

## IMPACT STATEMENT

**Legislation title:** \*Amend the Fire and Police Disability, Retirement and Death Benefit Plan to comply with an arbitration decision for final pay calculation for former members of the Portland Police Commanding Officers Association and Portland Fire Fighters Association. (Ordinance)

**Contact name:** Samuel Hutchison, FPDR Director

**Contact phone:** 503-349-0903

**Presenter name:** None

### **Purpose of proposed legislation and background information:**

The purpose of this Ordinance is to amend the City's Fire and Police Disability and Retirement (FPDR) benefit plan to extend additional pension benefits to formers members of the Portland Fire Fighters Association (PFFA) and Portland Police Commanding Officers Association (PPCOA) to comply with a labor arbitrator's order dated May 18, 2020 and revised award dated July 31, 2020. FPDR Two members who are also members of PFFA, PPCOA and the Portland Police Association (PPA) receive a 27<sup>th</sup> pay date (rather than the usual 26) in the final pay calculation used to determine their FPDR Two pension benefit if they retire in certain months. The arbitrator's order extends a pro-rated portion of that 27<sup>th</sup> pay date to *former* members of PFFA and PPCOA (i.e. nonrepresented sworn employees), with the proration being determined by the percent of sworn employment served while a member of PFFA, PPCOA or PPA.

Chapter 5, Section 403 (a) of the City Charter grants City Council the authority to extend additional benefits to members by ordinance if those additional benefits are required by law. The amendment is retroactive to January 1, 2013, the day a voter-approved 2012 Charter change to eliminate the 27<sup>th</sup> pay date went into effect.

### **Financial and budgetary impacts:**

There are no financial or budgetary impacts to the General Fund.

The immediate financial impact to the FPDR Fund will be the issuance of approximately \$240,000 in retroactive pension benefits to 20 FPDR Two retirees who were nonrepresented at retirement and retired in a month producing a 27<sup>th</sup> pay date after January 1, 2013. In addition, the ongoing monthly pension benefits of these retirees and one surviving spouse will be increased by roughly \$200 - \$400 each, at an annual cost of around \$75,000. FPDR has sufficient contingency funds in its FY 2020-21 Adopted Budget and FYE21-25 Five-Year Forecast to cover these costs.

The long-term financial impact to the FPDR Fund is unknown. FPDR Two members will continue to retire for the next 15 to 20 years, and at the median FPDR pays pensions to retirees for 30 years and to their surviving spouses for another five years. (FPDR Three members – those sworn employees hired after December 31, 2006 – are enrolled in Oregon PERS for their pension benefits, which are not impacted by this ordinance.) The future pensions and surviving spouse benefits of most

nonrepresented FPDR Two members will now be increased by 2.5% to 3.5%. In addition, nonrepresented members (captain and above at Police, deputy chief and above at Fire) are more highly compensated and therefore have larger pensions to begin with. However, nonrepresented FPDR Two members are a small portion of the sworn workforce. Only 6 to 7 retire each year on average, and although most will retire in months that result in a 27 pay date lookback period, not all will. Ultimately, the increased costs associated with higher nonrepresented FPDR Two pensions for the next 50 years or so will be reflected in higher FPDR property taxes, since FPDR expenses are funded almost exclusively with the dedicated FPDR property tax levy.

**Community impacts and community involvement:**

There was no community involvement in this ordinance as it implements a labor arbitrator's order. The community will be impacted by higher FPDR property taxes.

**100% Renewable Goal:**

This action has no impact on the City's renewable energy goal.

**Budgetary Impact Worksheet**

**Does this action change appropriations?**

☐ **YES:** Please complete the information below.

☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount