

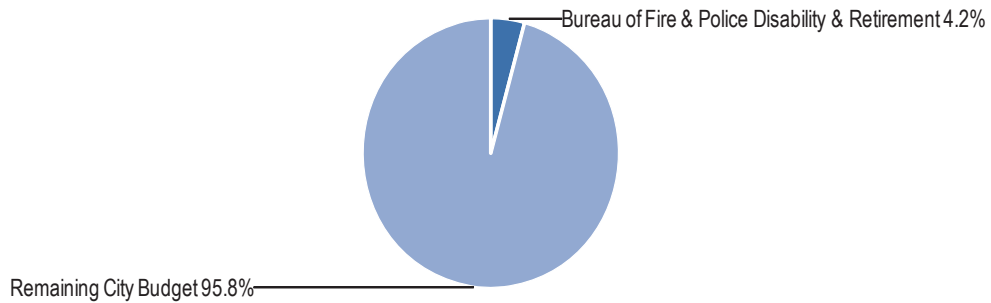
Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

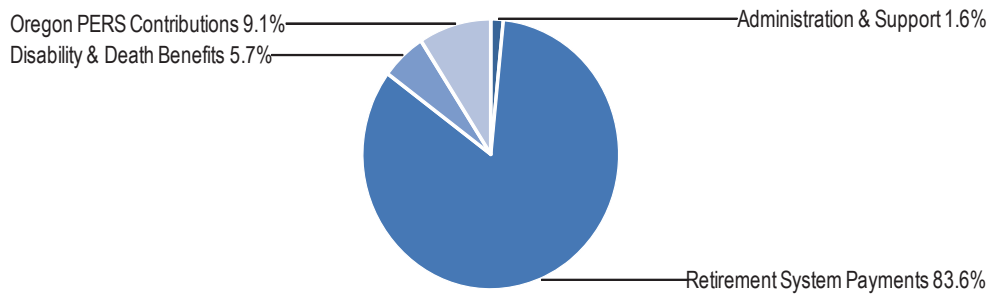
Jo Ann Hardesty, Commissioner-in-Charge

Samuel Hutchison, Director

Percent of City Budget



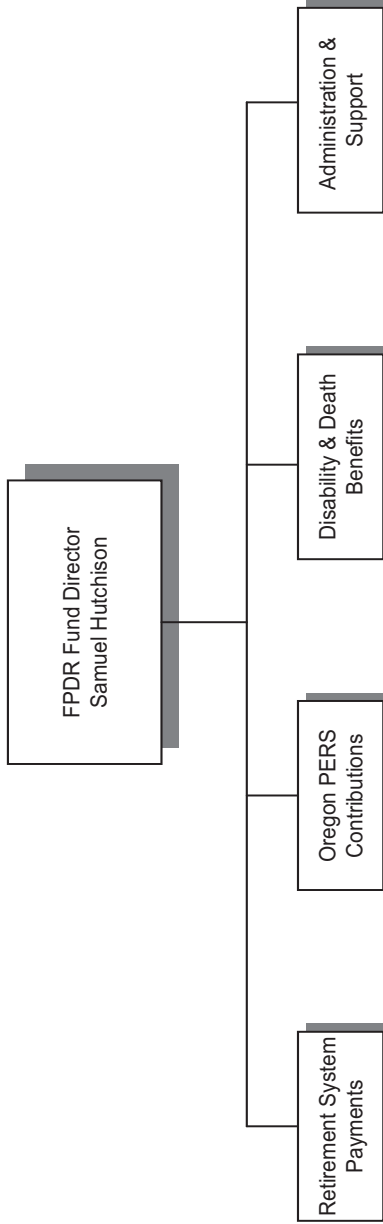
Bureau Programs



Bureau Overview

Expenditures	Revised FY 2018-19	Adopted FY 2019-20	Change from Prior Year	Percent Change
Operating	225,952,793	232,463,372	6,510,579	2.88
Capital	52,850	75,000	22,150	41.91
Total Requirements	226,005,643	232,538,372	6,532,729	2.89
Authorized Positions	17.00	17.00	0.00	0.00

Bureau of Fire & Police Disability & Retirement



Bureau Summary

Bureau Mission

The mission of the Bureau of Fire & Police Disability & Retirement is to deliver peace of mind to our fire and police members and their survivors by providing disability and retirement benefits in a timely, compassionate, and fiscally responsible manner.

Bureau Overview

The Bureau of Fire and Police Disability and Retirement (FPDR) consists of four sub-programs: two retirement programs — FPDR Pension Benefits and Sworn PERS Contributions — plus the Disability and Death Benefits program, and the Administration and Support program. FPDR serves plan members in three distinct tiers: FPDR One members are those who were retired or on long-term disability before January 1, 1990; FPDR Two members are those who were working or hired between December 31, 1989 and December 31, 2006; and FPDR Three members who were hired after December 31, 2006. The FPDR Plan provides pension and disability benefits for FPDR One and Two members, but only disability benefits for FPDR Three members. In addition, the FPDR Fund finances contributions to the Oregon Public Employees Retirement System (PERS) for FPDR Three members. FPDR benefits and administrative expenses are funded by a dedicated FPDR property tax levy, separate from the City's general government levy. The FPDR levy is capped at \$2.80 per \$1,000 of real market value by City Charter.

FPDR Pension Benefits

The FPDR Pension Benefit sub-program governs direct pension benefits to members hired before January 1, 2007 and their survivors and alternate payees (former spouses). The FY 2019-20 Adopted Budget is \$131.7 million, including \$135,088 in direct program delivery costs. This is an increase of \$4.4 million or 3.4% over the FY 2018-19 Revised Budget. Costs are growing for a variety of reasons, but the primary cause is the growing number of FPDR Two retirees. FPDR Two members have a more generous pension benefit than FPDR One members. It is estimated that there will be 2,132 pension recipients in FY 2019-20, of whom only 400 or so will be FPDR One beneficiaries.

Disability and Death Benefits

The Disability and Death Benefits program administers all service-connected and nonservice disability benefits, including wage replacement for lost time from work, medical care expenses, vocational rehabilitation, and funeral benefits. The budget for FY 2019-20 totals \$8.4 million, essentially the same as the FY 2018-19 Revised Budget. The program budget includes \$1.0 million of costs related directly to program delivery.

Sworn PERS Contributions

The Sworn PERS Contributions sub-program manages reimbursements to Portland Fire & Rescue and the Portland Police Bureau for PERS contributions made on behalf of sworn employees hired after 2006. Program expenditures are budgeted at \$21.5 million for FY 2019-20, an increase of \$5.2 million or 31.7% over the FY 2018-19 Revised Budget. Growth is due to the rising proportion of the sworn workforce hired after 2006; a 19% increase in public safety contribution rates for the Oregon Public Service Retirement Plan

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Public Safety Service Area

tier; and wage increases for sworn employees, including a 3.9% cost of living adjustment scheduled for July 1, 2019. This program will experience exponential cost growth through the early- to mid-2030s, when the entire sworn workforce will likely be comprised of FPDR Three members. At that point, cost growth will be limited to increases in wages and PERS contribution rates.

Administration and Support

The Administration and Support sub-program includes all other costs of operating the bureau. Bureau expenditures in the Administration and Support program for FY 2019-20 total \$2.7 million, an increase of \$0.20 million or 8.1% from the FY 2018-19 Revised Budget. The increase is mostly related to rising personnel costs, caused by increases in PERS contribution rates, a 3.9% cost-of-living adjustment on July 1, 2019, and potential merit pay increases for nonrepresented employees under new City compensation and pay equity plans. The Administration and Support budget represents 1.7% of total bureau requirements for FY 2019-20.

Strategic Direction

Connection to City Goals

As a provider of pension and disability benefits for the City's public safety workforce, FPDR's work contributes to Portland Plan Measure 11, to have a safer city. Benefits play an important role in recruiting and retaining the most qualified police officers and fire fighters.

Bureau Objectives

FPDR's strategic goals are to fairly and compassionately administer pension and disability benefits for the City's sworn employees and to be a good steward of the property taxes that underwrite those benefits. The bureau is dedicated to a smooth transition from the pay-as-you-go pension plans of the FPDR One and FPDR Two tiers, now closed, to the prefunded PERS pension plan of the FPDR Three tier added in 2007.

