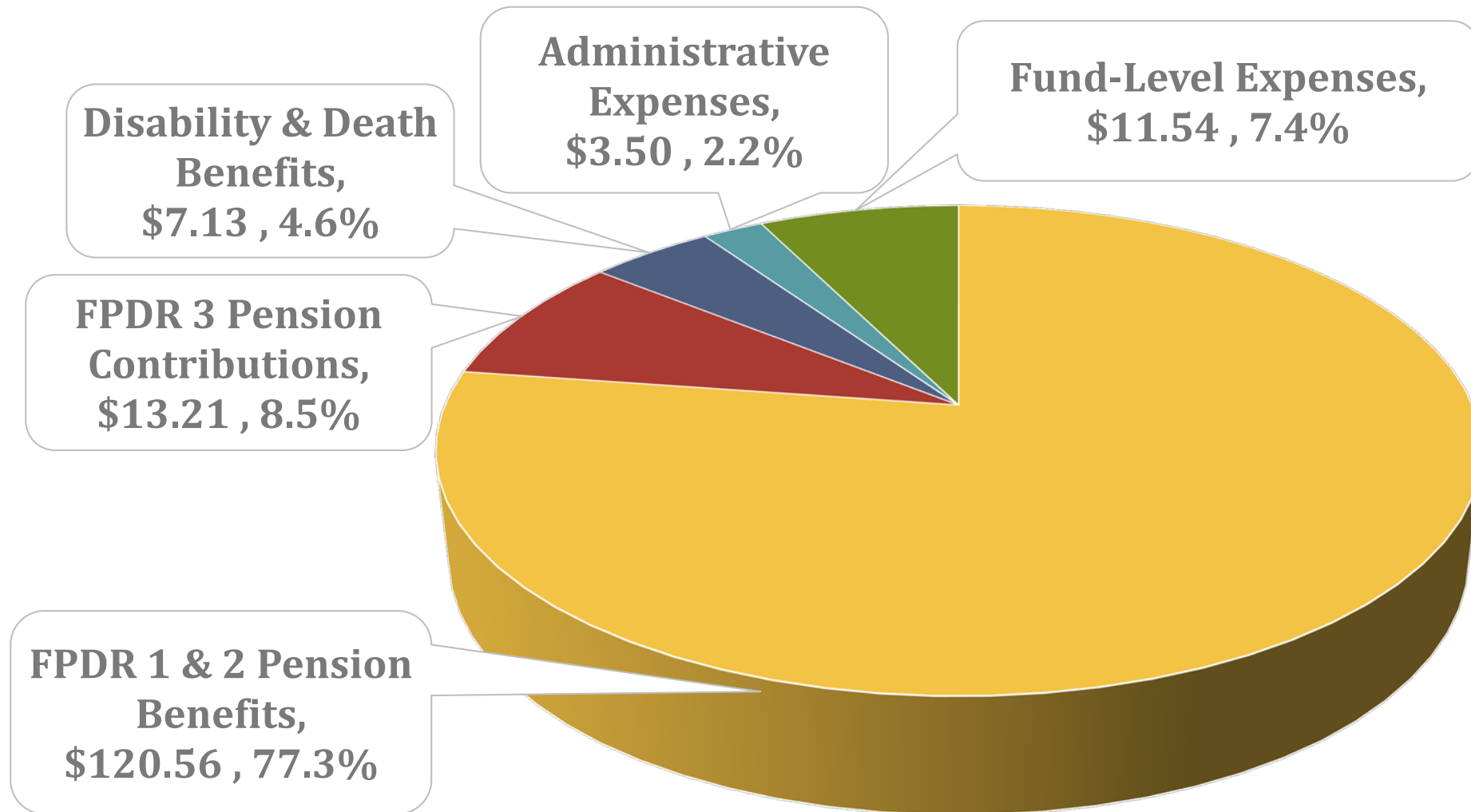




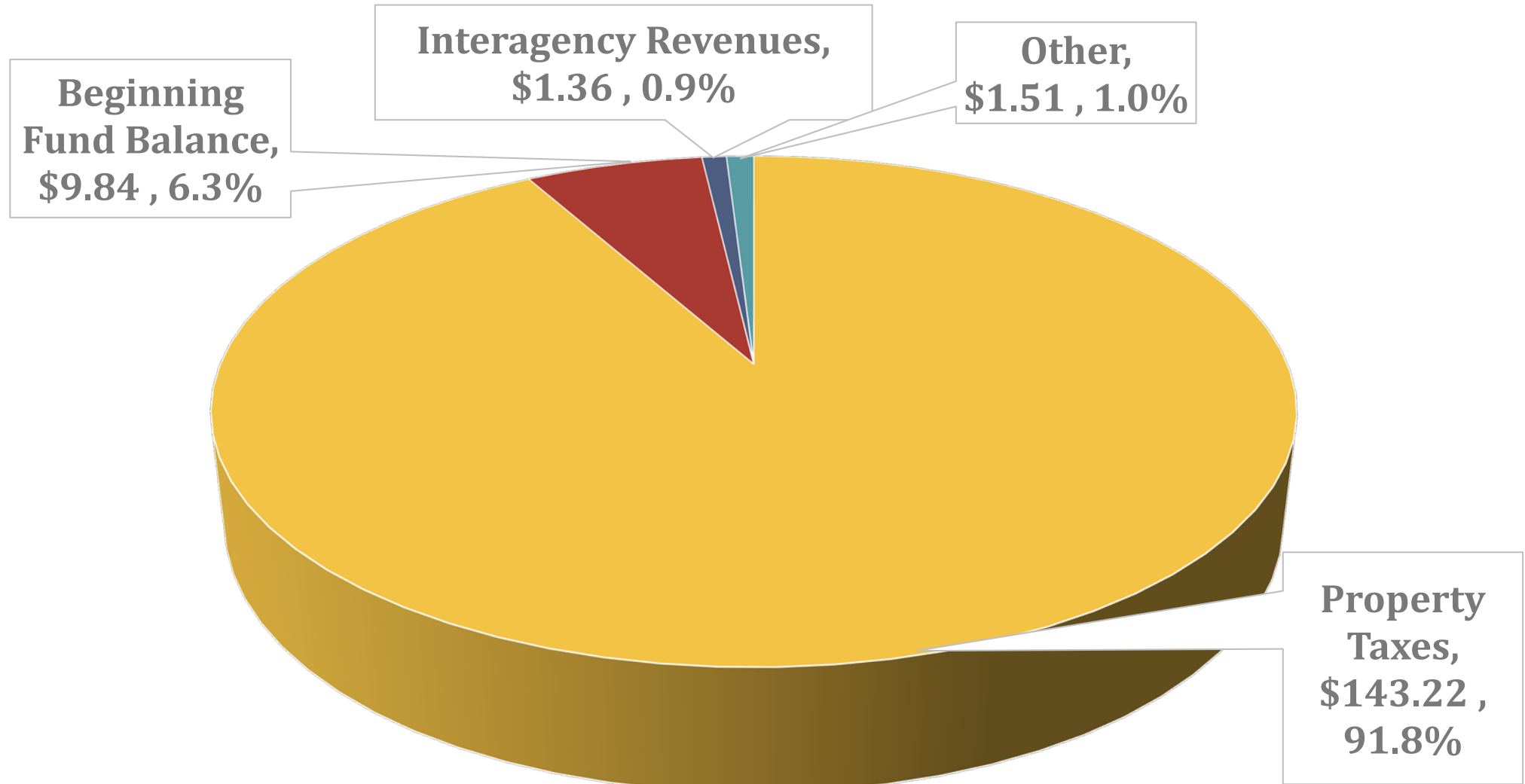
FPDR FY 2017-18 Recommended Budget

January 24, 2017
FPDR Finance Staff

FY 2017-18 Budgeted Expenses (\$ Millions)



FY 2017-18 Budgeted Resources (\$ Millions)



Five-Year Forecast Summary (\$ Millions)

	FYE16 Actuals	FYE17 Budget	FYE17 Projection	FYE18 Budget	FYE19 Forecast	FYE20 Forecast	FYE21 Forecast	FYE22 Forecast	Five Year Change
Resources									
Property Taxes	\$122.76	\$128.07	\$127.92	\$143.22	\$149.96	\$160.69	\$168.47	\$179.48	40.3%
Tax Anticipation Notes	24.64	34.48	29.49	44.31	46.59	50.12	52.41	55.98	89.8%
Miscellaneous	1.57	1.35	1.78	2.12	2.43	2.70	2.85	3.13	75.4%
Cash Transfers	-	0.75	-	0.75	0.75	0.75	0.75	0.75	N/A
Beginning Fund Balance	17.72	12.59	13.63	9.84	10.11	10.58	11.33	11.90	-12.7%
Total Resources	\$166.69	\$177.23	\$172.83	\$200.25	\$209.85	\$224.85	\$235.82	\$251.24	45.4%
Requirements									
Retirement Benefits	\$115.77	\$123.25	\$123.15	\$133.77	\$140.21	\$150.63	\$158.58	\$169.27	37.4%
Disability & Death Benefits	8.26	7.08	6.92	7.13	7.38	7.51	7.56	7.73	11.8%
Administration & Delivery	4.15	3.43	3.39	3.50	3.62	3.76	3.84	4.00	18.0%
