



City of Portland, Oregon



BUREAU OF FIRE AND POLICE DISABILITY AND RETIREMENT

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Linda L. Jefferson, CPDM, Director

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Date: April 4, 2012

To: Mayor Adams
Commissioner Fish
Commissioner Fritz
Commissioner Leonard
Commissioner Saltzman

From: Linda Jefferson, FPDR Director

Re: Fire & Police Disability & Retirement, Five Years After the Reform

The November 2006 ballot measure that was passed by Portland's voters significantly changed how pension and disability services are provided to the City's sworn employees:

- Employees hired after 2006 are part of the Oregon Public Employees Retirement System (PERS) for pension benefits, and their PERS contributions are funded by the FPDR levy.
- The FPDR Board of Trustees now consists of:
 - The Mayor or, currently, the Mayor's designee, Yvonne Deckard
 - An active Fire member, Bob Lemon, and an active Police member, Jeff Nelson
 - Two Portland citizens with pension or disability experience, Justin Delaney and David Dougherty
- The Fund Administrator is a disability expert who makes the decisions on disability claims, rather than the Board, and is the director of the Bureau of Fire & Police Disability & Retirement. Previously, FPDR was part of the Office of the City Auditor.
- Appeals are to an independent hearings officer and then to an independent panel.
- FPDR can recover disability expense from third parties through subrogation.
- The required initial and follow-up audits of the disability program have been completed.
- Disability claims files are kept in a comparable manner to the City's Worker's Compensation records, and FPDR's database is migrating in 2012 to current technology, partly to permit enhancements to make electronic records more comparable as well.

As a result of these changes:

- The percentage of the sworn workforce on disability at June 30 has declined 44%, from 9.5% in 2006 to 5.3% in 2011.
- Non-medical disability expense as a percentage of covered payroll has declined 41%, from 6.9% in FY 2005-06 to 4.1% in FYE 2010-11. In absolute terms, non-medical disability expense has decreased by 36%, from \$8.2 million in FY 2005-06 to \$5.2 million in FY 2010-11.

- Medical expense is more volatile but is being contained by contracting with managed health care service providers, which allows access to the Oregon Fee Schedule, and utilizing the services of a health care bill audit firm. Access to the Oregon Fee Schedule reduces medical expense.
- A miscalculation of retirees' additional tax offset benefits was identified in 2008. Pension benefits were corrected going forward, with an annual savings of \$0.7 million. FPDR is now in the process of recouping the \$2.9 million overpayment.
- The placement of new hires in PERS is moving sworn pension benefits to a prefunded system which, in the long run, will reduce pension expense. In the short-run, however, it increases the expense: PERS contributions were \$2.9 million in FY 2010-11 and are the fastest growing part of FPDR's budget, increasing by 178% over the five-year plan. Higher expenses mean a higher tax levy until the pay-as-you-go FPDR pension expense begins to decline.

Agenda No.
REPORT NO.
Title

Accept Fire and Police Disability and Retirement Report (Report)

<p>INTRODUCED BY Commissioner/Auditor: Dan Saltzman</p>	<p>CLERK USE: DATE FILED <u>APR 06 2012</u></p>
<p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Adams</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman <i>[Signature]</i></p> <p>Position 4/Safety - Leonard</p>	<p style="text-align: center;">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By: <u><i>[Signature]</i></u> Deputy</p>
<p>BUREAU APPROVAL</p> <p>Bureau: FPDR Bureau Head: Linda L. Jefferson <i>NH for LW</i></p>	<p>ACTION TAKEN:</p> <p>APR 11 2012 ACCEPTED</p>
<p>Prepared by: Nancy Hartline Date Prepared: April 4, 2012</p>	
<p>Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p>	
<p>Council Meeting Date</p>	
<p>City Attorney Approval: required for contract, code, easement, franchise, charter, Comp Plan</p>	

AGENDA
<p>TIME CERTAIN <input checked="" type="checkbox"/></p> <p>Start time: <u>9:30</u></p> <p>Total amount of time needed: <u>30min</u> (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input type="checkbox"/></p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	✓	
2. Fish	2. Fish	✓	
3. Saltzman	3. Saltzman	✓	
4. Leonard	4. Leonard	✓	
Adams	Adams	✓	