Dougherty made a motion that was seconded by Mr. Delaney and passed by a roll call vote of 4-0 to accept the 2015-2016 Recommended Budget.

With the roll call vote, Mayor Hales stated that he had not heard of tax rates going down on an actuarially sound pension program anywhere else in the country and credited the current management of the FPDR, current and past members of the Board and the workforce of the police and fire organizations. Mr. Delaney added that to see that they are not in any real fear of bumping into the levy cap anymore is something everyone should feel good about.

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Action Item No. 4 – Resolution No. 498 – Administrative Rule Amendment to Section 5.3 and 5.8

Mr. Hutchison explained the amendments to the administrative rules were to correct a couple of errors. He stated that the first correction was in Section 5.3 where a paragraph was inserted in the wrong place in the rules. The second correction was in Section 5.8 where Substantial Gainful Activity (SGA) language was inserted. Mr. Hutchison explained that Section 5.8 does not have a SGA requirement and SGA language did not belong there. He added that the amendments were just to clean up the rules.

Mr. Delaney made a motion that was seconded by Mr. Foesch and passed by a roll call vote of 4-0 to adopt Resolution No. 498.

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Information Item No. 1 – Financial Audit

The report of Independent Auditors was provided to the Board in their board books. Ms. Hartline stated that the FPDR had a clean financial audit opinion again which included the implementation of GASB 67 (the new pension reporting standard).
[THE FOLLOWING SUMMARIZED MINUTES WERE CONDUCTED IN PUBLIC SESSION. THERE WAS NO PORTION OF THE MINUTES THAT WERE IN EXECUTIVE SESSION.]

**Information Item No. 2 – FPDR Updates**

Mr. Hutchison explained that at the last meeting the Board was informed about the *Windsor* Supreme Court decision on the Defense of Marriage Act. He stated that the ordinance to amend the Charter per the Windsor decision was passed by Council in December. He added that staff would be republishing the Charter with the amendment as well as the Administrative Rules with the recent revisions to the rules.

**Information Item No. 3 – Future Meeting Agenda Items**

Mr. Hutchison went over the meeting schedule and asked the Board whether they wanted to start the COLA discussion at the March or May board meeting. Mr. Foesch indicated that he would like to start that discussion sooner, rather than later. Mr. Hutchison stated he would have the COLA discussion on the March agenda. Mr. Hutchison also added that tax anticipation notes and an analysis/recommendation regarding the 30-day disability claim filing timeliness will be presented at the May board meeting.

**Information Item No. 4 – FPDR Summary of Expenditures**

There was no discussion on this item.

There being no further business, the meeting was adjourned at 2:30 p.m.

Samuel Hutchison
Director

/kk
RESOLUTION NO. 499

WHEREAS, the Bureau of Fire and Police Disability and Retirement (FPDR) requires the services of a consultant to conduct a pension program performance evaluation; and

WHEREAS, FPDR staff conducted a competitive solicitation to select and contract with an independent vendor who will provide a pension program performance evaluation; and

WHEREAS, FPDR staff selected Moss Adams and Moss Adams has indicated that it is ready, willing and able to conduct a pension program performance evaluation; and

WHEREAS, an 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 is authorized and directed to execute an agreement on behalf of the Board of Trustees and the FPDR with Moss Adams in a form substantially in accordance to Exhibit “A” in an amount not to exceed $75,841.

ADOPTED by the Board of Trustees on this 24th of March 2015.

Samuel Hutchison
FPDR Director
CITY OF PORTLAND
AGREEMENT FOR PROFESSIONAL, TECHNICAL, OR EXPERT SERVICES

CONTRACT NUMBER 30004420

TITLE OF WORK PROJECT:
FPDR PENSION PROGRAM PERFORMANCE EVALUATION

This contract is between the City of Portland ("City," or "Bureau") and Moss Adams LLP, hereafter called Consultant. The City's Project Manager for this contract is Nancy Hartline, FPDR Financial Manager.

Effective Date and Duration
This contract shall become effective on March 1, 2015 (or on date at which every party has signed this contract, whichever is later). This contract shall expire, unless otherwise terminated or extended, on December 31, 2015.

Consideration
(a) City agrees to pay Consultant a sum not to exceed $75,841 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): Moss Adams LLP
Address: 999 Third Avenue, Suite 3300, Seattle, WA 98104
Employer Identification Number (EIN): 91-0189318
[INDEEDNT CONTRACTORS: DO NOT PROVIDE SOCIAL SECURITY NUMBER (SSN) - LEAVE BLANK IF NO EIN]
City of Portland Business Tax Registration Number: 111095

Citizenship: Nonresident alien ___Yes ___No

Business Designation (check one): ___Individual ___Sole Proprietorship ___Partnership ___Corporation
X Limited Liability Partnership (LLP) ___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.

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EXHIBIT "A"
5. Remedies and Payment on Early Termination
(a) If the City terminates pursuant to (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 (b) above, the City is entitled to 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 (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 (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 (a).
(e) In the event of early termination the Consultant’s Work Product (defined below) created 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/44606.

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.

X 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.

X Required and attached ___ waived 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.

X Required and attached ___ waived 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 provides continuous coverage for a duration of three (3) years following completion of the contract or obtains an extended reporting period or tail coverage for not less than three (3) years following the termination or expiration of the Contract.

X Required and attached ___ waived 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 (blanket endorsement acceptable), 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 premium. The City reserves the right to require, at any time, complete, certified copies of required insurance policies (except declarations page as to the Professional Liability policy), 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" is defined as final reports and other completed deliverables created under this contract and delivered to the City, excluding any Consultant Material (defined below) contained or embodied therein. 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. If 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 106A, 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. Moreover, Consultant shall own its working papers and any engagement documentation and consulting-related general skills, know-how, expertise, ideas, concepts, methods, techniques, processes, software, materials or other intellectual property, or information not provided by the City, which may have been discovered, created, received, developed or derived by Consultant either prior to or as a result of providing services under the contract (collectively, "Consultant Materials"). The City shall have a non-exclusive, non-transferable license to use Consultant Materials for its own internal use and only for the purposes for which they are delivered. Notwithstanding anything to the contrary in this contract, Consultant and its Personnel are free to use and employ their general skills, know how, and expertise, and to use, disclose and employ any generalized ideas, concepts, know-how, methods, techniques, or skills gained or learned during the course of this contract so long as they acquire and apply such information without any unauthorized use or disclosure of confidential or proprietary information of City.

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 3.106 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: /X/ 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: /X/ 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 subconsultants 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/45475.

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

---

STATEMENT OF THE WORK
AND PAYMENT
SCHEDULE

SCOPE OF WORK

In performance of this contract, Consultant will:

1. Meet with FPDR staff to reconfirm the scope, objectives and logistical details concerning assessment and procedures

2. Evaluate FPDR's pension program
   a. FPDR pension management practices
      i. Member communication and training
      ii. Pension estimates
      iii. New retirements
      iv. Participant deaths and new survivor benefits
      v. Domestic relations orders and alternate payees
      vi. Monthly pension payments
      vii. First and final payments
      viii. Annual benefit adjustments
      ix. Annual tax reporting
   b. Internal policies and procedures
      i. Form
      ii. Content
      iii. Relevance
      iv. Effectiveness
      v. Usefulness
   c. Personnel competency and training
      i. Expertise
      ii. Compliance with policies, procedures and administrative rules
      iii. Availability of training and other resources
   d. Service provided to active and retired participants
   e. Information technology systems and procedures

3. Conduct interviews with the FPDR Director, FPDR Financial Manager, Pension Coordinator, FPDR Board of Trustees and other City staff as necessary

4. Evaluate how FPDR measures reflect plan performance (metrics and benchmarking)

5. Provide comparison of results and recommendations to results of prior study

6. Make two presentations of findings and recommendations report, first to FPDR staff and second to FPDR Board of Trustees
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>Mark Sieranka, Director</td>
<td>Project Manager</td>
</tr>
<tr>
<td>Debby Deering, Partner</td>
<td>QA, Management Practices, Personnel &amp; Training Lead</td>
</tr>
<tr>
<td>Gay Volland, Manager</td>
<td>Technology Lead</td>
</tr>
<tr>
<td>Colleen Rozillis, Manager</td>
<td>Policy &amp; Procedure Lead</td>
</tr>
<tr>
<td>Patricia Lambe, Manager</td>
<td>Service Delivery Lead</td>
</tr>
</tbody>
</table>

SUBCONSULTANTS - NONE

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 subcontractors employed in the performance of this agreement. An electronic copy of the MUR may be obtained at: http://www.portlandoregon.gov/bms/45475.

COMPENSATION

The maximum that the Consultant can be paid on this contract is $75,841 (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 that 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. It is City policy to pay its vendor invoices via electronic funds transfers through the automated clearing house (ACH) network. To initiate payment of invoices, vendors shall execute the City’s standard ACH Vendor Payment Authorization Agreement. Upon verification of the data provided, the Payment Authorization Agreement will authorize the City to deposit payment for services rendered or goods provided directly into vendor accounts with financial institutions. All payments shall be in United States currency.

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.

PAYMENT TERMS: Net 30 Days

Hourly Rates

The billing rates shall not exceed those set forth below:
Mark Sieranka, $350
Debby Deering, $425
Gary Volland, $250
Colleen Rozillis, $225
Patricia Lambe, $240
Jim Lanzarotta, $350
Greg Damon, $300

Standard Reimbursable Costs

The following costs will be reimbursed without mark-up:
- Out-of-pocket travel expense

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

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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.

The Consultant shall make full payment to its subconsultants within 10 business days following receipt of any payment made by the City to Consultant.

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 returns 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 omissions 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: ___________

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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.

Moss Adams LLP

BY: ___________________________ Date: ___________________________

Name: ___________________________

Title: ___________________________
CONTRACT NUMBER: 30004420

CONTRACT TITLE: FPDR PENSION PROGRAM PERFORMANCE EVALUATION

CITY OF PORTLAND SIGNATURES:

By: NA Date: 
  Bureau Director

By: Date: 
  Chief Procurement Officer

By: NA Date: 
  Elected Official

Approved: NA Date: 
  Office of City Auditor

Approved as to Form:

By: Date: 
  Office of City Attorney
Disability Management Claims Operational Review and Program Evaluation:

The City of Portland Bureau of Fire and Police Disability and Retirement Fund

FINAL REPORT

Prepared for: The City of Portland Bureau of Fire and Police Disability and Retirement Fund
Prepared by: Robert K. Briscoe
Principal

December 23, 2014
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APPENDIX A – REPORT RECOMMENDATIONS
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APPENDIX C – MANAGEMENT REPORTS
I. BACKGROUND

A. Bureau of Fire and Police Disability and Retirement

The City of Portland, Oregon’s Bureau of Fire and Police Disability and Retirement (FPDR) provides disability, death, and retirement benefits to the sworn employees of the Portland Fire and Rescue and the Portland Police Bureau and their survivors as determined under Chapter 5 of the Charter of the City of Portland.

The FPDR underwent significant changes in the administration and claims handling process for disability claims as a result of the 2006 Charter reforms. The reforms established the FPDR as a separate entity, administered by a qualified disability expert. The FPDR administrators determine claim compensability and independent hearing officers or panels determine claim appeals.

FPDR retained Milliman to perform an independent evaluation of its current disability management practices including: recommending improvements to its management practices; recommending potential cost saving process improvements; designing an internal benchmarking program to measure future performance; evaluating the disability benefits; comparing the disability benefits to similar public safety officers programs; and comparing our results to prior audits. Milliman performed the review in summer and fall of 2014. The work included an on-site component consisting of reviewing documents, extensive interviewing, and reviewing a sample of claim files.

B. Milliman’s Expertise

The Milliman’s claims professionals who preformed this evaluation have more than 150 years of experience reviewing and analyzing disability claims under a wide range of statutory or voluntary programs in all U.S. jurisdictions. Police and fire program claims have frequently been part of Milliman’s claims work either as part of an engagement with municipal entities or their insurer, or as part of larger groups of claims from large insurers or reinsurers. Milliman consultants have participated in working groups revising workers’ compensation (WC) statutes in which considerations of the effects of the revisions on police and fire claims were a significant part of the revision process. Milliman has wide-ranging experience with the specific issues of police and fire disability compensation and how those issues have been addressed in a wide variety of programs nationwide.
II. EXECUTIVE SUMMARY

Below are Milliman’s high-level summaries of key findings.

- 93% of the claims we reviewed met or exceeded industry standards

- FPDR claim handling is significantly above industry standards and approaches or exceeds best practices in all key claim-handling activities. Areas of claims handling strength include:
  - Initial handling – FPDR is achieving three-point contact very quickly post injury, in many cases within the same day of injury report. The claim staff poses and obtains detailed responses to questions on the cause of injury, treatment course, prior injury history, etc.
  - Investigation – FPDR is actively gathering necessary and detailed information to make compensability determinations.
  - Medical management – FPDR is very thorough in evaluating treatment plans, prior injuries, injury mechanics, and work restrictions. The claim staff is thorough in the evaluation of injury history, injury mechanics, and treatment needs. Communication is maintained with the treating doctor and member with appropriate treatment questions, with any unresolved questions referred to an independent medical examiner (IME).
  - Return to work efforts – FPDR is communicating well with the member, treating doctor, and appropriate Bureau liaison regarding return to work efforts, in almost all cases sooner than industry standards.

- The FPDR is operating at or exceeding best practices levels, handling claims significantly better than normal industry levels for police and fire claims while providing appropriate level of service and benefits to the members. There are however, as would be expected in any disability program some improvements that can be made to the FPDR, including:
  - A detailed training program for the claim handlers, to ensure continued future claim handling consistency
  - Automated management reports to evaluate the program, measure performance, track the success of initiatives, and support the Bureau’s risk management needs. We have identify three key, system created management reports for FPDR to implement that are in line with WC industry best practice claim reports:
    - Loss Run Report
    - Pending Claims Report
    - Total Benefits Paid Report

- There continues to be improvement to the FPDR claims management processes and handling since the 2006 reforms to the FPDR and Marsh’s initial evaluation of the impact of the reforms on the FPDR’s claims management. We didn’t note any areas of
decline since Marsh’s last review in 2009 and the two areas (three point contact and litigation management) that Marsh indicated were still in need of improvement appear to have significantly improved and are now in line with best practices.

- FPDR does not set case reserves for claims, which is atypical for police and fire programs in the industry. However, there is no financial reporting reason for FPDR to begin setting case reserves for claims. Moreover, we do not recommend that case reserving be introduced at this time, because it could create unintended consequences by creating situations in which the perceived financial value of certain claims could lead to claim handling decisions that are different from the currently successful practices. Should a future financial reporting or other requirement to produce case reserves arise care should be taken to ensure that it does not cause any unintended changes to the currently successful claims handling process.
III. DETAILED FINDINGS AND RECOMMENDATIONS

This section of the report will provide details of our observations, findings, and recommendations.

A. Program Overview

1. FPDR Key Reform Changes

The FPDR underwent significant changes when the 2006 reforms to Chapter 5 of the Charter of the City of Portland, Oregon became effective January 1, 2007. These reform changes have impacted how the FPDR handles disability claims. The major changes from these reforms that impacted FPDR’s disability claims management included:

- FPDR was established as a separate entity in 2007
- The FPDR Board size was reduced from 11 to five people
- The FPDR Board no longer decides applications for benefits, however the Board was granted the power to prescribe rules and regulations for administration of Chapter 5
- FPDR is now administrated by a qualified disability expert
- Disability claim approvals are now determined by the FPDR administrator
- Claim appeals are now determined by independent hearing officers and panels
- FPDR is now authorized to recover medical costs in addition to time loss costs from third parties
- Post-retirement medical expenses are now covered for treatment related to accepted service-connected injuries for members who retire on or after January 1, 2007

More recently, in 2012, an Amendment to Chapter 5 of the Charter granted the FPDR the ability to settle claims. Also, in 2013 interim benefits were introduced, allowing for payment of benefits while the claim is being evaluated. However, if the claim is later denied and becomes final the member would be required to repay the benefits received. The ability to later recoup interim benefits on denied claims is unique to this program when compared to programs that fall under WC regulations.
2. **Organizational Structure**

The FPDR disability management claim department that administers the service and non-service disability benefits includes: a claims manager, two senior analysts, two claims analysts, one claim tech, one assistant claim tech, and two bureau liaisons. A senior analyst is designated to a specific Bureau to handle the complex service, occupational, and non-service disability claims. The claim analyst is responsible for handling the less complex medical only claims and is also responsible for some administrative functions for lost time claims. The claim tech and assistant claim tech provide the remaining administrative support functions for the claim department. The liaisons help facilitate communication between the FPDR, bureau, and member. Generally, the current claim staffing model is adequate and the claims are being handled in a consistent manner.

We have outlined the workflow, workloads, supervision, and recommendations for the organizational structure below:

a. **Workflow**

When a Disability in the Line of Duty Report (DILD) is received by the FPDR, the assistant claim tech reviews and sets up an electronic and paper claim file. The assistant claim tech upon receipt of the DILD initiates three-point contacts; requests the WC index and Insurance Services Office, Inc. report; sends the appropriate pending claim letter to the member and doctor if information is available; and gives the new claim to the claims manager, typically on the same date the DILD is received.

Once the claims manager receives the claim file and reviews the information, the claim is assigned to the appropriate claim handler (senior analyst or analyst) based on the complexity and bureau involved in the claim.

The claim handler is responsible for claims administration including: investigations, taking statements, compensability determinations, medical management, disability management, return to work efforts, vocational rehabilitation coordination, and disability payment authorizations.

When a claim is approved, the claim tech initiates medical bill reviews, applies fee standard reductions, prints and mails checks, and provides customer service functions for medical bill payments.

Based on our review the workflow process is operating efficiently with the appropriate claim handler receiving the claim in a timely fashion, often on the same day of report.
b. Workloads

The current FPDR claim staff is adequate to handle the disability claims in an effective and efficient manner. Claim handler workloads average approximately 85 open claims (this includes pended, approved, denied, monthly, and post-retirement medical claims). Appropriate workload levels depend not only upon the number of open claims, but also on the allocation by claim type. Claim handlers with many active, complex claims should have a lower workload than claim handlers with a larger proportion of relatively simple claims. The workloads for the senior analysts range from 70-110 open claims and the analysts range from 76-88 open claims. We noted in the workload reports from January 2014 through July 2014 that the senior analyst for the Fire Bureau is consistently handling over 100 open claims. This number is too high in our opinion and a reduction to approximately 80-85 complex claims should be considered. The movement of less complex claims to an analyst should be considered for this senior analyst. We noted claims in our claim file review that have effectively resolved except for certain mechanical processes or are less complex in nature that could be shifted to an analyst and used as a training opportunity to groom the employee for a senior analyst position in the future.

c. Supervision

The four claim handlers report to one claim manager who is their stated supervisor. These supervisory spans of control meet industry standards. We also noted that the claim manager is the designated handler for five claims. In the industry, the supervisor typically does not directly handle claims. The role of the supervisor should include mentor, data expert, trainer, claim file auditor, procedure compliance monitor, and performance evaluator.

d. Recommendations

- The Claim Manager should not be the designated handler of a claim file. We recommend active claim handling functions for open claims be assigned to a senior analyst or analyst if appropriate.

- The open claim count for one senior analyst is consistently too high. We recommend that claims that are non-complex in nature be assigned to an analyst when possible. The claim reassignment can be used as a training tool for the analysts, increasing their knowledge while preparing them to handle more complex claims. Claims for possible reassignment include:
  - Claims where the lost time component has resolved and the medical treatment has reached a maintenance status
  - Standard non-service injury claims
3. **Transitional Duty Return to Work Program**

The FPDR Transitional Duty Return to Work Program was designed to assist Members by providing incentives for the Police and Fire Bureaus to provide transitional duty work for Members who are temporarily disabled due to an injury or illness.

The FPDR, bureaus and liaisons work collaboratively to provide a safe manner for the member to return to work within their medical restrictions. Highlights of this program include:

- A member performing limited transitional duty will receive their regular rate of pay for any hours worked. If they are able to work a full shift, there will be no wage loss. If they work less than their full shift, a disability benefit will be payable in accordance with Chapter 5 of the City Charter and the FPDR Administrative Rules.

- The transitional duty assignment is for a maximum 180 days and is monitored by FPDR staff and the bureau liaison to help maintain the member’s continued recovery.

- The Director may provide a wage subsidy not to exceed 75% of the member’s wage for a specified number of days, not to exceed 180 days, approved for the transitional duty assignment.

Currently there are no automated metrics in place to determine if this program is successful. However, we feel that the Transitional Duty Return to Work Program has been successful and that it is exceeding best practices when the FPDR is compared to other such programs nationwide, achieving almost 100% success in returning the member to full duty work with their respective bureau in the files we reviewed. Ongoing measurements should be made periodically to evaluate the success of the program going forward. The comparisons should also be broken out by injury type and work capacity to determine if the program is more successful or needs modifications in a particular area.

**B. Disability Benefit Comparison**

1. **Current Benefit Structure**

For FPDR Two and Three members who are eligible for service connected or occupational disability benefits, the benefits are as follows:

- In the first year from the date of disability the member shall be paid 75% of the member's rate of base pay in effect at disability, reduced by 50% of any wages earned in other employment during the period the benefit is payable.
After the first year and prior to the fourth anniversary of the date of disability the member shall continue to be paid the benefit as in the first year until the earliest date on which the member is both medically stationary and capable of substantial gainful activity (SGA).

On the fourth anniversary of date of disability, if not medically stationary sooner, the member shall be deemed medically stationary for purposes of benefits, regardless of the status of the member's medical condition and benefits are as follows:
- If the member is incapable of SGA, the benefit will remain at 75% of the member's rate of base pay in effect at disability.
- If the member is capable of SGA, the benefit shall be 50% of the member's rate of base pay in effect at disability, reduced by 25% of any wages earned in other employment during the same period.

The minimum benefit shall be 25% of the member's rate of base pay in effect at disability, regardless of the amount of wages earned in other employment.

The member shall not receive benefits for time periods incarcerated subsequent to and for the conviction of a crime. However, the member's benefit shall be payable to their spouse, if not incarcerated, or the member's minor children, in the amount of one-half of such benefit, during such periods of incarceration.

For FPDR Two and Three members who are eligible for non-service connected disability benefits, the benefits are as follows:

- The benefit shall be 50% of the member's base pay in effect at disability, reduced by 50% of any wages the member earns in other employment during the period the benefit is payable. The FPDR Director may reduce, suspend or terminate the benefit if the member does not cooperate in treatment of the disability or in vocational rehabilitation or does not pursue other employment.
- The member shall not receive benefits for time periods incarcerated subsequent to and for the conviction of a crime.

2. **Benefit Comparison to Similar Programs**

The FPDR disability program is unique in the sense that it offers traditional disability benefits for non-work related injuries and benefits for work related injuries under the same program. The FPDR does not fall under WC statutory, regulatory or case law provisions like other public safety officer programs and therefore work related and non work related claims can be handled under the same program. Other public safety worker programs fall under statutory WC provisions so benefits for work related injuries are typically paid under the state mandated WC requirements. To our knowledge, few if any other public safety worker programs that rely on
WC statutes for work related injuries cover non-occupational accidents under the same program as their occupational benefit program. In this way the coordinated occupational / non-occupational benefits that are offered by the FPDR to FPDR members are largely unique except for a small number of very large public safety programs for cities much larger than Portland. Public safety worker programs typically cover non-occupational benefits under a separate disability benefit program, if any such coverage is provided. When such disability programs are operated separately issues of the relationship of work related vs non-work related injuries have been historically troublesome.

The benefits FPDR members receive for work related disabilities differ from other public safety officer programs that fall under the statutory WC regulations, but the benefit structure appears equitable and comparable to what other public safety workers receive under a traditional WC system. A comparison of the current work related disability benefit structure to the WC structure is outlined in the table below:

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>Workers’ Compensation</th>
<th>FPDR</th>
<th>Key Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Total</td>
<td>Typically 66 2/3% of AWW</td>
<td>75% of Base Pay</td>
<td>Specific WC benefits may be subject to COLA increases, while FPDR Benefits are subject to COLA and “Base Pay” increases</td>
</tr>
<tr>
<td>Temporary Partial</td>
<td>Typically 66 2/3% of AWW offset by earnings</td>
<td>75% of Base Pay offset up to 50% of earnings</td>
<td>FPDR has 25% min rate</td>
</tr>
<tr>
<td>Permanent Total</td>
<td>Varies but often no less than temporary rate</td>
<td>75% of Base Pay</td>
<td>WC often pays a set amount or lifetime award as long as unable to RTW; benefits can stop if able to RTW; award is often paid unless actually able to RTW</td>
</tr>
<tr>
<td>Permanent Partial</td>
<td>Varies but often less than temporary rate</td>
<td>75% or 50% of Base Pay subject to other wage offsets</td>
<td>Regardless of RTW an award or benefits often paid out in WC</td>
</tr>
<tr>
<td>Non-Occupational Injury</td>
<td>NA</td>
<td>50% of Base Pay subject to other earning offsets</td>
<td>WC programs don’t cover non-occupational injuries</td>
</tr>
</tbody>
</table>
Further details about the nature of the different benefit types are outlined below:

a. Temporary Disabilities

- Under the typical WC system if a person has a work related injury or illness the person is paid a rate of 66 2/3% of their average weekly wage for benefits subject to a statutory minimum or maximum rate for a given accident year until they are able to return to work or reach maximum medical improvement (MMI). In the WC industry these benefits are referred to as temporary total disability (TTD) benefits, unless the injured worker is able to work partial hours or another job, then temporary partial benefits (TPD) are paid by offsetting post injury earnings with pre-injury earnings. Note that if the injured member is able to earn at pre-injury levels or greater then no wage replacement is paid. The weekly compensation rate paid is typically a static weekly rate based on the individuals' AWW at the time of injury, with the exception of some states that require cost of living adjustments to the benefit rate as required under state regulations.

- An FPDR member receives 75% of their base pay until they are able to return to work or MMI. This benefit is similar to the TTD benefits in WC. If the member is able to work other employment outside the bureau, the disability benefit is offset by up to 50% of wages earned. This benefit is similar to TPD benefits in WC. The members receive a minimum benefit of 25% of the member’s rate of base pay in effect at disability, regardless of the amount of wages earned in other employment if they are unable to return to work at the bureau. However, if the member is able to work a full shift in a transitional duty position at the bureau, the member receives full pay from their respective bureau.

b. Permanent Disabilities

- Under the WC system if the injured person is able to work other employment or has reached MMI and is unable to return to work at his/her pre-injury job then temporary benefits cease and permanent impairment benefits may begin. Permanent benefits typically pay an injured worker a set amount in a lump sum or for a specified benefit amount over time based on the impairment rating, age of injured party, earning capacity, and other statutory WC requirements. These benefits can be for a limited number of weeks, until retirement age, or for the injured person’s remaining life expectancy.

- If an FPDR member is unable to return to employment at the respective Bureau then permanent disability benefits are paid until the person reaches retirement age. The amount of the benefit paid is a maximum of 75% or 50% if member is capable of substantial gainful activity (SGA) and subject to a minimum of 25% of the base pay of the member at the time of injury. The minimum FPDR benefit is unique – disability benefits available to police and fire personnel through WC statutes generally pay benefits for the duration of the disability providing ongoing incentives for the member to
remain on compensation for long periods of time. The stepped reduction in FPDR benefits provides substantial incentives for the member to return to work or seek other employment beyond the police or fire job.

c. Other Similar Programs

- Based on our experience and research there are very few, if any, police and fire disability programs with all of the post-2006 FPDR law change provisions. Generally programs, which use the WC statutes, do not have the job search requirements of the FPDR program or if job searches are present in the statute (NY and PA are states with job searches included in the WC statutes) they are very difficult to administer and frequently fail to resolve claims. In NY, a jurisdiction in which Milliman has extensive experience with police and fire claims, special provisions in the WC law make enforcing job searches for police and fire claims very difficult. Almost all police and fire programs nationwide treat work-related disabilities either as formal WC claims or use the local WC process if legally separate. In all such cases return to work programs are enmeshed in complex processes often involving formal litigation. Based on our experience and research we do not believe any such programs have demonstrated the consistent success FPDR has demonstrated since 2011 in achieving a virtual 100% return to work record.

C. Procedures, Policies and Practices

1. Procedures Manual

The procedure manuals are more of administrative processing outlines rather than a technical procedure manual. These documents do not address vital specifics such as timeframes within which a task must be completed. The manual does not provide the claim handler with objective criteria to effectively and efficiently resolve claims in a structured manner.

We recommend that a new technical claims manual be created to include specific details of important claims handling procedures including timeframes within which to complete tasks and a structured approach for resolving claims consistently. This will provide the claim staff with a readily-accessible information source, will provide management and the staff with the opportunity to thoroughly review and if necessary reevaluate and revise current claims practices, and will provide the manager with objective documented measures with which to evaluate claim-handling performance. A detailed manual also is an excellent primary source material for training and will allow for easier transitions when staff turnover occurs. The level of claim handling adequacy and efficiency is a result of the current staff and turnover could disrupt the FPDR performance without a detailed claim handling procedures manual. It should be noted that the creation of such a manual is not a one-time exercise. If the manual is not updated periodically it can become a source of inconsistent claims practices.
2. **Training**

Currently there is no formal training requirement in place for FPDR personnel outside of continuing education requirements for the state adjusters’ license. The training program for FPDR needs to be more rigorous and tailored to the program and claims being handled by the FPDR. We recommend that the FPDR develop a formal training program for its claim handling staff. A tailored training program will develop consistency among claim handlers, develop staff knowledge, and help ease transitions from staff turnover. We understand that FPDR claims staff has prior work experience with regular WC claim handling, but that new claims handlers are now being utilized with no such prior experience. The level of formal training for the new personnel with no prior WC experience will be higher than the historic claims handlers, although in both cases training to achieve uniformity in the application of the FPDR policies and procedures will be useful. We recommend training for new non WC hires include an overview of basic back, neck and knee medicine including common surgeries and treatment protocols, an overview of opioid pain medications, specifics as to the physical requirements of police and fire jobs, specifics as to how light duty / limited duty programs address those physical requirements, guidance as to how to recognize serious medical conditions both as a source of disability claims and as comorbidities which may impair the ability of a member to return to work. All claims handlers should be instructed as to the specifics of the FPDR benefit calculations and payments procedures to insure uniformity. All claims handlers should have uniform instructions as to under what circumstances claim situations call for referrals to supervisors.

3. **Management Reports**

When addressing “Management Reports” it is imperative all such reports are system-generated in a consistent manner on a periodic basis, i.e. monthly, quarterly, annually, etc. The most effective approach to assure the consistency and accuracy of the data captured is to utilize predefined data, which is selected from a drop down menu or data that is selected from a predefined list of fields. By using drop down menus and/or predefined data you are assured of consistent terminology and eliminate or at least limit data entry errors such as misspellings, inconsistent abbreviations, typos, etc.

While a standardized list of management reports, generated at specific times, i.e. weekly, monthly, semi-annually, etc. is critical, it is also beneficial for management to have the capability of developing special “Ad Hoc” reports to address specific data requests. Unfortunately, the current claims program utilized by FPDR has data collection limitations, which restricts overall reporting capabilities and limits the management staff's abilities to easily generate any type of “Ad Hoc” reports. Data collection is basically “keyed” data, which is manually entered by various members of the claims staff and therefore allows for data entry errors such as misspellings, inconsistent abbreviations, etc. The generation of accurate reports is exceedingly important, but with the current claims system there are many ways inaccurate or corrupted data can make its way into the reporting features. Management’s
ability to monitor workloads and productivity of individual staff members is critical, but with the current claims system a reliable open/closed claim count is almost impossible to generate.

The FPDR does not currently utilize a standard set of formalized management reports to track staff performance, claim trends, and success of newly implemented programs and processes. FPDR management has recognized that a lack of reports makes program and staff evaluations somewhat subjective. We feel that FPDR would benefit from the immediate implementation of three key management reports to better run the claim operation: a Loss Run Report; a Pending Claims Report; and a Total Benefits Paid Report. These key management reports are used by other WC programs that have a comparable benefit structure to FPDR and are in keeping with WC best practices. Further details about these three reports are provided below:

a. Loss Run Report

The first system report is a very basic “Loss Run” which captures data necessary to evaluate individual employees’ workloads and allows management to sort the detail to provide an aging report as well as paid-to-date values by benefit type. Best practices dictate that the “Loss Run” be generated by the claims system on a monthly basis.

The “Loss Run” should contain the following basic data elements:

1) Analyst1 (The individual responsible for the resolution of the various features or suffixes associated with the individual claim.)
2) FPDR claim number
3) Member’s Last Name
4) Member’s First Name
5) Injury Date
6) Bureau (Fire or Police)
7) Time Loss Paid-to-Date
8) Medical Paid-to-Date
9) Expenses Paid-to-Date
10) Feature / Suffix associated with claim number (Indemnity, Medical and Expense)
11) Feature / Suffix Status, i.e. Open, Closed, Reopened, Withdrawn or Denied

The “Loss Run” is not available to the management staff as there is currently no mechanism for capturing the individual “Features or Suffixes” associated with the individual claim number and the individual “Feature/Suffix” statuses are not captured by the claims system. This is a departure from “best practices” in that it does not allow for a physical count of features or suffixes that each member of the claims staff has in an Open or Reopen status. It is imperative the claims system capture the individual features/suffixes so that individual workloads may be determined. Capturing the features/suffixes will allow

1 Generally speaking the Analyst originally assigned to the claim would be responsible for all features opened for the date of injury, but in situations where the indemnity feature / suffix is closed it may be that the medical and/or expense features / suffixes may be reassigned to a less another claims handler.
for identification of losses that can be reassigned to less/more experienced staff members to assure that the claims handlers are being utilized to their fullest potential. Reassignments of individual features/suffixes can also be used as a developmental tool for the less experienced staff.

b. Pending Claims Report

The second system report we recommend would be the “Pending Claims Report” and would contain only the “Open and Reopened” Features/Suffixes along with their individual Paid-to-Date values. The data captured in this report would be identical to the “Loss Run” report, but in addition to the “Loss Run” detail this report would group the features/suffixes in aging categories such as:

1) Feature/Suffix open less than 30 Days
2) Feature/Suffix open >30 Days, but <60 Days
3) Feature/Suffix open >60 Days, but <90 Days
4) Feature/Suffix open >90 Days

The aging categories can be adjusted or set to any timeframe selected by FPDR claims management, but we would recommend that the aging categories be limited to no more than 5 or 6 groupings. This report will help identify the larger long-term exposure claims and will also allow management to evaluate the timeliness of individual staff members. Individual claims will vary on the time required to resolve the issues, but a report such as the “Pending Claims Report” can help identify staff members who may be having problems with timely addressing claim issues. We would recommend that the “Pending Claims Report” be generated on a monthly basis.

c. Total Benefits Paid Report

The third system report we would recommend immediately be implemented would be the “Total Benefits Paid” report, and we would recommend it be generated quarterly. The “Total Benefits Paid” report will assist in identifying the larger exposure claims and any unusual trends that may be impacting benefit payments. We would recommend that this report include the following data elements:

1) Claim Number
2) Last Name
3) First Name
4) Injury Date
5) Payment date
6) Analyst
7) Bureau (Identifier for specific Station or Division)
8) Body Part
9) Payee
10) Payment Type
11) Medical Paid (CPT Codes used for breakdown, i.e. hospital, drugs, etc.)
12) Indemnity Paid (Also broken down by type of benefit, i.e. wage subsidy, pension, etc.)

13) AP Payments

The “Total Benefits Paid” report can be ordered for any date range, i.e. monthly, quarterly, paid to date totals, etc. The report can also be used to select individual “benefit payment types” to compare Bureaus or individual station locations. We would recommend that the payment detail be limited to total payments, i.e. quarterly, monthly, annually, etc. This report will also capture individual claims, groups of claims by location, body part, individual member, etc. When the data is extracted from the claims system, we would suggest that it be configured in an Excel format, which will allow the user the freedom to configure the payment detail in any manner needed. Once you have identified specific reports that you would like to see on a regular basis the IT department should be able to lock in the data format and those reports can be generated on a regular basis and maintained for historical purposes. From a management standpoint we would recommend using “Paid to Date” values, because individual payments will generate an extremely large report that normally would not be used by management. This same report could be run for an individual claim or a group of claims should the need arise.

In addition to these three identified reports, FPDR senior management provided an outline of data they felt was important to monitor, asked us several questions with regard to this list, and requested our assistance in developing management reports based on best practices. We have provided our comments and recommendations from that full management report list in Appendix A to this report. We do however recommend that caution be used in the development of management reports since it is possible that the generation of a large number of reports can have an adverse impact on the FPDR managers.

D. Cost Saving Recommendations

We noted a small area for improvement that may result in cost savings to the FPDR. The potential savings area involves the monthly benefit recipients that are unable to return to work for their respective bureaus. Our claim file review indicated there are some claims where the FPDR is requesting SGA information or wage information from the member without timely member response. We recommend that, under certain circumstances, the FPDR hold the member more accountable. For instance:

- When a member is non-compliant the FPDR can suspend benefits until the member becomes compliant.
- When a member is non-compliant with wage information the FPDR can reduce the benefit to the minimum level of 25% of the base pay.
The FPDR should also consider settlement in some cases. The use of settlement in the right situations could benefit the member and save the FPDR money in the long term.

When members are non-compliant or inconsistently compliant with job searches efforts to engage vocational job search agencies may be helpful. When job searches are unsuccessful based on a member’s physician assigned limitations referrals to vocational evaluation resources may be helpful in resolving such issues.

E. Claim File Review

1. Claim Selection

We were provided with two lists from which we selected claims for review: the first list included all non-monthly claims with activity in fiscal year 2014 (331 open and 211 closed claims); and the second list included 31 open monthly benefit claims. The two lists contained 386 service or occupational related claims and 8 non-service or non-occupational related injury claims. We selected a sample of 48 open claims (42 non-monthly and 6 monthly) and 25 closed claims (all non-monthly) ensuring a representative mix by claim type and bureau.

2. Qualitative results

In 93% of the claims we reviewed, technical claims handling met or exceeded industry standards. Particular areas of strength noted in the claim files we reviewed included claim handler proactivity, claim file documentation, investigation, medical management, and return to work efforts.

Milliman assessed the following key areas of claims handling:

- Initial Handling – best practice is to setup a claim within 24 hours of notice and make three point contacts (Member, Bureau, and Physician)
- Investigation – best practice is to evaluate claim severity within 14 days; complete initial investigation and resolve coverage issues within 30 days
- Medical Management – best practice is to have medical payments processed/denied within statutory required deadlines if applicable or within 30 days post receipt; and if applicable medical case management or medical cost containment should be initiated within 7 days of any specific circumstance that arises
- Return-to-Work Efforts – best practice is to initiate return-to-work efforts as soon as medically safe for the individual
- Subro/Recovery – best practice is to identify and address any subrogation and recovery potential within 30 days of receipt of the claim
• Expense Control – best practice is to limit the use of outside resources for functions that can be handled internally (i.e. taking recorded statements, medical bill review, applying fee schedules, etc.)

• Claim File Documentation – best practice is to create a claim strategy/action plan to bring the claim to resolution within 30 days and provide updates/edits to that plan on a regular basis

• Litigation Management – best practice is to limit the use of outside counsel for claim handling functions and the claim handler to instruct and guide counsel of guidelines for assignment once notice is received, special notice that may be required, approved law firms, etc.

• Claim Handler Proactivity – best practice is for the claim handler to be in the claim on a regular basis, responding to changes in claim facts and key information in a timely fashion

• Supervisory Involvement – best practice is for supervisor involvement after initial instruction within 30 days and within 60 days thereafter until claim is closed/finalized

Best Practices Discussion: The FPDR program is implementing best practices in key areas including the initial processing and information-gathering of each claim, including the application of the specific FPDR statutory provisions and rules, managing the medical information flow and quality of medical reports, and enforcing the specific FPDR return to work / job search requirements. Members are returning to work at a much higher rate than generally seen in the industry for police and firemen. Moreover, if a position is unavailable, members are finding other employment to help minimize the benefits paid out of the FPDR program. While there is always the possibility of further efficiencies and cost savings the recent achievements of the FPDR program are significantly better than other police and fire programs nationwide.

We have the following high-level findings from the claim file review:

Initial Handling: In the claims reviewed, 100% met or exceeded industry standards for initial handling. The FPDR is consistently making timely three-point contact, often on the same day of claim reporting. The claim handlers are maintaining proper levels of communication, requesting pertinent injury information, and addressing any questions or concerns from the onset of the claim.

Investigation: In the claims reviewed, 99% met or exceeded industry standards for investigations. In fact, 12% of the claims we reviewed exceeded industry standards. The claim handlers are actively performing thorough detailed investigations, taking recorded statements, reviewing prior injury history, and evaluating injury mechanics to determine compensability.

Medical Management: In the claims reviewed, 99% met or exceeded industry standards for medical management. Our review indicated medical management as an area of strength, 14% of the claims we reviewed exceeded industry standards. The claim handlers are consistently
evaluating medical history, injury mechanics, and treatment necessity. Our claim review indicated the same level of detail with new and ongoing long-term medical claims.

Return to Work Efforts: In the claims reviewed, 97% met or exceeded industry standards for return to work efforts. The claim handler is communicating well with the member, treating doctor, and appropriate bureau liaison with return to work efforts. The use of transitional work positions are being coordinated appropriately, timely, and consistently helping members return to work with their respective bureau.

Subrogation/Recovery: In the claims reviewed, 99% met or exceeded industry standards for recoveries. The FPDR is appropriately and actively addressing any potential for recoveries.

Expense Control: In the claims reviewed, 100% met industry standards for expense control. The FPDR is consistently and appropriately handling the claims internally without reliance on outside sources. Frequently utilized outside sources in other police and fire programs include nurse case managers, vocational programs with little or no actual return to work success, IME medical evaluations which render opinions delaying or preventing return to work, third party medical providers who process medical bills at high cost, and use of defense counsel to engage in litigation which may or may not result in a near term resolution of a claim.

Claim File Documentation: In the claims reviewed, 95% met or exceeded industry standards for claim file documentation. The claim handlers are utilizing action plans and organizing claim files in a consistent manner. Although minor in nature, 5% of the claims reviewed were in need of improvement with the formal resolution of a claim file. There were prolonged periods of inactivity with no plan in place to address any outstanding claim questions prior to claim closure. The implementation of an automated diary system and utilization of aging reports will correct these periods of inactivity.

Litigation Management: In the claims reviewed, 100% met industry standards for litigation management. Although this category was not applicable to many of the claims we reviewed, in the litigated claim files we reviewed the FPDR staff maintained control of the claim and movement of the claim to resolution without abandonment to counsel.

Claim Handler Proactivity: In the claims reviewed, 93% met or exceeded industry standards for claim handler proactivity with regular activity and follow-up on the claim to ensure claim is moved toward closure/resolution. In over 20% of the claims reviewed the claim handler exceeded industry standards. The claim handlers were actively handling claims, providing detailed action plans, evaluating medical information, and moving claims to timely closures. Although minor in nature, 7% of the claims reviewed were in need of improvement with claim handler proactivity. The implementation of an automated diary system and utilization of aging reports will correct these inconsistencies.

Supervisory Involvement: In the claims reviewed, 99% met industry standards for supervisory involvement. Based on discussions with the claim handlers and the claim manager, the instruction and claim oversight is primarily verbal with limited documentation in the claim file.
from the supervisor to the claim handler. Rather, the claim handler would indicate in the claim
notes “discussed with manager” or “as discussed with manager,” etc.

See Section V, Exhibit for a summary of our qualitative assessment findings by category.

3. **Claim Examples**

Examples of claims that exhibited excellent claims handling attributes included:

- **10260301, 12372801, 20140010, 20140026, 20140110, 20140206, 20140223, 20140287, and 20140332:** The claim handler is proactively evaluating the medical history, medical treatment, injury mechanics, and appropriately addressing compensability questions.

- **20130096:** This claim was a complex claim, with significant injuries suffered by the member. The claim handler exhibited great proactivity and communication to ensure the member’s care needs were met in a timely fashion. The member suffered a severe spine injury that required home and vehicle modifications. The claim handler created detailed action plans and worked with the member to meet his care needs. The member was able to pass his driver test and move into a transitional work position within 10 months of the injury.

- **20140068:** The subrogation investigation was active, and the claim handler asked detailed questions from the initial claim report to ensure potential recovery needs were evaluated.

- **20140119, 20140135, 20140213, 20140290, and 20140296:** The claim handler worked well with the member, liaison, and treating physician to enable the member to return to work for the bureau in a transitional duty position.

Although most of the claim files we reviewed met or exceeded industry standards, there were some claims we felt had room for improvement.

- **20130151, 20140159, 20140178, and 20140279:** These are examples of claim files that were in need of improvement due to inactivity from the claim handler at the end of the claim to formally close the claim file. As referenced above, a system generated auto-diary or inactivity-aging report will help eliminate this timing issue.

- **00389703:** This is an example of a monthly claim where information regarding job search logs and work capacity evaluations appear to be in non-compliance. This might be a claim to consider holding the member more accountable with information requests.
F. Comparison to Prior Audit Report

Marsh was hired in 2007 to conduct the initial audit of the FPDR post 2006 reform changes. The initial review report was completed in March 2008. The initial Marsh review evaluated 45 claims with a focus on 2006 and 2007 claims management activity. The service connected disability claims were evaluated in ten categories: Initial three point contact; investigation, subrogation / recoveries; medical / cost containment; disability management / vocational rehabilitation; action plans; communication; litigation management; adherence to special instructions; and benefits. A comparison evaluation was done on the 45 claims to evaluate the claim handling differences between 2006 and 2007 claim handling practices on all claims. Marsh found that although some of the categories ranked differently the overall audit score results of 77% were the same for 2006 and 2007. Areas that scored low and were in need of improvement were three point contact, investigation, action plans, communication, and litigation management. In addition to the ten primary claim review categories, Marsh also noted inconsistencies in claim file documentation, the claim numbering system, no time limits on claim acceptance decisions, high staff turnover, inconsistent claim closures, and very little focus on claim costs.

Marsh also conducted a subsequent review in June 2009. When Marsh evaluated the program last in 2009, the overall review score had improved to 93% with the only remaining areas in need of improvement being three point contact and litigation management. Our evaluation categories and ratings were similar, although not identical, to those Marsh utilized. We found that 93% of the claims we reviewed met or exceeded industry standards. Since the 2009 audit, it appears as though the FPDR has improved their three-point contacts and litigation management. We did not find a decline in any of the claim handling categories that we analyzed.

G. Miscellaneous

The FPDR accountant is responsible for calculating the disability benefit. The accountant is manually entering data into various and numerous spreadsheets that need to be streamlined. The need for the enormous amount of manual data entry remains unclear, but it seems to be a less than optimal use of resources and also could lead to errors if this information is relied on for other tasks. A thorough analysis of accounting functions was outside the scope of this review but we recommend that FPDR follow-up with such an assessment to ensure that the accounting function is operating efficiently and effectively.
IV. LIMITATIONS

Milliman’s work has been prepared solely for the internal use of FPDR. No portion of Milliman’s work may be provided to any other party without Milliman’s prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work. Milliman’s work may not be filed with the SEC or other securities regulatory bodies. Any reader of this report agrees that they shall not use Milliman’s name, trademarks or service marks, or refer to Milliman directly or indirectly in any third party communication without Milliman’s prior written consent for each such use or release, which consent shall be given in Milliman’s sole discretion.

Milliman has prepared this report in conformity with its intended utilization by a person technically competent in the areas addressed and for the stated purposes only. Judgment as to the conclusions, recommendations, methods and data contained in this report should be made only after studying the report in its entirety. Furthermore, Milliman is available to explain and/or amplify any matter presented herein, and it is assumed that the user of this report will seek such explanation and/or amplification as to any matter in question.

For our analysis, we relied upon the accuracy of written and verbal data and information provided by FPDR in connection with this assignment. Milliman has made no independent analysis of the completeness of that data and information for the purposes of this report. Such a review was beyond the scope of our assignment. If the underlying data or information provided to us either verbally or in writing is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Our assessment of FPDR’s claims operational structure and claims practices is based on our professional judgment after conducting interviews, reviewing a sample of claim files, and reviewing documents. Two experienced claim professionals, faced with the same set of facts, may arrive at different conclusions.
## EXHIBIT

**Milliman Review - FPDR - Qualitative Assessments**

### Total # of Claims Reviewed = 73

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<td><strong>662</strong></td>
<td><strong>15</strong></td>
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APPENDIX A – REPORT RECOMMENDATIONS

1. Technical Claims Manual Creation

We recommend that a new technical claims manual be created to include specific details of important claims handling procedures including timeframes within which to complete tasks and a structured approach for resolving claims consistently. This will provide the claim staff with a readily-accessible information source; will provide management and staff the opportunity to thoroughly review and if necessary reevaluate and revise current claims practices; and will provide management with objective documented measures with which to evaluate claim-handling performance. A detailed manual also is an excellent primary source material for training and will allow for easier transitions when staff turnover occurs. The level of claim handling adequacy and efficiency is a result of the current staff and turnover could disrupt the FPDR performance without a detailed claim handling procedures manual.

2. Management Report Implementation

We feel that FPDR would benefit from the immediate implementation of three key management reports to better run the claim operation: a Loss Run Report; a Pending Claims Report; and a Total Benefits Paid Report. These key management reports are used by other WC programs that have a comparable benefit structure to FPDR and are in keeping with WC best practices.

3. Formal Training Program Implementation

Currently the FPDR has no formal, detailed training program in place for its claim handling staff. We recommend that the FPDR develop a formal training program for its claim handling staff for newly-hired staff as well as for when staff shifts positions and when changes are implemented. A tailored training program will develop consistency among claim handlers, develop staff knowledge, and help ease transitions from staff turnover.

4. Claim Reassignment

We recommend that senior claims analyst caseloads be rebalanced to 80-85 complex claims and that less complex claims be assigned to an analyst when possible. The claim reassignment can be used as a training tool for the analysts, increasing their knowledge while preparing them to handle more complex claims.

We also noted that the Claim Manager has a small active caseload. This is not in keeping with best practices. The role of the Claim Manager should include mentor, data expert, trainer, claim file auditor, procedure compliance monitor, and performance evaluator. We recommend active claim handling functions for open claims be assigned to a senior analyst or analyst if appropriate.
5. **Automated Diary System**

We recommend the implementation of a system generated, auto diary system. The implementation of an automated diary system will help increase claim handling efficiencies. System generated auto-reminders will help correct periods of claim file inactivity, while improving claim file documentation accuracy and claim handler proactivity.

6. **New Initiatives/Program Evaluations**

When a new initiative or increased emphasis is placed on a program, we recommend that objective measures be implemented that evaluate the success of the program and determine if the improvements or modifications are needed. For example, the transitional duty return to work program should be evaluated to determine if it is meeting its intended purpose and objectives. One measure of success for a program of this nature is average length of time off of work for claims before and after this program was implemented. The comparison should also be broken out by injury type and work capacity to determine if the program is more successful or needs modifications in a particular area.

7. **Member Accountability**

Our claim file review indicated there are some claims where the FPDR is requesting SGA information or wage information from the member without timely member response. We recommend that, under certain circumstances, the FPDR hold the member more accountable. For instance:

- When a member is non-compliant the FPDR can suspend benefits until the member becomes compliant.
- When a member is non-compliant with wage information the FPDR can reduce the benefit to the minimum level of 25% of the base pay.

8. **Manual Accounting Function Analysis**

Although the analysis of the accounting functions was outside the scope of this review, we recommend that FPDR conduct an assessment of that unit to ensure the accounting function is operating efficiently and effectively. The accountant is manually entering data into numerous spreadsheets that need to be streamlined. The need for the enormous amount of manual data entry remains unclear, but it seems to be a less than optimal use of resources and also could lead to errors if this information is relied on for other tasks.
APPENDIX B – SUMMARY OF INTERVIEWS

We interviewed the following individuals during the course of our review:

- Barb Aase, Analyst
- Heather Andrews, Assistant Claim Tech/Intake
- Darina Christensen, Analyst
- Diane Davis, Nurse Case Manager/RN
- Justin Delaney, Board Member
- Nancy Hartline, Finance Manager
- Sam Hutchison, Director
- Jason Lehman, Board Member
- Sheri Miller, IT
- Kimberly Mitchell, Claims Manager
- Yuliya Pathamavong, Claim Tech
- Patricia Rafferty, Accountant
- Gabe Sansone, Liaison - Fire
- Pam Schill, Senior Analyst - Fire
- Julia Towne, Senior Analyst - Police
- Crystal Viuhkola, Liaison - Police

All interviewees felt that the bureau liaisons were valuable; several interviewees felt that they might be underutilized and wondered whether there might be more that they could do to benefit both the bureaus and FPDR. For example, it was felt that when there is talk of a potential change, it would be better for the liaison to be involved in those discussions, provide insight into the likely reactions, and perhaps help with the planning and communicating of the change if it is implemented. Some interviewees felt that if the liaisons were provided with even limited access to claim information that might improve the process. It was acknowledged, however, that there is some history of distrust and FPDR should proceed with some caution and respect for the potential disparate interests of the parties.

A few interviewees mentioned that retired members may not have an “advocate” or Board representation, and want to ensure that going forward retired members’ rights and interests are protected.

It was widely held that Sam Hutchison is doing a very good job. He is good at accomplishing tasks and goals, he reports clearly to the Board on relevant topics, he is good at communicating, and he cares. Some interviewees said that they would like to see reporting to the Board about the success of the return to work programs. The Board is aware that Mr. Hutchinson and his staff are also interested in and have been working on ways to improve reporting and measuring the success of new initiatives and programs.
All interviewees agreed that the purpose of FPDR and the Board is not to look for ways to reduce benefits to members, but rather to administer benefits to which members are entitled in a fair and efficient manner.

A minority of the interviewees expressed a desire to have a heightened awareness of the specific roles and responsibilities of FPDR office employees. A few people felt that it would behoove them and the operation in general if there was more education or awareness about what each person is doing. None of the interviewees felt that a formal document was needed; just a review of the roles/responsibilities at a meeting occasionally, or in smaller groups (e.g., the roles of the handlers and support staff for a particular bureau) particularly if training/advancement is occurring and responsibilities are getting re-defined and re-allocated. (For example, some interviewees did not know whether Julia Julie was responsible for doing all vocational rehab, or just some of it.)