Fund-Level Requirements	24.87	43.47	29.53	55.85	58.64	62.96	65.84	70.23	137.9%
Ending Fund Balance	13.63	-	9.84	-	-	-	-	-	N/A
Total Requirements	\$166.69	\$177.23	\$172.83	\$200.25	\$209.85	\$224.85	\$235.82	\$251.24	45.4%
Total Net of TANs	\$142.05	\$142.76	\$143.34	\$155.94	\$163.25	\$174.73	\$183.41	\$195.26	36.2%

Significant Forecast Drivers: Ongoing

Funding Two Generations of Pensions Simultaneously

- Costs will continue to increase until mid 2030s, when entire workforce is FPDR 3 and FPDR 2 members begin to pass away
- Known issue when 2006 reforms adopted
- Future taxpayers will benefit from transition to less expensive prefunded plan; current taxpayers bear costs

Continued Stability in Disability Benefits at Lower Level

- Disability benefits dropped nearly 40% in five years after 2006
- Most savings resulted from fewer members on long-term disability
- Lower benefits maintained despite volatility in medical component

Significant Forecast Drivers: New This Year

PERS Contribution Rates, \$24.7 Million Over Forecast

- Increased from 20.64% to 24.46% for next year; expected to grow to 30.5% by end of forecast
- Changes have greater impact as FPDR 3 contributions become larger share of budget

