Retirement Workshop for FPDR Two Members

Bureau of Fire & Police Disability & Retirement

July 23, 2015

Pension Overview

- Eligibility
- How we calculate your FPDR Two pension
- Timing considerations
- What to do when you’re ready to retire
- What to expect after retirement

Eligibility

You are first eligible to retire at earlier of:

- On or after age 50 with 25 years of service
- Age 55

If you end your service prior to your earliest retirement date but have at least five years of service, you are vested and will receive a retirement benefit when you would have reached your earliest retirement date

How we calculate your FPDR Two pension

- Final Pay * Years of Service * Accrual Rate
  - Final Pay
  - Years of Service
  - Accrual rate choices
- Additional tax offset benefit, if eligible
- Future benefit adjustments
- Understanding your estimates

Final Pay

Charter Section 5-303.
Base Pay and Final Pay

(a) …Base Pay means the base pay of the FPDR Two or FPDR Three Member's position in the Bureau of Fire or Police, including premium pay but excluding overtime and payments for unused vacation or sick leave.

(b) …Final Pay means the highest Base Pay received by the FPDR Two Member for any of the three consecutive 365-day, or 366-day in a leap year, periods…

…where the most recent day is the last day for which pay was received in the calendar month preceding the calendar month in which the FPDR Two Member retires, dies, or otherwise terminates employment with the Bureau of Fire or Police.

Final Pay, continued

(b), continued

Final Pay for any such period does not include any retroactive payments received by the Member for days preceding such 365-day or 366-day period but does include adjustments to the Base Pay of the FPDR Two Member's position in the Bureau of Fire or Police that would have been received had the Member's applicable collective bargaining agreement been in effect during such 365-day or 366-day period.

Final Pay for any FPDR Two Member who retires, dies or otherwise terminates employment with the Bureau of Fire or Police and has either received FPDR disability benefits or who was employed in a part-time status by the Bureau of Fire or Police during any such 365-day or 366-day period shall be based on the Base Pay for a full-time employee in the FPDR Two Member's position in the Bureau of Fire or Police at the time of retirement, death or termination from employment.

Final Pay, continued

- Base Pay excludes overtime* and leave payouts
- Final Pay may be calculated for three consecutive lookback periods - the most recent period is usually highest
- Lookback periods begin with the calendar month preceding the month of your last day of employment
- Retroactive payments are applied to the period in which they would have been received had the collective bargaining agreement been in effect
- Final Pay for retirement from FPDR-paid disability time or part-time status is the Base Pay of your position

*If you use overtime pay for usual expenses, take this into account in your retirement planning

Final Pay, continued

- Base Pay per pay period times days at that biweekly rate divided by 14 days per pay period (365 or 366 days in total)
- Plus other pensionable pay received
  - Retros for collective bargaining agreements implemented after their effective date will be prorated to the lookback periods they apply to
  - Pension benefit may be increased after retirement if pay rate would have been higher under a collective bargaining agreement implemented retroactively

Years of Service

- Each completed month is credited
- One month = 1/12 year
- 30 years maximum
- Service adjustments may add or subtract days from FPDR entry date to get later or earlier adjusted appointment date

Years of Service, continued

- Service adjustments
  - Unpaid time, except military leave
  - Part-time employment
  - Disability time if FPDR-paid benefit less than 75% of base pay
    - Per Section 5-302(c), the amount credited for each year of disability time is a fractional Year of Service: the Member's disability benefits received during the year divided by 75% of the Base Pay for the year for the position held by the Member at disability
  - PERS buy-in shows as negative adjustment

Accrual Rate Choices

- You elect upon signing application

Accrual Rate	Percent of Final Pay*	Survivor's Percentage	Survivor's Pct of Final Pay*
2.2%	66.0%	100%	66.0%
2.4%	72.0%	75%	54.0%
2.6%	78.0%	50%	39.0%
2.8%	84.0%	25%	21.0%

- Section 5-310(c): "irrevocable election"
- Survivor is spouse of at least a year or dependent minor child

*With 30 Years of Service

Accrual Rate Choices

FPDR Statistics

Average Age of Member at Retirement: 53.9[1]
Average Age of Retired Member at Death: 82.6[2]
Average Age of Surviving Spouse at Death: 87.9[3]

[1]FPDR Two retirees only (includes disability and vested retirees) 1995-2014
[2]Measures all deaths of FPDR retired members that occurred 2005-2014
[3]Measures all deaths of FPDR surviving spouses that occurred 2005-2014

Tax Offset Benefit

- ORS 238.380 provides for an increase to base pension for members hired before July 14, 1995
- Increase percentage is <u>greater</u> of:
  - 0% to 4% based on your years of service (1% with 10 years, 2.5% with 20 years, 4% with 25 years) <u>or</u>
  - 9.89% times percentage of service before October 1991 (Note: only payable if subject to Oregon personal income tax)
- Years of service benefit greater for almost all now
- *Your pension must be subject to Oregon personal income tax to receive the tax offset benefit*