Performance

Several of FPDR's performance measures gauge the bureau's success in delivering benefits accurately and efficiently. The percent of disability decisions reached within 60 days dipped in 2016, but climbed above 90% in each of the last two years. The percent of members whose pensions are very close to the estimates they received (those with a negative variation of less than 1%) has fluctuated between 90% and 100% for the last five years, with no consistent upward or downward trajectory. Other performance measures track financial performance. Administrative costs have comprised between 1% and 2% of the bureau budget for the last several years, but may decline to even lower levels as the bureau budget grows. FPDR has introduced a more stable measure for FY 2019-20, administrative cost per plan participant; this is expected to rise to \$723 in FY 2019-20, from a projected \$713 in FY 2018-19—a 1.5% increase. The FPDR tax levy rate remains well under the \$2.80 cap, at a projected \$1.08 for FY 2019-20. Continued increases in RMV have kept the RMV tax rate low even as FPDR benefit costs grow.

Strategic Plan

FPDR recently completed a three-year strategic plan focused on member service improvement, disability program development, technology and staff investment, and FPDR Board development. The next strategic plan is not yet finalized, but the overarching focus is for FPDR to become an "organization of the future." Goals will include providing seamless member and beneficiary service in the digital age; recruiting and retaining top talent as employees retire; creating a supportive, efficient and modern work environment; and implementing next-generation claims processing.

Performance Measures

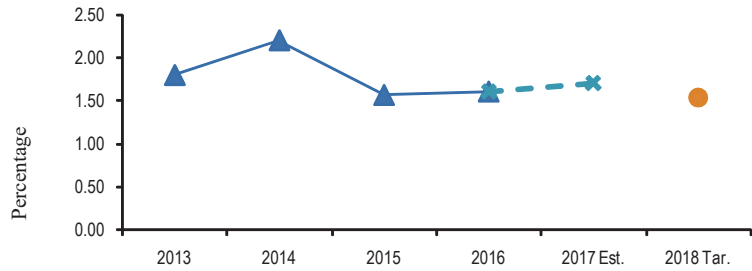
Performance	Actual FY 2016-17	Actual FY 2017-18	Target FY 2018-19	Target FY 2019-20	Strategic Target
EFFICIENCY					
Median Days to Prepare a Pension Estimate	0	NA	0	6	6
Administrative Spending Per Participant	\$594	\$601	\$0	\$723	\$833
Percentage of disability claims decisions in 60 days	93%	91%	94%	92%	92%
Percent of Pension Recipients Who are Paperless	0%	36%	0%	39%	48%
OUTCOME					
Percentage of members whose final pay was 99% or more of last estimate	100%	95%	95%	95%	95%
Administrative cost as a percentage of bureau budget	1.00%	1.49%	1.62%	1.65%	1.52%
OUTPUT					
FPDR tax levy rate (per \$1,000 of Real Market Value)	\$1.14	\$1.13	\$1.10	\$1.08	\$1.24
Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	62%	73%	65%	73%	73%
WORKLOAD					
Number of members on short-term disability	244	282	244	282	282
Number of long-term disability recipients	37	35	37	37	38
Number of pension estimates	397	331	376	397	397
Number of Fire & Police Disability & Retirement 1 and 2 pension recipients	2,018	2,059	2,104	2,132	2,276
Number of pre-retirement workshop participants	126	110	132	156	156
Number of active employees in FPDR 3	535	603	0	760	1,020
Number of medical bills	3,996	3,704	3,855	3,724	3,724
Number of disability claims filed	342	327	327	335	335
Number of FPDR 2 retirements from active service	57	52	50	50	64
Percent of workforce who are FPDR 3	35%	39%	47%	48%	63%
Percentage of workforce on disability at June 30	3%	4%	4%	4%	4%

Bureau of Fire & Police Disability & Retirement

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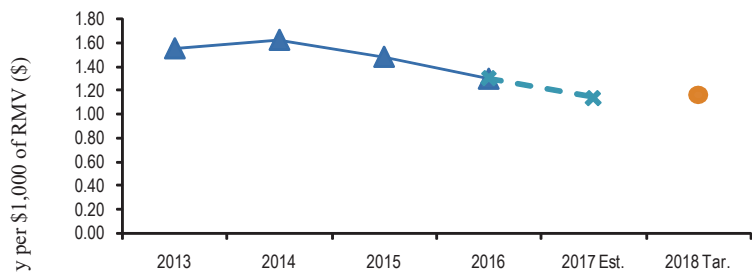
Administrative Cost as a Percentage of Bureau Budget

Administrative cost as a percent of bureau spending has hovered around 1.5% in recent years, with a brief spike in FY 2013-14, when the bureau had significant one-time legal expenses. Administrative costs are projected to increase to about 1.6% of bureau requirements in FY 2018-19. If program delivery costs allocated to the retirement and disability programs are included, administrative costs in FY 2018-19 would be approximately 2.4% of the bureau budget.