All interviewees felt comfortable and confident in their respective jobs. Nobody felt underutilized, nobody felt overworked or working beyond their experience or capabilities.

All interviewees felt that if they wanted to progress there were opportunities for development and promotion. Interviewees who were happy and settled in their positions with no ambition for advancement felt comfortable that their decisions were respected and they would not be pushed to advance.

Interviewees mentioned that there would be regular “roundtable” meetings beginning in the near future and all interviewees were excited about this. An occasional but regular meeting to discuss different topics, roles and responsibilities, changes, etc. including meetings led by outside speakers is welcome by all.

All interviewees who have worked for FPDR long enough mentioned that there were several changes implemented over the past few years, and all felt these changes were generally very good changes. There are some that are more comfortable with workers’ compensation backgrounds and approaches, and others that are more comfortable distinguishing these disability claims from workers’ compensation claims. Interviewees discussed what they felt were the pros and cons of having FPDR personnel with workers’ compensation backgrounds.

A few interviewees mentioned that FPDR would benefit from clarifying certain processes, procedures, or philosophies. For example, it was unclear to some what the required procedure is when an injured member reaches substantial gainful activity status (SGA) but the job search requirements do not seem to be working well. That is, the SGA member complies with the technical requirements (e.g., complete and submit a form) but there is a strong sense or perhaps even knowledge that the person is not truly searching for work. In some cases, the person is not even compliant with the form submittal. Clarifying the steps that are to be undertaken in these situations would be beneficial. Other procedures or policies were also mentioned in interviews. For example, “I don’t think we go after homeowners’ insurance; but I’m not sure, and I’m not sure why. It would be nice to know.”
Some interviewees felt that better use could be made of the diary system and that education and training about ways to use the diary system would be beneficial.

Almost all interviewees expressed that FPDR is characterized by great morale, great teamwork and great support. “We cover for each other, we consult with each other.”

The claims system and technological capabilities have improved greatly in the last three years. Now, the database is into SQL format, and the Senior Business Systems Analyst can view the code behind it. They have more control over the information that they are storing, and greater understanding as to why they are storing certain data. There is a good testing system now, and much better security with respect to the data. They continue to grapple with data security with respect to emails, and transferring files seems to be a potential issue. The city does not have secure portals. However, there have been no problems (security breaches) as far as they are aware. Also, it was felt that improvement could be made with respect to creating and implementing a good, useable disaster recovery plan.
APPENDIX C – MANAGEMENT REPORTS

Milliman was asked to review the FPDR’s existing management reports and provide feedback and assistance with the development of appropriate reports to better manage the FPDR claims operation. We do however recommend that caution be used in the development of management reports since it is possible that the generation of a large number of reports can have an adverse impact on the FPDR managers. There needs to be a balance of the number of reports FPDR management must review so that reviewing reports will not take away from the time necessary to properly perform their overall managerial responsibilities. Since the reporting issue is of paramount importance to the FPDR management team, they provided us with a list “FPDR Metrics – Disability” seeking our recommendations for management reports that would assist them with quantifying the success of recently implemented processes and procedures. With that in mind we have broken down this appendix into two main sections:

A. Milliman Recommended Reports
B. FPDR Specified Reports

A. Milliman Recommended Reports

1. Time Loss Closure Report by (quarter, fiscal year-to-date, and fiscal year)
   a. Number
   b. Reason
   c. By type, cause, diagnosis
   d. Duration and total paid

   Topic: This would be considered by us to be the “Open/Closed” report. In our initial review of the reporting data available we discovered that one of the problems with the current system is identifying the claims that would be considered “open” from an industry standpoint. The inability to clearly identify claims that require periodic activity/attention by the staff makes it extremely difficult, if not impossible, to identify individual staff workloads. We would recommend that the claim staff jointly discuss and identify all claims of this nature and how all claims can be identified from initial assignment as “open” and at what point in the life of the claim where there is no additional work required and the claims can be placed in a closed status. Currently it appears that the system identifies claims as active or inactive, but an inactive claim can still require attention by the claims or supervisory staff. Although the activity on such claims may be limited, from an industry standpoint those claims would still be considered “open”, since they continue to require some type of attention.

In order to build a report that would provide the monitoring of “closed” time loss benefits as proposed in Report #1, changes to the current data collection processes of the claim system would be required. Although Report #1 does not address the “open and closed” issue the report does include a request for the total “closed” claims by various timeframes, which provides us with the opportunity to address this very important aspect of any claims operating
system. As previously discussed, it is imperative that the open and closed statuses be addressed in the claims program.

With respect to Report #1, it requests data that we do not believe is specifically captured in the current claims program. Although “Reason and Diagnosis” are normally captured in the claim notes, in order to be addressed in a formal report the information must be consistently captured in a controlled field within the claims operating system. In order to compile the data indicated in Report #1 specific data fields for “Reason and Diagnosis” would need to be created as required data fields in the claims system.

- Data Elements recommended:
  - Analyst
  - Claim Number
  - Last Name
  - First Name
  - Injury Date
  - Bureau (Fire or Police)
  - Station/Precinct
  - Time Loss / Medical Only
  - Claim Status, i.e. **Open, Closed, Withdrawn**, etc.

2. Pending Claims Report

*Topics:* Pending claims approaching 30, 60 or 90 days since receipt and pending claims older than 60 or 90 days are reports that would be very beneficial to the management and supervisory staff in that each would provide a method for tracking a critical aspect of the claim, that being the timely acceptance of the reported claims. In addition, these are reports that would help quantify the individual claim handler’s productivity and also help avoid unnecessary litigation issues. This data is readily available by merely creating calculation dates that would allow for the counting of the number of days between “Date Claim Received” and “Decision Date”, and identifying the group each pending claim falls.

- Data Elements recommended: (would include all claims where the “Decision Date” field is blank.)
  - Claim Number
  - Last Name
  - First Name
  - Injury Date
  - Analyst
  - Bureau (Fire / Police)
  - Station / Precinct
  - Date Claim Received
  - **Calculation of days since receipt of claim** (claims placed in proper category)
  - **Less than 30 Days**
  - **Less than 60 Days (>30 days, <60 days)**

2 The “Open and Closed” data elements would be redefined data elements and “Withdrawn” would be a newly created data collection item.
3. Total Benefits Paid
   a. Medical benefits paid by quarter, year to date, and year
   b. Total claims
   c. Total dollars
   d. By claim
   e. By claimant
   f. By payee

**Can we separate out pharmacy/prescription drug payments?**

*Topic:* FPDR management asked, “Can we separate out pharmacy/prescription drug payments?” By either sorting by payment type or restricting the download to an individual payment type or specific payment types individual reports can be generated and once created, those reports can be scheduled to run on a regular basis.

The “Total Benefits Paid” report can be ordered for any date range, i.e. monthly, quarterly, paid to date totals, etc. The report can also be used to select individual benefit payment types to compare Bureaus or individual station/precinct. We would recommend that the payment detail be limited to total payments, i.e. quarterly, monthly, annually, etc. This report will also capture individual claims, groups of claims by location, body part, individual claimant, etc. When the data is extracted from the claims system, we would suggest that it be configured in an Excel format, which will allow the user the freedom to configure the payment detail in any manner needed. Once you have identified specific reports that you would like to see on a regular basis the IT department should be able to lock in the data format and those reports can be generated on a regular basis and maintained for historical purposes. From a management standpoint we would recommend using “Paid to Date” values, because individual payments will generate an extremely large report that normally would not be used by management. This same report could be run for individual claim or a group of claims should the need arise.

- Data Elements recommended:
  - Claim Number
  - Last Name
  - First Name
  - Injury Date
  - Payment date
  - Analyst
  - Bureau (identifier for specific Division – Station/Precinct)
  - Body Part
  - Payee
  - Payment Type
  - Medical Paid (CPT Codes used for breakdown, i.e. hospital, drugs, etc.)
Indemnity Paid (also broken down by type of benefit, i.e. wage subsidy, pension, etc.)

AP Payments

B. FPDR Specified Reports

4. Disability Benefits (time loss) paid by quarter, year to date and year
   a. Total claims
   b. Total dollars
   c. By claim
   d. By claimant

Topic: The “Disability Benefits Paid” report referenced above can be utilized to accommodate the “Time Loss” report by merely limiting the data collection to indemnity benefits and utilizing the various indemnity benefit types captured by the beginning and ending dates of payments limited by the requested time frames. Again, we would recommend that the reports be captured by total payments by period rather than individual payments. This report will allow management to track indemnity payments by benefit type for comparison over varying timeframes. Report comparisons will require data collection over time, but it is possible that the historical data could be incorporated with new data to allow for historical comparisons.

Data Elements recommended:
- Claim Number
- Last Name
- First Name
- Bureau (identifier for specific Division – Station/Precinct)
- Occurrence Status
- Injury Date
- Payment From and To dates (allows for calculating length of payments)
- Indemnity Paid (broken down by type of benefit, i.e. wage subsidy, pension, etc.)

5. Timeliness of claims decided by quarter, year to date and year by time loss and medical only

Topic: Timeliness of claim decisions by quarter, fiscal year-to-date and fiscal year broken down by lost time and medical only will provide the management staff with details necessary for both staff evaluations and length of time “averages”. This report can also be a very important tool in determining average decision times by Analyst, body part, Bureau (Fire / Police) and station/precinct. Based on our understanding the data captured by the claims system, sufficient data is captured to develop this report.

Data Elements recommended:
- Claim Number

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3 Payment beginning and ending dates are critical to tracking such data and from the claims data reviewed it appears that “From and To” dates are not currently being captured and are critical to “payment period” reports.
6. Disability claims received by quarter, year to date and year by time loss and medical only

   a. Received
   b. By type of disability; cause and diagnosis
   c. By bureau (police or fire)
   d. By quarter, year to date and year by time loss
   e. Withdrawn
   f. Other

**Topic:** Disability claims report by quarter and year-to-date broken down by Lost Time and Medical only. This report would allow for the tracking of claims activity over time and if historical data is available the report will help identify any unusual growth or decline of claims reported. The outline provided for this report included data related to claims that were withdrawn and other, but based on our review of system data information regarding “diagnosis, withdrawn and other” statuses are not captured in a consistent format that is required for reliable reporting, therefore to capture such detail, additional fields would need to be added to the claims operating system. From a claims management standpoint, collection of this additional data should be evaluated by the Information Technology (“IT”) to determine the necessary system modifications required to capture this level of detail. We would also recommend that the claims staff be involved in this process in order to determine the impact on productivity. If system modifications and the impact on productivity were to be unacceptable, we would recommend using a limited version of Report #3, “Total Benefits Paid” rather than creating additional system fields. Using Report #3 less the payment detail would provide a reasonable alternative to Report #6 and would provide excellent detail on claims activity from a loss control standpoint.

Data Elements recommended

- Claim Number
- Last Name
- First Name
- Injury Date
- Analyst
Milliman Client Report

- Bureau (identifier by Bureau: Fire or Police and individual station/precinct)
- Body Part
- Diagnosis
- Claim Status, i.e. Open, Closed, Withdrawn and Other

7. Medical cost savings and savings as a percentage of total medical costs

**Topic:** Medical cost savings and savings as a percentage of total medical costs would be an excellent report for tracking the effectiveness of the medical bill audit team and would allow for tracking of both increases and decreases with respect to medical bill reductions. We consider this a very important tool for measuring the effectiveness of your medical audit team. This report could also be used in the evaluation of the individuals who make up the unit.

In order to calculate the actual savings the amount of the original medical invoice would have to be captured and then compared to the actual amount paid with the result appearing in both a monetary value and as a percent of savings. The calculated results would be captured by claim.

- Data Elements recommended:
  - Claim Number
  - Last Name
  - First Name
  - Injury Date
  - Payment date
  - Analyst
  - Bureau (identifier for specific Division – Station/Precinct)
  - Body Part
  - Payee
  - Medical Paid (CPT Codes used for breakdown, i.e. hospital, drugs, etc.)
  - Savings Amount
  - Savings Percentage

8. Total benefits paid by quarter, year to date and year (by claimant)
   a. Total dollars by claimant
   b. Total dollars by claimant (all disability and medical benefits ever paid to claimant)

**Topic:** Total benefits paid by claimant will capture total claim history of individual claimants by claim number and body part. Such data will allow for claim comparisons between the various Fire and Police Bureaus as well as by individual station/precinct. An historical run of this data will provide both claim information by body part, but will also allow for the identification of factors causing claim frequency for comparison purposes. Such a report will allow for identification of claim costs by location, body part, injury dates, etc. We would recommend that this report be considered for being captured annually as of the end of the fiscal year. We would also suggest that this report be distributed to the individual station/precinct in order to provide senior management of each station/precinct insight into their physical locations.
compared to the other stations/precincts. We would recommend that distribution be limited to senior management by Bureau.

- Data Elements recommended:
  - Claim Number(s)
  - Last Name
  - First Name
  - Injury Date(s)
  - Body Part
  - Bureau (identifier for specific station/precinct)
  - (Total) Medical Paid (CPT Codes used for breakdown, i.e. hospital, drugs, etc.)
  - (Total) Indemnity Paid (also broken down by type of benefit, i.e. wage subsidy, pension, etc.)
  - (Total) AP Payments

9. Active Disability – Snap shot as of report run
   a. Number
   b. By type, cause, diagnosis
   c. Duration and total paid to date
   d. Claimants on short term disability (biweekly payments)
   e. New claimants (in last year) on short term disability
   f. Claimants on long term disability (monthly payments)
   g. New claimants (in last year) on long term disability

**Topic:** “Active Disability” a snap shot report that is run on a specific as of date, that would provide management staff with the number and distribution of “Time Loss” claims and at the same time provide both Bureaus and individual station/precinct with manpower replacement needs, as well as insight into potential availability of “light duty” vacancies that may be utilized in the transitional duty return to work programs.

Based on our understanding of the current claims system there would need to be an addition of calculation fields to provide the total number of claims for each benefit category and calculation fields to determine claims that fall into each bucket (i.e. biweekly, monthly, previously reported, newly reported, etc.).

- Data Elements recommended:
  - Claim Number
  - Last Name
  - First Name
  - Injury Date
  - Analyst
  - Bureau (identifier for specific Bureau – Station/Precinct)
  - Body Part
  - Medical Paid (CPT Codes used for breakdown, i.e. hospital, drugs, etc.)
  - Indemnity Paid (including type of benefit, i.e. wage subsidy, pension, etc.)
Body Part
- Medical Paid (CPT Codes used for breakdown, i.e. hospital, drugs, etc.)
- Indemnity Paid (also broken down by type of benefit, i.e. wage subsidy, pension, etc.)

10. Active time loss claims approaching 30/60/90/180 days and one year in duration

*Topic:* “Active time loss claims approaching that remain open after 30, 60, 90, 120 and approaching one year in duration” report would provide management staff with insight into the emergence or larger time loss claims. The reports could also assist with identification of the larger medical exposure claims so that additional resources may be assigned to the case in order to better control financial exposures. It would be our recommendation that this report be combined with Report #9, thereby reducing the number of reports generated for any given period of time. We would also recommend that these reports be distributed to the claims management and supervisory staff, management staff at the bureau and station/precinct levels. In producing reoccurring reports of this nature it is important to discourage claims handlers from copying and pasting narratives from previous reports and just adding a small number of new items. Instead each report should be concise and be aimed at providing new information as opposed to rehashing previous information making it more difficult to read and discern the new from the old.

- Data Elements recommended:
  - Claim Number
  - Last Name
  - First Name
  - Injury Date
  - Analyst
  - Bureau (Fire / Police)
  - Station / Precinct
  - Body Part
  - Medical Paid (CPT Codes used for breakdown, i.e. hospital, drugs, etc.)
  - Indemnity Paid (also broken down by type of benefit, i.e. wage subsidy, pension, etc.)

11. Active time loss claims older than one year with no Medically Stationary or Substantial Gainful Activity (SGA) decision yet made

*Topic:* “Active time loss claims older than one year” report would provide senior management with a list of claims with the potential of becoming large exposure claims so steps can be taken to move the claims toward finalization. This report will help identify stagnant claims that have fallen off diary or are allowed to linger by the claim handlers. The older the claim, the more likely it is to become a maintenance claim rather than a claim that is closely monitored. Given the potential for long-term exposure claims in this category, we would recommend this report be generated at least on a quarterly basis. This would be a senior management report that would help with the timely identification of claims with the potential of becoming large exposure claims.
In order to generate this report both *Medically Stationary* and *SGA* data fields will have to be created and they would have to be required data fields to complete. The Medically Stationary or SGA statuses are generally only addressed in the claim file notes, it would be a major undertaking to go back and capture this information on the existing claims. We would recommend that such information only be required to be completed on claims reported on a specific date going forward.

Since Report #9 will provide detailed information related to aging claims, we do not feel that this should be a mandatory report. If the data were collected on newly reported claims, it would require an extended period of time before a reliable report could be generated. Our recommendation would be to utilize Report #9 for the identification of aging claims rather than generating an additional report that would identify only a limited number of claims.

- **Data Elements recommended:**
  - Claim Number
  - Last Name
  - First Name
  - Injury Date
  - Analyst
  - Bureau (Fire / Police)
  - Station / Precinct
  - *Medically Stationary status*
  - *SGA status*

**12. SGA decisions made by quarter, year-to-date and year**

*Topic:* SGA decisions made by quarter, year-to-date and yearly would also require that the SGA detail be extracted from the running claim notes or applicable to only future claims. In addition to identifying the SGA status, an additional field to capture the date of the decision would need to be added to the claim operating system and both the SGA and date fields would have to be required fields for all claims subject to status. We question the benefits that would be generated by such a report.

- **Data Elements recommended:**
  - Claim Number
  - Last Name
  - First Name
  - Injury Date
  - Analyst
  - Bureau (Fire / Police)
  - Station / Precinct
  - *SGA status*
13. Return to work, vocational rehabilitation and job support services offered by quarter, year to date and year

14. Claimants earning other income by quarter, year to date and year

*Topics #13 and #14:* Reports of this nature would not only require that a number of specific data fields be added to the current claims system, but some of the items such as services offered could require multiple date fields in order to capture the full “offer” history. The same would be true for claimants earning other income, since you would need to account for those claims were the claimants return to work, are taken back off due to medical reasons or job availability, etc., which could happen multiple times over the life of a claim.