Future Changes

- FPDR Board of Trustees determines amount & timing of benefit adjustments, but rate can be no higher than Oregon PERS cost-of-living rate
- Effective each July 1 for August 1 payment
- Oregon Supreme Court ruled in April that PERS COLA could only change for service rendered after October 8, 2013, the date of SB 861
- FPDR Board approved 2.0% adjustment for 2015 while it waits to see how PERS calculates their pre- and post-amendment COLA blend

City of Portland, Fire and Police Disability and Retirement
Estimate Pension for Workshop Example - Police Sergeant
1st Day of Retirement Benefits **5-Dec-15**

Final Pay

Member Information

Years of Service

Member's Pension	**Survivor's Pension**

Pay Information

City of Portland, Fire and Police Disability and Retirement
Estimate Pension for Workshop Example - Police Sergeant

1st Day of Retirement Benefits **5-Dec-15** Earliest Pension State Date

Estimated Final Pay: Biweekly

From	To	Hours	Pay	Pay Dates	Days	Amount

Member Information:

Years of Creditable Service:

Estimated Initial Pension Amount:

The following table shows the pay assumptions used. Please notify us if you would like to use different assumptions.

Date	Police Sergeant	Top-Step Officer	COLA
Biweekly Base Pay:			
1-Jul-14	**$3,501.60**	**$3,044.80**	**2.70%**
1-Jul-15	**$3,575.20**	**$3,108.80**	**2.10%**
1-Jul-16	$3,668.00	$3,189.60	2.60%
1-Jul-17	$3,767.20	$3,276.00	2.70%
Premium Pay at Top-Step Officer Rat			***2.00%***
Fitness:	*0.00%*	*Degree:*	*2.00%*
1-Jul-14		$60.90	2.00%
1-Jul-15		**$62.18**	2.00%
1-Jul-16		$63.79	2.00%
1-Jul-17		$65.52	2.00%
Longevity & Premium Pay at Base Ra			***8.00%***
Longevity Dt:	*8-Aug-90*	*Long Rate:*	*5.00%*
Supervising Sergeant Premium:			*3.00%*
1-Jul-14	**$280.25**		**8.00%**
1-Jul-15	**$285.66**		**8.00%**
8-Aug-15	$357.66		10.00%
1-Jul-16	$366.84		10.00%
1-Jul-17	$377.02		10.00%

City of Portland, Fire and Police Disability and Retirement
Estimate Pension for Workshop Example - Police Sergeant
1st Day of Retirement Benefits **5-Dec-15** Earliest Pension State Date

Estimated Final Pay:			Biweekly			
From	To	Hours	Pay	Pay Dates	Days	Amount
8-Aug-15	30-Nov-15	80.00	$3,923.04	8.00	112	$31,384.32
1-Jul-15	7-Aug-15	80.00	$3,842.75	2.07	29	$7,959.98
1-Dec-14	30-Jun-15	80.00	$3,923.04	15.93	223	$62,488.42
Last Pay Date of Nov 2014 Prorated			$3,923.04	0.07	1	$280.22
			Total:	26.07	365	$102,112.94
				Monthly:		$8,509.41

Member Information:

Years of Creditable Service:

Estimated Initial Pension Amount:	

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Member Information:	
Date of Appointment:	5-Dec-90
Date of Birth:	9-Nov-64
Age at Retirement:	50.7
Time Adj. Pre91(Days)	0
Time Adj. Post91(Days	0
Adj. Appointment Date:	5-Dec-90
Earliest Retirement Dt:	5-Dec-15

Years of Creditable Service:		
	Total	Prior to 1-Oct-91
Years	25	
Months	0	
=	25	1.14715948
		4.59%

Estimated Initial Pension Amount:	

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Years of Creditable Service:		
	Total	Prior to 1-Oct-91
Years	25	
Months	0	
=	25	1.14715948
		4.59%

Estimated Initial Pension Amount:						
		Member's			Survivor's	
Accrual Rate	Percent of Final Pay	Base Monthly Pension	Base Plus Tax Offset	Survivor's Percentage	Base Monthly Pension	Base Plus Tax Offset
2.20%	55.00%	$4,628.92	$4,814.08	100%	$4,628.92	$4,814.08
2.40%	60.00%	$5,049.73	$5,251.72	75%	$3,787.30	$3,938.79
2.60%	65.00%	$5,470.54	$5,689.36	50%	$2,735.27	$2,844.68
2.80%	70.00%	$5,891.35	$6,127.00	25%	$1,472.84	$1,531.75

