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 22, 2019 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. Annual Adjustment Review
   - Issue: What shall be the FPDR Two 2019 benefit adjustment?
   - Expected Outcome: Board determines FPDR Two 2019 benefit adjustment.

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

1. FPDR Summary of Expenditures
2. Legislative Updates
3. FPDR Updates
4. Future Meeting Agenda Items

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.portlandoregon.gov/fpdr 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)(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 22nd day of January 2019 at 1:01 p.m.

Board Members Present Included:

Jennifer Cooperman, Chairperson
Jason Lehman, Fire Trustee
Catherine MacLeod, Citizen Trustee
Brian Hunzeker, Police Trustee

Board Members Absent Were:

Elizabeth Fouts, Citizen Trustee

Also present were:

Kimberly Mitchell, FPDR Claims Manager
Stacy Jones, FPDR Finance Manager
Kristin Johnson, Financial Policy Advisor, Office of Commissioner Hardesty
Matt Larrabee, Actuary, Milliman
Scott Preppernau, Actuary, Milliman
Crystal Viuhkola, FPDR Police Liaison
Nelson Hall, Attorney, Bennett Hartman Morris & Kaplan
Olivia Wotman, Attorney, Public Safety Labor Group
Lorne Dauenhauer, FPDR Outside Legal Counsel
Dave Short, Retired Firefighter
Del Stevens, President, Portland Retired Firefighters and Widows Association
Regular meeting on January 22, 2019 of the Board of Trustees
Fire & Police Disability and Retirement Fund
Page 2 of 11
Minutes – Summary

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

Chairperson Cooperman called the meeting to order and asked for approval of the minutes.

Trustee Lehman made a motion that was seconded by Trustee Hunzeker and unanimously passed to approve the November 27, 2018 minutes.

<table>
<thead>
<tr>
<th>Aye</th>
<th>Trustee Cooperman, Trustee Hunzeker, Trustee Lehman, Trustee MacLeod</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nay</td>
<td>None</td>
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<td>Abstain</td>
<td>None</td>
</tr>
<tr>
<td>Absent</td>
<td>Trustee Fouts</td>
</tr>
</tbody>
</table>

Introductions of those present were then made. There were no General Public Comments.

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

Actuaries Matt Larrabee and Scott Prepperanau from Milliman appeared before the Board to present the actuarial valuation and levy adequacy analysis. Scott began the presentation by explaining that they prepare the actuarial valuations and levy adequacy modeling every two years and went over the basis of the work they did and stated that the previous iteration of the valuation and levy modeling was done as of June 30, 2016. Scott also stated that there have not been any big significant changes in projected benefits valued. However, there have been some assumption changes since their prior work: discount rate and mortality update. Scott stated they both kind of update as a normal course based on market conditions and based on the PERS police and fire mortality assumptions.

Scott then stated that one of the primary purposes for the actuarial valuation every two years is for financial reporting. It is the starting point for financial reporting under GASB. Scott also stated that because FPDR benefits are a pay as you go structure, the valuation is not used for focusing on the funded status of the Plan. It is also not used for determining the actuarial contribution rates. Scott went on to state that any actuarial valuation of a pension plan is a very long-term calculation. In their model, benefit payments are projected to grow for the next 20 years before they start to decline. Scott went over their charts regarding projected benefits (non-inflation basis and inflation basis). Scott also went over the actuarial valuation results and pointed out the change in the discount rate from 2.85% to a 3.87% discount rate and the impact on the actuarial accrued liability.

Trustee MacLeod asked what portion of the normal cost decreased related to the reduction in active population and questioned whether it was a closed population. Scott replied that it is not a purely
closed population in that FPDR Three members still count in their valuation, but they count for more ancillary benefits rather than retirement. Scott also stated that their normal cost is just lower than the FPDR members they are replacing. Matt added that he would anticipate they would see about a $24 million decrease in normal costs year over year and that most of that decrease would come from the change in the discount rate and the lowering of the FPDR Two head count would be secondary to that.