Police Wage Increases, \$7.0 Million Over Forecast

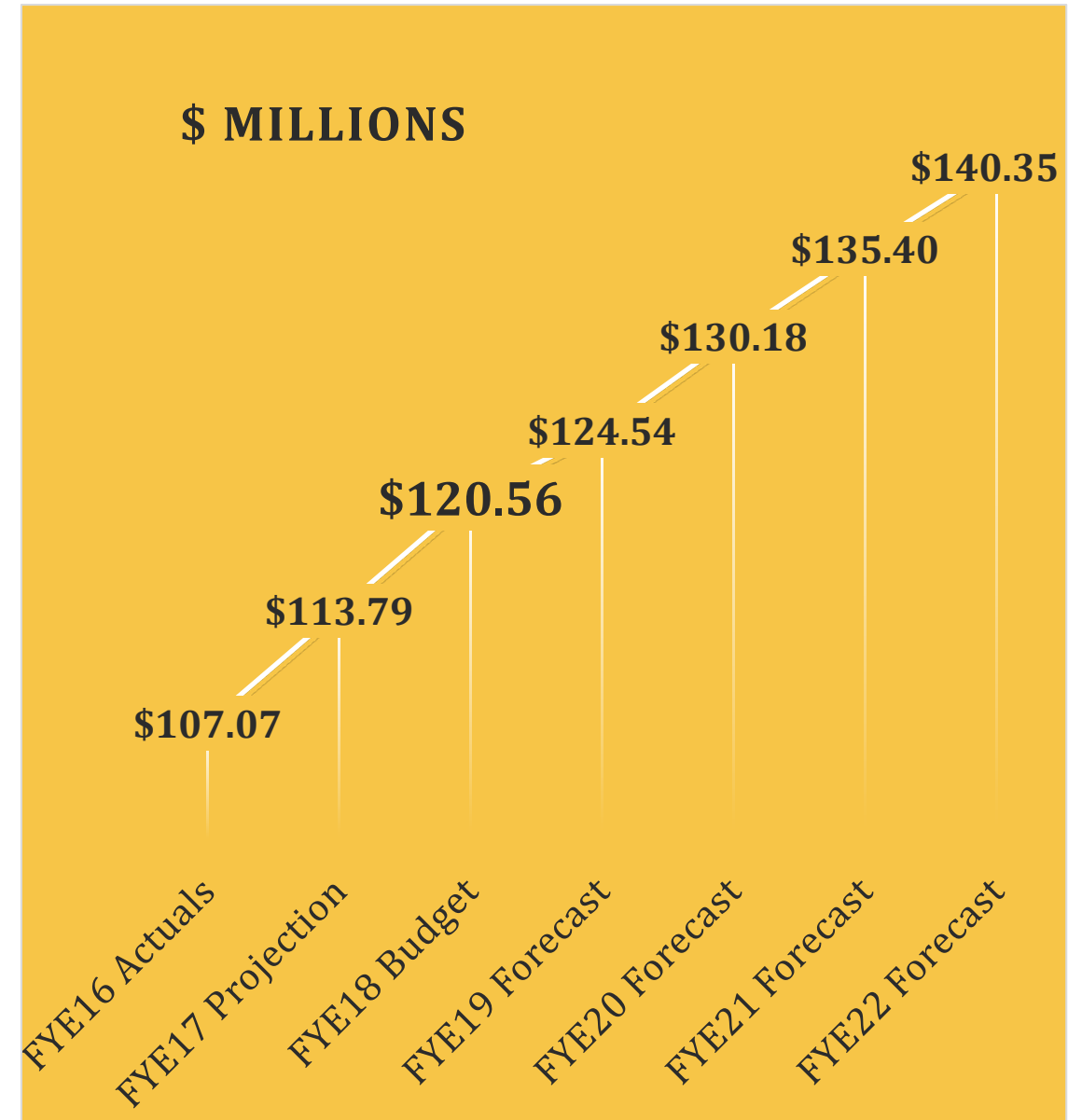
- Cumulative wage increase of 9.27% over next three years, in addition to annual cost-of-living adjustments
- Most FPDR benefits are pay-related and will increase accordingly

Return of 27 Pay Dates, \$2.8 Million Over Forecast

- Roughly 3.8% higher pension for most new FPDR 2 retirees
- In 2011 and 2012, 83% of all retirements were based on 27 pay dates
- Forecast assumes all service retirements are based on 27 pay dates, to be conservative while we gain experience

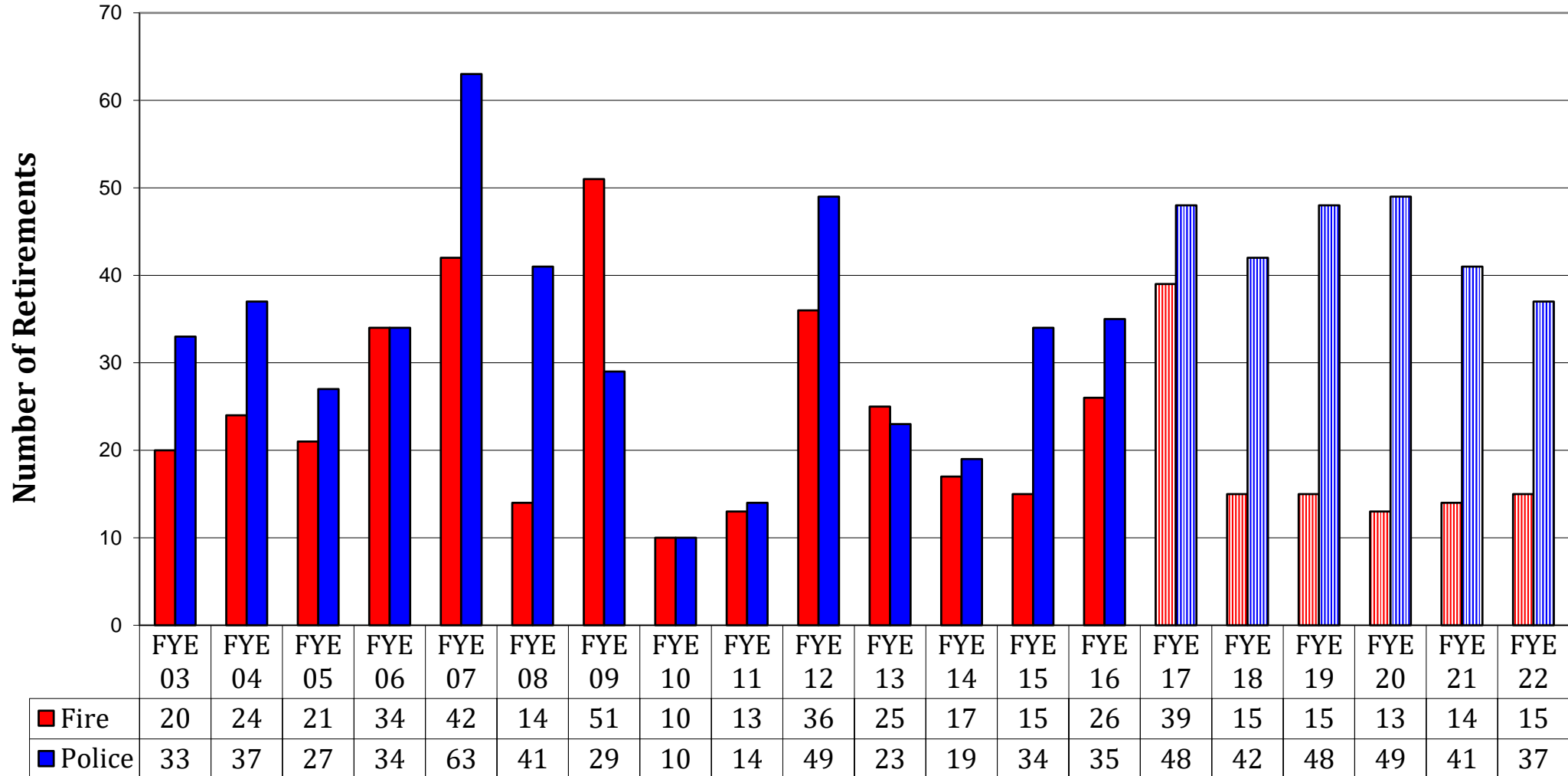
FPDR 1 & 2 Pension Benefits

- Grow 5.9% next year
- FPDR Two pensions increasing:
 - As more members retire
 - With higher final pay
- FPDR One pensions are decreasing, as deaths exceed annual COLA increases
- Budget based on actuarial assumptions except:
 - 15 “cushion” retirements in current year
 - Assumes all new FPDR 2 retirees have 27 pay date pension calculation



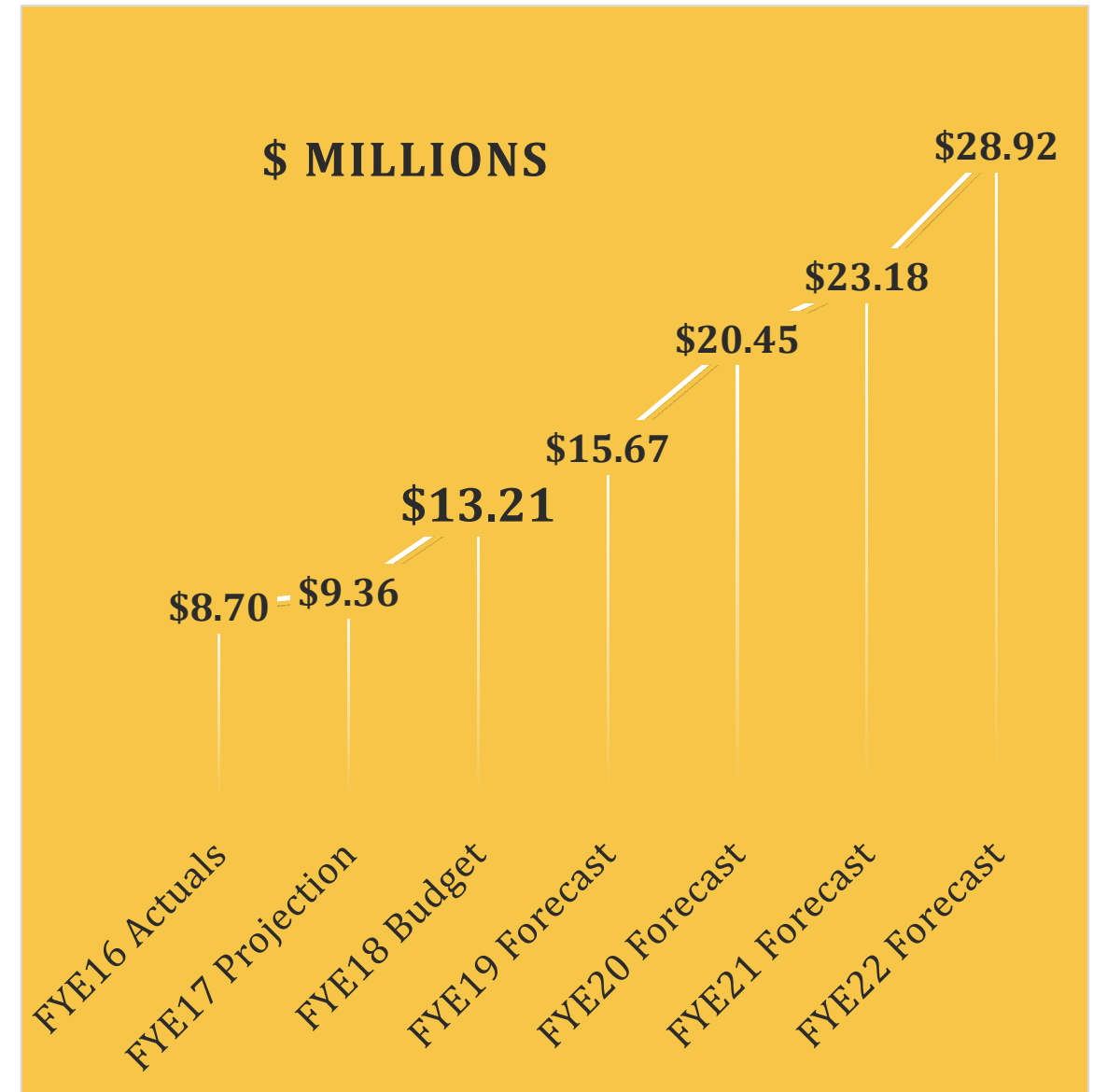
FPDR 2 Retirements: History & Projections

Actuals (FYE 03-16), FYE17 Projection & Five-Year Forecast (FYE 18-22)
 Includes Service, Disability and Vested Retirements



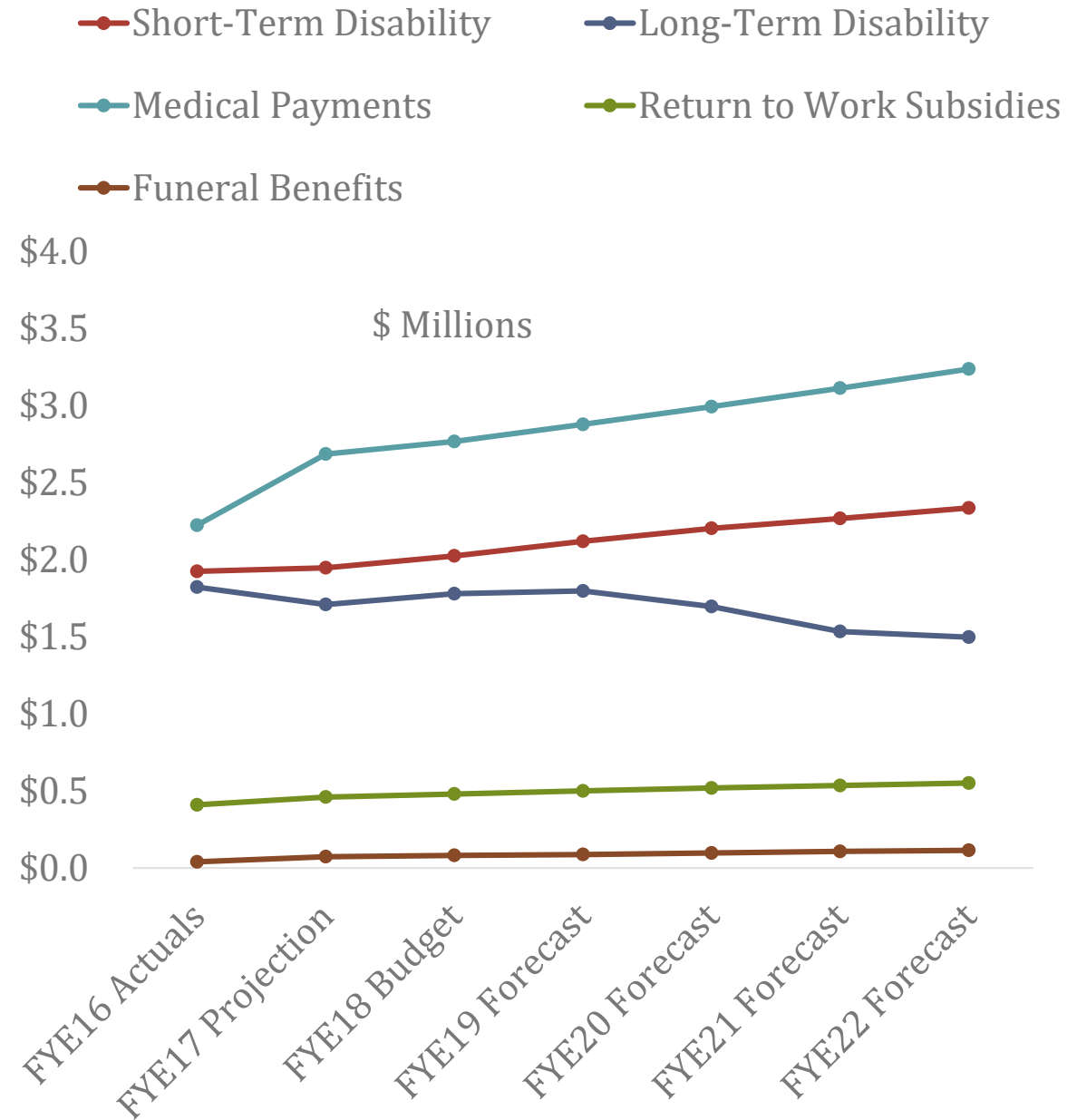
FPDR 3 Pension Contributions

- Still less than 10% of pension budget, but grow by 41% next year and 209% over five years
- Will gradually overtake FPDR 1 & 2 pension expenses, probably surpassing them in 2030s
- Most growth anticipated: consequence of phasing in prefunded plan
- Not originally anticipated: growth in PERS contribution rates
 - From 20.6% to 24.5% for FY 2017-18
 - Projected to increase to 30.5% by FY 2021-22
- Wage growth above CPI also factor



