

# Bureau of Fire and Police Disability and Retirement

Public Safety Service Area

Jo Ann Hardesty, Commissioner-in-Charge

Samuel Hutchison, Director



## **FY 2020-21 Requested Budget and Five-Year Financial Forecast**



# FIRE AND POLICE DISABILITY AND RETIREMENT

## City of Portland, Oregon



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Samuel Hutchison, Director

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TO: Mayor Ted Wheeler  
Commissioner Chloe Eudaly  
Commissioner Amanda Fritz  
Auditor Mary Hull Caballero  
Jessica Kinard, City Budget Director

FROM: Commissioner Jo Ann Hardesty *JH*

RE: FPDR FY 2020-21 Requested Budget

Date: January 29, 2020

Please find enclosed the FY 2020-21 Requested Budget and FYE 2021-25 Five-Year Financial Forecast and Plan for the Bureau of Fire and Police Disability and Retirement (FPDR). The FPDR Board of Trustees adopted the budget at its January 28, 2019 meeting. FPDR's Requested Budget does not include any decision packages.

The FPDR Fund budget is \$228.5 million for FY 2020-21. This includes tax anticipation notes (which are issued and repaid within the same fiscal year), fund contingency, and General Fund overhead payments. Net of these items, bureau spending is budgeted at \$173.3 million in FY 2020-21, an increase of \$11.8 million from projected FY 2019-20 spending. This is a 7% increase, the same rate of growth as last year. As you know, voters approved changes to the City's pension and disability plans for sworn employees in 2006. As a result FPDR is simultaneously funding two generations of pensions: pay-as-you-go FPDR Plan pensions for sworn retirees hired before 2007, and prefunded PERS pensions for sworn employees hired later. FPDR costs will continue to increase by 5% to 10% annually for the next 15 years or so, until all active employees are enrolled in PERS and all FPDR Plan employees are retired. Costs will begin to decline thereafter, as future generations of taxpayers reap the savings associated with prefunding the pensions of employees hired in 2007 or later.

FPDR is funded almost exclusively by its dedicated property tax levy. Tax revenue of \$163.5 million is required for FY 2020-21, approximately 6% more than this year. After marking up the levy to account for compression, delinquencies, and discounts, the City Economist estimates Council will need to levy \$178.9 million for FPDR requirements in FY 2020-21. The levy is growing more slowly than spending because FPDR began the current year with \$7.7 million more in fund balance than the prior year. The higher fund balance derives from a one-time prior year property tax payment from Comcast, as well as fewer retirements than budgeted.

Please don't hesitate to contact me or the FPDR staff with any questions or concerns.

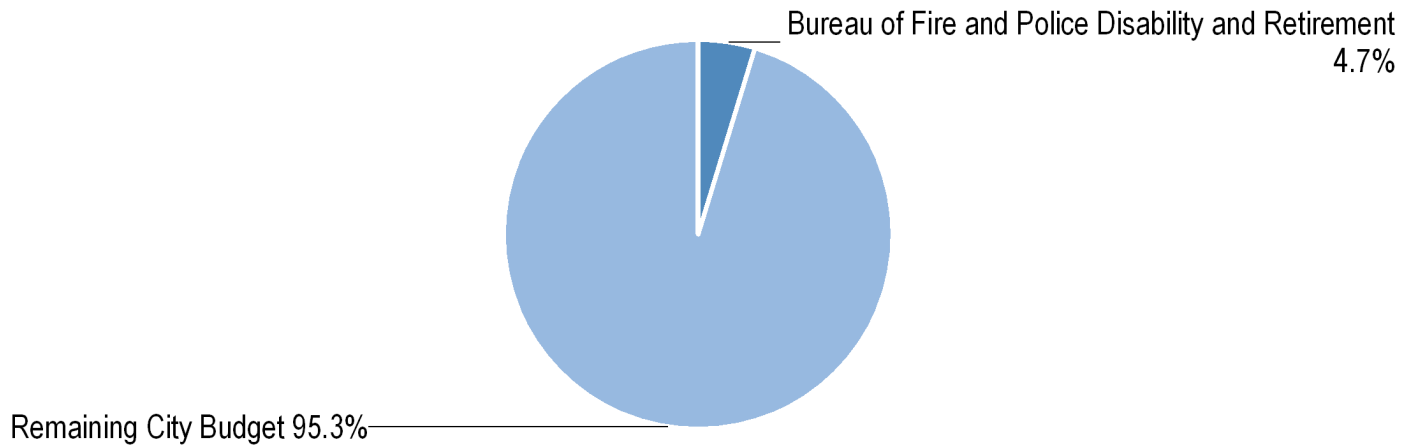
# Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

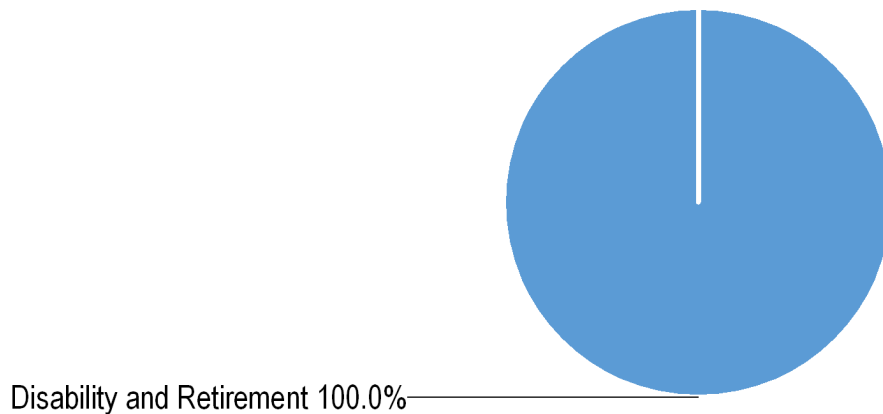
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**Percent of City Budget Graph**



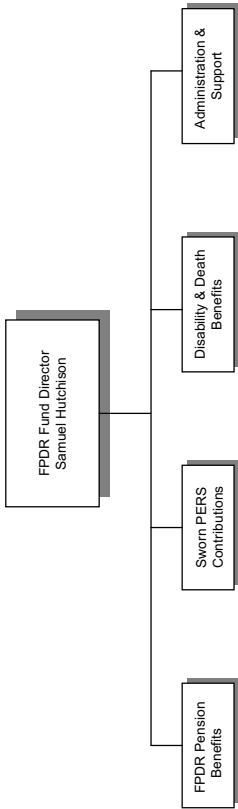
**Bureau Programs**



## Bureau Overview

Requirements	Revised FY 2019-20	Requested FY 2020-21	Change from Prior Year	Percent Change
Operating	\$232,463,372	\$229,930,529	\$(2,532,843)	(1)%
Capital	\$75,000	\$50,000	\$(25,000)	(33)%
<b>Total</b>	<b>\$232,538,372</b>	<b>\$229,980,529</b>	<b>\$(2,557,843)</b>	<b>(34)%</b>
Authorized Positions	16.80	16.80	—	—%

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 are those 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 Benefits program pays direct pension benefits to FPDR One and Two members, and their survivors and alternate payees (former spouses). The program also provides retirement counseling, workshops, and pension estimates for FPDR Two members who are still working. The FY 2020-21 Requested Budget is \$137.6 million, including \$144,596 in direct program delivery costs. This is an increase of \$5.8 million or 4.4% over the FY 2019-20 Revised Budget. Costs are growing for a variety of reasons, but the primary cause is the rising 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 2,187 pension recipients in FY 2020-21, less than 20% of whom will be FPDR One beneficiaries.

#### **Disability and Death Benefits**

The Disability and Death Benefits program administers both service-connected and nonservice disability benefits, including wage replacement for lost time from work, medical care expenses, vocational rehabilitation, and funeral benefits. The Requested Budget for FY 2020-21 totals \$8.6 million, an increase of \$0.2 million or 2.7% over the FY 2019-20 Revised Budget. The program budget includes \$1.4 million in costs related directly to program delivery.

### Sworn PERS Contributions

The Sworn PERS Contributions program manages reimbursements to Portland Fire & Rescue and the Portland Police Bureau for PERS contributions made on behalf of FPDR Three members. Program expenditures are budgeted at \$24.4 million for FY 2020-21, an increase of \$3.0 million or 13.8% over the FY 2019-20 Revised Budget. Growth is due to the rising proportion of the sworn workforce hired after 2006; a projected 2.9% wage cost-of-living adjustment for sworn employees on July 1, 2020; and the movement of FPDR Three employees through the police officer and fire fighter pay steps, as well as their increasing promotion rates and specialty pay rates as they spread through the ranks. This program will experience exponential expenditure growth through the early- to mid-2030s, when the entire sworn workforce will likely be comprised of FPDR Three members. At that point, cost increases will be limited to growth in wages and PERS contribution rates. Just over half of the sworn workforce is expected to be comprised of FPDR Three members in FY 2020-21.

### Administration and Support

The Administration and Support program includes all other costs of operating the bureau. Bureau expenditures in the Administration and Support program for FY 2020-21 total \$2.7 million, essentially flat compared to the FY 2019-20 Revised Budget. Small increases in personnel costs, for a 2.9% wage COLA on July 1, 2020 for most staff and projected 4.0% increases in health benefit expenses, are offset by reductions in technology spending and the cost of goods and services purchased from other City bureaus. The Administration and Support budget represents 1.6% of total bureau requirements for FY 2020-21, a decrease from a projected 1.7% 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 achieving its ultimate purpose: to deliver benefits accurately and efficiently. The percent of disability decisions reached within 60 days dipped to 85% last year, but is expected to climb back above the bureau's goal of 90% this year. The percent of members whose pensions are very close to the estimates they received (those with a negative variation of less than 1%) reached 98% last year and is projected to remain in the 95% to 98% range going forward. FPDR outreach ensured that more than 80% of members who are close to retirement received updated pension estimates last year.

The percent of the sworn workforce on disability at June 30 each year remains fairly stable, at 3% to 4%. FPDR also strives to be an exemplary steward of public resources. Administrative costs have comprised between 1% and 2% of the bureau budget for the last several years. Administrative costs per plan participant are expected to remain essential level, from a projected \$745 in the current fiscal year to \$741 for FY 2020-21. The FPDR tax levy rate remains well under the \$2.80 cap, at \$1.10 currently and a projected \$1.13 for FY 2020-21.

### Strategic Plan

FPDR's mission and core responsibilities will not change over the next 20 years. Therefore, the strategic focus of the bureau is to ensure FPDR service delivery evolves to take advantage of the modern digital environment, and to meet the growing desire of members and beneficiaries for convenience, speed and excellent customer service. FPDR's goal is to become an "organization of the future." Objectives include providing seamless, real-time customer service across many platforms; digitizing as many paper records as possible, for cost, convenience, and continuity of operations purposes; recruiting and retaining top talent as employees retire; creating a supportive, efficient and modern work environment; and implementing next-generation claims processing.

# Bureau of Fire & Police Disability & Retirement

## Summary of Bureau Budget

	Actuals FY 2017-18	Actuals FY 2018-19	Revised FY 2019-20	Requested No DP FY 2020-21	Requested FY 2020-21
<b>Resources</b>					
<b>External Revenues</b>					
Taxes	142,490,223	155,576,484	156,343,417	165,879,846	165,879,846
Charges for Services	52	132	0	0	0
Bond & Note	36,231,649	36,525,597	52,900,000	42,000,000	42,000,000
Miscellaneous	1,520,457	1,659,003	1,958,200	1,382,800	1,382,800
<b>External Revenues Total</b>	<b>180,242,380</b>	<b>193,761,217</b>	<b>211,201,617</b>	<b>209,262,646</b>	<b>209,262,646</b>
<b>Internal Revenues</b>					
Fund Transfers - Revenue	0	0	1,500,000	1,500,000	1,500,000
Interagency Revenue	1,167,132	1,125,538	1,594,954	1,571,818	1,571,818
<b>Internal Revenues Total</b>	<b>1,167,132</b>	<b>1,125,538</b>	<b>3,094,954</b>	<b>3,071,818</b>	<b>3,071,818</b>
Beginning Fund Balance	10,539,387	12,602,569	18,241,801	17,646,065	17,646,065
<b>Resources Total</b>	<b>191,948,898</b>	<b>207,489,324</b>	<b>232,538,372</b>	<b>229,980,529</b>	<b>229,980,529</b>
<b>Requirements</b>					
<b>Bureau Expenditures</b>					
Personnel Services	2,114,363	2,155,392	2,494,800	2,611,100	2,611,100
External Materials and Services	126,014,677	131,152,921	139,202,254	145,124,200	145,124,200
Internal Materials and Services	14,327,749	16,503,746	22,597,554	25,524,137	25,524,137
Capital Outlay	98,456	25,731	75,000	50,000	50,000
<b>Bureau Expenditures Total</b>	<b>142,555,244</b>	<b>149,837,790</b>	<b>164,369,608</b>	<b>173,309,437</b>	<b>173,309,437</b>
<b>Fund Expenditures</b>					
Debt Service	36,620,708	37,159,043	54,206,581	42,774,972	42,774,972
Contingency	0	0	11,560,932	11,500,000	11,500,000
Fund Transfers - Expense	170,378	169,150	1,651,251	1,646,120	1,646,120
<b>Fund Expenditures Total</b>	<b>36,791,086</b>	<b>37,328,193</b>	<b>67,418,764</b>	<b>55,921,092</b>	<b>55,921,092</b>
Ending Fund Balance	12,602,569	20,323,339	750,000	750,000	750,000
<b>Requirements Total</b>	<b>191,948,899</b>	<b>207,489,322</b>	<b>232,538,372</b>	<b>229,980,529</b>	<b>229,980,529</b>
<b>Programs</b>					
Administration & Support	2,118,872	2,276,423	—	—	—
Disability & Death Benefits	7,320,192	7,801,084	—	—	—
Disability and Retirement	—	—	164,369,608	173,309,437	173,309,437
Oregon PERS Contributions	13,318,516	15,515,328	—	—	—
Retirement System Payments	119,797,665	124,244,956	—	—	—
<b>Total Programs</b>	<b>142,555,244</b>	<b>149,837,790</b>	<b>164,369,608</b>	<b>173,309,437</b>	<b>173,309,437</b>



## Bureau of Fire & Police Disability & Retirement

### FTE Summary

Class	Title	Salary Range		Revised FY 2019-20		Requested No DP FY 2020-21		Requested FY 2020-21	
		Min	Max	No.	Amount	No.	Amount	No.	Amount
30000063	Accountant II	54,912	79,556	1.00	77,314	1.00	77,314	1.00	77,314
30003003	Administrative Specialist II	48,277	93,018	1.00	87,776	1.00	87,776	1.00	87,776
30003006	Analyst I	53,290	102,648	2.00	189,010	2.00	189,010	2.00	189,010
30003007	Analyst II	63,336	109,491	3.00	276,515	3.00	276,515	3.00	276,515
30003012	Business Systems Analyst III	69,805	131,248	1.00	69,403	1.00	100,672	1.00	100,672
30000066	Claims Technician	45,885	69,967	1.00	67,995	1.00	67,995	1.00	67,995
30000065	Claims Technician, Assistant	35,610	59,073	1.00	57,408	1.00	57,408	1.00	57,408
30003034	Deputy Director I	80,205	145,808	0.80	97,394	0.80	97,394	0.80	97,394
30003037	Director I	111,696	197,246	1.00	164,674	1.00	164,674	1.00	164,674
30003055	Financial Analyst II	63,336	109,491	1.00	96,824	1.00	96,824	1.00	96,824
30003056	Financial Analyst III	69,805	131,248	1.00	106,974	1.00	106,974	1.00	106,974
30003077	Legal Assistant	53,290	102,648	1.00	92,206	1.00	92,206	1.00	92,206
30003081	Manager I	80,205	145,808	1.00	121,493	1.00	121,493	1.00	121,493
30000012	Office Support Specialist II	34,798	57,510	1.00	55,006	1.00	55,890	1.00	55,890
<b>Total Full-Time Positions</b>				<b>16.80</b>	<b>1,559,992</b>	<b>16.80</b>	<b>1,592,145</b>	<b>16.80</b>	<b>1,592,145</b>
<b>Grand Total</b>				<b>16.80</b>	<b>1,559,992</b>	<b>16.80</b>	<b>1,592,145</b>	<b>16.80</b>	<b>1,592,145</b>

## Fire & Police Disability & Retirement Fund

### Fund Summary

	Actuals FY 2017-18	Actuals FY 2018-19	Revised FY 2019-20	Requested No DP FY 2020-21	Requested FY 2020-21
<b>Resources</b>					
<b>External Revenues</b>					
Taxes	142,490,223	155,576,484	156,343,417	165,879,846	165,879,846
Charges for Services	52	132	0	0	0
Bond & Note	36,231,649	36,525,597	52,900,000	42,000,000	42,000,000
Miscellaneous	1,520,457	1,659,003	1,958,200	1,382,800	1,382,800
<b>External Revenues Total</b>	<b>180,242,380</b>	<b>193,761,217</b>	<b>211,201,617</b>	<b>209,262,646</b>	<b>209,262,646</b>
<b>Internal Revenues</b>					
Fund Transfers - Revenue	0	0	750,000	750,000	750,000
Interagency Revenue	1,167,132	1,125,538	1,594,954	1,571,818	1,571,818
<b>Internal Revenues Total</b>	<b>1,167,132</b>	<b>1,125,538</b>	<b>2,344,954</b>	<b>2,321,818</b>	<b>2,321,818</b>
Beginning Fund Balance	9,789,387	11,852,569	17,491,801	16,896,065	16,896,065
<b>Resources Total</b>	<b>191,198,898</b>	<b>206,739,324</b>	<b>231,038,372</b>	<b>228,480,529</b>	<b>228,480,529</b>
<b>Requirements</b>					
<b>Bureau Expenditures</b>					
Personnel Services	2,114,363	2,155,392	2,494,800	2,611,100	2,611,100
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Contingency	0	0	11,560,932	11,500,000	11,500,000
Fund Transfers - Expense	170,378	169,150	901,251	896,120	896,120
<b>Fund Expenditures Total</b>	<b>36,791,086</b>	<b>37,328,193</b>	<b>66,668,764</b>	<b>55,171,092</b>	<b>55,171,092</b>
Ending Fund Balance	11,852,569	19,573,339	0	0	0
<b>Requirements Total</b>	<b>191,198,899</b>	<b>206,739,322</b>	<b>231,038,372</b>	<b>228,480,529</b>	<b>228,480,529</b>

### 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 (RMV).

# Fire & Police Disability & Retirement Fund

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Managing Agency      Bureau of Fire & Police Disability & Retirement

## Significant Changes from Prior Year

Net of tax anticipation notes (TANs) - 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 2020-21 are \$186.5 million. This is an increase of \$8.3 million or 4.7% from the FY 2019-20 Revised Budget, a slower growth rate than in recent years. However, FPDR expects to under-spend the FY 2019-20 budget by about \$4.1 million because of fewer retirements than budgeted and slower hiring at the Police Bureau than projected. Total FY 2020-21 fund requirements (net of TANS) are thus 7.2% more than FY 2019-20 projected spending, a growth rate more in keeping with the trend of the last decade. FPDR 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 were hired 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. Nearly all of the \$5.9 million (4.2%) increase in this budget category for FY 2020-21 is attributable to growth in FPDR Two pension expenditures. FPDR Two members have a more generous pension benefit than FPDR One members. In addition, wage increases – particularly 3.6% and 3.9% cost of living adjustments in 2018 and 2019, and three 3.0% pay increases for Portland Police Association Members in 2017, 2018 and 2019 – 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, budgeted to increase \$2.9 million (13.0%) for FY 2020-21. 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, 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, and receive the same pay increases mentioned above for FPDR Two members. This budget category experiences even steeper growth in fiscal years ending in even numbers because PERS contribution rates are re-calculated biannually. Fortunately, this means rates will not increase for FY 2020-21, although they are currently projected to increase substantially again for FY 2021-22 and FY 2022-23.

