

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

A regular meeting of the Board of Trustees of the Fire and Police Disability and Retirement Fund was called to order on the 24th day of January, 2017 at 1:03 p.m.

Board Members Present Included:

Mayor Ted Wheeler (left the meeting at 3:01 p.m.)
Police Trustee Brian Hunzeker
Citizen Trustee Justin Delaney
Citizen Trustee Catherine MacLeod

Board Members Absent Were:

Fire Trustee Jason Lehman

Also Present Were:

Samuel Hutchison, FPDR Director
Kimberly Mitchell, FPDR Claims Manager
Stacy Jones, FPDR Finance Manager
Scott Preppernau, Milliman
Franco Lucchin, Deputy City Attorney
Lorne Dauenhauer, FPDR Outside Legal Counsel
Crystal Viuhkola, FPDR Police Liaison
Nelson Hall, Attorney for PPCOA and PFFA
Brian Dundon, PFFA
Del Stevens, Retired Fire Member
Dave Short, Retired Fire Member
Henry Groepper, Retired Police Member
Shannon Callahan, Policy Director to Commissioner Saltzman
Kristin Dennis, Deputy Chief of Staff & Director of Operations to Mayor Wheeler

Mayor Wheeler called the meeting to order and asked the trustees to introduce themselves. He then asked for a motion to approve the minutes.

Trustee Delaney made a motion that was seconded by Trustee Hunzeker and unanimously passed to approve the minutes of the November 15, 2016 Board meeting.

<i>Aye</i>	<i>Mayor Wheeler, Trustee Delaney, Trustee Hunzeker and Trustee MacLeod</i>
<i>Nay</i>	<i>None</i>
<i>Abstain</i>	<i>None</i>
<i>Absent</i>	<i>Trustee Lehman</i>

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Introduction of visitors in attendance at the meeting was then made.

General Public Comments:

Nelson Hall addressed the Board and stated that he had the honor and privilege of representing Portland firefighters and police officers. He stated that he was before the board to introduce himself and welcome Mayor Wheeler. Mr. Hall stated that as one who was at the negotiating table for reform of the Charter, it was critical to those making the decisions and helping to pass the reform, that there be an elected representative, the Mayor, as part of it so he asked and encouraged Mayor Wheeler to hold on to the “chair-ship”.

Mr. Dave Short addressed the Board and stated that he would like to echo Mr. Hall’s message. He added that the retirees would wholeheartedly want the Mayor to sit as the chair because of the implications and decisions that whoever is in his stead may not be fully involved or informed.

Mayor Wheeler stated that he would most certainly make a commitment that for critical decisions he would be present. He added that there will be times when his presence will be required elsewhere but the FPDR will not be backburnered where he would assign it off to someone else and forget about it.

Mr. Del Stevens addressed the Board and stated that he spent 35 years in the Portland Fire Department. He stated that his interest throughout his career was the welfare of the citizens of the City and the welfare of the employees who provided the services and he still has that same interest. He added that he is always concerned about the benefit levels between the FPDR pension and the PERS pension. He stated that Mayor Wheeler has a lot of understanding about how their benefits were formulated and how they have been measured and compared. He also stated that he would like to be able to meet with Mayor Wheeler on occasion to talk to him about some of the issues that retired members feel are important to them compared to the PERS pension. Mr. Stevens felt that if they can talk about these things they can avoid a lot of unnecessary trouble and expense.

Action Item No. 1 – Actuarial Valuation and Levy Adequacy Analysis

Mr. Preppernau explained that his presentation will go over two projects that the Milliman team completed for FPDR. He explained that they completed the June 30, 2016 actuarial valuation that they do every two years and built from that their 20-year projection or levy adequacy modeling that assesses future experience for levy volatility, magnitude and what might drive changes over the next 20 years. He added that they also

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analyzed the effects of the different benefit adjustment COLA approaches and how it affects the results, actuarial valuation and levy modeling.

Mr. Delaney added that from his perspective and for the benefit of the new trustees, what the valuation does is show what the projected liability is over 25 and 35 years and looking at that curve is really what has led to the reforms. However, they have gone back and forth as some of the reforms were unwound with the *Moro* Supreme Court case. He stated that the adequacy of the levy is subject to property taxes and asked Ms. Jones to explain the cap. Ms. Jones stated that the FPDR by City Charter is restricted to \$2.80 per \$1,000 of real market value (RMV). She added that if that cap is exceeded, the FPDR would need to look elsewhere for resources.

Mr. Preppernau went on to explain that both projects reflected several changes and went over the things that affected the actual projected benefits and assumption changes. He also provided background on FPDR Two COLA background and policy. He stated that the FPDR Board has discretion over the COLA provided to FPDR Two members and went over the PERS methodology. He also provided actuarial valuation results and explained that the valuation generally reflects the same assumptions used in the June 30, 2014 actuarial valuation. However, he stated that certain assumptions were updated for June 30, 2016, i.e., discount rate, 27 pay period adjustment, new PPA contract, mortality, post-*Moro* COLA changes. Mr. Preppernau went over projected FPDR pension benefit payments and stated that benefits are projected to increase for 20 years and to decrease thereafter. He added that for the valuation results a 2.85% discount rate was used and went over the impact on the accrued liability. He also discussed the effect of differing COLA approaches. Mr. Preppernau also went over the levy adequacy modeling results. He explained the total requirements calculation. He also stated that during the projection period of their levy adequacy analysis, the FPDR levy will be funding two generations of FPDR members simultaneously. He also went over the effects of the 2006 Charter reform.

