FPDR Charter Change Recommendations August 8, 2012

<u>Presented by</u> Yvonne Deckard, FPDR Board Chair Linda Jefferson, FPDR Director

Objectives

- Address recommendations resulting from Charter-directed disability program audit
- Address additional concepts that had been proposed pre and post-2006 reforms
- Improve clarity in specific sections of the Charter
- Decrease taxpayer-funded liability

Projected Savings

\$46,600,000.00 reduction in taxpayer liabilities over 25-year period

Section and	5-303(b), Final Pay (P.15)
Proposed Change	Change "received" to "earned or would have been earned but for being on disability".
Reason	Provide for more consistent application and administration of benefits.
	More consistent with other public and private plans.
	Reduce perceived incentives to retire on specific dates.
	Eliminate financial impact of pensions with 27 pay dates or retro payments in Final Pay.

Section and Proposed Change	Section 5-301. (a) Member, Surviving Spouse, Dependent Minor Child (P. 13) To delay entry in FPDR to after completing six consecutive
Unange	months as a permanently appointed sworn employee.
Reason	To mitigate the Fund's exposure to disability costs on newly hired sworn employees and to address concerns about injuries that permanently restrict return to sworn employment (job-at-injury). Newly sworn employees would be subject workers under Oregon Workers' Compensation Law for the purposes of on-the-job injury and illness. Therefore, these individuals would become members of FPDR for disability and death benefits at the same time they would likely become members of the Public Employees Retirement System (PERS). If they are injured before they become PERS members, they will not accrue any PERS pension. As subject workers, they would be eligible for temporary and permanent disability, medica care, vocational rehabilitation, City preferred RTW placement, and Oregon injured worker programs so that they can be better assured of life-long financial security.

Section and Proposed Change	 <u>5-305(a & b), Vested Termination – Eligibility & Amount of Benefit (P. 17)</u> Delete sentences tying eligibility and benefit amount to service covered by the Oregon Public Employees Retirement System.
Reason	Ease of administration. Should Portland taxpayers pay benefits based on what a member may do after termination?

Section and	5-202(g), Settlement (P. 8 & 9)	
Proposed Change	Give Fund Administrator, with the approval of the Board, authority to settle and discharge claims as set forth in administrative rule.	
Reason	No current authority to settle even small amounts without City Council approval.	
	Restoring authority to the Board would enhance ability to manage exposure.	

Section and	5-302, Years of Service (P. 14)
Proposed	Define FPDR Three service as equivalent to FPDR
Change	Two service.
Reason	FPDR Three years of service are not defined but need to be to determine if member has the required 10 years of service for nonservice disability and death benefit eligibility and 5 years of service for occupational disability because of heart disease.

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Section and	5-303(a), Base Pay (P. 15)
Proposed	Add language that allows for full-time pay to be
Change	calculated for part-time members.
Reason	If half-time work results in half the usual service AND half the usual pay, the member is being penalized by getting a quarter of the usual benefit, not a half.

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Section and Proposed Change	5-306 (e), Service & Occupational Disability Benefits (P. 21) Form of Benefits – Add language that would allow bi- weekly benefits after the first year from the date of disability, if member has returned to work and there is "intermittent" lost time or member is working, but less than full time.
Reason	Short-term disability process is easier to use for members who have returned to work part-time or only have medical appointments. Provide a service to the member, who's getting paid biweekly for hours worked.

Section and Proposed Change	5-307, Nonservice-Connected Disability (P. 24) Change "Form of Benefit" in (c) allow for bi-weekly payments (STD) during the first year of disability. Change "Board" to "Fund Administrator" in (b).
Reason	Consistent with 5-306(e) and with most other nonservice disability plans. Would also improve benchmarking with other entities. Consistent with 5- 306(d)5.

Section and	 <u>5-306 (e), Service & Occupational Disability Benefits</u>	
Proposed	(P. 18) Pay interim disability benefits during the period	
Change	between application for and approval of benefits.	
Reason	Members must use available accrued leave, if any, for lost wages incurred prior to claim approval. Because the vast majority of claims are approved, interim benefits would provide a member benefit at almost no cost and reduce administrative burden.	

Section and Proposed Change	5-306(g)(2), Service & Occupational Disability Benefits (P. 22) Clarify that the benefits described in this section apply to occupational disability claims as well as service- connected injury and illness claims.
Reason	Current language states "occupational injury or illness" rather than occupational disability claims.

Section and	5-309 (b) Nonservice-Connected Death Before
Proposed	Retirement Eligibility (P. 26)
Change	Change 10 years to 5 years for eligibility.
Reason	Tie eligibility for annuity to pension vesting rather than Nonservice-Connected disability eligibility. Would make Plan Two and Plan Three benefits more similar, when OPSRP benefits are included.

Summary of Financial Impact of Charter Change

Recommendations for November 2012

	25-Year Present <u>Value (\$M)</u>
Final Pay	40.0
Delaying Newly Hired Sworn Employees	7.1
Vested Termination	0.6
Settlement Authority	-
FPDR Three Service	-
Base Pay for Part-time	+0.8
Service Disability Form of Benefits	-
Interim Disability Benefits	-
Clarify Occupational Disability	-
Nonservice Disability Form of Benefits	-
Nonservice Death Before Retirement	<u>+ 0.3</u>
Net Savings	\$46.6