Scott went over some of the changes on the actuarial accrued liability and stated that the discount rate was a big player there as well. Scott added that the overall experience over the two-year valuation period was a $69.3 million loss, but that the majority of that was due to recent salary growth above long-term assumption.

Trustee MacLeod asked what the change in assumption was for disability medical. Scott stated that based on recent data they moved the assumption up from a 0.5% load to 0.65% based on a four-year analysis. Trustee Cooperman asked if growth above long-term assumption was because of the head count FTE or the salary itself per person. Scott stated that the biggest piece was the growth in actual average salary and that the head count did not change dramatically but the actual average for continuing actives was the bigger driver there.

Matt stated that because of FPDR’s unique circumstances what they do is simply for financial reporting compliance purposes for the Fund’s CAFR and the City’s CAFR as FPDR plays a role in the City’s financials as well. The second part of their analysis is the levy adequacy modeling which is something they do only for FPDR. Matt stated that it is more focused on funding because the levy is the funding mechanism for FPDR benefits for police and fire members in the City. Matt also explained the two components (pay as you go subcomponent and pre-funded costs subcomponent) used to develop the calculation for total requirements for FPDR.

Matt reiterated that during the projection period of the levy analysis, the FPDR will be funding two generations of members simultaneously. FPDR One and FPDR Two members are funded on a pay as you go basis and that funding does not commence until time of retirement or disability. For FPDR Three members they are prefunded through the Oregon PERS program. Matt stated it is both a natural and an intentional consequence of this that they are having higher levies and higher near-term costs during this transition from a pay as you go system to a prefunded system. The transitional period was driven by the 2006 City Charter reform and the effects on long term costs are significant. Matt stated that the effects of the 2006 reform accrue very slowly and the
most dramatic impact is more than 20 years out when almost all FPDR Two members have gone into retirement and they have transitioned fully away from the pay as you go generation.

Matt also explained that the levy adequacy is a model, not a guarantee of what will occur and went over some of the uncertainties in the future: inflation, RMV, PERS investments. Matt stated that in their model they have two key things they look at that drive the variability: changes in RMV and Oregon PERS investments. Matt also went over the basis for the levy adequacy model and stated that in consultation with the City Economist they make a baseline assumption about where RMV may go in the future. Matt added that the pay as you go subcomponent is pretty predictable, but the prefunded costs subcomponent is more variable since FPDR Three contribution rates are tied to PERS investment returns.

Trustee MacLeod asked what the current assumption for investment returns was. Matt replied that the current adopted assumption for the PERS board for future investment return on average is 7.2%. Trustee MacLeod asked if the median projections in their chart was based on the continuation of the 7.2% investment return. Matt replied, “not quite.” Matt stated that they have their own model with details in the appendix of their report. Scott added that their model forward looking is between 6.5 and 7%.

Trustee Hunzeker asked why there was significant change on the charts that were provided in years 2035, 2036 and 2037. Matt explained that they have a very detailed model that includes modeling the PERS trust and in 2008 when there was a negative investment return, the PERS board’s decision was to take that investment loss from 2008 and systematically have rate increases that apply over a 20-year period and the change that is seen on the chart is the expiration of the 20-year funding effort to recover from the 2008 investment losses. Trustee MacLeod asked, and Matt confirmed that those are the expiration points for pay off of chunks of unfunded liability.

Matt then went over the development of the final levy and explained that several adjustments were made to the total requirements amount to develop a final levy. Based on consultation with the City Economist and FPDR, the net effects of the adjustments for years after FY18-19 are estimated as a 6% increase of the amounts calculated on slide 23 of their presentation. The final levy in dollars is then converted into a final levy as an RMV rate. Matt added that in the last two years RMV grew by 24% and because of that both the median levy and the probability of reaching the $2.80 levy cap will be lower than in their prior modeling.
Regular meeting on January 22, 2019 of the Board of Trustees
Fire & Police Disability and Retirement Fund
Page 5 of 11
Minutes – Summary