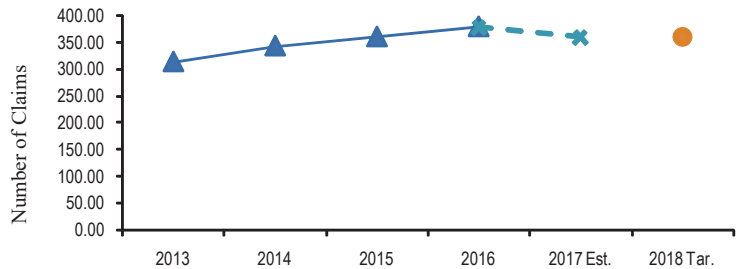
FPDR Tax Rate Per \$1,000 of RMV (\$)

FPDR's primary source of revenue is a dedicated property tax levy, authorized and capped at \$2.80 per \$1,000 of real market value (RMV) by the Portland City Charter. Despite increasing FPDR expenses, the rate has fallen each year for the last four years because of historic RMV growth. It is projected to drop again in FY 2019-20, to \$1.08. The most recent tax levy adequacy analysis estimates a 2.6% probability that FPDR will not be able to fund its requirements within the \$2.80 limit at some point over the next 20 years.



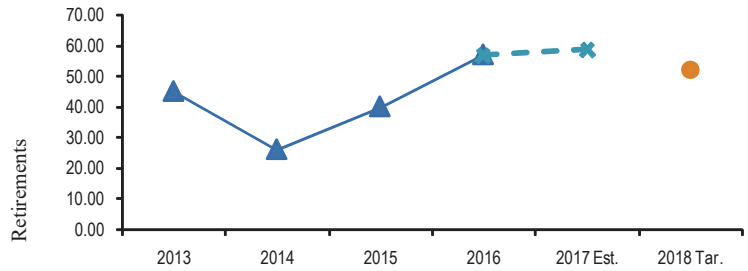
Disability Claims Filed

The number of disability claims have hovered in the mid-300s since FY 2012-13. FPDR predicts the number of claims will level off at about 325 claims per year going forward.



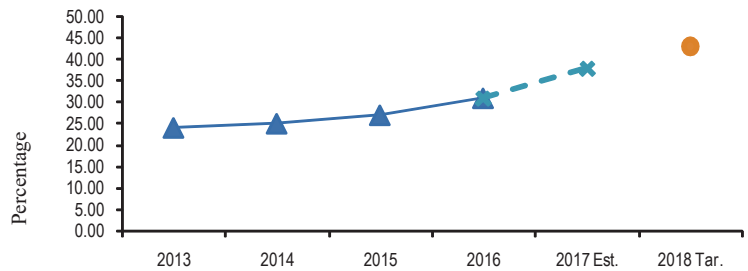
Number of FPDR 2 Retirements from Active Service

There were 58 service retirements in both FY 2015-16 and in FY 2016-17, along with 52 service retirements in FY 2017-18, and a similar number is expected this year. However, an unusually large number of members are retirement eligible and there will be two 27 pay date retirement opportunities during FY 2018-19, which explains why service retirements have already reached 62, for the year. For FY 2019-20 and beyond, 50 annual retirements are expected based on actuarial assumptions.



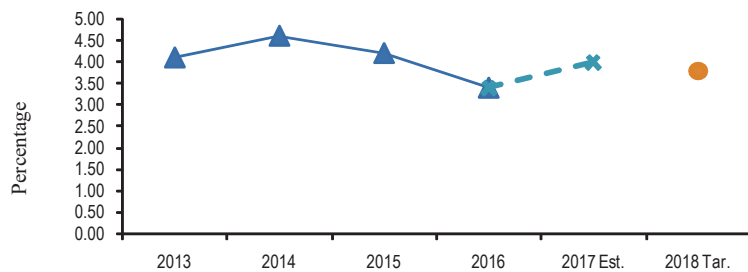
Percentage of Workforce Who are FPDR 3

FPDR 3 members are those hired in 2007 or later and are members of the Oregon Public Employee Retirement System (PERS) for retirement benefits. FPDR reimburses the Fire and Police Bureaus for the PERS contributions they make on behalf of these members. About 40% of the sworn workforce is currently comprised of FPDR 3 members; the percentage is expected to grow to 48% in FY 2019-20. Over the next 15 - 20 years, the proportion will grow annually until it reaches 100%.