Although we agree it would be nice to capture such data, we do not feel that the man hours required capturing the data, nor the benefits gained from such knowledge and the fact that such data can occur multiple times over the life of a claim would prove beneficial to the overall management of the department.

- **Data Elements recommended:**
  - Claim Number
  - Last Name
  - First Name
  - Injury Date
  - Analyst
  - Bureau (Fire / Police)
  - Station / Precinct
  - *Return to work (either a yes or no response or a date field would be added)*
  - *Vocational Rehab*
  - *Job Support Services*
  - *Claimant’s earning with multiple date options*
FPDR Response

to the Milliman Disability Management Claims Operational Review and Program Evaluation report

Presented to the FPDR Board of Trustees by Sam Hutchison, FPDR Director, and Kim Mitchell, FPDR Operations/Disability Manager

Updated March 18, 2015
General Comments

1. Why the audit – It’s been seven years since the change to the disability program and five years since the last audit. We wanted an updated review of our program to confirm that we are effectively adjudicating and managing disability claims as well to identify areas for further improvement.

2. Great results – The program is working as intended. The quality of claim adjudication and management is commendable. However, there are some areas in need of improvement.

3. Recommendations are consistent with issues identified by the Disability Manager and Director prior to the audit.

Audit Objectives

1. Evaluate and recommend improvements in the bureau’s current disability management practices

2. Evaluate and recommend potential cost savings measures including process improvements

3. Recommend a design for an internal benchmark program that will allow the bureau to measure future performance against baseline benchmarks

4. Evaluate how the bureau’s disability benefits compare with similar occupational disability programs for public safety officers

5. Compare audit findings to prior audits reports (2008/09)
## Audit Response

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<thead>
<tr>
<th>RECOMMENDATION</th>
<th>CURRENT STATUS</th>
<th>FPDR RESPONSE/ACTION PLAN</th>
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<tr>
<td><strong>1. Create Technical Claims Manual</strong></td>
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<td>The Disability Manager is working on a technical claims manual that will be used as a primary source for training FPDR disability staff. Key information from the current procedure manual will be utilized and new processes and procedures will be consolidated into a document that will provide staff and management with the tools needed for future claim and program management.</td>
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<tr>
<td>a. Claims handling procedures and timeframes</td>
<td>FPDR currently uses a procedure manual that originated as a written tool kit. It is voluminous but does contain key information about timely claim processing expectations, guidelines.</td>
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<td>b. Provide staff with readily accessible information source</td>
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<td>c. Provide management with measure to document claim performance</td>
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<td>d. Primary source for training</td>
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<td><strong>2. Management Report Implementation</strong></td>
<td>The Disability Manager and staff have utilized a Pended Claim Report since September 2013. This dual function report triggers weekly review by management of claim activity, initial member contact, claim evaluation and assessment, trends in claims handling and training opportunities. Staff utilizes the report to plan claim activity based on current timelines and approaching deadlines to promote timely claim adjudication.</td>
<td>The Disability Manager, Director and disability staff will review the recommendation to create the Loss Run, Total Benefits Paid and Pending Claims reports as well as those reports listed in Appendix C – Management Reports. We will identify those reports that support our work and mission and add value and we will work with our technical staff to create the reports. We will identify the strengths of our current database and its ability to generate the needed reports. It is likely that we will need to enhance the database in order to generate some of the reports.</td>
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<td>a. Loss Run Report</td>
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<td>b. Pending Claims Report</td>
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  a. Develop formal training program for newly-hired staff.  
     - Consistency among claims handlers  
     - Develop staff knowledge  
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  FPDR has utilized a one-on-one needs based training approach as new hires have presented with varying levels of experience in claims adjudication. Training is focused on those areas where training is indicated. |  
  The Technical Claim Manual (being created) will also include information sufficient to provide new hire’s with training material, objectives, expectations, outcomes, measurements, and subject modules. We will continue to utilize the one-on-one training approach to ensure that training is need based and not redundant. |  

| **4. Claim Reassignment**  
 a. Rebalance caseloads  
 b. Assign less complex claims to analyst  
 c. Use claim reassignment as a training tool  
  
  Prior to the audit the Disability Manager recognized the need and had been preparing to reassign claims so that the analyst most skilled to handle the claim received it and to balance the caseload to ensure the best claim adjudication and service to our members. |  
  COMPLETED  
  The Disability Manager completed caseload reassignment in November 2014. Caseloads were rebalanced and less complex claims were assigned to the analyst best equipped to handle the claim. High profile claims under the Disability Manager’s assignment were transferred to the Sr. Analyst. |  

| **5. Automated Diary System**  
 a. Increase claims handling efficiencies  
 b. Correct periods of claim inactivity  
 c. Improve claim file documentation accuracy and claim handler proactivity  
  
  FPDR does not currently have an automated diary system. Staff utilizes the database to input review dates and/or uses MS Outlook to track and identify key points of activity on the claim. |  
  The Disability Manager, Director and technology staff will explore automated diary system options.  
  Automated diary systems are usually part of larger workflow management systems. The cost of purchasing or developing either an automated diary or workflow system may be prohibitive. |  

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<td>FPDR management and the Board recognized the benefit of tracking the success of the disability program with particular attention to the transitional duty return to work program.</td>
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<td><strong>7. Member Accountability</strong>&lt;br&gt;a. Suspend benefits for non-compliant members until the member becomes compliant&lt;br&gt;b. Reduce benefits to the minimum level of base pay</td>
<td>The Director and Disability Manager have identified a few cases where non-compliance with providing information to FPDR has past-practice implications that may result in an inability to immediately suspend or reduce benefits.</td>
<td>FPDR will increase focus on member compliance obligations. As FPDR manages claims and provides service, we will advise membership about their obligations to comply with the provisions of Chapter 5 and the Administrative Rules.</td>
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<td><strong>8. Manual Accounting Functions</strong>&lt;br&gt;a. Conduct an assessment of the accounting function&lt;br&gt;b. Ensure it is operating effectively and efficiently</td>
<td>Prior to the Milliman audit, FPDR management recognized the need to identify key functions of the disability accountant desk to ensure accurate calculation of benefits and effective and efficient operation. A consultant was hired in October and management is in the final stages of reviewing their recommendations.</td>
<td><strong>COMPLETION BY END OF JANUARY 2015</strong>&lt;br&gt;The FPDR management team will review consultant’s recommendations and work to ensure effective and efficient disability benefit calculation, payment and tracking.</td>
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Interviews

Our takeaway from the interviews is that we have a team, consisting of the Director, Disability Manager, Analysts and Liaisons, who appreciates and respects the roles and responsibilities of each member. That there is support for greater involvement of the Liaisons in program planning and communication concerning FPDR member initiatives. There is concern for our active members and retirees as well. There is acknowledgement that there are training needs and opportunities to build on current program success, and that there is great morale, teamwork and support at the program and individual level.

Next Steps

1) Respond to recommendations in Disability Management Claims Operational Review and Program Evaluation report
2) Address any additional concerns discussed during today’s meeting
3) Identify and create program success criteria/objectives, measurements, metrics and reports
4) Assure ongoing success of return to work program
   a) Transitional duty program
      i) Evaluate and monitor
      ii) Assure continued buy in by Fire and Police Bureaus
   b) Substantial Gainful Activity able claimants – provide guidance on job search activity and accountability in complying with reporting requirements

Follow Up

We will provide the FPDR Board with an update at the State of FPDR Presentation, September 2015
FPDR Response

to the Milliman Disability Management Claims Operational Review and Program Evaluation report

Presented to the FPDR Board of Trustees by Sam Hutchison, FPDR Director, and Kim Mitchell, FPDR Operations/Disability Manager

Updated March 18, 2015
General Comments

1. Why the audit – It’s been seven years since the change to the disability program and five years since the last audit. We wanted an updated review of our program to confirm that we are effectively adjudicating and managing disability claims as well to identify areas for further improvement.

2. Great results – The program is working as intended. The quality of claim adjudication and management is commendable. However, there are some areas in need of improvement.

3. Recommendations are consistent with issues identified by the Disability Manager and Director prior to the audit.

Audit Objectives

1. Evaluate and recommend improvements in the bureau’s current disability management practices

2. Evaluate and recommend potential cost savings measures including process improvements

3. Recommend a design for an internal benchmark program that will allow the bureau to measure future performance against baseline benchmarks

4. Evaluate how the bureau’s disability benefits compare with similar occupational disability programs for public safety officers

5. Compare audit findings to prior audits reports (2008/09)
## Audit Response

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<td><strong>a. Claims handling procedures and timeframes</strong>&lt;br&gt;b. Provide staff with readily accessible information source&lt;br&gt;c. Provide management with measure to document claim performance&lt;br&gt;d. Primary source for training**</td>
<td>FPDR currently uses a procedure manual that originated as a written tool kit. It is voluminous but does contain key information about timely claim processing expectations, guidelines.</td>
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<td><strong>2. Management Report Implementation</strong></td>
<td><strong>a. Loss Run Report&lt;br&gt;b. Pending Claims Report&lt;br&gt;c. Total Benefits Paid Report</strong></td>
<td>The Disability Manager and staff have utilized a Pended Claim Report since September 2013. This dual function report triggers weekly review by management of claim activity, initial member contact, claim evaluation and assessment, trends in claims handling and training opportunities. Staff utilizes the report to plan claim activity based on current timelines and approaching deadlines to promote timely claim adjudication.</td>
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<td>FPDR recognizes the benefit of having a report to compare, analyze and monitor claim activity over the duration of the claim, and to measure our programs activities and success. FPDR Management identified other key management reports (see Appendix C – Management Reports).</td>
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<td>The Disability Manager, Director and disability staff will review the recommendation to create the Loss Run, Total Benefits Paid and Pending Claims reports as well as those reports listed in Appendix C – Management Reports. We will identify those reports that support our work and mission and add value and we will work with our technical staff to create the reports.</td>
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<td>We will identify the strengths of our current database and its ability to generate the needed reports. It is likely that we will need to enhance the database in order to generate some of the reports.</td>
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<td>EVALUATION IS COMPLETE</td>
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<td>a. Conduct an assessment of the accounting function</td>
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<td>The FPDR management team reviewed the consultant’s recommendations and the report is included in today’s materials. The Finance Manager will provide you with an overview of the findings.</td>
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Follow Up

We will provide the FPDR Board with an update at the State of FPDR Presentation, September 2015
February 20, 2015

Ms. Nancy Hartline
Financial Manager
City of Portland Bureau of Fire & Police Disability & Retirement
1800 SW First Ave, Room 450
Portland, OR 97201

Dear Nancy:

You asked me to comment on the findings and recommendations presented in my January 29, 2015 Disability Payment Processes Mapping and Improvement Analysis report. Specifically, you asked me to identify the risks inherent in the current disability payment processes, the severity of these risks, and how recommendations might address them.

My review found that formal automated systems do not fully support disability payment processes. As a result, processes have become dependent on a complex system of spreadsheets that is time-consuming to maintain and difficult to learn. While disability payments appear to be accurate, timely and well-documented, work on annual wage offset calculations and time adjustments/service accruals is not completed timely.

I recommended that the agency take steps to make the FPDR Database its primary repository for disability payment-related information and begin to reduce the number of spreadsheets used to execute disability payment processes. I suggested that better use of existing systems and improvements to technology are essential to making disability payment processes more efficient.

There are three primary risks associated with FPDR’s continued use of spreadsheets to support its disability payment processes. They are described below:

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<td>Steep learning curve/process dependency on a single employee</td>
<td>Moderate to High</td>
<td>Disability payment processes have a steep learning curve due to the large number of spreadsheets and complexity of business rules. Employees have been cross-trained to execute the critical biweekly and monthly payments, but other processes and related spreadsheets are executed and managed solely by the Disability Accountant. It would be difficult to train others to do these tasks.</td>
<td>Risk can be managed as long as the Disability Accountant is not absent for extended periods. Reduce or eliminate risk by reducing use of spreadsheets and simplifying business processes.</td>
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<td>Work processing delays could result in overpayments, poor member</td>
<td>Low to Moderate</td>
<td>Time spent on biweekly and monthly spreadsheet maintenance has reduced time available to work on annual wage offset “true-ups” and time adjustments/service accrual calculations. These processes are not completed timely. Risks include possible overpayment and errors in pension eligibility date. Risk is relatively low due to the small number of members impacted by these processes.</td>
<td>Reduce or eliminate risk by reducing the number of spreadsheets required to manage the monthly and biweekly processes. This would free up time for the Disability Accountant to work these and other processes.</td>
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<td>member service</td>
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<td>Spreadsheet errors (data entry errors, calculation errors, data</td>
<td>Low to Moderate</td>
<td>Spreadsheet use increases the risk of errors and could impact payment accuracy. However, current processes include extra validation and verification steps to minimize errors. These steps are inefficient, but do help to ensure accuracy. The Disability Accountant is extremely skilled in using the disability spreadsheets and is alert to possible calculation errors or corruption. The risk of spreadsheet errors would increase if the incumbent were to leave this position.</td>
<td>Risk can be managed as long as incumbent Disability Accountant remains in position. Reduce or eliminate risk by reducing use of spreadsheets and simplifying business processes.</td>
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<td>corruption) could impact payment accuracy</td>
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I believe that FPDR could continue to manage much of the risk associated with its spreadsheet-dependent disability payment processes as long as the incumbent Disability Accountant remains employed. However, FPDR cannot fully reduce or eliminate risks until processes are easier to learn and more efficient to execute. This could be accomplished by gradually moving disability payment functionality from spreadsheets to the FPDR Database.

Sincerely,

Linda Getchell Lewis
Principal
Framework LLC
Disability Payment Processes Mapping and Improvement Analysis Findings and Recommendations January 29, 2015
I. Study Overview

Framework LLC was asked by the City of Portland’s Bureau of Fire & Police Disability & Retirement (FPDR) to map and analyze the following disability payment processes:

Primary processes:

1. Make biweekly disability benefits payments.
2. Make monthly disability benefits payments.
3. Reimburse member leave.
3a. Recover overpayment of interim benefits.

Annual or as-needed:

4. Update hourly rates.
5. Update health insurance rates.
6. Verify W-2 information for non-service claims.
7. Adjust member benefits to reflect earnings (wage offset.)
8. Calculate members’ time adjustments.
9. Establish a new non-service claim start date.

FPDR requested process mapping, an examination of the use of current technology related to business process, an evaluation of process strengths and weaknesses, and suggestions for streamlining or otherwise improving processes. This report summarizes findings and recommendations from this review. A set of “as is” process flow diagrams and narrative process descriptions is included under separate cover.
II. Summary of Findings & Recommendations

**Process Strengths**

- **Disability payments appear to be timely and accurate.** According to FPDR employees, biweekly and monthly checks and direct deposits are made on time. We did not audit payments but found no evidence that bi-weekly or monthly payments contained errors resulting in overpayment or underpayment.

- **Payment transactions and decisions are well-documented.** The Disability Accountant maintains support for each payment or change to benefit status. Records are well-organized in hard copy binders and electronic folders. These records provide an audit trail and extra security in case of member litigation.

- **Employees are cross-trained to provide process back-up.** Employees other than the Disability Accountant are being trained to execute the primary payment processes in the event that the Disability Accountant is absent or unavailable.

- **Disability payment processes have been evolved to meet the needs of both Finance and Disability.** The Disability Accountant is responsive to the reporting and documentation needs of both business areas.

**Process Challenges**

- **Formal automated systems do not fully support disability payment processes.** Two primary applications are used to execute disability payment processes. The FPDR Database application generates disability payments and maintains information about disability claims. The City of Portland’s SAP system uploads personnel data and payroll information to the FPDR Database, and is used to look up payroll information by member.

  The FPDR Database generates payments but was not designed to support payment management functions such as event tracking, correspondence management, alerts, or extended comments. The application does not include functionality for leave reimbursement, overpayment recovery, or wage offset.

  The FPDR Database does not provide a prospective view of member pay and benefit status. The SAP upload to the FPDR Database contains base pay as of the last completed pay period. To validate a current period’s disability benefits the Disability Accountant uses spreadsheets to project the impact of step increases, longevity increases or prospective retirements on a member’s pay.

- **Disability payment processing has become dependent on spreadsheets.** The Disability Accountant has developed an extensive collection of Microsoft Excel spreadsheets to compensate for shortcomings in automated systems and to meet business needs. The Disability Accountant uses spreadsheets to:
Download and manipulate or reformat data from SAP, FPDR.

- Create needed reports or views of information not otherwise available.
- Provide convenient access to frequently-used information.
- Stage information for entry into the FPDR Database.
- Perform complex calculations.
- Manage events (work to be performed, member communications, pending retirements, longevity increases, for example).
- Support processes not included in the FPDR Database (leave reimbursement, overpayment recovery, and wage offset, for example).
- Verify the accuracy of FPDR Database information.
- Maintain a history or audit trail of transactions.

While they are important tools, spreadsheets are time-consuming to maintain. Most spreadsheets include redundant data such as member pay codes, rates and hours that must be manually updated each time these change. To offset the risk of data entry error, processes include extra verification and validation steps where spreadsheets are compared with one another and with automated systems. In the two primary payment processes (bi-weekly and monthly) sub-processes have been developed specifically to create and update spreadsheets.

- While primary payment processes are executed timely, some others are not. Biweekly and monthly payment processes are time-consuming and high priority. Work on two annual or as-needed processes – wage offset and time adjustments – has been postponed to ensure timely payments.

- Disability payment processes have a steep learning curve due to the sheer number of spreadsheets and complexity of payment business rules.

- Pay code and rate conversions complicate data management. Pay code, rate, and premium data originate with and are maintained in SAP by City of Portland. FPDR has elected to use a less granular system of pay codes and must reformat SAP codes and related rates and then upload these to the FPDR Database. Because FPDR imbeds base pay, longevity and premium pay into its pay codes, any increase or premium change requires a reassignment of a member’s code, often using manual code charts or prompts.