[THE FOLLOWING SUMMARIZED MINUTES WERE CONDUCTED IN PUBLIC SESSION.
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Trustee Cooperman and Trustee Lehman asked how the 6% number was reached? Stacy Jones, FPDR Financial Manager, explained that when staff says they need $100 million to run the Fund, they cannot go out and levy $100 million and that’s because some people don’t pay their property taxes, or some people have properties that are in compression, or some people will take advantage of discount programs where if they pay their taxes in full they get a discount so what would be levied would be grossed up to maybe $108 million to reflect the delinquencies, compression and discounts. Stacy added that the gross up for delinquencies, discounts and compression is about 8.3%. However, because Milliman also needs to account for the fact that about 2.3% of FPDR revenues are non-property tax revenues, the net effects of all the adjustments are estimated as a 6% increase.

Trustee Hunzeker had a question on growth and stated that over the last 5 or 6 years there has been exuberant growth in the City, but he is not seeing the same growth in Fire and Police personnel numbers and asked how many more members could be added to maintain a healthy number under the City. Stacy explained that there are two questions that need to be asked: 1) what is the threshold probability everyone is comfortable with of exceeding the $2.80 levy cap and 2) what is the impact on what taxpayers would actually pay in property taxes because that is not connected to real market value but to assessed value growth. Trustee Cooperman added that FPDR is one part of the cost of maintaining a dedicated workforce. The other part is whether the General Fund can support the additional workforce and pay the salaries, separate from the pension and retirement aspects. Stacy also stated that every permanent levy causes compression on every other levy so every year the FPDR does cost the General Fund a certain amount of money.

Matt then proceeded with slide 27 of his presentation and stated that even in the back end of their projections they will be below the $2.80 cap. Matt added that RMV’s have been robust so there is a lot more daylight than there was 4 or 6 or 8 years ago. Matt then talked about other sources of levy volatility that was not modeled.

Trustee MacLeod going back to the valuation results asked about the reserve fund and asked if there are assets in PERS set aside. Scott replied that assets and liability in the FPDR valuation do not include anything related to the PERS benefits and added that they fold PERS in for the levy modeling, the contributions to PERS and the IAP, but in the valuation itself the only liability for FPDR Three members are the liability for the ancillary benefits paid out of FPDR and likewise there’s no separate asset.
Regular meeting on January 22, 2019 of the Board of Trustees
Fire & Police Disability and Retirement Fund
Page 6 of 11
Minutes – Summary

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Trustee MacLeod also asked how stable and well-funded is PERS’ Tier Three in which FPDR Three members participate. Matt stated that the OPSRP tier, which is effectively Tier Three in PERS, has a higher funded status than PERS Tier One or Two does presently. However, it is not at 100% and a lot of that is due to a decision by the PERS board about 5 or 6 years ago to change the cost allocation method and the way they calculate the normal cost rate and the accrued liability for PERS. Matt explained that they shifted to a methodology that was consistent with the new requirements for GASB standards and from memory, FPDR Three in OPSRP sits in the 75-80% range and the PERS Tier One and Two system with some of the changes in assumption, the effect of Moro decision, and then the investment returns, is closer to the 70-75% range. However, with the published valuation results this year, it may go down to the high 60’s.

Trustee MacLeod made a motion that was seconded by Trustee Lehman and unanimously passed to accept the actuarial valuation report and levy adequacy analysis.

<table>
<thead>
<tr>
<th>Aye</th>
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Trustee Hunzeker asked for some clarification about the last ETOB testing and how FPDR passed on a preliminary determination. Matt explained that FPDR in the last testing done at the end of 2008 passed because the value of the employer funded portion of retirement and disability benefits to FPDR members was judged to be equal to or better than that of equivalent PERS members that would have been in the respective tiers. Matt added the preliminary determination was a methodology that they used and that they detailed in their report that indicated that on facts and circumstances FPDR was clearly going to meet the 100% or greater standard, but if it was not clear to them that it would have satisfied that standard then they would have done additional and a more detailed level of testing running all PERS public safety members as a hypothetical population both through the FPDR program provisions and through the PERS program provisions to have more detailed individual member testing. Matt also stated that one of the reasons he thought that FPDR passed on preliminary determination was a key component of the statute that governs that is it focuses on employer funded portions of the benefits and member contributions to the FPDR program ceased around 1990 whereas in the PERS defined benefit program Tiers One, Two and OPSRP, the member contributions to the defined benefit portion of the program did not cease till 2003. Those were the 6% member contributions and even if they were picked up by the employers they were treated as member contributions for the testing methodology under the guiding
administrative rules. Scott added that the PERS board has the statutory requirement to conduct the ETOB test and explained the difference between the preliminary determination and a full ETOB test.