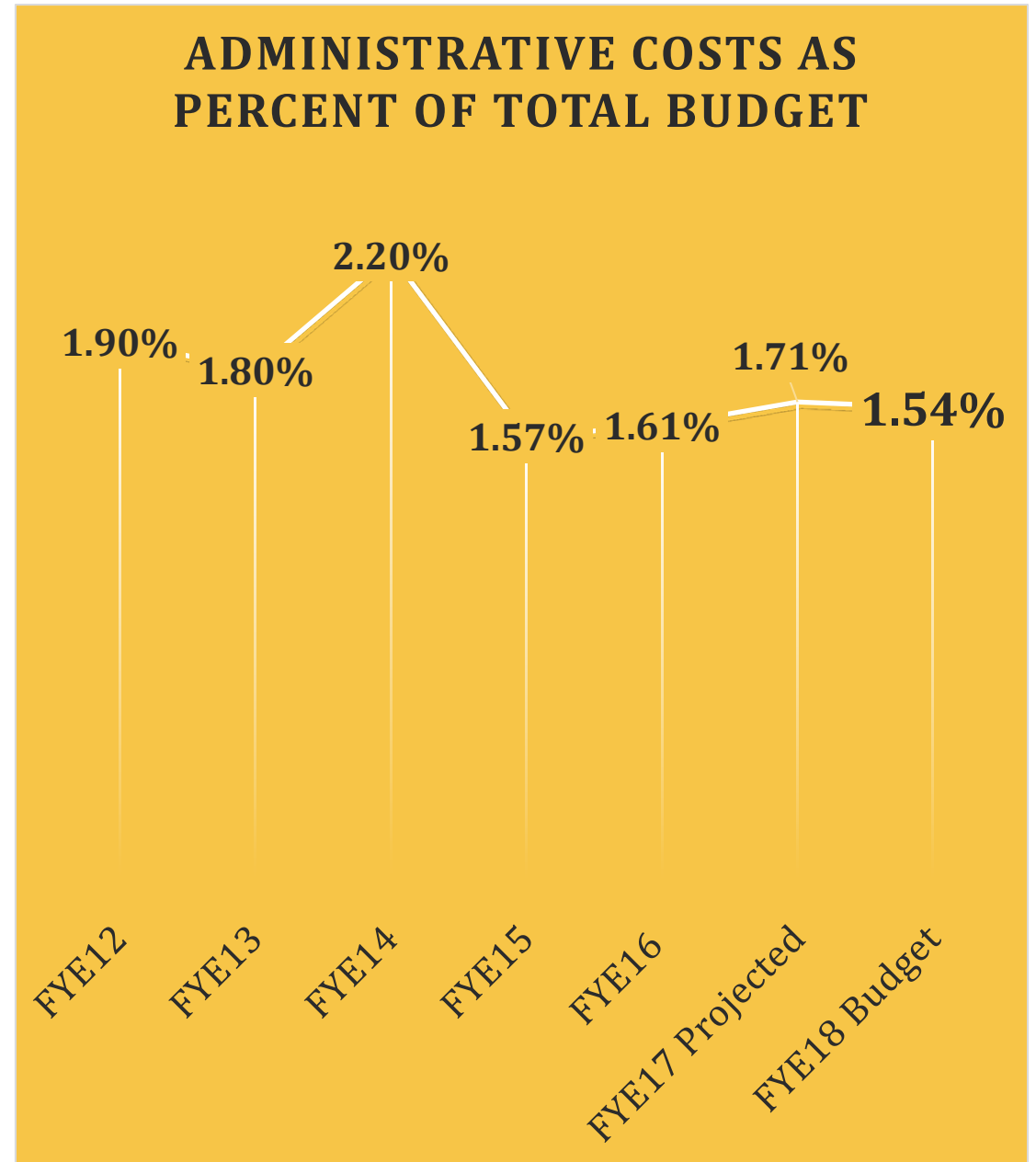
Disability & Death Benefits

- Medical benefits are largest component, and most volatile year-to-year because of large claims
 - Forecast to grow by medical inflation (3% to 4%)
- Forecast assumes continued decrease in long-term disability benefits
 - Older members on long-term disability are reaching retirement age and transitioning to pension benefit
- Stability in other categories
 - Grow with wage inflation
 - Impact of PPA wage increases folded into forecast