Spreadsheets have become a primary source for current and historical pay code and rate information. The Disability Analyst created the “Member Pay History” spreadsheet to track changes to a member’s code, but most spreadsheets also contain this information. Any changes to pay codes or rates must be updated in a series of member spreadsheets. Late-breaking changes to codes or rates impact processes.

- Payment transactions and decisions may be too well-documented. As noted earlier, records created by the Disability Accountant to support each payment or change to payment status provide
an audit trail and extra security in case of member litigation. Documentation takes time, spreadsheets are subject to risk of corruption, and not all history may be essential.

- **Disability payment processes serve two internal “customers”, each with unique interests.** Payment processes are managed by Finance, and process objectives are financially-oriented. However, disability analysts are critical participants in these processes and also rely on some reports and data.

**Recommendations:**

The FPDR should take steps to make its FPDR Database the primary repository for disability payment-related information and begin to reduce the number of spreadsheets required to execute the disability payment processes. While there are some steps that can be taken to streamline processes and improve member services in the short term, better utilization of existing systems and improvements to technology are essential to making disability payment processes more efficient.

Our recommendations are detailed by individual process in the next section, but include:

1. **Reduce the number of spreadsheets required to execute the disability payment processes.**
   
   - Eliminate unnecessary spreadsheets, where possible. Use certain SAP or FPDR Database reports “as-is” rather than downloading them and reformatting in Excel, or make changes to existing reports in the source systems as needed to improve usability.
   
   - Replace selected spreadsheets with FPDR Database printable reports/views. Begin with spreadsheets that are used by multiple processes to display or report data, and for which data already exist in the FPDR Database or could be obtained from SAP. The “Member Pay History” spreadsheet is a primary example.
   
   - Work with the Disability Accountant to replace frequently used, high-maintenance spreadsheets such as the “Master Biweekly Worksheet” and “Monthly Disability Benefits Changes”. These will require further analysis and could require additions to the SAP upload/interface, enhancements to the FPDR Database, and new reports.

2. **Manage remaining spreadsheets and supporting documents more effectively.**

   - Combine selected member-specific spreadsheets into multi-tab spreadsheets or workbooks where feasible. Re-engineer sheets to provide a single place to update common member information.
   
   - Expand use of electronic document sharing between the Disability Accountant and disability analysts. (See table in Section VI for suggestions.)
3. **Make full use of FPDR Database capabilities and develop additional reports where needed.**
   - Use current FPDR Database functionality to store pay code history and report prospective pay changes.
   - Project retirements, step increases, and longevity increases based on information that is currently available to the FPDR Database.
   - Expand the SAP interface to support reporting. Include, for example, information about premiums, pay rates, and pay changes related to longevity, retirement or step increases.

4. **Make process changes to improve process efficiency and customer service.** Some short-term changes are detailed in the next section, by process. Examples include:
   - Forward proposed medical deductions to the City Human Resources Bureau early in the monthly payment process, so that last minute changes do not disrupt the batch process.
   - Consolidate correspondence to members. Combine retirement notices and information from Disability and from Pension in a single letter or packet.
   - Work with Police and Fire timekeepers, if possible, to establish firm cutoff dates for timesheet entry.

5. **Develop requirements to add Medicare deduction to tax calculations functionality to the FPDR Database.**

6. **Establish guidelines for history/audit support** that are responsive to financial, disability claims review, and litigation needs. Use these guidelines to evaluate and potentially reduce hard copy and electronic documentation maintained by the Disability Accountant.

7. **Provide application training as needed.** Assist the Disability Accountant and disability analysts to find needed information in the FPDR Database and SAP. Provide refresher training on application capabilities as needed.

*Longer-term:*

8. **Expand the functionality of the FPDR Database to better support disability payment processes and to aid management of member-related information. This could include:**
   - Add system support for leave reimbursement, overpayment recovery, and wage offset.
   - Replace most remaining spreadsheets, including “Master Biweekly Worksheet” and “Monthly Disability Benefits Changes”.

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*FPDR Disability Payment Processes Mapping and Improvement Analysis*

*Findings & Recommendations 1/29/2015*

*Framework LLC*
- Anticipate/calculate changes to pay rates, premiums based on information that should be known to SAP (step increases, longevity increases).

- Add “member management”-type tools, such as event tracking, event notifications, and member status change monitoring.

- Provide additional comment fields to record information currently captured in spreadsheet notes. These should be member-specific and dedicated to disability payments (as opposed to claims-related or other notes) and should be in addition to comments printed on a member’s check. Conduct additional analysis to determine the specific requirements for comments.

- Add reports as new data are added. Make data convenient to access, search, and use.

9. **Redesign business processes as information technology support is improved.** Make changes to processes as upgrades to information technology access, data or functionality allow. These will eventually include:

- Reduce or eliminate process steps that require creation and update of spreadsheets.

- Reduce or eliminate process steps that require comparison or verification of spreadsheets with the FPDR Database.
III. Findings and Recommendations by Process

1. Make biweekly disability payments

The purpose of this process is to calculate, approve and execute biweekly disability benefits payments to disabled police and fire employees. Payments are made by check or direct deposit and are issued the same day as City-issued payroll checks. Biweekly payments are made to eligible payees who have been disabled for one year or less. This process is the most time-consuming of those performed by the Disability Accountant; approximately 40 members receive disability payments every two weeks. Payment timeliness and accuracy is extremely important.

This process includes five sub-processes:

1.1 Prepare “Master Biweekly Worksheet”.
1.2 Create “Pay History Worksheet”.
1.3 Create preliminary “Timesheet Report”.
1.4 Create final “Timesheet Report”.
1.5 Create and approve payment batch.
1.6 Make biweekly payments.
1.7 Report and pay taxes.

Findings:

- Biweekly disability payments appear to be timely and accurate.

- A significant amount of process time is devoted to the creation and update of two Excel spreadsheets:
  - “Master Biweekly Worksheet” or “Master” collects and displays frequently-used information in a single spreadsheet. “Master” stages information prior to updating the FPDR Database and is used to update the FPDR Database and to verify preliminary and final “Timesheet Reports.” The printed spreadsheet is used as a general reference report for multiple processes, and can be distributed to disability analysts as needed.
  - “Member Pay History” captures disability payment history and identifies future events (step increases, longevity dates, retirement dates) for each FPDR biweekly or monthly disability payee. It is used in at least three additional processes.

Each spreadsheet must be manually updated as member hours, steps, pay rates or premiums change. Data entry is redundant; the Disability Accountant updates a member’s Pay History and in turn uses that spreadsheet to update “Master”. “Master” is updated up to five times and Pay History up to six times during this process. Both spreadsheets contain data that are available in SAP and/or the FPDR Database and other information provided by the Disability Accountant.
Spreadsheets provide views or reports not currently available in automated systems. "Master" was created to collect and display critical information in a simple, easy to use format. It provides a view of the current biweekly payroll (members, period hours, dates lost, and rates) that can be used to enter or verify data in the FPDR Database. More importantly, it is used to capture information that is not available until the execution of the SAP upload/interface each period or is not part of the upload. The FPDR Database does not provide a prospective view of member pay and benefit status; the SAP upload to the FPDR Database contains base pay as of the last completed pay period. To validate a current period’s disability benefits, the Disability Accountant uses spreadsheets to project the impact of step increases, longevity increases or prospective retirements on a member’s pay.

“Member Pay History” includes payment history and notes or comments that are not stored in the FPDR Database. It is also used to anticipate upcoming payment changes due to retirement and longevity. The spreadsheet stores comments about contractual pay changes and merit pay increases that may only appear in hard copy files or in e-mails.

According to the Disability Accountant, both spreadsheets are critical to completing her work.

The FPDR Database does not provide biweekly process management tools. The Disability Accountant uses “Master” and “Member Pay History” spreadsheets to manage the biweekly payment workload and to track events and notes. The Disability Accountant bolds or highlights members requiring special action, and adds notes that she is not able to attach to records in the FPDR Database.

Disability payment history in the FPDR Database is incomplete. The FPDR Database records disability payments and payment dates, but does not store detailed support or reasons for payment transactions or benefit changes. Each member’s “Member Pay History” spreadsheet is currently the only source for historical detail about FPDR disability payment changes over time.

The biweekly process has a steep learning curve because of the number of spreadsheets and complexity of its business rules.

Last minute changes to rates or hours impact payment processing. Police and Fire timekeepers are not required to confirm hours paid until the Monday before payments are to be made. There are several consequences:

− If timekeepers are unable to enter corrected hours into SAP before the upload to the FPDR Database occurs the “Preliminary Timesheet” will not be correct. The Disability Accountant must alert timekeepers to resolve the discrepancy. (Only timekeepers may adjust SAP.)

− Since discrepancies do occur (missing hours, missing or extra payee, for example) the Disability Accountant has learned to rely on the “Master” spreadsheet to verify that hours are correct. There are at least six places in the process where spreadsheets are used to verify data.
The Medicare tax deduction calculation is manual. There is no place in the FPDR Database to document this deduction other than in notes.

The Disability Accountant has traditionally prepared or formatted reports as a service to disability analysts. For example, the Disability Accountant used to download the FPDR Database “Biweekly Batch” report into Excel so that it could be reformatted into a “Timesheet Report” for analysts. (The Disability Accounted ended this practice during this review.) While this level of service is appreciated, by disability analysts it may not be necessary.

The Disability Accountant reports that she does not have the authority to access historical payroll information in SAP. The Disability Accountant believes that SAP’s “ZESS_PAY” report would be useful in cases where she is working with a new member that does not yet have a “Member Pay History” spreadsheet.

The Disability Accountant reports information to the City’s Human Resources Bureau that is already available to that bureau. Each biweekly period the Disability Accountant uses SAP to generate a report of adjusted service hours and dates for FPDR 3 members and emails this information to Human Resources. Human Resources could easily obtain this information directly from SAP.

Short-Term Recommendations:

1.1 Use the FPDR Database “Biweekly Batch Report” as-is, rather than downloading it to Excel to create the “Timesheet Report”. (This recommendation has been implemented by the Disability Accountant.)

1.2 Make changes to the “Verify Timesheet” report (FPDR Database) to improve usability. Separate by Police and Fire and allow alpha name sort.

1.3 Develop an FPDR Database report/view of members subject to longevity pay increases during user-specified date ranges.

1.4 Develop an FPDR Database report/view of members subject to retirement during user-specified date ranges.

1.5 Work with Police and Fire timekeepers, if possible, to establish earlier, firm cutoff dates for timesheet entry. If this is not possible, consider delaying the SAP upload/interface.

1.6 Evaluate the Disability Accountant’s request to access SAP payroll information using “ZESS_PAY” and FPDR disability claim or settlement information. Determine if the Disability Accountant’s needs could be met using existing reports or views, and provide assistance in locating these.

1.7 Work with the City Human Resources Bureau to eliminate need for the Disability Accountant to provide the FPDR 3 member adjusted services hours report.
Medium-Term Recommendations:

1.8 Create new printable view(s)/report(s) in the FPDR Database to replace the “Member Pay History” spreadsheet. This may require:

- Making use of current FPDR Database functionality to store pay code history for prospective pay changes.

- Saving snapshots of payment events and data not currently preserved as history in the FPDR Database,

- Adding or updating member attributes for those few members who were started on disability benefits prior to the implementation of SAP in 2009 or for whom the longevity date is different from the entry date.

- Adding a “reason for pay change” comments field to capture information not discernable from the pay code itself,

- Calculation and reporting of information needed for the upcoming pay period using future dates or events (merit anniversary date, longevity date, retirement date, disability retirement age, and step increases, for example),

- Expanding the SAP/FPDR Database upload/interface to include additional data (premium codes, premium amounts, step increase schedules, for example).

FPDR should confirm report requirements with the Disability Accountant.

1.9 Add functionality to the FPDR Database application to calculate and store the Medicare tax deduction. (This is the only deduction not calculated by the application.)

1.10 Consider adding functionality to the FPDR Database application to identify or flag for new payees each time period.

Longer-Term Recommendations:

1.11 Create a printable view/report to replace “Master Biweekly Worksheet”.

1.12 Consider building functionality into the FPDR Database to fully support calculation of disability benefits/payments, deductions and taxes.
2. Make monthly disability payments

The purpose of this process is to calculate, approve and make monthly disability benefits payments to disabled police and fire employees who have been medically separated from their bureaus and/or who have been disabled for more than one year. Payments are made by check or direct deposit and are generally issued the second Tuesday of the month. Members continue to receive monthly disability payments until retirement, benefit termination, or death. Approximately 40-44 members receive monthly disability payments. Payment timeliness and accuracy is extremely important.

This process includes five sub-processes:

2.1 Update monthly members.
2.2 Obtain disability analyst approval (FPDR 2&3 only).
2.3 Create preliminary monthly payment batch.
2.4 Create final monthly payment batch.
2.5 Make monthly payments.

Findings:

- The monthly payment process relies on creation and use of Excel spreadsheets. The process uses nine spreadsheets to capture and manage detailed information about monthly members and to calculate changes to monthly benefits due to longevity increases, retirement, or transition from biweekly to monthly payment. Four primary spreadsheets are updated during each month:
  - “FPDR 2&3 Monthly Disability Approval Sheet” is printed and distributed to disability analysts to obtain approval prior to payment. It includes information that is useful to both disability analysts and the Disability Accountant. The spreadsheet is relatively simple to set up but must be updated to include new monthly members, reflect retirements, or to change hourly rates.
  - “Monthly Benefits Detail” maintains identifying information, benefit status and amounts for monthly payees. The Disability Accountant relies on this spreadsheet to provide a single, convenient view of all monthly member information. This spreadsheet must be updated any time that monthly member information changes: at least four times during a typical monthly process.
  - “Monthly Disability Benefit Changes” compares current monthly payments with prior months, details base benefit and adjustments. It has two primary purposes. The Disability Accountant uses it to collect information in a single place to simplify posting and verifying the payment batch. The Finance Manager uses it to check batch payment balances and approve the payment batch. It is relatively simple to set up, since the Disability Accountant can use the prior month as a template.
“Member Pay History” captures disability payment history and identifies future events (step increases, longevity dates, retirement dates) for each FPDR biweekly or monthly disability payee. This is the same history used by other processes.

These three spreadsheets contain redundant information, and all must be manually updated and checked against the others if any data are changed. Extra verification/validation steps are included in this process to ensure that spreadsheets contain the most up to date information.

- Lack of automated tools to view upcoming events (retirement, longevity increases, step increases, for example) has a significant impact on the monthly process. SAP does not update payment data for members who have been medically separated from their bureaus (most monthly members). The Disability Accountant relies on spreadsheets to anticipate monthly pay changes and calculate benefits.

- Late notification of medical insurance deductions to the City’s Human Resources Bureau may result in last minute changes. The Disability Accountant may send deductions to the City early in the monthly process or may wait until she creates the monthly batch. Last-minute changes from the City may complicate or delay preparation of the final batch. (The Disability Accountant has indicated that she plans to send deductions earlier in the process.)

- There may be opportunities to more evenly distribute monthly payment workload throughout the month. Most of the updates to monthly member data take place during five days each month. The Disability Accountant begins work on member updates (new monthly members, retirements, terminations, longevity increases) on or after the 20th day of each month. Disability analysts are asked to approve changes on the 25th of the month. With some additional views or reports the Disability Accountant could begin work at any time during the month.

- There may be an opportunity for Disability and Pension to consolidate pre-retirement correspondence to members. The Disability Accountant sends a letter to any monthly member who is within two weeks of their retirement date. Disability also sends prospective retirees a letter.

- Other work is postponed in order to make timely monthly payments. The monthly payment process is time-consuming. Since timely and accurate monthly payments are a priority, periodic or less important processes may be postponed to make payments.

- The monthly process is complex, and may be confusing for others to execute. Like the bi weekly process has a steep learning curve because of the number of spreadsheets and complexity of business rules.

**Short-Term Recommendations:**

2.1 Notify the City Bureau of Human Resources about intended medical insurance deductions at the beginning of the process and clarify the cutoff date for any changes with the Bureau. (The Disability Accountant plans to make this change.)
2.2 Create a printable view/report to replace “FPDR 2&3 Monthly Disability Approval Sheet” spreadsheet. This could be done in several ways; for example:

**Option A:**

Create a new report in the FPDR Database application that closely resembles the form and content of the current “Approval Sheet”. This may require addition of new data elements (wage offset status, non-service status, comments) and new calculations (hourly rate).

**Option B:**

Modify the existing “Pending Batch” report in the FPDR Database application. Add hourly rate and FPDR status (1, 2, and 3). Sort the report by FPDR status.

FPDR should confirm report requirements with the Disability Accountant and disability analysts.

2.3 Create a printable view/report to replace the “Monthly Benefits Detail” spreadsheet. This may require addition of new data elements and some calculations. FPDR should confirm report requirements with the Disability Accountant and disability analysts.

2.4 Develop an FPDR Database report/view of monthly members subject to longevity pay increases during user-specified date ranges.

2.5 Develop an FPDR Database report/view of monthly members subject to retirement during user-specified date ranges.

2.6 Initiate work on new member updates (conversion of members from biweekly to monthly, retirements, longevity increases) during the month, rather than during the five day period before analyst approval is required. Use reports created in recommendations 2.4 and 2.5 to assist with identifying and managing required updates.

2.7 Consolidate pre-retirement correspondence to members. Combine retirement notices and information from Disability and from Pension in a single letter or packet.

**Medium-Term Recommendations:**

2.8 Create new printable view(s)/report(s) in the FPDR Database to replace the “Member Pay History” spreadsheet. (See also description in 1.8, above.) It may not be possible to reconstruct history for monthly members who became medically separated from their bureaus prior to SAP’s implementation in 2009, but current “Member Pay History” spreadsheets for these members could be saved a shared directory or printed and filed in hard-copy claim files.

**Longer-Term Recommendations:**

2.9 Consider adding the following functionality to the FPDR Database application:
- Identify members actively reporting wages and wage offset percentage.

- Calculate next longevity pay increase date and display and/or report result.

- Calculate disability retirement date and display and/or report result.

- Notify users of upcoming longevity pay increases (or create a report to identify impacted members).