Trustee MacLeod stated that it is important for the Board to understand the test, but it is a test and defined in State statute and the Board has no control over it. However, Trustee MacLeod added that a member came before the board at a prior meeting stating a desired goal of creating a disability retirement category as opposed to a service retirement. Unlike PERS where there is a disability retirement, there is no such thing under FPDR and part of that member’s goal to see the possibility of making that happen was to use the ETOB test as the methodology of saying it wasn’t adequately prepared. Trustee MacLeod stated service retirement and disability retirement are considered separately and under ETOB must also be at least 80% of the value of the similar PERS benefit but what happens if there is no disability retirement in FPDR. Trustee MacLeod asked how that would be tested and felt that would be an automatic failure of that branch. Matt stated that it is important to recognize that ETOB is governed by State statute, illustrated by administrative rule, and the statutory body that holds the authority to conduct the test is the PERS Board so comments and questions about how the test should be done is to either change the statute, which is done through the State legislature, or the governing administrative rule. Trustee MacLeod stated that it might make sense to explore as a group whether there’s an adequacy or inadequacy of benefits in a particular area and also the tax advantages of the benefits as disability benefits are not taxed and retirement benefits are taxed.

Stacy stated that the FPDR has not failed or is likely to ever fail an ETOB test and felt that the ETOB test was not the mechanism for anything related to the discussion they were having. Stacy stated that she thought what the Trustees were talking about was plan design and plan change and that is a totally different matter. If the Board would like to add a benefit that would be a Charter change process. Trustee Cooperman stated that if that is the way the Board would like to go, the Board should all agree, and they should first have discussions with staff and the Commissioner in Charge as it would eventually also have to go through City Council. Stacy explained that ETOB is a PERS test and all FPDR does is write the check and provide the data requested. The FPDR board does not even see the report.

**Action Item No. 2 – Adopt 2019-2020 Budget**

Stacy Jones, FPDR Finance Manager, explained the budget process and stated that FPDR is the only bureau where City Council has no budgetary authority and the FPDR Board has exclusive
authority to approve the budget. The total budget that staff was recommending to the Board, less TANs is about $178 million. Stacy went over the five categories of budget expenses and stated that Charter defined benefits make up about 90% of the expenses and most of the remainder is Fund contingency. Stacy also stated that most of the FPDR’s revenue comes from property taxes. Stacy also went over the Five-Year Forecast Summary and explained that the City requires that every Bureau that runs their own fund put together a five-year forecast. With TANs, there will be about 50% growth over the five years and without TANs about a 38% growth, which is to be expected as FPDR is funding two generations of pensions simultaneously.

Stacy went on to say that the forecast “take aways” to keep in mind are:

1) Costs are growing as they transition from pay as you go to a prefunded plan and that means doubling up for a whole generation. It will grow for the next 15 years and then will level out until all FPDR Two members are retired.

2) PERS contributions are an increasing part of the budget. FPDR is increasingly exposed to PERS rate changes, hiring rates and wage increases.

3) Disability costs have fallen in 7 of 8 years after 2006 reform. Disability costs seem to have stabilized over the last three years and staff anticipates will now grow in general with medical and wage inflation.

Stacy then went over what was new this year:

1) Property taxes normally move with expenses but this year that is not happening. The FPDR’s property tax request will only grow by 1% over the current year even though they have an expenditure growth of over 8% and that is because FPDR will have a bigger fund balance this year and not have to ask taxpayers for more money and part of that is due to the Comcast property tax payment. About $3 million in underspending on the pension budget is being projected so there will be relatively low property tax growth for the next year.