Within fund level expenditures, FY 2020-21 debt service is projected to drop \$11.4 million (21.2%). FPDR has historically budgeted the 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. This method has tended to significantly overstate the TAN budget. Last year FPDR altered this approach to subtract beginning fund balance from projected expenditures in these first 4 ½ months. The FY 2020-21 budget makes a further refinement by assuming

that first quarter PERS contribution reimbursements to the Police and Fire Bureaus will be paid after property tax revenue is received. Together, these two changes should better align the TAN budget with each year's actual TAN issue, while still ensuring the budget is conservative enough to meet the Fund's borrowing needs in July of each year.

### **Fund Revenues**

Budgeted property tax collections will increase by \$9.5 million (6.1%) from the FY 2019-20 Revised Budget to the FY 2020-21 budget. Since property taxes make up roughly 98% of FPDR's resources, taxes typically grow in accordance with fund requirement, with small deviations for changes in fund balance or other resources. The FPDR property tax rate on RMV remains well below the \$2.80 cap proscribed by City Charter; the rate is currently \$1.10, projected to grow to \$1.13 for FY 2020-21. The FPDR tax rate on assessed value, which is the basis for actual tax bills, is anticipated to increase from \$2.67 currently to \$2.73 for FY 2020-21.

All other revenue categories are expected to decline slightly from the FY 2019-20 budget. Bond and note proceeds are budgeted to decrease by \$10.9 million (20.6%) for the reasons discussed above related to TAN borrowing. Miscellaneous revenue is projected to drop by \$0.6 million (29.4%) because of declining interest rates, which reduce the interest income the FPDR Fund balance can earn in the City Treasury pool. Indeed, reduced interest rates are causing interest income to fall short of expectations in the current year as well; interest income will likely come in \$0.6 million below budget for FY 2019-20. Other components of miscellaneous income – primarily an overhead rate collected by the Police Bureau and passed to FPDR when police services are contracted to third parties, and subrogation revenue on disability claims – are budgeted to increase slightly, but not by enough to offset the loss in interest income. Finally, beginning fund balance is predicted to be slightly lower, approximately \$0.6 million (3.4%) less than in FY 2019-20.

## Fire & Police Disability & Retirement Reserve Fund

### Fund Summary

	Actuals FY 2017-18	Actuals FY 2018-19	Revised FY 2019-20	Requested No DP FY 2020-21	Requested FY 2020-21
<b>Resources</b>					
<b>Internal Revenues</b>					
Fund Transfers - Revenue	0	0	750,000	750,000	750,000
<b>Internal Revenues Total</b>	<b>0</b>	<b>0</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>
Beginning Fund Balance	750,000	750,000	750,000	750,000	750,000
<b>Resources Total</b>	<b>750,000</b>	<b>750,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>
<b>Requirements</b>					
<b>Fund Expenditures</b>					
Fund Transfers - Expense	0	0	750,000	750,000	750,000
<b>Fund Expenditures Total</b>	<b>0</b>	<b>0</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>
Ending Fund Balance	750,000	750,000	750,000	750,000	750,000
<b>Requirements Total</b>	<b>750,000</b>	<b>750,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>

### 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

# Pension Benefits

## Program Description & Goals

This program provides monthly pension benefits to sworn retirees hired before January 1, 2007 (FPDR One and FPDR Two members), their surviving spouses and/or minor children, and sometimes their former spouses (where directed by a court). In addition to paying all beneficiaries accurately, on time, and in compliance with the City Charter and state and federal laws, this program strives to provide active duty members with retirement counseling and accurate pension estimates. Performance data indicates that members are receiving increasingly precise and timely pension estimates from FPDR. The percent of members receiving a final pension benefit that is at least 99% of the most recent estimate they received increased to 98% last year. In addition, the percent of members who are within two years of retirement eligibility and have received an updated pension estimate rose significantly (from 73% in FY 2017-18 to 82% in FY 2018-19). FPDR also continues to issue pension estimates very quickly, usually within one week of request.

Measure Title	PM 2017-18 Actuals	PM 2018-19 Actuals	PM 2019-20 Target	PM 2020-21 Target	Strategic Target
Number of FPDR 2 retirements from active service	52	64	50	49	65
Number of pension estimates	331	335	397	354	354
Number of Fire & Police Disability & Retirement 1 and 2 pension recipients	2,059	2,125	2,132	2,187	2,337
Number of pre-retirement workshop participants	110	100	156	142	142
Percentage of members whose final pay was 99% or more of last estimate	95%	98%	95%	98%	98%
Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	73%	82%	73%	82%	82%
Median Days to Prepare a Pension Estimate	N/A	5	5	4	4

## Explanation of Services

The purpose of this program is to pay retirement benefits to sworn Police and Fire employees and their survivors, an important component of overall compensation, and to provide FPDR retirement information and guidance during sworn employees' working careers. The program provides monthly pension payroll services for members, surviving spouses and/or minor children after a member dies, and alternate payees (former spouses). This includes calculation of pension benefits at retirement, federal and Oregon income tax withholding and reporting, insurance premium and child support withholding, calculation of annual cost-of-living adjustments (COLAs), eligibility screening for and calculation of an additional pension benefit to offset Oregon tax liability for some members, and monitoring to ensure payments stop when beneficiaries die. This program also provides pre-retirement education and services, including quarterly retirement workshops, retirement education videos and written materials, and pension estimate calculations.

## Equity Impacts

Not applicable as FPDR does not directly serve the public. The pension program serves only sworn employees and retirees, whose composition is based on the hiring of the Fire and Police Bureaus, and their surviving family members.

## Changes to Program

This program serves more beneficiaries each year as FPDR Two member retirements outstrip FPDR One deaths, a growth pattern that has been in place for some time. A new program trend is the increasing number of retroactive pension payments calculated and issued. The usual cause of these retroactive payments is gaps between sworn labor contracts and subsequent retroactive wage increases. Retroactive wage increases in turn cause retroactive pension increases for all FPDR One beneficiaries, as well as for those FPDR Two members who retired during the gap. A second recent change is the growth in pension estimates prepared by FPDR staff over the last several years. For the ten years prior to FY 2015-16, FPDR calculated an average of 250 pension estimates each year. That number rose to 424 estimates (in FY 2015-16) and has remained above 300 annually since.

## Program Budget

	FY 2017-18 Actuals	2018-19 Actuals	2019-20 Revised	2020-21 Requested with DP
<b>Bureau Expense</b>				
External Materials and Services	0	0	131,662,547	137,475,000
Personnel	0	0	135,088	144,596
<b>Sum:</b>	<b>0</b>	<b>0</b>	<b>131,797,635</b>	<b>137,619,596</b>
FTE	0	0	1	1

**Resources:** All FPDR programs, including the pension program, are funded almost exclusively with revenues from the dedicated FPDR property tax levy. This program also receives fees from divorce-related pension divisions. All revenues are booked to the Administration & Support program.

**Expenses:** This program's expenses include monthly pension payments, personnel costs for the one employee solely dedicated to this program, and other minor administrative expenses (such as an external death audit service). Monthly pension costs are nondiscretionary and derive from plan benefits defined in City Charter and federal and state law. Pension expenses are impacted by beneficiary longevity, the number of new retirements, wage increases for active employees (which increase FPDR One pensions and new FPDR Two pensions), COLA increases awarded to FPDR Two beneficiaries by the FPDR Board, and a variety of other factors.

**Staffing:** One FTE is dedicated to this program, an Analyst I. Program staffing has been stable for the last five years and no changes are planned.

**Assets and Liabilities:** Unlike most pension plans, the FPDR pension plan for FPDR One and Two members is funded on a pay-as-you-go basis with no long-term investment assets. Pension program assets are limited to fund balance, which is projected to be \$16.9 million on July 1, 2020. The long-term liability of the entire FPDR plan is \$3.6 billion, but this includes some disability plan liabilities.

## Program Information

**Bureau:** Bureau of Fire & Police Disability & Retirement

**Program Contact:** Stacy Jones

**Website:** [www.portlandoregon.gov/fpdr](http://www.portlandoregon.gov/fpdr)

**Contact Phone** 503-823-2609

# Disability and Death Benefits

## Program Description & Goals

This program provides service and nonservice disability benefits for sworn employees and retirees of the Fire and Police Bureaus (FPDR One, Two, and Three members), benefits for surviving spouses or minor children when a member dies before retirement, and funeral benefits. The goals of the program are to make disability claim decisions quickly and in compliance with the City Charter, to help sworn employees return to work whenever possible, to manage claims for the benefit of disabled members while demonstrating stewardship of public funds, and to make disability payments accurately and on time. The percent of disability claim decisions reached within 60 days declined slightly to 85% in FY 2018-19, but is expected to exceed the program goal of 90% again in FY 2019-20. After dropping in FY 2018-19, the number of disability claims and the number of medical bills are likely to increase again this year (from 298 to an estimated 335, and from 3,558 to an estimated 3,724, respectively). Wage replacement payments made to those on short-term disability are also running about 20% higher than last year. By their nature, metrics and costs associated with short-term disability claims tend to vary appreciably from one year to the next. Long-term disability measures and expenses are more stable. The number of members on long-term disability increased slightly last year, from 35 to 37, but is expected to decline meaningfully over the next several years as many current recipients are mandatorily retired and few new beneficiaries are added to the long-term disability rolls.

Measure Title	PM 2017-18 Actuals	PM 2018-19 Actuals	PM 2019-20 Target	PM 2020-21 Target	Strategic Target
Number of members on short-term disability	282	265	282	264	264
Number of medical bills	3,704	3,558	3,724	3,750	3,750
Number of long-term disability recipients	35	37	37	25	21
Percentage of disability claims decisions in 60 days	91%	85%	92%	90%	90%
Number of disability claims filed	327	298	335	330	330
Percentage of workforce on disability at June 30	4%	3%	4%	3%	2%

## Explanation of Services

The purpose of this program is to provide a service disability benefit, in lieu of workers' compensation benefits, for sworn City employees, as well nonservice disability benefits for those with at least five years of service. This program provides claim adjudication, medical and vocational rehabilitation benefits, wage replacement payments to members who cannot work, and wage subsidy payments to the Police and Fire bureaus while members are on disability-related modified duty. The program also makes benefit payments to survivors when sworn employees die before retirement, and funeral benefit payments upon member death.

## Equity Impacts

Not applicable as FPDR does not directly serve the public. The disability and death program serves only sworn employees and retirees, whose composition is based on the hiring of the Fire and Police Bureaus.

## Changes to Program

There are no recent or upcoming changes for this program.



## Program Budget

	FY 2017-18 Actuals	2018-19 Actuals	2019-20 Revised	2020-21 Requested with DP
<b>Bureau Expense</b>				
External Materials and Services	0	0	6,880,092	7,063,500
Internal Materials and Services	0	0	458,600	409,900
Personnel	0	0	1,023,537	1,112,704
<b>Sum:</b>	<b>0</b>	<b>0</b>	<b>8,362,229</b>	<b>8,586,104</b>
FTE	0	0	8	8

**Resources:** All FPDR programs, including the disability program, are funded almost exclusively with revenues from the dedicated FPDR property tax levy. This program also receives some subrogation revenue from third parties at fault for injuries to sworn employees. All revenues are booked to the Administration & Support program.

**Expenses:** The majority of program expenses are for member disability benefits, including wage replacement for members while they cannot work, wage subsidies for members in modified duty assignments, medical costs, vocational rehabilitation expenses, pre-retirement death survivor benefits, and funeral benefits. Most disability expenses are nondiscretionary and derive from plan benefits defined in City Charter and state law. Disability claim costs are one of the most volatile components of FPDR's budget and are most impacted by wage inflation, medical cost inflation, and the number and severity of disability claims. Program administrative expenses include personnel costs for the eight employees engaged in direct disability program delivery and professional and miscellaneous services associated with claims investigation (such as fees for independent medical exams).

**Staffing:** Eight FTE are dedicated to this program: a Manager I, three Analyst IIs, one Analyst I, one Accountant II, one Claims Technician and one Assistant Claims Technician. No staffing changes are contemplated for this program in the future.

**Assets and Liabilities:** The disability program has no assets. The long-term liability of the disability program is not calculated separately from the FPDR pension plan.

## Program Information

**Bureau:** Bureau of Fire & Police Disability & Retirement

**Program Contact:** Kimberly Mitchell

**Website:** [www.portlandoregon.gov/fpdr](http://www.portlandoregon.gov/fpdr)

**Contact Phone** 503-823-3071

# Sworn PERS Contributions

## Program Description & Goals

This program reimburses the Police and Fire Bureaus for the contributions they make to the Oregon Public Employees Retirement System (PERS) on behalf of sworn employees hired after 2006, who are enrolled in PERS for their pension benefits. Expenses are determined by the number of those employees, their pay, and PERS contribution rates. The number of employees for whom FPDR makes contributions is expected to be about 780 in FY 2020-21 and grow to over 1,000 (or about 2/3 of the sworn workforce) within four or five years. The program's primary goal is to verify all contributions so reimbursements are accurate, and to remit payment to the Police and Fire Bureaus in a timely manner.

Measure Title	PM 2017-18 Actuals	PM 2018-19 Actuals	PM 2019-20 Target	PM 2020-21 Target	Strategic Target
Percent of workforce who are FPDR 3	39%	43%	48%	51%	68%
Number of active employees in FPDR 3	603	647	760	781	1,137

## Explanation of Services

This program processes bills for sworn PERS contributions prepared by the Fire and Police Bureaus. After verifying employees and contribution amounts, the program sends reimbursement to the bureaus through the City's accounting system.

## Equity Impacts

Not applicable as the Sworn PERS Contributions program is an internal service program that reimburses the Police and Fire Bureaus for PERS costs.

## Changes to Program

There have been no changes to program operations in the last five years, and none are planned for the future. However, this is FPDR's fastest growing program in terms of expense. Program expenses increase as more PERS-covered employees are hired, advance through the police officer and fire fighter pay steps, and are promoted or assigned specialty pays as they gain seniority at the Police and Fire Bureaus. In addition, while the Oregon Public Service Retirement Program public safety contribution rate (the rate that applies to nearly all sworn City employees) will remain 29.16% for FY 2020-21, that rate is expected to increase to 34% in FY 2021-22 and then to 38% in FY 2023-24. Finally, across-the-board wage increases for sworn employees - such as annual cost-of-living adjustments and other pay raises required by labor contracts - drive up pay on which contributions are made and further increase costs.

## Program Budget

	FY 2017-18 Actuals	2018-19 Actuals	2019-20 Revised	2020-21 Requested with DP
<b>Bureau Expense</b>				
Internal Materials and Services	0	0	21,450,000	24,402,201
<b>Sum:</b>	<b>0</b>	<b>0</b>	<b>21,450,000</b>	<b>24,402,201</b>

- Resources:** All FPDR programs, including the Sworn PERS Contributions program, are funded almost exclusively with revenues from the dedicated FPDR property tax levy. This program receives no other revenues.
- Expenses:** This program's expenses are made up exclusively of PERS contributions made on behalf of sworn employees hired after 2006. They are fixed by external parameters outside the control or influence of FPDR: the number of sworn employees hired after 2006, their pay, and PERS contribution rates.
- Staffing:** No FTE are dedicated entirely to this program. The Financial Analysts assigned to the Administration & Support program verify PERS contribution expenses and remit payment to the Fire and Police Bureaus.
- Assets and Liabilities:** This program has no assets or liabilities. The portion of the City of Portland's unfunded actuarial liability with the PERS system attributable to Fire and Police employees is booked as a liability to the Fire and Police Bureaus within the City's General Fund.

### Program Information

<b>Bureau:</b>	Bureau of Fire & Police Disability & Retirement	<b>Program Contact:</b>	Stacy Jones
<b>Website:</b>	<a href="http://www.portlandoregon.gov/fpdr">www.portlandoregon.gov/fpdr</a>	<b>Contact Phone</b>	503-823-2609

# Administration & Support

## Program Description & Goals

This program provides the general administrative and support services that the bureau requires to fulfill its mission. FPDR strives to keep administrative costs low. Administration and Support spending has hovered between 1% and 2% of bureau expenditures in recent years, a trend expected to continue in the short run. As bureau spending grows - the inevitable result of funding two generations of pensions simultaneously - administrative spending as a percent of total spending may decrease even if administrative spending increases quickly. Administrative cost per plan participant is perhaps a more stable measure of administrative spending, since the number of covered employees and retirees should remain relatively constant. For FY 2020-21, bureau administrative spending (administrative expenditures less fund-level costs such as contingency) appears to be declining. However, this is because \$248,300 in vendor costs associated exclusively with managing disability claims have been shifted to the Disability and Death Benefits program.

Measure Title	PM 2017-18 Actuals	PM 2018-19 Actuals	PM 2019-20 Target	PM 2020-21 Target	Strategic Target
Administrative cost as a percentage of bureau budget	1.49%	1.52%	1.65%	1.60%	1.43%
FPDR tax levy rate (per \$1,000 of Real Market Value)	\$1.13	\$1.09	\$1.08	\$1.13	\$1.32
Administrative Spending Per Participant	\$601	\$643	\$723	\$741	\$812

## Explanation of Services

The Administration & Support program provides executive-level guidance, financial analysis and planning, human resource and payroll services, information technology support, legal services, and office management for the bureau as a whole. The purpose of the program is to maximize efficiencies and outcomes for the bureau's pension and disability benefit programs.

## Equity Impacts

Not applicable as FPDR does not directly serve the public. The Administration and Support program provides administrative and financial services for the pension and disability programs. Those programs in turn serve only sworn employees, retirees, and beneficiaries, whose composition is not controlled by FPDR.

## Changes to Program

No recent changes have been made to this program and no future changes are contemplated.

## Program Budget

	FY 2017-18 Actuals	2018-19 Actuals	2019-20 Revised	2020-21 Requested with DP
<b>Bureau Expense</b>				
Capital Outlay	0	0	75,000	50,000
External Materials and Services	0	0	659,615	585,700
Internal Materials and Services	0	0	688,954	712,036
Personnel	0	0	1,336,175	1,353,800
<b>Fund Expense</b>				
Contingency	0	0	11,560,932	11,500,000
Debt Service	0	0	54,206,581	42,774,972
Fund Transfers - Expense	0	0	1,651,251	1,646,120
Ending Fund Balance	0	20,323,339	750,000	750,000
<b>Sum:</b>	<b>0</b>	<b>20,323,339</b>	<b>70,928,508</b>	<b>59,372,628</b>
FTE	0	0	7.8	7.8

**Resources:** All bureau revenues are booked to the Administration & Support program, 98% of which derive from FPDR's dedicated property tax levy. The levy is a very stable resource. The levy rate is projected to equal \$1.13 per \$1,000 of real market value for FY 2020-21, well below the \$2.80 cap imposed by City Charter. Every two years, FPDR hires an actuarial firm to conduct an analysis of the ability of the levy to fund all FPDR expenditures over the long term. The most recent analysis calculated a probability of exceeding the cap over the next 20 years of less than one percent. FPDR's two largest secondary revenues are interest income on fund balance, and pension and disability overhead charges assessed when third parties contract for Police or Fire services. These revenue sources are more volatile and move with interest rates, fund balance, demand for third-party sworn work and the bureaus' capacity to meet that demand, and pay and overhead rate levels. Very minor revenues include subrogation revenue when third parties are at fault in disability claims, medical payment refunds, divorce-related pension division fees, and repayment of interim disability benefits when claims are denied.

**Expenses:** Administration and Support expenses include some personnel costs, materials and services costs related to overall bureau operations, and capital costs for programming upgrades to the FPDR database. As opposed to other FPDR programs, some Administration and Support expenses are discretionary, such as the education and office supply budgets. However, many administrative costs are set centrally by other City bureaus or Citywide contracts.

**Staffing:** Eight FTE are dedicated to this program: the Bureau Director and Deputy Director, a Business Systems Analyst III, a Financial Analyst III, a Financial Analyst II, a Legal Assistant, an Administrative Specialist II and an Office Support Specialist II. The Financial Analyst III and Deputy Director positions were created in FY 2019-20 during the reconsideration phase of the City's nonrepresented classification study. Previously these positions were a Financial Analyst II and a Manager I respectively.

**Assets and Liabilities:** The Administration and Support program has no liabilities. The program has one intangible capital asset, the FPDR database, with a book value of \$361,218 on June 30, 2019. The database is used to make all FPDR benefit payments and to track general member and beneficiary information. It is in its eighth year of service and is being depreciated over ten years. However, FPDR expects to use the database for more than two additional years, as the system continues to function well and major technological changes are not currently necessary. FPDR budgets for annual maintenance and periodic upgrades to database functionality, but replacement reserves have been deemed unnecessary. Even a complete replacement would be a minor cost in the context of FPDR's overall budget, likely less than one-half of one percent of annual bureau expenditures.

### Program Information

**Bureau:** Bureau of Fire & Police Disability & Retirement

**Program Contact:** Stacy Jones

**Website:** [www.portlandoregon.gov/fpdr](http://www.portlandoregon.gov/fpdr)

**Contact Phone** 503-823-2609

City of Portland  
**Bureau of Fire & Police Disability & Retirement**  
PM1. Report for FY 2020-21 Requested Budget

**Run Date & Time**  
Friday, January 24, 2020  
10:20:36 AM

**OUTCOME MEASURES**

	Performance Measure	KPM	FY 2016-17 Actuals	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Target	FY 2019-20 YTD Estimated	FY 2020-21 Target	Strategic Target
DR_0002	Administrative cost as a percentage of bureau budget	X	1.00%	1.49%	1.52%	1.65%	1.70%	1.60%	1.43%
DR_0023	Percentage of members whose final pay was 99% or more of last estimate		100%	95%	98%	95%	98%	98%	98%

**EFFICIENCY MEASURES**

	Performance Measure	KPM	FY 2016-17 Actuals	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Target	FY 2019-20 YTD Estimated	FY 2020-21 Target	Strategic Target
DR_0021	Percentage of disability claims decisions in 60 days		93%	91%	85%	92%	90%	90%	90%
DR_0029	Administrative Spending Per Participant		\$594	\$601	\$643	\$723	\$745	\$741	\$812
DR_0030	Percent of Pension Recipients Who are Paperless		N/A	36%	36%	39%	36%	38%	47%
DR_0032	Median Days to Prepare a Pension Estimate		N/A	N/A	5	5	4	4	4

**OUTPUT MEASURES**

	Performance Measure	KPM	FY 2016-17 Actuals	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Target	FY 2019-20 YTD Estimated	FY 2020-21 Target	Strategic Target
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City of Portland  
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DR_0026	FPDR tax levy rate (per \$1,000 of Real Market Value)	X	\$1.14	\$1.13	\$1.09	\$1.08	\$1.10	\$1.13	\$1.32
DR_0028	Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years		62%	73%	82%	73%	82%	82%	82%

**WORKLOAD MEASURES**

	Performance Measure	KPM	FY 2016-17 Actuals	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Target	FY 2019-20 YTD Estimated	FY 2020-21 Target	Strategic Target
DR_0003	Number of FPDR 2 retirements from active service	X	57	52	64	50	54	49	65
DR_0024	Number of disability claims filed	X	342	327	298	335	330	330	330
DR_0025	Percent of workforce who are FPDR 3	X	35%	39%	43%	48%	46%	51%	68%
DR_0027	Percentage of workforce on disability at June 30	X	3%	4%	3%	4%	3%	3%	2%
DR_0004	Number of pension estimates		397	331	335	397	344	354	354
DR_0005	Number of Fire & Police Disability & Retirement 1 and 2 pension recipients		2,018	2,059	2,125	2,132	2,161	2,187	2,337
DR_0006	Number of pre-retirement workshop participants		126	110	100	156	142	142	142
DR_0011	Number of members on short-term disability		244	282	265	282	264	264	264
DR_0012	Number of medical bills		3,996	3,704	3,558	3,724	3,750	3,750	3,750
DR_0013	Number of long-term disability recipients		37	35	37	37	31	25	21



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DR_0031	Number of active employees in FPDR 3	535	603	647	760	688	781	1,137
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# Fire and Police Disability and Retirement City of Portland



## Five-Year Forecast

FYE 2021-25

Five-Year Forecast Summary (\$ Millions)								
	FYE20 Adopted Budget	FYE20 Projection	FYE21 Recomm- ended Budget	FYE22 Forecast	FYE23 Forecast	FYE24 Forecast	FYE25 Forecast	FYE20 Project- FYE25 Change
<b>Resources</b>								
Property Taxes	\$156.34	\$156.44	\$165.88	\$185.36	\$197.77	\$213.11	\$227.29	45.29%
Tax Anticipation Notes	52.90	26.73	42.00	50.40	53.50	56.30	59.70	123.38%
Miscellaneous	3.55	2.91	2.95	3.31	3.45	3.83	3.99	37.06%
Cash Transfers	0.75	0.00	0.75	0.75	0.75	0.75	0.75	N/A
Beginning Fund Balance	17.49	19.57	16.90	11.50	12.00	12.50	13.20	-32.56%
<b>Total Resources</b>	<b>231.04</b>	<b>205.66</b>	<b>228.48</b>	<b>251.32</b>	<b>267.47</b>	<b>286.49</b>	<b>304.93</b>	<b>48.27%</b>
<b>Requirements</b>								
Retirement Benefits	\$153.13	\$150.24	\$161.88	\$175.44	\$187.64	\$202.71	\$216.49	44.10%
Disability & Death Benefits	7.18	7.18	7.23	7.38	7.43	7.67	7.86	9.45%
Administration & Delivery	4.06	4.10	4.21	4.33	4.58	4.74	4.95	20.82%
Fund-Level Requirements	66.67	27.24	55.17	64.16	67.82	71.37	75.63	177.68%
Ending Fund Balance	0.00	16.90	0.00	0.00	0.00	0.00	0.00	N/A
<b>Total Requirements</b>	<b>231.04</b>	<b>205.66</b>	<b>228.48</b>	<b>251.32</b>	<b>267.47</b>	<b>286.49</b>	<b>304.93</b>	<b>48.27%</b>
<b>Total Net of TANs</b>	<b>\$178.14</b>	<b>\$178.93</b>	<b>\$186.48</b>	<b>\$200.92</b>	<b>\$213.97</b>	<b>\$230.19</b>	<b>\$245.23</b>	<b>37.06%</b>
<b>Change as a Percent</b>			<b>4.2%</b>	<b>7.7%</b>	<b>6.5%</b>	<b>7.6%</b>	<b>6.5%</b>	<b>6.5%</b>

## Plan Overview

The Bureau of Fire & Police Disability & Retirement (FPDR) administers a defined benefit retirement plan for sworn members of the Portland Police Bureau (Police) and Portland Fire & Rescue (Fire) hired before 2007 (FPDR One and Two members), as well as a disability plan for all sworn members with at least six months of service. The FPDR disability plan is both the workers' compensation substitute plan for the City's sworn workforce, and a nonservice

disability plan for sworn employees with at least ten years of service. These benefits are defined in Chapter 5 of the City of Portland's Charter, which serves as FPDR's legal plan document. Fire and Police employees sworn after December 31, 2006 (FPDR Three members) are enrolled in the Oregon Public Employee Retirement System (PERS) pension plan but still covered by FPDR's disability plan. In addition to paying for its own plan benefits, the FPDR Fund pays the PERS contributions on behalf of FPDR Three members by reimbursing the Fire and Police Bureaus for PERS expenses. This means the FPDR Fund is financing two generations of pensions simultaneously, with pay-as-you-go pension payments to FPDR One and FPDR Two members during their retirement years and prefunded pension contributions for FPDR Three members during their working lives. As this transition is phased in, FPDR costs will grow far in excess of inflation. Expenses are projected to peak in the early to mid 2030s when the entire sworn workforce is comprised of FPDR Three members and most FPDR Two retirees are still living. After this point, mortality in the FPDR Two population will begin to reduce costs.

Total FPDR FYE21 requirements are \$228.5 million. Net of tax anticipation notes (TANs), which are issued and repaid within the same fiscal year and whose inclusion therefore inflates the size of the budget, FYE21 requirements are \$186.5 million. Total budgeted bureau expenditures (which excludes fund-level requirements such as contingency, TANs, and General Fund overhead) for FYE21 are \$173.3 million. For the FYE21 budget, 74% of bureau requirements are for FPDR plan pension benefits, 13% for PERS contributions made on behalf of members hired after December 31, 2006, 4% for FPDR plan disability benefits, 2% for program administration, and 7% for fund-level requirements. Over the five-year forecast extending through FYE25, total bureau expenses are estimated at \$1.005 billion and total requirements net of the annual TAN issue are projected to be \$1.077 billion.

FPDR is funded almost exclusively from a dedicated property tax levy. Smaller sources of income include interest earnings on fund balance, a pension and disability overhead charge on contracted Police and Fire work (passed through the Police and Fire Bureaus), subrogation revenue on disability claims, and – if needed – a transfer from the FPDR Reserve Fund. The FPDR Reserve Fund is not included in this five-year forecast, but is required by City Charter to be funded at exactly \$0.75 million on July 1 and June 30 of each year. In between, the FPDR Fund may borrow from it interest-free. Interest earnings on the FPDR Reserve Fund balance are booked directly to the FPDR Fund. Non-property tax revenues comprise just 2.0% of total revenues (net of TANS) in the FYE21 budget, or \$3.7 million, and just \$21.4 million over the entire FYE21-25 forecast. The remainder of resources needed to fund the expenditures discussed below derive from property taxes, of which \$989.4 million will be required over the same five-year period.