- Add a comment field (separate from comments printed on members check) to capture any notes now contained in the “Monthly Benefits Detail” spreadsheet that would not otherwise be converted to data. (Currently, the spreadsheet records wage offset percentage, correspondence sent, and COLA percentages, for example.)

- Consider using the FPDR Database to make calculations now completed in three “Disability Benefit Calculation Form” spreadsheets:
  - Longevity Pay Increase Worksheet
  - Benefit Payments Moved from Bi-Weekly to Monthly
  - Monthly Non-Service Benefit to Pension Worksheet

2.10 Consider creating a printable view/report to replace “Monthly Disability Benefits Changes” spreadsheet. This is the primary tool used by the Disability Accountant to load and verify the FPDR Database, and functionality recommended in 2.9 should be in place before this change is implemented. FPDR should confirm report requirements with the Disability Accountant and disability analysts.
3. Reimburse member leave.

This process is used to restore leave time used by members during the time an approved disability claim was in pended status and to authorize transfer the related disability payments to the member’s Bureau. The process includes three sub-processes:

3.1 Track member leave used for pended claims
3.2 Obtain approvals for a member’s leave reimbursement
3.3 Restore a member’s leave

Findings:

- This process is managed using Excel spreadsheets, since no other option exists. The FPDR Database does not support this functionality. Primary spreadsheets include:
  - “Leave Reimbursement” lists all members with any leave reimbursement, by fiscal year. This spreadsheet is created using prior periods as a base but is updated by manually entering data from the “Master Biweekly” spreadsheet or the FPDR “Preliminary Timesheet” report.
  - “LR Log”, also known at the “Member Pended Claim Log”. This spreadsheet is formatted so that a copy may be printed and attached to member correspondence and preserved in member files. It is used to track correspondence with the member, the analyst approval date, and the Journal Entry Number and date paid. It also displays the date of injury, date DILD signed, and date analyst approved the claim, although this information is contained in the FPDR Database. In the (rare) event that more than one pay period is involved the spreadsheet totals leave by category.
  - “LR Timesheet” includes data from the SAP “PT_BAL” report. SAP data are exported into Excel and reformatted for use by the Senior Disability Analyst.
  - “Master Biweekly Worksheet”. This spreadsheet is used to update others.

Spreadsheets contain redundant member information, and must be individually updated to reflect any changes in member-specific information, including changes in pay rates.

- The Disability Accountant reports that she has been unable to find or access certain claim-related information in the FPDR Database. In order to process some reimbursements the Disability Accountant may need to confirm the claim approval date and the date the claim was closed. She contacts disability analysts to retrieve this information.

Short-Term Recommendations:

3.1 Eliminate or re-engineer the “LR Log/Pended Claim Log” spreadsheet. Two options include:
Eliminate the “LR Log/Pended Claim Log”. Include necessary details about leave hours used, by category, pay rates, and benefit in the body of the member letter, and allow the letter and attached “Authorization to Transfer Disability Benefit” form to serve as documentation and audit trail. Note or stamp the Journal Entry Number and payment on the letter if needed. Expand details in “Member Pay History” as needed.

Keep the “LR Log/Pended Claim Log” but combine it in a member-specific Excel file with other member spreadsheets. Update member details in one place, as needed.

3.2 Use shared directory to store files and provide access to disability analysts. Eliminate the printing and hard copy filing of support documents of documents such as the “LR Log/Pended Claim Log” and member correspondence and support normally forwarded to the disability analyst and stored in the member’s claim file.

3.3 Generate a view/report in the FPDR Database that includes member injury date, injury type, analyst name, and claim status.

3.4 Expand SAP upload/interface to include leave taken, by category (if not already included). Calculate and report the leave taken during the disability claim approval period.

3.5 Determine if the Disability Analyst’s needs for disability claim information could be met using existing reports or views, and provide assistance in locating these. (Or, add the claim approval date and claim closed date to a report or view that the Disability Accountant can access.)

Longer-Term Recommendations:

3.6 Consider expanding the functionality of the FPDR Database to fully support member leave reimbursement process:

- Import from SAP and/or calculate leave taken, by category, during the disability claim approval period.

- Use event tracking functionality and/or notes fields to help track and manage correspondence, member approval, and benefits transfer.

- Generate reports, as needed, to replace current views of information provided by the “LR Log/Pended Claim Log” and “LR Timesheet”.
3a. Recover overpayment of interim benefits.

This process is used as needed to recover interim disability benefits that were paid to a member pending final determination of a claim that was ultimately denied. The process recodes time loss hours previously charged to FPDR disability (“unpaid FPDR absence”) to an appropriate leave category.

**Findings:**

- **Few members are impacted by this process.** Eight members are subject to overpayment recovery in 2014-2015.

- **There is no support for this process in the FPDR Database.** The process uses Excel spreadsheets to manipulate data in existing FPDR Database reports and to create an audit trail or history of transactions. Four of these are generated from the download of an existing SAP or FPDR Database report into Excel. These include:
  - “SAP Timesheet before Recovery” and “SAP Timesheet after Recovery”. The SAP “PT-BAL” report is downloaded into Excel, reformatted into one of the two reports, printed, and scanned. Reports are compared to demonstrate that hours were appropriately recoded in SAP.
  - “Claim Cost”. This report is an edited version of a downloaded FPDR database report that is reformatted for use by disability analysts.
  - “Interim Benefits Transaction Total” is a member-specific report. It includes Payment Date, Payment Number, Batch Description, Claim Number, Base, Deductions, Net Amount, and Comments.

  A fifth spreadsheet, “Interim Recovery Schedule”, lists members by status (completed, in recovery, for example) and is used for managing and tracking recoveries.

- **The process creates an extensive audit trail.** The Disability Accountant downloads data from the various SAP and FPDR Database reports into Excel, and reformats and saves the resulting spreadsheets to create historical support for each transaction. This may be appropriate given the potential for member appeals to overpayment determinations, but there are no guidelines for required documentation.

**Short-Term Recommendations:**

3a.1 Establish guidelines for history/audit support that are responsive to potential litigation needs. Use these guidelines to evaluate and reduce hard copy and electronic documentation maintained by the Disability Accountant.

3a.2 Consider eliminating the “Before Recovery” and “After Recovery” reports. Use the SAP “PT-BAL” report to confirm correct recoding of hours, and print this report if needed for support. Do not create or save Excel versions of these reports. (Recommendation depends on findings in 3a.1.)
**Longer-Term Recommendations:**

3a.3  Consider expanding the functionality of the FPDR Database to fully support the interim benefits recovery process.
4. **Update hourly rates.**

The purpose of this process is to update hourly rates for members. This is an annual process, but may be executed during the year if rates change. The process is typically executed prior to the July monthly disability payment process (for payment in August) or for the corresponding biweekly disability payment process. Rates may change due to Cost of Living Adjustments (COLAs) or other contract changes. Police and Fire Bureaus’ rate schedules are different.

**Findings:**

- Even though spreadsheets and codes are complex, the process itself is well-defined and relatively straightforward.

- FPDR’s pay code design may limit its ability to make full use of SAP data. FPDR’s pay codes are less granular than those used by SAP. While the coding system is meaningful to FPDR employees, any conversion of SAP pay codes and rates to FPDR requires use of this annual process.

- Each unique FPDR pay code includes both a pay level or grade and a premium. If a member’s pay level or premium changes his or her FPDR pay code is likely to change. This design makes automated recognition of changes to pay codes or premiums in SAP difficult or impossible.

**Medium-Term Recommendations**

4.1 Consider ways to consolidate multiple code and rate spreadsheets into a single spreadsheet.

**Longer-Term Recommendations:**

4.2 Reconsider design of FPDR pay codes. Investigate breaking codes into components that provide a required level of granularity or detail but more closely match SAP conventions for updating purposes.
5. **Update health insurance rates.**

The purpose of this process is to update health insurance rates in the FPDR Database for those members who buy insurance through the city. This is an annual process. The process is executed prior to the June monthly disability payment process (for payment in July) or for the corresponding biweekly disability payment process. Approximately 6-8 members are affected each year.

*Findings:*

- **This process is relatively simple, but requires updates to two spreadsheets.** These are:
  - “Monthly Disability Benefit Changes” compares current monthly payments with prior months, details base benefit and adjustments. It has two primary purposes. The Disability Accountant uses it to collect information in a single place to simplify posting and verifying the payment batch. The Finance Manager uses it to check batch payment balances and approve the payment batch. It is relatively simple to set up, since the Disability Accountant can use the prior month as a template.
  - “Monthly Medical Insurance Deductions Report”. This spreadsheet displays deductions for all affected members and calculates comparison prior to current period.

*Short-Term Recommendations:*

5.1 Explore importing medical premiums from Human Resources as is done for Pension.

*Longer-Term Recommendations:*

5.2 Consider creating a printable view/report to replace the “Monthly Disability Benefits Changes” spreadsheet. (See earlier recommendations.)
6. Verify W-2 information for non-service claims.

The purpose of this process is to ensure that information about disability payments to non-service claim members is correct before a W-2 is issued to the member. This is one of several year-end processes.

FINDINGS:

- **This process impacts few members each year, and requires no spreadsheet maintenance.** Approximately 8-10 members per year receive a W-2.

- **The process could be eliminated.** The Senior Business Systems Analyst indicates that the process could possibly be replaced by a reconciliation query in the FPDR Database. This would require addition of a member’s Medicare information to the FPDR Database.

SHORT-TERM RECOMMENDATIONS:

6.1 Add functionality to the FPDR Database application to calculate and store the Medicare deduction. (This is the only deduction not calculated by the application.)

6.2 Create a reconciliation query in the FPDR Database to replace this process.
7. Adjust member benefits to reflect earnings (wage offset.)

This process is used to reduce member benefits in cases where wages/income has been earned during the benefit period. The City Code & Charter defines the amount of the offset. There are three variations:

- Monthly wage offset calculation
- Annual wage offset true-up
- Biweekly wage offset calculation. (This is infrequent and was not examined.)

Findings:

- Two spreadsheets are used in this process:
  - The member-specific “Wage Offset Worksheet” is used to record estimated wages, actual wages, and to calculate adjustments and carryovers. Changes to member benefits in a given period must be manually updated using information from other sources.
  - “Monthly Disability Benefit Changes” is updated as part of this process, and is used to assist the Disability Accountant to create the monthly payment batch (see process 2 above).

- The wage offset calculation is complex and requires some judgment. The Disability Accountant must estimate monthly wages if member reports are not available. Annually, she must examine estimates of wages that were made during the year and determine whether a carryover adjustment is required. Calculations are performed using the “Wage Offset Worksheet”, but the calculations in this spreadsheet may not be readily understood by others.

- The true-up process is required by FPDR Administrative Rules, but for biweekly members is not particularly cost-effective. As of 11/5/2014 only ten members were subject to wage offset. Total biweekly offsets for 2013 were about $700, according to the Disability Accountant. The process resulted in about $70,000 for monthly members, according to the Finance Manager.

- Work on this process may be deferred by the Disability Accountant pending other time-critical tasks. As of 11/5/2014 the Disability Accountant had not completed annual true-ups for 2011-2013.

Short-Term Recommendations:

7.1 Combine the “Wage Offset Worksheet” in a member-specific Excel file with other member-specific spreadsheets. Update member details in one place, as needed.

7.2 Consider creating a printable view/report to replace “Monthly Disability Benefits Changes”. (See earlier recommendation.)

Longer-Term Recommendations:

7.3 Consider a redesign of the “Wage Offset” worksheet to make it more intuitive for others to use.
7.4 Expand the functionality of the FPDR Database to fully support the wage offset process.
8. Calculate member’s time adjustments.

The purpose of this process is to adjust FPDR 2 and FPDR 3 members’ pension eligibility date to reflect time on disability (time loss). This is an annual process for members with disability benefit percentages less than 75% and/or wage offset. As of 11/5/2014 26 members were subject to time adjustment.

Findings:

- Four Excel spreadsheets were created to support this process:
  - “Time Adjustment Log” lists all members subject to time adjustment, by status (active, not active, terminated) and identifies the total time adjustment. This sheet is used to track and manage the process.
  - “Time Loss Calculation Worksheet”. This member-specific spreadsheet calculates the total time adjustment for members with a 50% benefit or wage offset. Changes to a member’s monthly base pay must be manually updated.
  - “Time Adjustments – SS Age”. This member-specific spreadsheet calculates collective days lost. It includes a year’s worth of data (base pay, wage offset, tax offset) and must be manually updated as data change.
  - “FPDR 3 LWOP Reporting to Payroll”. This report to City Payroll includes member information and identifies the first full day of FPDR Time and return to work or city-paid time as well as notes.

- Two Excel spreadsheets created for other processes support data entry, but are not updated as part of this process. They are:
  - “Member Pay History Worksheet” aka “Pay History” is used to update monthly base pay and other member information in the “Time Adjustments – SS Age” spreadsheet.
  - “WO” (Wage Offset) is used to update salary/wages and deductions in the “Time Adjustments – SS Age” spreadsheet.
Short-Term Recommendations:

8.1 Develop a printable view or report that could display payments to any member during a specified period of time whose benefit percentage was less than 50% or who had a wage offset.

Longer-Term Recommendations:

8.2 Investigate creating a printable view/report to replace the “Time Adjustment Log.”
9. Establish a new non-service claim date.

The purpose of this process is to establish the date that a member’s leave (including sick, vacation, personal and catastrophic leave) will be fully exhausted so that non-service disability benefits may be paid.

Findings:

- **The process is executed infrequently, but can be time-consuming.** Only six members required a non-service claim start date in 2014. However, the process can be complicated by two factors:
  
  - **Member use of catastrophic leave.** A member may elect to use “catastrophic leave”, or leave hours donated by other employees, to offset time loss due to non-service injury or illness. This time is coordinated by the City Human Resources Bureau but the leave balance is not tracked in SAP. The Disability Accountant must coordinate with the City to establish each member’s catastrophic leave end date and to ensure additional leave is not taken.
  
  - **Leave accrued on hours worked.** Any hours paid to a member during the determination process will generate a fractional leave balance. These leave hours must be exhausted before benefits can be paid. The Disability Accountant verifies leave accruals balances before establishing a claim date, but must deal with small, fractional leave balances.

- **There is no process in place for members to formally end future use of catastrophic leave.** Members are not allowed to use catastrophic leave after non-service benefits have been approved and paid but may attempt to use leave as more is donated. Even with close coordination between the City and FPDR there is some risk of overpayment.

- **Two spreadsheets** are used in this process:
  
  - “NS Unpaid Time Log” tracks unpaid leave for non-service members. It is used primarily to track catastrophic leave.
  
  - The “PT Balance” spreadsheet is used to reformat data from an export of the SAP “Preliminary Timesheet Report”. It includes wage type and hours, by date, for any member with catastrophic leave.

Short-Term Recommendations:

9.1 Work with the City Human Resources Bureau to develop a process to end a member’s use of catastrophic leave for a specific non-service disability. This may include setting deadlines for use of catastrophic leave and/or member waiver of future use of catastrophic leave.

9.2 Use SAP to monitor leave use & status (reducing or eliminating the need for spreadsheets).
9.3 Consolidate the “NS Unpaid Time Log” with other member-specific spreadsheets to simplify data update.

9.4 Use “SAP Preliminary Timesheet Report” as-is instead of converting it to Excel.
IV. Summary of Spreadsheet Recommendations

These are recommendations only. FPDR should consult with the Disability Accountant to define specific requirements for new reports.

Replace the following spreadsheets with FPDR Database printable reports/views:

<table>
<thead>
<tr>
<th>Spreadsheet Name</th>
<th>Impacted Processes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Member Pay History”</td>
<td>1</td>
<td>May require creating and saving “snapshots” of transaction history in FPDR, adding member attributes, expansion of SAP upload, and new functionality.</td>
</tr>
<tr>
<td>“FPDR 2&amp;3 Monthly Disability Approval Sheet”</td>
<td>2</td>
<td>Could be a new report, or modification of “Trial Batch” report</td>
</tr>
<tr>
<td>“Monthly Benefits Detail”</td>
<td>2</td>
<td>May require expansion of SAP upload/interface.</td>
</tr>
<tr>
<td>“Monthly Disability Benefits Changes”</td>
<td>2, 5, 7</td>
<td>Longer term. Requires database changes, upgrades</td>
</tr>
<tr>
<td>“Time Adjustment Log”</td>
<td>8</td>
<td>Longer term.</td>
</tr>
</tbody>
</table>

Use the following SAP or FPDR reports “as-is”, rather than downloading them and reformatting in Excel, or make changes to these reports in the source systems as needed.

<table>
<thead>
<tr>
<th>Spreadsheet Name</th>
<th>Impacted Processes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Timesheet Report”</td>
<td>1</td>
<td>Use SAP “Biweekly Batch” as is instead of converting to Excel.</td>
</tr>
<tr>
<td>“LR Log/Pended Claim Log”</td>
<td>3</td>
<td>Could be eliminated or combined.</td>
</tr>
<tr>
<td>“Before Recovery”</td>
<td>3a</td>
<td>Substitute SAP “PT-BAL” report</td>
</tr>
<tr>
<td>“After Recovery”</td>
<td>3a</td>
<td>Substitute SAP “PT-BAL” report</td>
</tr>
<tr>
<td>“FPDR 3 Adjusted Service Hours”</td>
<td>8</td>
<td>Report to City HR; info can be accessed directly in SAP</td>
</tr>
<tr>
<td>“Timesheet”</td>
<td>9</td>
<td>Reformats data from “Preliminary Timesheet Report.”</td>
</tr>
</tbody>
</table>
Combine the following member-specific spreadsheets into multi-tab spreadsheets where feasible:

<table>
<thead>
<tr>
<th>Spreadsheet Name</th>
<th>Impacted Processes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>“LR Log/Pended Claim Log”</td>
<td>3</td>
<td>Could be eliminated or combined.</td>
</tr>
<tr>
<td>“Wage Offset Worksheet”</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>“Tax Offset”</td>
<td>1,2</td>
<td></td>
</tr>
<tr>
<td>“NS Unpaid Time Log”</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>“Time Adjustments”</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>

Improve or redesign the following spreadsheets:

<table>
<thead>
<tr>
<th>Spreadsheet Name</th>
<th>Impacted Processes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Wage Offset Worksheet”</td>
<td>7</td>
<td>Improve usability/understandability for periodic users.</td>
</tr>
</tbody>
</table>
V. Recommended Changes or Additions to Existing Reports

These are recommendations only. FPDR should consult with the Disability Accountant to define specific requirements for these reports.