2) Although personnel is a very small part of the budget at about 1½%, there is an unusual uncertainty in the FPDR personnel budget because of the City’s new nonrepresented classification and compensation plan and also the implementation of the State of Oregon’s pay equity law.

3) New method for budgeting TANs.

Stacy stated that FPDR One and Two pension benefits are about ¾ of the budget. Stacy added that the FPDR One and Two pension budget can be a guessing game with mainly four variables: how many new retirements are coming in, how many deaths will occur, what are the pension amounts
Regular meeting on January 22, 2019 of the Board of Trustees
Fire & Police Disability and Retirement Fund
Page 9 of 11
Minutes – Summary

[THE FOLLOWING SUMMARIZED MINUTES WERE CONDUCTED IN PUBLIC SESSION.
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...for the new retirees, and what kind of cost of living adjustments will existing retirees get. Stacy also stated that there is a 5.7% growth for the FY 2019-20 pension budget and went over the graph of the history and projections of FPDR 2 retirements.

With regards to FPDR Three pension contributions, Stacy stated that it is the fastest growing part of the budget covering 40% of the sworn workforce and by the end of the five-year forecast will be 2/3rds of the workforce. In addition, the budget is vulnerable to PERS contribution rate increases. The PERS contribution rate is currently 24.46% and 29.16% next year with a projection that it will go up to 38.00% by 2024. Trustee Lehman asked what factors could increase or decrease the 38.00%. Stacy stated some factors would be PERS investment returns and, also if the PERS board decides to lower the assumed earnings rate again that will drive down the funded status of PERS and that will increase contribution rates. Stacy also explained the rate collar that goes on at PERS. Stacy stated that another factor in increasing pension contributions is wage growth.

In disability and death benefits portion of the budget, Stacy stated that they are projecting a 4.6% increase next year. Medical and wage inflation is growing. However, the rest of the costs are steady.

Stacy stated that the administrative expenses are really the only discretionary part of the FPDR budget but even some of that is outside of bureau and Board control and explained the different components of the administrative expenses. Administrative costs are $4 million for FY2019-20. Growth is almost entirely due to personnel costs which include a 45% increase in PERS rates, a projected 4% COLA for July 1, City compliance with the State of Oregon’s new pay equity law and the City’s new compensation ranges. Stacy then touched on the other components of the administrative expenses (External and Internal Materials and Services and what is spent on the database).

Stacy went on to explain that there has been relatively low growth in property taxes because there is more money in fund balance this year. Stacy stated that the City Economist is projecting assessed value to grow more than 3% for FYE20 and 21.

Stacy also pointed out that a year or two ago City Council decided to stop investing in corporate bonds which in turn was negatively impacting what the Fund could earn. However, City Council will again invest in corporate bonds. Stacy then went over fund balance and contingency and stated fund contingency is set at 7% of bureau requirements for the whole forecast period.
Lastly, Stacy went over the risks to the forecast:

- labor contracts
- PERS rates
- Retirement rates
- CPI-W region forecast

Stacy stated that after adoption of the budget staff may need to make minor technical changes to fit into the Mayor’s budget and if there are any significant changes, it will be brought back to the Board.

Trustee MacLeod stated that the FPDR Three contributions are projected to increase by 38% and wondered how well funded is that part of the plan and how much of that is to pay off the unfunded liability. Stacy stated that the OPSRP contribution rate does include the retirement of the unfunded actuarially accrued liability for Tier One and Tier Two.

**Trustee Lehman made a motion that was seconded by Trustee Hunzeker and unanimously passed to adopt the FY 2019-2020 Recommended Budget with the possibility of minor changes.**

<table>
<thead>
<tr>
<th>Aye</th>
<th>Trustee Cooperman, Trustee Hunzeker, Trustee Lehman, Trustee MacLeod</th>
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<tbody>
<tr>
<td>Nay</td>
<td>None</td>
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<tr>
<td>Abstain</td>
<td>None</td>
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<tr>
<td>Absent</td>
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</tbody>
</table>

**Information Item No. 1 – FPDR Summary of Expenditures**

Stacy pointed out that in the Summary of Expenditures under Revenues (Taxes), $136 million was posted to December instead of November because there was a problem with the county assessors’ software.