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Comparing Two Estimates

Pension Start Date: 12/5/2015 **COLA: 1.94%**

Initial pension amount:			
Accrual Rate	Percent of Final Pay	Base Monthly Pension	Base Plus Tax Offset
2.20%	55.00%	$4,680.18	$4,867.39
	…		
2.80%	70.00%	$5,956.59	$6,194.85

Pension amount after assumed 1.94% increase 7/1/16			
Accrual Rate	Percent of Final Pay	Base Monthly Pension	Base Plus Tax Offset
2.20%	55.00%	$4,686.78	$4,874.25
	…		
2.80%	70.00%	$5,964.99	$6,203.59

Pension amount after assumed 1.94% increase 7/1/17			
Accrual Rate	Percent of Final Pay	Base Monthly Pension	Base Plus Tax Offset
2.20%	55.00%	$4,797.91	**$4,989.83**
	…		
2.80%	70.00%	$6,106.44	**$6,350.70**

Pension Start Date: 12/5/2017 **COLA: 1.88%**

Initial pension amount:			
Accrual Rate	Percent of Final Pay	Base Monthly Pension	Base Plus Tax Offset
2.20%	60.68%	$5,343.64	**$5,557.39**
	…		
2.80%	77.23%	$6,801.00	**$7,073.04**

Pension Summary Sheet

City of Portland, Fire and Police Disability and Retirement

Estimated Pension for Workshop Example - Police Sergeant
Summary Sheet

Key Assumptions: **You are subject to Oregon income tax in retirement; if not, you will be ineligible for the state tax offset benefit and your pension will be approximately 4% less**
Wages COLAs of 2.3% on July 1, 2015 and 2.5% on July 1, 2016
Pension COLAs each July 1, ranging from 1.94%% to 1.88% depending on retirement date

Estimated Pension Amounts for Selected Dates, 2015 - 2017					
Pension Start Date	*Years and Months of Service*	*Estimated or Actual Final Pay*	*Estimated Initial Pension Amount, with 25% Survivor*	*Estimated Pension Amount in, Dec 2017 with 25% Survivor*	*Comments*
December 2015	25 years, 0 months	$102,112.94	$6,194.85	$6,350.70	Earliest pension start date
June 2017	26 years, 2 months	$105,884.62	$6,723.44	$6,807.49	Full year with maximum longevity
December 2017	27 years, 0 months	$107,952.37	$7,073.04	$7,073.04	

Service credit and benefit amounts are as of service anniversary in month unless a day of month is specified.

Amounts include tax offset benefit if you are eligible. Refer to detail sheets to see amounts without tax offset.

Timing Considerations

- Final Pay: Lookback period includes a full year of longevity or other pay increase
- Years of Service: Retire on or after anniversary day in month – 30 year max
- Tax offset benefit increases at 10, 20 and 25 years of service (if eligible)
- Pension start date on or before July 1 to receive benefit adjustment effective July 1

Timing Considerations, continued

- 16 years, 1 month – full year 2-3% longevity
- 20 years – 2.5% tax offset*
- 21 years, 1 month – full year 4-5% longevity
- 25 years – 4.0% tax offset*
- 26 years, 1 month – full year 6-7% longevity
- 30 years – maximum years of service

*if tax offset payable

What to do when you're ready to retire

- Request updated pension estimate for selected pension start date
- Decide on accrual rate – you must sign a pension application before your pension start date!
- Make appointment with Beth – the sooner the better for payroll verification
- Bring voided check for direct deposit

What to expect after retirement

- 1st payment prorated – usually a check dated 2nd Tuesday of month following month of your pension start date
- Monthly thereafter on first, or last working day of prior month if first is not a working day
- Direct deposit of payments after 1st payment
- 1099-R each January for tax filing*
- July 1 benefit adjustment in August 1payment

*You owe tax to your state of residence; we withhold for Oregon and federal taxes. Any post-tax contributions you made prior to 1990 are amortized over 30 years to reduce your taxable income.

What to expect after retirement, continued

- Pension Protection Act allows for an income exclusion of up to $3,000 on your tax return for medical or long-term care premiums for you, your spouse (if filing jointly) and your dependents <u>if FPDR pays your insurer</u> by deducting your premium from your pension benefit
  - See FPDR website for list of non-City participating insurers

What to expect after retirement, continued

- FPDR will reimburse FPDR Two members' reasonable medical and hospital expenses arising from a service-connected or occupational injury or illness accepted before retirement
  - Service retirement date on or after 1/1/07
  - Disability retirement

QUESTIONS?

FPDR Resources

Beth Baisch - for pension estimates & applications:
503-823-5502, Beth.Baisch@portlandoregon.gov

www.portlandoregon.gov/fpdr - fillable forms on web:
address, direct deposit & tax withholding change forms

503-823-6823
fpdr@portlandoregon.gov