Changes to Existing FPDR Reports:

<table>
<thead>
<tr>
<th>Existing Report Name</th>
<th>Impacted Processes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Verify Timesheet”</td>
<td>1</td>
<td>Separate by Police, Fire and allow alpha name sort</td>
</tr>
</tbody>
</table>

New FPDR Database Reports/Views

<table>
<thead>
<tr>
<th>Report Components</th>
<th>Impacted Processes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members approaching longevity date and related pay increase</td>
<td>1, 2</td>
<td>Needed to anticipate longevity pay changes.</td>
</tr>
<tr>
<td>Members approaching retirement date</td>
<td>1, 2</td>
<td>Needed to provide visibility to impending retirements.</td>
</tr>
<tr>
<td>Member claim details (member injury date, injury type, analyst name, and claim status.)</td>
<td>3</td>
<td>These data may be available using an existing report or view.</td>
</tr>
</tbody>
</table>
VI. Opportunities for Electronic Document Sharing

These are recommendations only. FPDR should consult with the Disability Accountant and disability analysts to define specific documents to share.

<table>
<thead>
<tr>
<th>Spreadsheet or Document Name</th>
<th>Impacted Processes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>“LR Log/Pended Claim Log” spreadsheet</td>
<td>3</td>
<td>Currently printed and distributed to disability analysts.</td>
</tr>
<tr>
<td>Member correspondence related to leave reimbursement</td>
<td>3</td>
<td>Currently shared in hard copy with disability analysts.</td>
</tr>
<tr>
<td>“Member Pay History”</td>
<td>Various</td>
<td>Make spreadsheets available to disability analysts. Will be useful to preserve history for members prior to 2009 implementation of SAP.</td>
</tr>
<tr>
<td>“Edited Claims Cost Report”</td>
<td>3a</td>
<td></td>
</tr>
</tbody>
</table>
VII. About this Review

To complete this review, Linda Lewis, Principal of Framework LLC, interviewed FPDR Disability Accountant Patricia Rafferty and observed her work.

She also interviewed or met with the following individuals:

- Samuel Hutchison, FPDR Fund Director
- Nancy Hartline, FPDR Financial Manager
- Kim Mitchell, Operations & Disability Manager
- Sheri Miller, Sr. Business Systems Analyst
- Various disability analysts (informally)

Based on these discussions she developed this report of findings and recommendations and a set of process flow diagrams and written process descriptions for ten disability payment processes. These are presented under separate cover.
<table>
<thead>
<tr>
<th>Bill(s)</th>
<th>Summary</th>
<th>FPDR Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PERS Changes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SB 782</td>
<td>Omnibus bill – would reduce assumed interest rate for actuarial equivalence calculations, part of employee contributions may fund defined benefit pension, eliminates unused leave from final average salary calculation, reduces maximum OPSRP covered salary from $200,000 to $100,000, eliminates overtime from OPSRP final average salary after 2016, increases OPSRP earliest and normal retirement ages (for new hires), 2015-17 contribution rates to be recalculated, expedited review by Supreme Court</td>
<td>Reduce FPDR3 contribution rates and benefits; halving covered salary cap may impact attraction and retention of experienced and high ranking members</td>
</tr>
<tr>
<td>SB 784</td>
<td>Reduces maximum OPSRP covered salary from $200,000 to $100,000; no expedited review by Supreme Court</td>
<td>See above</td>
</tr>
<tr>
<td>SB 785</td>
<td>Creates Fair Retirement Plan, a defined contribution plan for new employees; maximum employer contribution for police/fire members is 7.15% of member’s salary; employee contributions limited by federal law governing tax qualification (currently $53,000)</td>
<td>Reduce contribution rates, benefits for new members; no pickup (5-306(d) impact); lack of funding provision for defined benefit plan shortfalls is concern</td>
</tr>
<tr>
<td>HB 3110</td>
<td>Bans employer contributions and contributions to retirement accounts, annuities or other post-retirement benefit accounts</td>
<td>Eliminate FPDR3 3% employer contribution (5-306(d) impact); supplemental pension plan may be at risk</td>
</tr>
<tr>
<td>SB 370</td>
<td>Permits domestic relations orders to assign member’s death benefit to former spouse if member dies before retirement, even if there is no death benefit to be paid under the plan’s terms – includes equal to or better plans like FPDR</td>
<td>Increase plan’s cost in rare occasions</td>
</tr>
<tr>
<td>HB 2836</td>
<td>Members can earn OPSRP service credit for periods of worker’s compensation or FPDR service or occupational disability if member returns to work</td>
<td>Increase FPDR3 benefits and contributions cost; may also reduce incentive to return to work quickly</td>
</tr>
<tr>
<td>HB 3183</td>
<td>Members can buy OPSRP service credit for seasonal/temporary employment or military service not already covered by a pension plan</td>
<td>No impact if PERS accurately calculates purchase price</td>
</tr>
<tr>
<td>Various</td>
<td>Add to positions that are considered police officers for PERS – only HB 2618-A has so far been amended to restrict this to future service only</td>
<td>No impact if bills are amended to future service only; create additional unfunded liability otherwise</td>
</tr>
<tr>
<td>Various</td>
<td>Add to positions that retirees can work at full time without loss of retirement benefits</td>
<td>No impact</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>SB 123</td>
<td>Board to study status of volunteer firefighters</td>
<td>No impact</td>
</tr>
<tr>
<td><strong>Worker’s Compensation Changes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HB 2032</td>
<td>Prohibits employer or insurer from requiring injured worker to obtain nonemergency medical services from specific provider unless employer or insurer has managed care organization contract</td>
<td>No impact</td>
</tr>
<tr>
<td>HB 2211</td>
<td>Civil penalty for processing violation</td>
<td>No impact</td>
</tr>
<tr>
<td>HB 2523</td>
<td>Increase scope for naturopaths and chiropractors as attending physicians</td>
<td>No impact</td>
</tr>
<tr>
<td>HB 2581</td>
<td>Limit number of independent medical exams to one for insurer and one for injured worker; after that recourse is to external file review</td>
<td>No impact</td>
</tr>
<tr>
<td>HB 2644</td>
<td>Eliminates wrongful death immunity of covered private-sector employee murdered in course and scope of work</td>
<td>No impact</td>
</tr>
<tr>
<td>HB 2764</td>
<td>Modifies attorney fee awards; requires payment of interest in certain cases</td>
<td>No impact</td>
</tr>
<tr>
<td>SB 143</td>
<td>Requires self-insurers to be members of new Self-Insurer Security Fund</td>
<td>No impact</td>
</tr>
<tr>
<td>SB 323</td>
<td>Instructs Oregon Institute of Occupational Health Sciences to conduct study related to provision of medical services in workers’ compensation claims</td>
<td>No impact</td>
</tr>
<tr>
<td>SB 371</td>
<td>Allows insurer or self-insured employer to mail notice of closure of workers’ compensation claim to beneficiaries of deceased worker under certain circumstances</td>
<td>No impact</td>
</tr>
<tr>
<td>SB 649</td>
<td>Modifies definitions of compensable injury and preexisting condition; specifies when diagnostic medical services are compensable; requires written report or statement notifying employer of accident resulting in injury and filing of claim for compensation within one year; limits good cause exception for failure to provide notice of accident</td>
<td>No impact</td>
</tr>
<tr>
<td><strong>Other Bills of Note</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SB 496</td>
<td>Includes certain compensable worker’s compensation and FPDR service or occupational claims as qualifying criteria for eligibility for benefits from Public Safety Memorial Fund</td>
<td>May improve members’ access to PSMF’s benefits</td>
</tr>
<tr>
<td>SB 436</td>
<td>Requires contributions to amortize liability in 25 years for retiree benefits not provided for in retirement statutes</td>
<td>Would affect City’s retiree health insurance implicit subsidy and supplemental pension plan</td>
</tr>
</tbody>
</table>

2015 Oregon Legislature Bills of Note – March 18, 2015
March 18, 2015

MEMORANDUM

TO: Board of Trustees
FROM: Samuel Hutchison, Director

SUBJECT: Response to Questions Raised by Citizens – January 27, 2015 Board Meeting

During the January 27, 2015 FPDR Board of Trustees meeting, Del Steven and Ty Walthers asked questions of the Board during their public testimony. Below is a recap of the questions along with the answers.

Q1: *(Del Stevens)* The FPDR Board changed its meeting schedule to every other month and last year cancelled all of the summer meetings.

Is this schedule change and cancelling of meetings in conflict with the Oregon Public Meeting Law?

A: *(Ken, McGair, Deputy City Attorney met with Mr. Stevens after the Board meeting and provided him with this answer.)* There is nothing in the Public Records Law ORS 192.610 to .690 that requires a governing body of a public body to hold a set number of meetings. The law only requires that if the governing body of a public body meet, whether a regular or special meeting, the public be given notice of the time and place of such meeting. The notice for the FPDR’s regularly scheduled meetings (which were decided in the past) must be reasonably calculated to give actual notice of the time and place for the meeting to interested persons including the media.

Q2: *(Del Stevens)* Several of the overpaid retirees voluntarily repaid their entire overpayment without being part of the class settlement. Those retirees involved in the settlement only had to repay 60% of their overpayment. Those who repaid their entire overpayment were punished for doing the right thing.

Has anyone spoken with the Bureau of Risk Management to see if there is a way that they can correct the mistake that was made and pay those people back the 40% that they were not funded?

A: This question was directed to the City of Portland and the Mayor’s Office. Therefore, FPDR is deferring to the Mayor’s Office for response.
Q3: \textit{(Del Stevens)} PERS overpaid some pension benefits but forgave most of the overpayment so their members did not have to repay.

Why could PERS forgive an overpayment but FPDR cannot?

\textbf{A:} Mr. Stevens was referring to a July 25, 2014 PERS Board decision to forgive a pension benefit calculation overpayment impacting several thousand PERS retirees.

FPDR and PERS are different retirement funds. FPDR is not bound to follow PERS’ statutes, rules, polices or decisions. FPDR is governed by Chapter 5 of the Charter of the City of Portland. Section 5-402 of the Charter requires the FPDR Fund to maintain a tax qualified pension plan that satisfies the requirements of Section 401(a) of the Internal Revenue Code.

When FPDR discovered the pension overpayments, FPDR explored the option of forgiving the overpayments. To assure that this option would not impact the Fund’s tax qualified pension status, FPDR sought the IRS’ opinion. The IRS rejected the option and told FPDR that it had to collect the entire overpayment. FPDR was able to work with the IRS and obtain their approval of the negotiated overpayment settlement even though the settlement did not collect the entire overpayment. Should FPDR had chosen to forgive the overpayments, the Fund could have lost its tax qualified status.

Q4: \textit{(Ty Walthers)} There still a significant amount of property in the City, such as in the Pearl and in the South Waterfront that are not fully on the property tax rolls (part of an urban renewal area or a tax abatement program).

Will having these properties not on the tax roll make any significant difference to the FPDR tax levy down the road?

\textbf{A:} The assessors cannot tell what part of the real market value for a property in, say, the Pearl is associated with the increase since the urban renewal district was created. There’s just one real market value number for each property in the City, and releasing urban renewal properties onto the general rolls does not affect the real market value subject to the FPDR levy.
<table>
<thead>
<tr>
<th>Description</th>
<th>Original Budget</th>
<th>Current Budget</th>
<th>Dec Actuals</th>
<th>Jan Actuals</th>
<th>Feb Actuals</th>
<th>YTD Actuals</th>
<th>Year End Proj</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>21,611,129.40</td>
<td>21,611,129.40</td>
<td>16,829,044.60</td>
<td>21,611,129.40</td>
<td>16,829,044.60</td>
<td>16,829,044.60</td>
<td>16,829,044.60</td>
</tr>
</tbody>
</table>

**Revenues**

<table>
<thead>
<tr>
<th>Description</th>
<th>Original Budget</th>
<th>Current Budget</th>
<th>Dec Actuals</th>
<th>Jan Actuals</th>
<th>Feb Actuals</th>
<th>YTD Actuals</th>
<th>Year End Proj</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>166,856,702.00</td>
<td>166,856,702.00</td>
<td>139,264,125.23</td>
<td>139,264,125.23</td>
<td>139,264,125.23</td>
<td>139,264,125.23</td>
<td>139,264,125.23</td>
</tr>
<tr>
<td>Beginning fund balance</td>
<td>13,003,457.00</td>
<td>13,003,457.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Taxes</td>
<td>195,321,635.00</td>
<td>195,321,635.00</td>
<td>-13,761,452.00</td>
<td>-13,761,452.00</td>
<td>-13,761,452.00</td>
<td>-13,761,452.00</td>
<td>-13,761,452.00</td>
</tr>
<tr>
<td>Bond and notes proceeds</td>
<td>31,256,000.00</td>
<td>31,256,000.00</td>
<td>-25,815,144.44</td>
<td>-25,815,144.44</td>
<td>-25,815,144.44</td>
<td>-25,815,144.44</td>
<td>-25,815,144.44</td>
</tr>
<tr>
<td>Miscellaneous Sources</td>
<td>350,000.00</td>
<td>350,000.00</td>
<td>-53,951,150.00</td>
<td>-53,951,150.00</td>
<td>-53,951,150.00</td>
<td>-53,951,150.00</td>
<td>-53,951,150.00</td>
</tr>
<tr>
<td>Interest on Cash Transfer Revenues</td>
<td>-550,000.00</td>
<td>-550,000.00</td>
<td>-609,000.00</td>
<td>-609,000.00</td>
<td>-609,000.00</td>
<td>-609,000.00</td>
<td>-609,000.00</td>
</tr>
<tr>
<td>Intergovernmental Revenues</td>
<td>657,200.00</td>
<td>657,200.00</td>
<td>-462,694.00</td>
<td>-462,694.00</td>
<td>-462,694.00</td>
<td>-462,694.00</td>
<td>-462,694.00</td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th>Description</th>
<th>Original Budget</th>
<th>Current Budget</th>
<th>Dec Actuals</th>
<th>Jan Actuals</th>
<th>Feb Actuals</th>
<th>YTD Actuals</th>
<th>Year End Proj</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>186,856,702.00</td>
<td>186,856,702.00</td>
<td>145,892,554.00</td>
<td>145,892,554.00</td>
<td>145,892,554.00</td>
<td>145,892,554.00</td>
<td>145,892,554.00</td>
</tr>
<tr>
<td>Program Services</td>
<td>120,315,788.00</td>
<td>120,315,788.00</td>
<td>87,323,883.55</td>
<td>87,323,883.55</td>
<td>87,323,883.55</td>
<td>87,323,883.55</td>
<td>87,323,883.55</td>
</tr>
<tr>
<td>Personnel Services</td>
<td>750,000.00</td>
<td>750,000.00</td>
<td>85,000.00</td>
<td>85,000.00</td>
<td>85,000.00</td>
<td>85,000.00</td>
<td>85,000.00</td>
</tr>
<tr>
<td>Professional services</td>
<td>300,000.00</td>
<td>300,000.00</td>
<td>50,000.00</td>
<td>50,000.00</td>
<td>50,000.00</td>
<td>50,000.00</td>
<td>50,000.00</td>
</tr>
<tr>
<td>Computer consulting</td>
<td>21,900.00</td>
<td>21,900.00</td>
<td>1,500.00</td>
<td>1,500.00</td>
<td>1,500.00</td>
<td>1,500.00</td>
<td>1,500.00</td>
</tr>
<tr>
<td>Legal</td>
<td>41,400.00</td>
<td>41,400.00</td>
<td>2,250.00</td>
<td>2,250.00</td>
<td>2,250.00</td>
<td>2,250.00</td>
<td>2,250.00</td>
</tr>
<tr>
<td>Audit</td>
<td>54,000.00</td>
<td>54,000.00</td>
<td>2,000.00</td>
<td>2,000.00</td>
<td>2,000.00</td>
<td>2,000.00</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Other professional services</td>
<td>90,000.00</td>
<td>90,000.00</td>
<td>1,000.00</td>
<td>1,000.00</td>
<td>1,000.00</td>
<td>1,000.00</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Medical professional processing</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Repair &amp; Maint Servs</td>
<td>2,500.00</td>
<td>2,500.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>21,000.00</td>
<td>21,000.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
</tr>
<tr>
<td>Office supplies</td>
<td>6,200.00</td>
<td>6,200.00</td>
<td>500.00</td>
<td>500.00</td>
<td>500.00</td>
<td>500.00</td>
<td>500.00</td>
</tr>
<tr>
<td>Computer supplies - software</td>
<td>2,700.00</td>
<td>2,700.00</td>
<td>1,750.00</td>
<td>1,750.00</td>
<td>1,750.00</td>
<td>1,750.00</td>
<td>1,750.00</td>
</tr>
<tr>
<td>Medical supplies - hardware</td>
<td>1,750.00</td>
<td>1,750.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
</tr>
<tr>
<td>Fuel</td>
<td>16,000.00</td>
<td>16,000.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
</tr>
<tr>
<td>Telephone</td>
<td>3,300.00</td>
<td>3,300.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,000.00</td>
<td>1,000.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
<td>1,250.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>157,856,702.00</td>
<td>157,856,702.00</td>
<td>122,868,757.00</td>
<td>122,868,757.00</td>
<td>122,868,757.00</td>
<td>122,868,757.00</td>
<td>122,868,757.00</td>
</tr>
</tbody>
</table>

**Other Financing**

<table>
<thead>
<tr>
<th>Description</th>
<th>Original Budget</th>
<th>Current Budget</th>
<th>Dec Actuals</th>
<th>Jan Actuals</th>
<th>Feb Actuals</th>
<th>YTD Actuals</th>
<th>Year End Proj</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>157,856,702.00</td>
<td>157,856,702.00</td>
<td>122,868,757.00</td>
<td>122,868,757.00</td>
<td>122,868,757.00</td>
<td>122,868,757.00</td>
<td>122,868,757.00</td>
</tr>
</tbody>
</table>

**Notes**

- Actual Beginning Balance: 13,701,432.00
- Projected Ending Balance, January 2015: 18,210,232.00