Percentage of Workforce on Disability at June 30

The percent of the sworn workforce on disability declined after the 2006 Charter reforms and is now holding remarkably steady at about 3.5%. The percentage shown includes those on both short and long-term disability. The number of members on long-term disability is relatively stable throughout the year, but the number on short-term disability fluctuates widely from pay period to pay period.



	Actual FY 2016-17	Actual FY 2017-18	Revised FY 2018-19	Proposed FY 2019-20	Approved FY 2019-20	Adopted FY 2019-20
Resources						
Taxes	128,197,553	142,490,223	151,442,839	156,343,417	156,343,417	156,343,417
Charges for Services	44	52	0	0	0	0
Bond & Note	29,129,050	36,231,649	57,700,000	52,900,000	52,900,000	52,900,000
Miscellaneous	694,664	1,520,457	1,143,400	1,958,200	1,958,200	1,958,200
Total External Revenues	158,021,311	180,242,380	210,286,239	211,201,617	211,201,617	211,201,617
Fund Transfers - Revenue	0	0	750,000	750,000	750,000	750,000
Interagency Revenue	1,193,483	1,167,132	1,290,000	1,594,954	1,594,954	1,594,954
Total Internal Revenues	1,193,483	1,167,132	2,040,000	2,344,954	2,344,954	2,344,954
Beginning Fund Balance	13,633,435	9,789,387	12,179,404	17,491,801	17,491,801	17,491,801
Total Resources	172,848,229	191,198,898	224,505,643	231,038,372	231,038,372	231,038,372
Requirements						
Personnel Services	1,973,764	2,114,363	2,250,600	2,494,800	2,494,800	2,494,800
External Materials and Services	120,536,788	126,014,677	134,712,872	139,215,707	139,215,707	139,215,707
Internal Materials and Services	10,812,495	14,327,749	17,202,965	22,584,101	22,584,101	22,584,101
Capital Outlay	54,760	98,456	52,850	75,000	75,000	75,000
Total Bureau Expenditures	133,377,807	142,555,244	154,219,287	164,369,608	164,369,608	164,369,608
Debt Service	29,371,007	36,620,708	58,593,081	54,206,581	54,206,581	54,206,581
Contingency	0	0	10,774,125	11,560,932	11,560,932	11,560,932
Fund Transfers - Expense	310,028	170,378	919,150	901,251	901,251	901,251
Total Fund Expenditures	29,681,035	36,791,086	70,286,356	66,668,764	66,668,764	66,668,764
Ending Fund Balance	9,789,387	11,852,569	0	0	0	0
Total Requirements	172,848,229	191,198,899	224,505,643	231,038,372	231,038,372	231,038,372

Fund Overview

Chapter 5 of the Portland City Charter establishes the Fire & Police Disability & Retirement (FPDR) Fund for the sworn employees of Portland Fire & Rescue and the Portland Police Bureau, their surviving spouses, and their dependent minor children. The fund is supported primarily through a separate property tax levy originally authorized by the voters in 1948. The levy is a rate-based levy, providing a maximum rate of \$2.80 per \$1,000 of real market value.

Managing Agency Bureau of Fire & Police Disability & Retirement

Significant Changes from Prior Year

Net of tax anticipation notes - which artificially inflate the size of the budget because the notes are issued and repaid in the same fiscal year - total fund requirements for FY 2019-20 are \$178.1 million. This is an increase of \$11.3 million or 6.8% from the FY 2018-19 Revised Budget, a similar growth rate as in the previous five years. FPDR benefit costs will continue to increase above and beyond inflation for the next 15 – 20 years as the fund bears the cost of financing two generations of retirees simultaneously: pay-as-you-go FPDR pension benefits for FPDR One and Two members during retirement, and prefunded contributions to the Oregon Public Employee Retirement System (PERS) for FPDR Three members during their working lives. FPDR One and Two members were hired before January 1, 2007; FPDR Three members on or after that date.

Fund Requirements

External materials and services, which mainly consists of direct pension payments to FPDR One and Two retirees (or their beneficiaries), continues to increase as more FPDR Two members retire. FPDR Two members have a more generous pension benefit than FPDR One members. In addition, recent wage increases – particularly a 3.6% cost of living adjustment on July 1, 2018 and three successive years of 3.0% pay increases for Portland Police Association members – have increased final pay and therefore FPDR Two pensions in recent years.