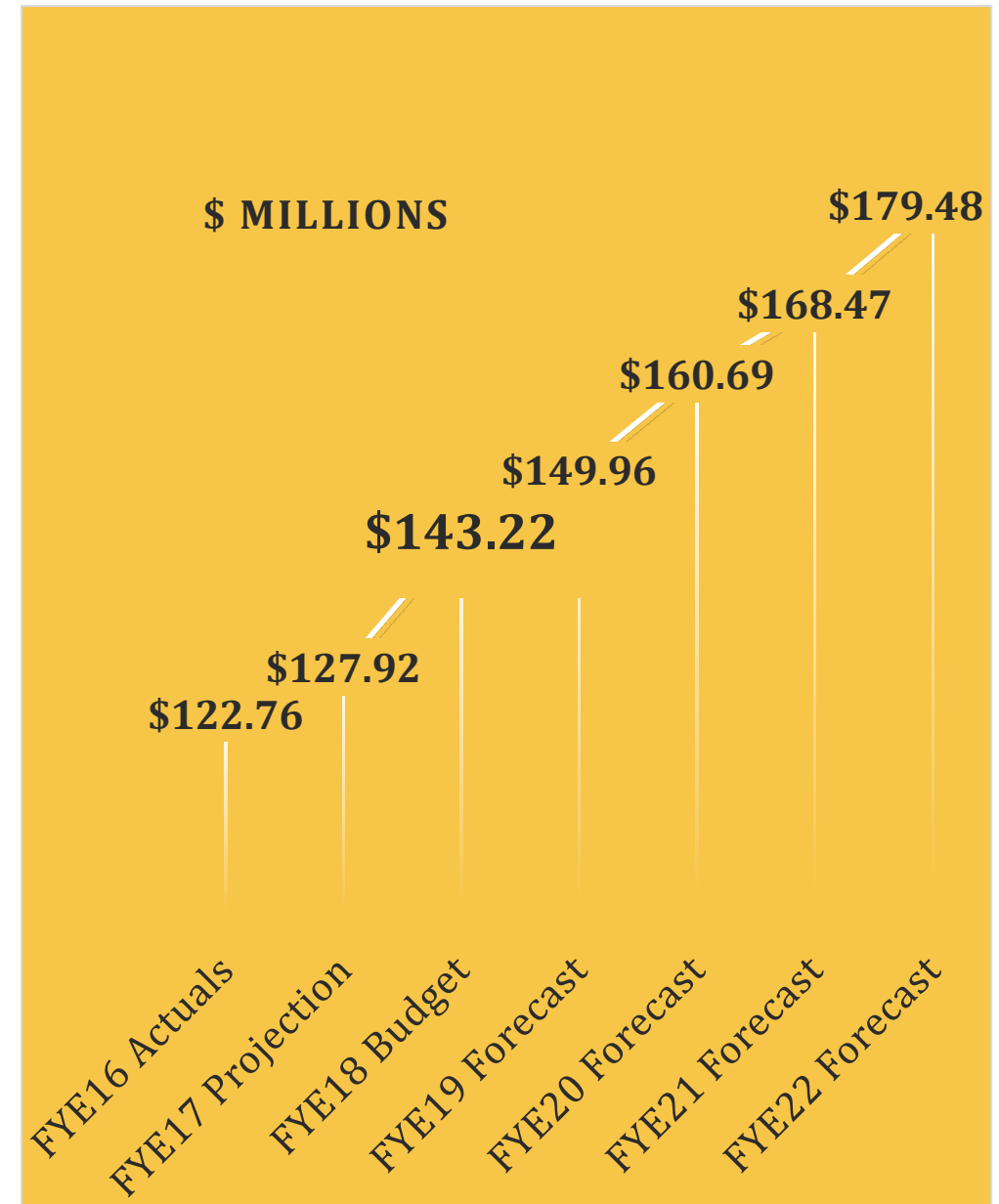
Administrative Costs

- \$3.5 M for FY 2017-18, 3.1% higher than FY 2016-17
- Components: Personnel (61%), Materials and Services (38%), Capital for database (1%)
- Goal is to keep administrative costs under 3% of budget
- 17 employees: increases with annual COLAs, health benefit increases, PERS increases, merit raises for some
- Materials and services grow with special inflation factor (2.5% to 4.0% annual)



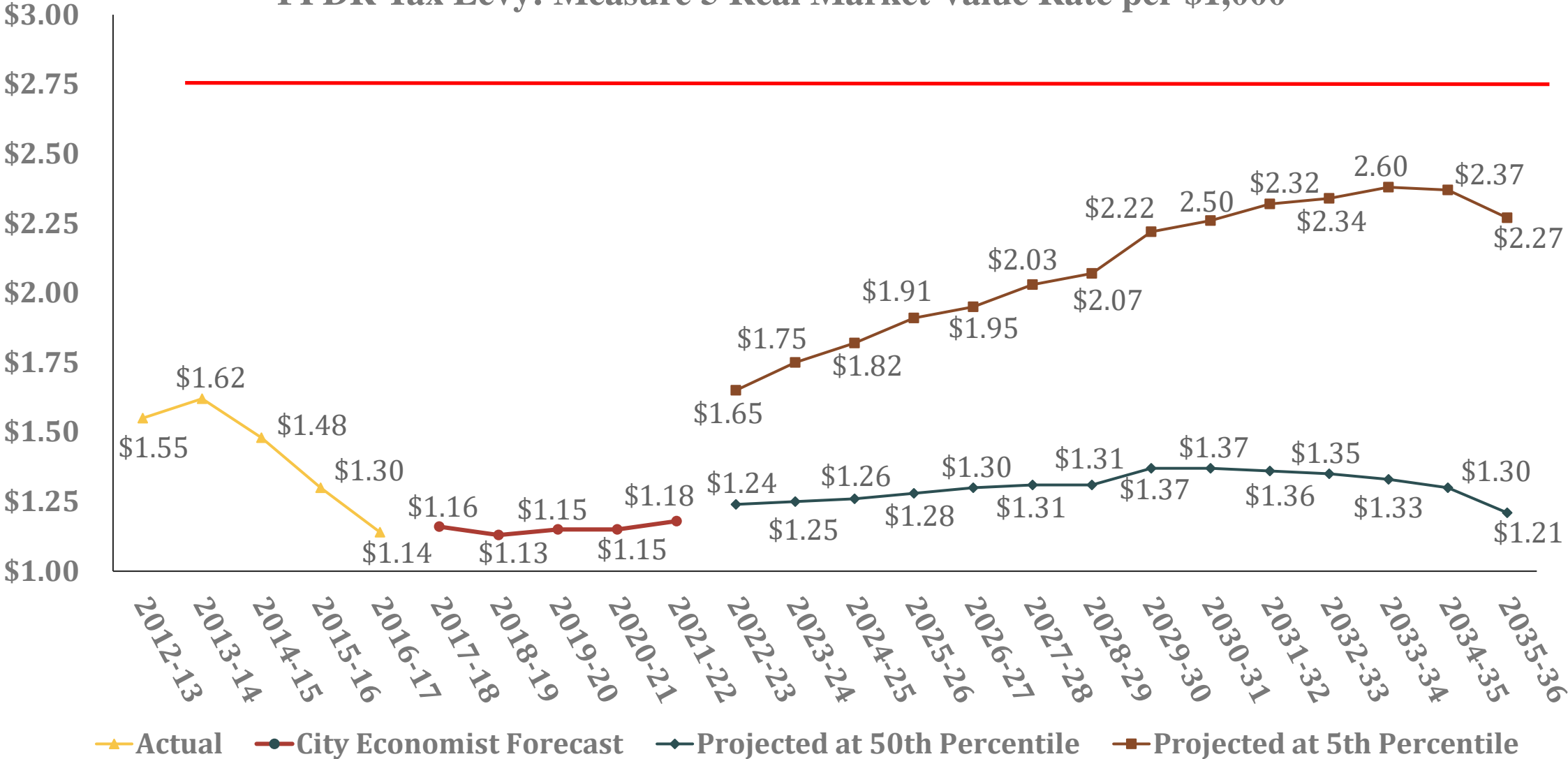
Property Taxes

- Increase in step with fund requirements since taxes are 98% of fund resources
- One-year growth is 12.1%, five-year growth is 40.8%
- Owner of home with assessed value of \$151,050 will see increase in tax bill of:
 - \$27 next year
 - \$65 over entire forecast period



Impact on Tax Rate

FPDR Tax Levy: Measure 5 Real Market Value Rate per \$1,000

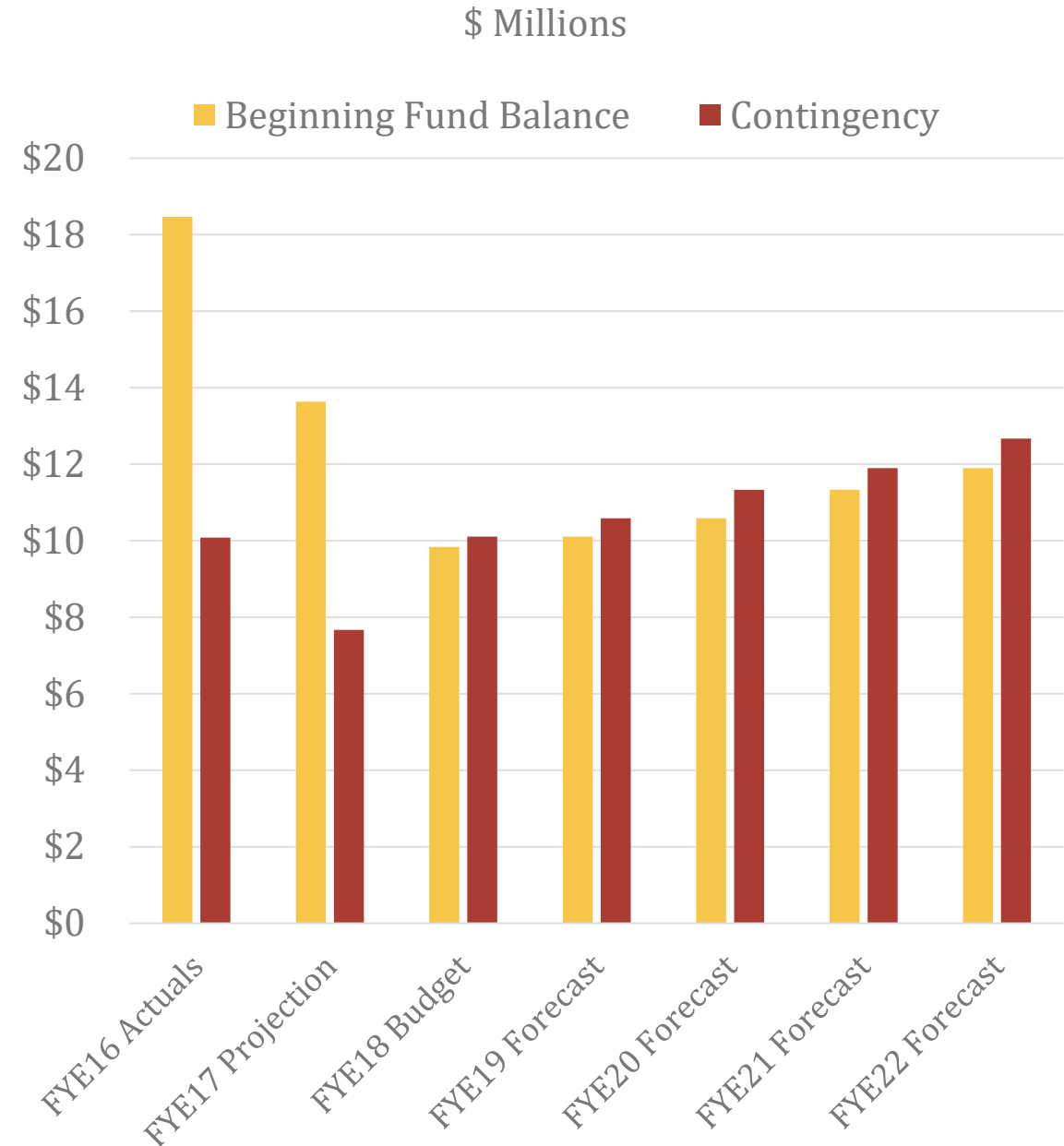


Other Revenue

- Interagency Revenues (\$1.36 M, 0.87%)
 - When Police & Fire contract out services they are paid an overhead rate for pension and disability expenses; these funds are passed to FPDR
 - Expected to grow 20% next year as contract services recover (from high vacancies)
- Reserve Fund Transfer (\$0.75 M, 0.48%)
 - Always budget in case of need for cash flow, must be repaid within same fiscal year
- Interest Income (\$0.7 M, 0.45%)
 - Forecast to grow 36% next year
 - Interest rates projected to grow by 20% next year, 50% over forecast period
- Subrogation (\$0.06 M, 0.04%)
 - Payments from third parties when at fault in approved disability claims
 - Highly variable

Fund Balance & Contingency

- Declining fund balance over last two years
 - *Miller* settlement
 - Unbudgeted increases for 27 pay dates, higher pension COLAs, and PPA contract increases
- Five-year forecast rebuilds fund balance and realigns with contingency levels
- Contingency level dropping to 7% of bureau requirements for FY 2017-18
 - Has been 8% to 9% since FY 2011-12
 - Major outstanding lawsuits now settled



Risks to the Forecast

New PFFA Contract

- Expired June 30, 2016; no successor contract yet
- Forecast currently includes only COLA increases; wage increases above COLA, new premium pays, or higher staffing levels would increase FPDR costs above forecast


Police Hiring

- 75 police vacancies; more than the usual 30 to 50
- Forecast assumes 55 new officers per year for next three years, double usual hiring rate
- Even so, higher pay and new recruitment process/incentives could result in even faster hiring rate, which would increase FPDR 3 PERS Contributions above forecast

Assumption Risk:

PERS Contribution Rates, Wages, Retirement Rates

- PERS rates beyond FY 2018-19 are forecasts, could be higher with poor investment returns
- CPI-W difficult to project, particularly in current inflation and interest rate environment
- Retirement rates notoriously volatile; highly influenced year-to-year by labor contracts, local economy, bureau changes

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- A decorative vertical bar on the left side of the slide, featuring a golden-yellow background with various financial symbols and characters (such as dollar signs, percentages, and numbers) embossed or cut out in a 3D effect.
- Questions
 - Changes
 - Subsequent Adjustments
 - Motion to Approve the Budget