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

Kim Mitchell, FPDR Disability Manager, provided an update on the legislation expending benefits for PTSD suffered by first responders. Kim stated that it creates a shift in the way claims for stress or mental disorders is analyzed both by FPDR and workers’ compensation. Kim added that it is in the very early stages of evaluation by the Management Labor Advisory Commission (MLAC) and that Director Hutchison has been attending meetings by MLAC to hear what other stakeholders’
Regular meeting on January 22, 2019 of the Board of Trustees
Fire & Police Disability and Retirement Fund
Page 11 of 11
Minutes – Summary

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concerns will be. Trustee Lehman asked whether Director Hutchison was speaking or taking a
stance at the MLAC meetings and if so, Trustee Lehman wanted to make sure Director Hutchison
gets direction from the Board and was representing the Board. Kim stated that Director
Hutchison’s presentation to MLAC has been mostly about FPDR and the differences in the FPDR
plan versus workers’ compensation.

**Information Item No. 3 – FPDR Updates**

There was no discussion on this item.

**Information Item No. 4 – Future Meeting Agenda Items**

Stacy stated that the cost of living adjustment for FPDR 2 will be on the March meeting agenda.
Trustee Lehman asked that the information be sent to them sooner rather than later.

There being no further business, the meeting was adjourned at 3:34 pm.

\[Signature\]
Samuel Hutchison
Director

/kk
PENSION COLA ADJUSTMENTS FOR JULY 1, 2019

FPDR Finance Staff
March 19, 2019
Purpose of a COLA

- To Prevent or Limit Purchasing Power Erosion
  - At the median, members receive pension for ≈ 30 years
    - Spouse another five years
  - $6,762 = median pension benefit of FPDR Two members who retired during last 12 months
  - $3,079 = what $6,762 will be worth in 2048
    - Assuming 2.75% annual inflation

- Plan Benefit, Like Any Other
  - Is a valuable/expensive plan benefit
  - Pension plans with COLA provisions usually aim to limit, rather than prevent, purchasing power reductions
No Board Discretion

- Charter Section 5-120: “Pensions...shall vary annually and shall be based upon the current salary of a First Class Fire Fighter or First Class Police Officer, as the case may be, computed annually at the beginning of the fiscal year.”

FPDR One Fire: 3.9% Increase on July 1, 2019
- 3.9% for July 1, 2019 City wage COLA (CPI-West Region)

FPDR One Police: 7.02% Increase on July 1, 2019
- 3% for January 1, 2019 police officer raise
- 3.9% for July 1, 2019 City wage COLA (CPI-West Region)
- $1.0300 \times 1.0390 = 1.0702$

Total FPDR One COLA Cost for FY 2019-20: $99K
FPDR Two COLA: Board Authority

Board has discretion over timing and amount, subject to a cap in City Charter:

- Section 5-312: “Board shall determine the amount and timing of such adjustments in its discretion, except the percentage rate of change shall not exceed the percentage rate applied to retirement benefits payable to police and fire employees by the Public Employees Retirement System of the State of Oregon.”
- Board may award any increase between 0% and 2.0% (highest PERS rate)
- Board may award increase at any time during year
FPDR Two COLA Method
A Refresher

- Method adopted by Board for last three years (since PERS finalized its current COLA formula in 2015)
- FPDR 2 retirees and beneficiaries receive a blended rate based on service timing:

<table>
<thead>
<tr>
<th>Service Timing</th>
<th>COLA Percent</th>
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</thead>
<tbody>
<tr>
<td>Before Oct 2013</td>
<td>CPI up to 2.0%*</td>
</tr>
<tr>
<td>After Oct 2013</td>
<td>1.25%</td>
</tr>
</tbody>
</table>

- Has been called “Modified PERS” because method is identical to PERS COLA calculation, with one exception:
  - FPDR Method does not have lower COLA percent for benefit amounts over $60,000

*If CPI is less than 2.0%, some retirees and beneficiaries can use carryover from prior years when inflation was more than 2.0%, to bring their current year COLA up to 2.0%
## Impacts for FY 2018-19

<table>
<thead>
<tr>
<th>Category</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost in FY 2019-20</td>
<td>$2.09 Million</td>
</tr>
<tr>
<td>Average Percentage Increase on July 1, 2018</td>
<td>1.99%</td>
</tr>
<tr>
<td>Range of Percentage Increases on July 1, 2018</td>
<td>1.75% to 2%</td>
</tr>
<tr>
<td>Median Dollar Increase on July 1, 2019, Members Only</td>
<td>$120</td>
</tr>
<tr>
<td>Median Dollar Increase on July 1, 2019, Other Beneficiaries</td>
<td>$31</td>
</tr>
<tr>
<td>Range of Dollar Increase on July 1, 2019, All Payees</td>
<td>$4 to $289</td>
</tr>
</tbody>
</table>
Last year the FPDR Board discussed the possibility of adopting a minimum COLA percent (a COLA floor) at some point in the future.

July 1, 2019 COLA Percentages for Current Retirees:

<table>
<thead>
<tr>
<th>COLA Percent</th>
<th>Less than 1.75%</th>
<th>1.75% - 1.84%</th>
<th>1.85% - 1.89%</th>
<th>1.90% - 1.94%</th>
<th>1.95% - 1.99%</th>
<th>2.00%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Retirees and Beneficiaries</td>
<td>0</td>
<td>9</td>
<td>49</td>
<td>109</td>
<td>64</td>
<td>1,337</td>
</tr>
</tbody>
</table>

1.42% is the lowest COLA possible for future FPDR Two retirees under the current FPDR Two COLA method.

For a member hired December 31, 2006 and retired 30 years later assuming no time loss before Oct 2013 and CPI > 2% at retirement.
**Potential Future Minimum COLA?**

COLA Percent for FPDR Two Member Retiring with 25 Years of Service on June 30, 20XX:

<table>
<thead>
<tr>
<th>Year</th>
<th>COLA Percent</th>
</tr>
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<tbody>
<tr>
<td>2019</td>
<td>1.83%</td>
</tr>
<tr>
<td>2020</td>
<td>1.80%</td>
</tr>
<tr>
<td>2021</td>
<td>1.77%</td>
</tr>
<tr>
<td>2022</td>
<td>1.74%</td>
</tr>
<tr>
<td>2023</td>
<td>1.71%</td>
</tr>
<tr>
<td>2024</td>
<td>1.68%</td>
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</tbody>
</table>

*Assuming CPI is above 2% and that member has no time loss before October 2013. A member retiring with less service would receive a smaller COLA; a member retiring with more service would receive a higher COLA.*
Staff Recommendation: Continue FPDR Two COLA Method

- FPDR Board has consistently used this method since PERS finalized its new COLA formula in late 2015
  - PERS method changed in the wake of 2013 legislative changes, and again after 2015 Oregon Supreme Court decision
  - Value in maintaining a stable approach, for both beneficiaries and the fund

- Maintains link to PERS formula, in accordance with historical practice and apparent Charter intent

- Avoids applying a lower COLA rate to higher pension benefit amounts that:
  - Are not indexed to inflation
  - Were selected for a different population with different characteristics
Board Decision:
FPDR 2 COLA for July 1, 2019