Internal materials and services is the fastest growing component of FPDR's budget, and is budgeted to increase 31.7% (\$5.2 million) for FY 2019-20. The largest item within internal materials and services is reimbursements to the Fire and Police Bureaus for PERS contributions made on behalf of FPDR Three members. This budget will continue to increase exponentially over the next 15 – 20 years, as FPDR Three members constitute an ever larger percentage of the sworn workforce. In addition to growth in the number of employees on which PERS contributions must be made, PERS contribution rates for this population grew from 24.46% of wages in FY 2018-19 to 29.16% in FY 2019-20. Finally, FPDR Three payroll is increasing as police officers and fire fighters hired since 2007 move through the annual pay steps and are promoted to higher ranks, as well as for the reasons discussed above.

Within fund level expenditures, the FY 2019-20 debt service budget is projected to drop 7.5%, or \$4.4 million, as compared with FY 2018-19. This is a methodology, rather than an operational, change. FPDR has historically budgeted its annual TAN issue as the sum of 4 ½ months of expenses, to cover expenditures from the start of the fiscal year on July 1 until property tax revenues are received in mid-November. However, this method ignores the fact that FPDR can usually fund some costs with beginning fund balance. This year, FPDR's TAN budget was reduced to reflect the projected availability of \$17.5 million in fund balance on July 1, 2019.

Fund Revenues

Budgeted property tax collections will increase by \$4.9 million, or 3.2%, from the FY 2018-19 Revised Budget to the FY 2019-20 Requested budget. Since property taxes make up roughly 98% of FPDR's resources, taxes typically grow in accordance with fund requirements. However, tax collections are budgeted to grow less than expenditures for FY 2019-20 because of a higher projected beginning fund balance than originally anticipated, which reduces the amount of tax revenue needed for next year. The higher fund balance is the result of a one-time retroactive property tax payment received in FY 2018-19 and under-spending in the pension budget for the current year. Despite growing benefit expenses and the resulting need for more tax revenue, strong sustained growth in Portland real market values (RMV) over the last several years has driven the FPDR RMV property tax levy down in each of the last five years. The rate currently sits at \$1.09 for FY 2018-19 and is expected to decrease again to \$1.08 for FY 2019-20.

Interagency revenue is expected to grow by 23.6%, or \$0.3 million, for FY 2019-20. This revenue category is mostly funds collected by the Police Bureau when sworn services are contracted out to third parties. In addition to wages and benefits, outside parties are charged an overhead rate for pension and disability costs, which is then passed on to FPDR. The pension overhead rate is equal to one of the PERS contribution rates; as those rates rise so does the overhead revenue collected. In addition, the Police Bureau expects to expand its capacity to take on third-party work in the coming year as it recovers from a staffing shortfall. More third-party work will also increase overhead revenue.

Finally, FY 2019-20 miscellaneous revenues are projected to be 71.3%, or \$0.8 million, higher than in FY 2018-19. This is entirely attributable to rising interest rates, which will generate more interest income on the FPDR fund balance.

	Actual FY 2016-17	Actual FY 2017-18	Revised FY 2018-19	Proposed FY 2019-20	Approved FY 2019-20	Adopted FY 2019-20
Resources						
Total External Revenues	0	0	0	0	0	0
Fund Transfers - Revenue	0	0	750,000	750,000	750,000	750,000
Total Internal Revenues	0	0	750,000	750,000	750,000	750,000
Beginning Fund Balance	750,000	750,000	750,000	750,000	750,000	750,000
Total Resources	750,000	750,000	1,500,000	1,500,000	1,500,000	1,500,000
Requirements						
Total Bureau Expenditures	0	0	0	0	0	0
Fund Transfers - Expense	0	0	750,000	750,000	750,000	750,000
Total Fund Expenditures	0	0	750,000	750,000	750,000	750,000
Ending Fund Balance	750,000	750,000	750,000	750,000	750,000	750,000
Total Requirements	750,000	750,000	1,500,000	1,500,000	1,500,000	1,500,000

Fund Overview

The Fire & Police Disability & Retirement (FPDR) Reserve Fund was established by City Charter and currently totals \$1.5 million. The fund is for use only in the event the FPDR Fund becomes depleted to the extent that current obligations cannot be met. Interest income on these resources is booked directly to the FPDR Fund.

Managing Agency

Bureau of Fire & Police Disability & Retirement