Mr. Delaney questioned the 4.5 percent RMV growth and asked how RMV growth compares to the last 25 years. Ms. Jones stated that she would need to ask the City Economist but did know that RMV growth was 17.7 percent last year. Ms. MacLeod stated that she would be interested in knowing what the average per year increase was for perhaps 2005 – 2015 or 2000 - 2010. Ms. Jones stated that she will provide that information to the Board.

Mr. Preppernau then went over the different slides and simulations showing the estimate of funds needed for the operation of the FPDR and went over the RMV rate, levels and growth. [The Milliman presentation is filed with the Board materials].

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Mr. Delaney made a motion which was seconded by Ms. MacLeod and unanimously passed to approve the actuarial valuation report and levy adequacy analysis.

<i>Aye</i>	<i>Mayor Wheeler, Trustee Delaney, Trustee Hunzeker and Trustee MacLeod</i>
<i>Nay</i>	<i>None</i>
<i>Abstain</i>	<i>None</i>
<i>Absent</i>	<i>Trustee Lehman</i>

Action Item No. 2 – Adopt 2017-2018 Budget

Ms. Jones presented the 2017-2018 budget to the Board. She explained the budget timeline and stated that FPDR like the rest of the City has a fiscal year that runs July 1 to June 30. She added that unlike every other bureau in the City the Board has the exclusive authority to approve the FPDR budget. She stated that the total proposed budget is about \$156 million which is a net of Tax Anticipation Notes (TANs). She explained that most of the FPDR's revenue is property tax proceeds which come in mid-November and in order to cover the cash flow needs from July 1 to mid-November, short term bonds called TANs are issued. Ms. Jones explained that 90 percent of FPDR's expenses are Charter defined benefits and most of the other 10 percent is fund contingency. She added that very little of the FPDR budget is discretionary in a policy sense. She then went over the pie chart in her presentation to show where FPDR's money is spent. She also went over the 5-year forecast summary.

Ms. Jones stated that significant forecast drivers were that they will be funding two generations of pensions simultaneously, continued stability in disability benefits at a lower level, increase in PERS contribution rates, police wage increases, and the return of 27 pay dates. She explained that FPDR 2 pensions are increasing but FPDR One pensions are decreasing as deaths exceed annual COLA increases. In addition, she added that FPDR 3 pension contributions are growing, will gradually overtake FPDR 1 and 2 pension expenses. She stated that FPDR 3 benefits are currently about 1/3rd of the membership and that PERS contribution rates are growing.

Ms. Jones went over disability and death benefits and explained that medical benefits are the largest component and most volatile year to year. She added that the forecast assumes a continued decrease in long term disability benefits. Mr. Delaney stated that the fact that short term disability is being used and decreasing long term disability speaks volumes to staff and cooperation from the Police and Fire Bureaus. He added that it is such a turn-around from the past on the disability side.

Ms. Jones went over the administrative costs and stated that they are really the only truly discretionary part of the FPDR budget. She added that administration costs are about 1.54

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percent of the total budget and staff's goal is to keep it under 3 percent. Ms. Jones then went over property taxes and the impact on taxpayers. She stated that because almost all of FPDR's resources come from property taxes, they increase in step with fund requirements. Ms. Jones noted that under the median scenario in her tax rate chart, at no point does the RMV tax rate go higher than it has already been and under the worst case scenario it still remains under \$2.80. In addition, the analysis now extends to the peak expense years and the likelihood that they will see something really nasty beyond what they are looking at now is diminishing. She also stated that the declining RMV rate means they are causing less compression. Ms. Jones also went over the fund balance and explained that it has been declining over the last two years but the five-year forecast rebuilds the fund balance and realigns with contingency levels. Finally, she discussed the risks to the forecast. [The 2017-2018 Recommended Budget is filed with the board materials].

Mr. Hunzeker made a motion which was seconded by Mr. Delaney and unanimously passed to adopt the Recommended Budget.

<i>Aye</i>	<i>Mayor Wheeler, Trustee Delaney, Trustee Hunzeker and Trustee MacLeod</i>
<i>Nay</i>	<i>None</i>
<i>Abstain</i>	<i>None</i>
<i>Absent</i>	<i>Trustee Lehman</i>

Information Item No. 4 – FPDR Summary of Expenditures

Ms. Jones explained the new format for the Summary of Expenditures. Mayor Wheeler requested that material posted on the website be in 14-point type.

Information Item No. 1 – Discussion on Future Office Space – Portland Building

Mr. Hutchison discussed the Portland Building renovations, the pros and cons of whether or not FPDR should move to the Portland Building and next steps for office space. Mr. Delaney stated that if members and trustees are restricted from going beyond the 2nd floor reception in the Portland Building, he felt that would be a “show stopper”.

Information Item No. 2 – FPDR Updates

Mr. Hutchison provided an update on the upcoming retirement workshop.

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Information Item No. 3 – Future Meeting Agenda Items

Mr. Hutchison informed the Board that the annual benefit adjustment is scheduled for the March agenda.

There being no further business, the meeting was adjourned at 3:03 p.m.

Samuel Hutchison
Director

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