FPDR's dedicated property tax levy is capped by the City Charter at \$2.80 per \$1,000 of real market value (RMV). The current RMV rate is \$1.10, and is expected to rise to \$1.13 for FYE21 and to \$1.32 by the end of the five-year forecast period. In concert with the legally required biannual plan valuation, FPDR contracts with an independent actuarial firm to model

the RMV tax rate over a 20-year period. The most recent analysis, using data as of June 30, 2018, predicts an approximately 1% probability that the \$2.80 cap will be insufficient to fund FPDR spending in any year between now and FYE38.



## Revenue Assumptions

Approximately 98% of bureau resources derive from the dedicated FPDR property tax levy. Interest income, subrogation revenue, overpayment collections, and revenue from an FPDR overhead charge assessed when third parties contract with the Police and Fire Bureaus for sworn services make up the remainder. Since property taxes must fund nearly all FPDR expenses, generally tax revenues increase in step with those expenses, with adjustments for increases or decreases in beginning fund balance for the year. Overall expenditure growth for FYE21 is 7.2%, but property tax revenues only need to grow 6.0% for FYE21 because beginning fund balance increased by \$7.7 million. The increase in fund balance was anticipated, and derives primarily from two factors: a one-time \$3.0 M prior year property tax payment from Comcast, plus \$3.0 million in underspending in the FYE19 pension budget. By FYE25, annual tax collections are expected to rise to \$227.3 million – an increase of 45.3% over the life of the forecast – to meet growing benefit expenses.

FPDR must levy more taxes than are actually required, since not all taxes will be collected due to discounts, delinquencies, and compression under Measure 5/50 tax limits. FPDR relies on the City Economist to calculate an amount that will offset these losses. In FYE21 the tax levy will be “grossed up” by 9.4% to ensure the levy produces \$163.5 million in current year tax revenues.

RMV growth finally slowed in FYE20, increasing by only 2.1% from FYE19. This compares to average growth of more than 12% per year in the previous five years. On the other hand, AV growth for FYE20 was considerably higher than usual at 4.6%, helped out by new construction added to property tax rolls during the fiscal year. The AV rate is currently \$2.67, and is projected to rise to \$2.73 for FYE21 and to \$3.30 by the end of the forecast. The City Economist expects slightly higher RMV growth and slightly lower AV growth over the forecast period; property tax assumptions are detailed below.

PROPERTY TAX ASSUMPTIONS					
	FYE21	FYE22	FYE23	FYE24	FYE25
RMV Growth	4.0%	4.0%	4.0%	4.0%	4.0%
AV Growth	3.5%	3.3%	3.2%	3.2%	3.0%
Compression	-4.5%	-4.4%	-4.4%	-4.4%	-4.4%
Discounts/Delinquencies	-4.3%	-4.3%	-4.4%	-4.3%	-4.3%
RMV Total (Millions)	\$158,885	\$165,240	\$171,850	\$178,724	\$185,872
AV Total (Millions)	\$65,483	\$67,644	\$69,809	\$72,043	\$74,204
Current Year Taxes Required (Thousands)	\$163,510	\$182,846	\$194,967	\$210,120	\$224,070
Discounts/Delinquencies (Thousands)	\$7,370	\$8,273	\$8,942	\$9,470	\$10,099
Taxes Imposed (Thousands)	\$170,880	\$191,119	\$203,910	\$219,590	\$234,169
Compression Loss (Thousands)	\$8,052	\$8,796	\$9,385	\$10,107	\$10,778
Taxes Extended (Thousands)	\$178,932	\$199,915	\$213,295	\$229,697	\$244,947
AV Tax Rate	\$2.7325	\$2.9554	\$3.0554	\$3.1883	\$3.3010
Effective RMV Tax Rate	\$1.1262	\$1.2098	\$1.2412	\$1.2852	\$1.3178

FYE21 interest income on fund balance is projected to be similar to FYE20, despite the fact that FPDR expects to have an average daily cash balance of \$67.9 million in FYE21 as compared with \$61.6 million thus far in FYE20. This is because the City Investment Officer expects interest rates to decline during the five-year forecast period. Interest in the City Treasury pool, where FPDR Fund cash is held in accordance with City Charter requirements, has been running about 2.22% thus far in FYE20 and the City Investment Officer expects that rate to drop to 2.05% by the end of the current fiscal year, then to 1.85% for FYE21, and finally to 1.75% for outyears of the forecast.

When police officer or fire fighter services are contracted out to third parties – most notably TriMet – the third party reimburses the City for wages, benefits, and general overhead, as well as an FPDR-specific overhead rate intended to compensate the City for pension and disability benefits. FPDR overhead is calculated as a pension rate plus a disability rate, charged on all wages earned by the sworn employees while they are performing third-party work. The pension rate is the current sworn contribution rate for the Oregon Public System Retirement Program (OPSRP) tier, including the 9% contribution to the Individual Account Program (IAP). The disability rate is a rolling three-year average of FPDR service-connected disability expenses divided by sworn payroll. Overhead charges therefore move in relation to increases in these rates; wage growth; and the amount of third-party work performed by the Police and Fire bureaus. For FYE21 FPDR expects this revenue to increase 2.9% to \$1.57 million due to wage growth. The pension overhead rate remains the same in FYE21 as FYE20 at 29.16%, and the disability rate is expected to remain stable as well at about 3.5%. Nearly all overhead revenue derives from third-party Police Bureau, rather than Fire Bureau, work. The level of Police work has rebounded somewhat in recent years but the bureau's ability to take on additional third-

party contracts continues to be hamstrung by low staffing levels. Additional increases in this secondary work are not anticipated over the forecast period.

Other minor revenues are subrogation, received when third parties with the ability to pay are at fault in disability claims; recovery of benefit overpayments; vendor refunds; and various very small miscellaneous revenues. For the most part, these revenues are projected to simply grow with inflation.



## Revenue Risks to Forecast

The primary revenue risk to the forecast is that property tax compression, discount, or delinquency assumptions are too low, which would lead to under-collection of property tax revenues. Since FPDR is almost entirely dependent on property tax revenues to cover its expenses, a significant shortfall in this area would necessitate unplanned short-term borrowing, either from capital markets or another City fund. Such a shortfall would also negatively impact interest income. Risks in revenue categories other than property taxes are not significant for the forecast as a whole. FPDR maintains enough in annual fund contingency to cover the loss of all other revenues if necessary.



## Expenditure Assumptions

Of the \$1.005 billion in bureau expenditures during the five-year forecast period, 98% are nondiscretionary plan benefits mandated by City Charter. Plan benefits fall into three categories: FPDR pension benefits, PERS contributions, and FPDR disability/death benefits. Of the three, FPDR pension benefits are by far the largest, making up 74.6% of planned bureau expenditures over the next five years. PERS contributions, while still only 19% of budgeted bureau expenditures in FYE21, are the fastest-growing component. Each year a larger percentage of the sworn workforce is comprised of FPDR Three members enrolled in PERS, and FPDR Three members have begun to promote into higher paying job classifications at both bureaus. In addition, PERS contribution rates have increased steadily for many years – a trend that is expected to continue for the foreseeable future.

The most significant assumptions underlying the expenditure forecast are listed in the tables below.

Inflation Assumptions					
	FYE21	FYE22	FYE23	FYE24	FYE25
Wages	2.9%	2.6%	2.5%	2.7%	2.8%
Medical	4.0%	4.0%	4.0%	4.0%	4.0%
PERS Contribution Rates					
Tier 1 & Tier 2*	27.9%	33.0%	33.0%	40.0%	40.0%
OPSRP General*	21.5%	27.0%	27.0%	33.0%	33.0%
OPSRP Public Safety*	29.2%	34.0%	34.0%	38.0%	38.0%
External Materials & Services	2.6%	2.6%	2.6%	2.6%	2.6%
Internal Materials & Services	3.1%	2.6%	2.7%	2.6%	2.6%
*Includes 9% Individual Account Program "pick up" for OPSRP Public Safety and 6% for Tier I/II/OPSRP General					

Other Assumptions					
	FYE21	FYE22	FYE23	FYE24	FYE25
FPDR 2 Service Retirements	49	48	51	62	65
Deaths, Members & Beneficiaries	56	57	57	57	57
Pension COLAs					
FPDR 1, Fire	2.90%	2.60%	2.50%	2.70%	2.80%
FPDR 1, Police	2.90%	2.60%	2.50%	2.70%	2.80%
FPDR 2, Average Among Members	2.00%	1.96%	1.96%	1.95%	1.94%
Percent of Sworn Workforce, FPDR 3	50.6%	55.6%	59.8%	64.1%	68.0%
Bureau Hiring Projections					
Fire Bureau	24	12	24	24	24
Police Bureau	80	70	70	48	40

### ***Direct Pension Benefits***

The most significant assumptions underlying the forecast for FPDR One and Two pension payments relate to retirement rates, death rates, pension amounts for new retirees, and annual cost-of-living adjustments (COLAs) for existing retirees. Retirement rate and timing assumptions are based on actuarial probabilities developed during a FYE09-13 experience study of the FPDR Plan conducted by an independent actuarial firm. Each retirement-eligible member is assigned a retirement probability in each year of the forecast, based on their age and years of service. FPDR sometimes adds a “cushion” of additional retirements to the actuarial forecast. However, it appears likely there will be fewer actual retirements than forecast for FYE20, which should provide a comfortable margin in the pension budget for FYE21. Therefore, no cushion retirements were added this year. Death rate and timing assumptions are based on probabilities derived from mortality data through June 30, 2018 for the similar (but larger) pool of sworn PERS retirees; a death probability is assigned to each beneficiary in each year of the forecast based. It is assumed that 80% of retirees are married at death, for purposes of

forecasting survivor benefits. A new experience study covering the period FYE14-19 will be complete by summer 2020 and FPDR will update actuarial assumptions based on that study beginning with the FYE22 budget.