- Questions?
- Discussion
- Motion?
## FY 2018-19 Budget to Actual YTD

### Through January 31, 2019

<table>
<thead>
<tr>
<th>Mid Level Classification</th>
<th>Detail Classification</th>
<th>Current Budget</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
<th>January</th>
<th>YTD Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>Beginning fund balance</td>
<td>$12,179,404</td>
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<td>$135,957,518</td>
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<td>$144,325,641</td>
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<td>$36,525,597</td>
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<td>Miscellaneous Sources</td>
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<td>Interfund Cash Transfer Revenues</td>
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<td>Interagency Revenues</td>
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<td>$181,895,722</td>
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<tr>
<td><strong>Personnel</strong></td>
<td>Personnel</td>
<td>$2,250,600</td>
<td>$191,383</td>
<td>$177,063</td>
<td>$171,238</td>
<td>$188,220</td>
<td>$176,298</td>
<td>$170,851</td>
<td>$173,248</td>
<td>$1,248,301</td>
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<tr>
<td><strong>Personnel Total</strong></td>
<td></td>
<td>$2,250,600</td>
<td>$191,383</td>
<td>$177,063</td>
<td>$171,238</td>
<td>$188,220</td>
<td>$176,298</td>
<td>$170,851</td>
<td>$173,248</td>
<td>$1,248,301</td>
</tr>
<tr>
<td><strong>External Materials &amp; Services</strong></td>
<td>Other External Materials &amp; Services</td>
<td>$751,991</td>
<td>$32,891</td>
<td>$32,578</td>
<td>$63,989</td>
<td>$48,193</td>
<td>$66,991</td>
<td>$101,905</td>
<td>$39,871</td>
<td>$386,419</td>
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<tr>
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<td>FPDR 1 &amp; 2 Pension Benefits</td>
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<td>$20,456,260</td>
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<td>$10,217,014</td>
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<tr>
<td></td>
<td>Disability &amp; Death Benefits</td>
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<td>$377,840</td>
<td>$419,740</td>
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<td>$658,286</td>
<td>$436,045</td>
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<tr>
<td><strong>External Materials &amp; Services Total</strong></td>
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<td>$10,703,318</td>
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<tr>
<td><strong>Internal Materials &amp; Service</strong></td>
<td>Other Internal Materials &amp; Services</td>
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<td>$53,063</td>
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<td>$334,924</td>
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<td>Return to Work/Light Duty</td>
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<td><strong>Internal Materials &amp; Service Total</strong></td>
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<td>$42,583</td>
<td>$53,063</td>
<td>$1,987,504</td>
<td>$1,683,099</td>
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<td><strong>Capital Outlay</strong></td>
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<td>$11,496</td>
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<tr>
<td><strong>Capital Outlay Total</strong></td>
<td></td>
<td>$42,850</td>
<td>-$631</td>
<td>$0</td>
<td>$0</td>
<td>$9,169</td>
<td>$2,958</td>
<td>$0</td>
<td>$0</td>
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<td><strong>Fund Expenses</strong></td>
<td>Contingency</td>
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<tr>
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<td>Debt Retirement</td>
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<td>Interfund Cash Transfer Expenses</td>
<td>$919,150</td>
<td>$595</td>
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<td>$14,095</td>
<td>$14,095</td>
<td>$14,095</td>
<td>$14,095</td>
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<td><strong>Fund Expenses Total</strong></td>
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<td>$20,583</td>
<td>$14,191</td>
<td>$14,220</td>
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<td><strong>Expenses Total</strong></td>
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<td>$1,113,394</td>
<td>$10,931,379</td>
<td>$70,184,109</td>
<td>$234,627</td>
</tr>
</tbody>
</table>

Current Budget
Total Cost YTD

**FY 2018-19 Budget to Actual YTD by Month**

- Revenues
- Personnel
- External Materials & Services
- Internal Materials & Service
- Capital Outlay
- Fund Expenses
- Expenses Total
FPDR Legislative Review Criteria (2019)

**FPDR Funding**
Identify any proposed legislation that could directly impact the funding of the Plan (e.g. property tax changes)

**FPDR Retirement Benefits** (FPDR One and FPDR Two)
Identify any proposed legislation that could directly impact FPDR One or FPDR Two pension benefits (e.g. alternate payee, tax remedy/tax offset).

**PERS Employer** (FPDR Three)
Look at how proposed PERS changes will impact employer contributions and member benefits

**Workers’ Compensation**
Identify any proposed legislation that could directly impact FPDR’s disability plan (e.g. firefighter cancer presumption). Also, look for trends.

**FPDR Director**
Look at how proposed PERS changes and other legislation may impact FPDR’s ability to retain existing staff and attract new employees

**Other**
Look for any other legislation that could impact the FPDR plan, benefits or fund today or in the future.