Pension amounts for new retirees are based on averages of the actual pay and years of service in the pool of retirement-eligible members, as well as a historical average for the accrual rate. (The accrual rate is the third component of the pension formula, and determines the survivor benefit at the member's death.) Per City Charter, COLAs for FPDR One retirees and widow/ers are equal to increases in active duty pay, which current labor contracts require to equal increases in the Consumer Price Index for the West Region (CPI-West). This forecast relies on the City Economist's projection for the CPI-West. COLAs for FPDR Two retirees and widow/ers are at the discretion of the FPDR Board, up to a maximum of 2.0%. The forecast assumes a 2.0% FPDR Two COLA on July 1, 2020 to be conservative. Beyond that, the projection is based on a service-blending methodology employed by the FPDR Board in three of the last four years. The method is similar to the manner in which PERS COLAs are calculated and results in an average COLA of 1.96% on July 1, 2021, declining to 1.94% by July 1, 2024.

### ***PERS Contributions***

The PERS contribution budget depends on the number of working FPDR 3 members, their pay levels, and PERS contribution rates. The number of current FPDR 3 members is known, but the total projected number over the forecast period is reliant on hiring projections. Hiring projections are based partly on actuarially predicted retirement rates (also derived from the FYE09-13 experience study) and partly on bureau staffing plans, and are developed in close consultation with the Police and Fire Bureaus. Actual hiring rates will vary based on actual retirements, the Fire and Police Bureaus' capacity to hire and train new hires, the success of bureau recruitment efforts, and the state of the overall employment market. This forecast assumes the Police Bureau hires and retains 70 to 80 new officers in each of the next three fiscal years, as the bureau continues to implement aggressive recruitment and hiring plans to fill new positions added by City Council and to replace retirees. However, it should be noted that 57 is the most officers the Police Bureau has hired and retained in any single year over the last decade. It remains to be seen if the bureau can hire at the rapid clip assumed in this forecast. Police hiring returns to more routine levels in FYE24 and FYE25 (40 to 48 per year). The Fire Bureau is projected to hire at their typical rate, with 24 new fire fighters added in most years.

Sworn pay is budgeted to increase only with annual growth in the CPI-West. Overtime rates, the percent of employees with premium/specialty pays, and the overall size of the sworn workforce are presumed to remain the same over the forecast period. The forecast does assume a promotional "drift" factor of 1% of total wages to account for movement through the pay steps for police officers and fire fighters, as well as the increasing promotion rates and specialty pay rates of FPDR Three members as they spread through the ranks of both bureaus.



PERS contribution rates for the public safety OPSRP tier – the tier FPDR 3 members participate in – are set biannually. The rate is 29.16% for FYE20 and FYE21: 20.16% for the defined benefit portion of the PERS benefit and 9% for the defined contribution portion (known as the IAP). After that the rate is estimated. This forecast uses the City Economist’s projection of 34.00% for FYE22 and FYE23 and 38.00% for FYE24 and FYE25. It is important to note that these projections do not reflect the PERS reforms enacted by the 2019 Oregon Legislature. The City Budget Office chose not to build potential savings from those reforms into PERS contribution rate projections until ongoing litigation related to the reforms is resolved. The projected rates also do not reflect PERS 2019 investment returns. Please see “Expenditure Risks to the Forecast” below for more information.

### ***Disability Benefits***

Disability benefits are comprised of medical costs; wage replacement while members are unable to work; wage subsidies to incentivize the Police and Fire Bureaus to keep members working in modified duty positions when possible; funeral benefits; and vocational rehabilitation expenses. Medical costs make up about half of total disability benefit expenses, with most of the remainder in wage replacement. Therefore, the two most important assumptions in the disability benefit budget are wage growth and medical inflation. As discussed above the forecast assumes wage growth is limited to annual growth in the CPI-West. Medical inflation is estimated at 4% for the life of the forecast, again based on guidance from the City Economist. The forecast presumes that all members currently on long-term disability continue in that status until retirement, and that no new additional members suffer a long-term disability. (In recent years, the rate of new long-term disability recipients has been less than one per year.) For short-term disability costs, the number of total claims and large claims, as well as the mix of pay rates for members receiving temporary wage replacement, is projected to be similar to the current year. However short-term wage replacement costs in FYE20 have been running approximately 20% above FYE19. Starting from this higher base yields higher costs in future years, which may or may not materialize. Both medical benefits and wage replacement costs for short-term disability are highly volatile. Return-to-work wage subsidies are expected to remain steady, with growth equal to or less than wage COLAs. Funeral benefits are projected using the same mortality models built into the pension budget. Although a very small portion of the budget, they are growing rapidly as more FPDR Two members (who are entitled to a more generous funeral budget than FPDR One members) pass away.

### ***Administrative Expenses***

Administrative expenses include all general operating expenses for the bureau: staff, office space, information technology and legal services, and various other goods and services. The largest component of administrative expenses is personnel costs. Staff salaries and benefits are set by the City compensation plan and policies, but the bureau Director and FPDR Board have authority over the number and type of positions. FPDR currently has 17 employees: 13 nonrepresented and 4 represented (by the District Council of Trade Unions). The personnel

budget includes a 2.9% wage COLA on July 1, 2020 for most staff (per the Mayor's budget direction, staff earning more than \$100,000 per year are budgeted to receive less). The forecast also reflects wage COLAs of 2.5% to 2.8% annually thereafter, based on the City Economist's forecast of the CPI-West. It also assumes annual 4.0% increases in employee health benefit costs for the forecast period, likewise based on the City Economist's forecast for health benefit cost increases. The City implemented a new compensation plan for nonrepresented positions last year. As a result, all of FPDR's nonrepresented employees are eligible for merit-based pay increases as well as COLAs in FYE21. The personnel budget includes enough funds for a maximum merit raise of 2.0% for all nonrepresented employees in FY 2020-21, in compliance with the Mayor's budget direction. All 4 of FPDR's represented employees are currently at the top of their pay scales and eligible only for annual COLAs. As mentioned above, PERS contribution rates for FYE21 are known and remain the same as in FYE20. A slight majority of FPDR employees (10) are in the OPSRP General tier, with a contribution rate of 21.53% for the budget year, including the individual account program contribution. The remainder are in PERS Tier I or II, with a contribution rate of 27.86%. Beyond FYE21, this forecast relies on the City Economist's projection for City PERS rates, which rise to as much as 40% by FYE25.

Spending on materials and services (both external and internal) is budgeted to grow by about 2.8% for FYE21, similar to the general inflation rate. Most costs for internal materials and services – those services and goods procured from other City bureaus – are based on rates set by the bureaus providing the service. Next year's budget assumes no changes in FPDR internal services or inventory, with one exception. For the first time FPDR's FYE21 budget will include interagency charges from the City Office of Government Relations, in the amount of \$10,000. Nearly all of the City's non-General Fund bureaus are charged additional amounts by Government Relations for their services, and the two bureaus have agreed that FPDR should be included in the billing system. Costs for goods and services procured from external vendors are estimated based on past experience, known upcoming purchases, contract provisions where they exist (such as for the office lease), and a general external materials/services inflation factor provided by the City Economist. Capital spending is limited to upgrades to FPDR's database, which is used to make all benefit payments and to track member and beneficiary information. The forecast assumes FYE21 capital spending will drop by half from the current year as the database's new pension estimate module is completed. Beyond that capital database spending is expected to decline to a more routine level.

The table below lists FYE19 actual costs, FYE20 projected costs, and the FYE21 recommended budget for each of FPDR's administrative expenses.

Administration & Delivery: Budget Detail				
	FYE19 Actuals	FYE20 Projection	FYE21 Recommended Budget	Change: FYE20 to FYE21
<b>Personnel Services</b>	\$ 2,155,633	\$ 2,494,600	\$ 2,611,100	4.7%
<b>External Materials &amp; Services</b>				
Computer Consulting	\$ 75,151	\$ 68,015	\$ 69,800	2.6%
Legal Services	49,652	60,500	62,100	2.6%
Audit Services	26,333	29,900	30,700	2.7%
Actuarial Services	64,939	89,000	89,000	0.0%
Professional Services - Disability Program	164,120	240,800	248,300	3.1%
Other Professional Services	53,173	50,700	52,000	2.6%
Repair and Maintenance Services	30,583	3,300	3,400	3.0%
Miscellaneous Services	17,335	8,700	8,900	2.3%
Computer and Office Supplies	15,591	17,200	17,600	2.3%
Minor Equipment and Tools	2,339	1,100	1,100	0.0%
Education, Subscriptions and Dues	14,028	13,600	14,000	2.9%
Travel - Local	677	600	600	0.0%
Travel - Out of Town	1,148	5,500	5,600	1.8%
Office Rent	210,354	224,500	230,300	2.6%
Miscellaneous	3,252	600	600	0.0%
<b>Total External M&amp;S</b>	\$ 728,675	\$ 814,015	\$ 834,000	2.5%
<b>Internal Materials &amp; Services</b>				
Fleet	\$ 142	\$ 260	\$ 259	-0.4%
Printing & Distribution	35,739	42,226	38,090	-9.8%
Facilities Services	12,519	1,666	1,702	2.2%
Technology Services	181,287	160,440	150,273	-6.3%
Risk Management	35,106	34,144	30,559	-10%
City Attorney	259,711	272,670	294,366	8.0%
Government Relations			10,000	100.0%
Bureau of Revenue & Financial Services	30,204	48,448	50,518	4.3%
Fire & Police Bureaus	124,529	130,100	136,269	4.7%
<b>Total Internal M&amp;S</b>	\$ 679,237	\$ 689,954	\$ 712,036	3.2%
<b>Capital</b>	\$ 25,731	\$ 100,000	\$ 50,000	-50.0%
<b>Total Admin &amp; Delivery</b>	\$ 3,589,276	\$ 4,098,569	\$ 4,207,136	2.6%
<b>Staff: Full-Time Equivalents (FTE)</b>	17.00	17.00	17.00	0.0%



## Expenditure Risks to Forecast

### ***Labor Contracts***

Unusually, all three of the labor contracts governing sworn wages at the City are unresolved for the upcoming budget year. This presents a notable risk for the FPDR expenditure budget. The Portland Fire Fighters Association (PFFA) contract expired on June 30, 2019 and agreement on a successor contract has not been reached. PFFA and the City declared impasse in the fall of 2019 and labor arbitration proceedings are scheduled for April 2020. Neither party has yet submitted the “last best offers” the arbitrator will choose between. In the absence of those, FPDR’s budget assumes that PFFA members will receive wage increases equal to the annual growth in the CPI-West each July 1, including a retroactive wage increase to July 1, 2019, and that contract changes (such as new shift schedules or leave accrual rates) will not require substantial additional hiring.

Both the Portland Police Association contract and the Portland Police Commanding Officers Association contract will expire on June 30, 2020. Negotiations are underway but new contract terms are still unknown. As with the PFFA contract, FPDR’s budget assumes wage increases equal to the annual growth in the CPI-West each July 1 and no new positions at the Police Bureau. However, it is unlikely the Police Bureau has the capacity to hire beyond the 70 to 80 officers annually that are already accounted for in this budget, even if contract changes result in higher staffing levels.

Negotiated salary increases beyond an annual COLA for any or all of these labor contracts pose a risk to the budget and outyears of the forecast. Sworn pay increases result in FPDR benefit increases in nearly all categories: FPDR One retirees and beneficiaries receives annual pension COLAs equal to active duty wage increases; higher wages result in higher final pay and thus higher pensions for new FPDR Two retirees; and PERS contributions for FPDR Three members, disability payments to cover lost time from work, and FPDR Two and Three funeral benefits are all a percentage of current pay. In addition, any change to the contracts that results in a larger sworn workforce represents a risk to the forecast (in the short- and long-term at the Fire Bureau and in the long-term at the Police Bureau), as additional sworn employees will increase PERS contribution expenses and disability costs.

### ***PERS Contribution Rates in Outyears***

PERS contribution rates are known for FYE21 and cannot be changed, but rates in future years are based on the City Economist’s projection as of September 2019. (See the “Other Assumptions” table on page 6 of this document for details.) That projection does not include potential savings from either the PERS reforms enacted by the 2017 Oregon Legislature or 2019 PERS investment returns, meaning that this portion of the budget is home to a notable “upside”

risk (meaning that costs are more likely to be lower than budgeted than higher). Rates may very well be lower than forecast if PERS 2019 investment returns exceeded assumptions (as they almost certainly did), and if the recent PERS cost saving reforms are allowed to go into effect over the next several years. Those reforms have been challenged in the Oregon Supreme Court, but a decision is expected within the next several months.

### ***Police Bureau Hiring Rates***

As discussed above under Expenditure Assumptions, this forecast assumes very aggressive police officer hiring for the next three to four years. There are approximately 100 vacant officer positions currently and about 134 more officer retirements are anticipated through FYE23. To maintain and ideally grow staffing levels the Police Bureau hopes to hire 70 – 80 officers per year in 2020 – 2023. This forecast reflects that plan. However, this is a much faster hiring rate than the bureau has sustained in the past. Over the last decade, an average of 34 officers have been hired annually. If Police Bureau hiring is closer to this pace than the planned rate, PERS contribution costs will be lower than budgeted. This is a second area of upside risk for the FPDR forecast and like the upside risk associated with future PERS contribution rates, it impacts the PERS contribution portion of the budget.

### ***Retirement and Death Rates***

If more members retire than predicted, pension costs will be higher than forecast. In FYE19 actual service retirements (64) were much more than projected for the FYE19 budget (50). However, this year only 10 members have retired thus far, making it unlikely the number of FYE20 service retirements will reach the actuarial projection of 54. This more closely matches the pattern seen before FYE19 of members working longer and to older ages. In addition, retirements can deviate significantly from actuarial predictions due to changes in the secondary employment labor market (many FPDR members are only in their 50s at retirement and plan to seek a second job), stock market returns (which impact other retirement savings), labor contract changes or uncertainty, changes in bureau leadership, and – probably most importantly – the timing of 27 pay date lookback months. The most likely explanation for lower retirement levels thus far in FYE20 is the fact that there are no 27 pay date retirement months this year. The absence of a settled PFFA contract is probably a factor as well. FYE21 has one 27 pay date retirement month, in August 2020, by which time the PFFA contract will also be resolved. That may result in a spike in Fire retirements in FYE21. On the other hand, the PPA contract may not be resolved on time, which could depress Police retirements in August 2020. While the presence of a 27 pay date month in FYE21 makes it nearly certain there will be more retirements in FYE21 than FYE20, it is difficult to judge if retirements will exceed or fall short of the actuarial projection of 49 service retirements. The retirement probability model will also be updated by FPDR’s actuaries this summer following the FYE14-19 experience study, and implemented beginning with the FYE22 budget year.

A lower death rate than modeled for this forecast also represents a risk to the pension budget, but mortality patterns have proved fairly predictable, based as they are on professionally and regularly adjusted mortality tables and the experience of the larger pool of PERS sworn retirees. Likewise, higher pension benefits for new retirees than budgeted – because of higher final pay or more years of service than assumed – is also a risk, but these can only vary within the known parameters of the pay and service years of retirement-eligible members, which limits the degree to which the budget could vary from actual experience.

### ***Wage and Pension COLAs***

As mentioned above, this forecast assumes annual increases in sworn pay equal to annual growth in the CPI-West. FPDR uses the City Economist's projection for this index. Wage COLAs are the single largest source of variability risk in the FPDR forecast because they impact nearly all expenses. If the projection is too low the cost of nearly all FPDR benefits, and most likely salaries for FPDR staff as well, will be higher than forecast. Fortunately it is unusual for actual wage COLAs to be meaningfully different from the City Economist's forecast, particularly in the short run. As discussed in the Expenditure Assumptions section of this document, the forecast assumes the Board awards a 2% FPDR 2 pension COLA on July 1, 2020, but then returns to the COLA methodology used by the FPDR Board in three of the last four years. That methodology yields an average annual COLA of 1.95% to 1.97% during the forecast period, which means there is limited upward financial exposure should the Board choose 2% in all years.

### ***Other***

Other factors that would increase the FYE21 budget or outyear forecast, but to a smaller degree than those mentioned above, are:

- More sworn overtime than assumed
- Faster promotion rates or premium pay assignment rates in the FPDR Three population than predicted
- More new retirees selecting the lowest survivor benefit, or establishing eligibility for the additional state offset benefit, than forecast
- More newly deceased retirees with surviving spouses than expected, or more newly deceased retirees with higher survivor benefits than expected
- Higher than projected medical cost inflation
- More disability claims than forecast
- More catastrophic and/or expensive disability claims than forecast
- A disproportionate share of disability claims from higher paid employees
- Higher than projected inflation in the cost of administrative services and supplies purchased for bureau operations
- Unforeseen information technology (IT) expenses, or higher costs for planned expenses

City of Portland  
**Requested Budget Equity Report**

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**Bureau of Fire & Police Disability & Retirement**

**Requested Budget & Racial Equity Plan Update:**

Most FPDR spending will not impact indigenous people, African-Americans, immigrants and refugees, or other people of color, or impact them only incidentally. FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public. However, FPDR's budget supports the bureau's Racial Equity Plan with funding for employee participation in the following diversity trainings and multicultural events: monthly Equity Committee and Assessment Team meetings, annual staff diversity training/retreat, monthly diversity book club meetings, staff brown bag sessions, multicultural potluck, the Northwest Diversity Conference and other offsite training opportunities.

**Racial Equity Plan Link:**

**Requested Budget Community Engagement:**

The five-member FPDR Board of Trustees includes two citizen trustees who are appointed by the Mayor and approved by the City Council. The Board has the legal authority to adopt FPDR's budget. FPDR's requested budget is posted a week before the meeting at which the Board adopts the budget, and unlimited public testimony is accepted at the meeting.

**Base Budget Constraints:**

Not applicable.

**Notable Changes:**

None.

**Equity Manager Role in Budget Development**

Not applicable. FPDR does not have dedicated equity staff, but has an equity committee that meets regularly.

<b>Equity Manager:</b>	Kathleen Kakesako, Equity Committee Chair	<b>Contact Phone:</b>	503-823-5495
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City of Portland  
**Requested Budget Equity Report**

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**ADA Title II Transition Plan:**

Not applicable.

**Accommodations:**

FPDR's budget includes funds to provide special materials, services and assistance to disabled FPDR members, employees, and citizens interested in FPDR. Most of these items have minimal budget impact. FPDR Board meetings are closed captioned; the budget includes approximately \$1,000 for this service. FPDR does not budget for translation and interpretation services, although FPDR can hire these services and/or use the City's interpretation service when the need arises.

**Capital Assets & Intergenerational Equity**

Not applicable.

Measure Title	PM 2017-18 Actuals	PM 2018-19 Actuals	PM 2019-20 YTD Actuals	PM 2019-20 Target	PM 2020-21 Target	Strategic Target
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**Data Tracking  
Methodology:**

Not applicable. FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public.

**Hiring, Retention, & Employment Outreach:**

FPDR's workforce is 30% employees of color and 88% female. FPDR's recruitment strategies include marketing to communities of color and people with disabilities, although FPDR currently has no vacant positions.

**Contracting Opportunities**

FPDR follows the City's procurement requirements. When reviewing proposals, FPDR looks first for opportunities to contract with disadvantaged, minority, women, and emerging small businesses. When this is not possible, FPDR encourages primary contractors to partner with these businesses as subcontractors.

**Engaging Communities Most Impacted by Inequities**



City of Portland  
**Requested Budget Equity Report**

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Not applicable.

**Empowering Communities Most Impacted by Inequities**

Not applicable.