FPDR ONE AND TWO PENSION FAQS
(FREQUENTLY ASKED QUESTIONS)

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1. What do FPDR One, FPDR Two and FPDR Three mean? Which tier am I in?

FPDR One is the original FPDR plan; its benefits are defined in Article 5 of Chapter 5 of the City Charter. It has also been called the Old Plan but was renamed when FPDR Three was created. Generally speaking, anyone retired or permanently disabled prior to January 1990 is FPDR One.

FPDR Two is the plan that was created in 1990; its benefits are defined in Article 3 of Chapter the City Charter. It has also been called the New Plan but was renamed when FPDR Three was created. Members who were active when FPDR Two was created could choose between FPDR One and FPDR Two.

FPDR Three is for members first sworn after 2006. If you are an FPDR Three member, you are in the Public Employees Retirement System of the State of Oregon (PERS) for pension benefits. Your disability and death benefits, however, are defined in Article 3 of Chapter 5 of the City Charter.

2. How do I get an estimate of my FPDR Two pension benefit?

Call (503) 823-6823 or e-mail the FPDR office to request an estimate. We will need to know:

- Your name
- Possible retirement date(s) – as many as four dates for one request
- Your job classification for final pay purposes, e.g., officer, firefighter, lieutenant, chief
- Any other pay assumptions you would like to see
- Where you would like the estimate sent (home, interoffice, email)

See the document, Understanding Your FPDR Two Pension Estimate, for an explanation of how your estimated pension benefit is calculated.

3. When is the "estimated" pension benefit guaranteed? When can I be sure of my benefit?

Your pension benefit is not certain until FPDR has received a final pay report from Central Payroll on the pensionable pay you received in your highest lookback period and you have signed a pension application with this amount. FPDR requests this report after the final pay date in the calendar month before your chosen last day of employment. There is generally a small difference between the estimate and the final pay report relating to the pay period that crosses fiscal year-end, but premium pays like on-call (standby), coach's or working out of class pay that you may receive intermittently can also create a variance. Once you have selected the month of your last day of employment, FPDR can request a preliminary pay report two or three months before then to ensure there are as few surprises as possible.

FPDR also needs to verify any time loss for unpaid time (except military leave), part-time employment or disability time where you received less than 75% of base pay in disability benefits.

4. Is there a best time of year to retire?

This depends on your individual circumstances. The two most popular dates for a pension start date are July 1st and January 1st. The following are timing issues that you should consider:

Cost of living adjustment effective July 1: Members must be retired on or before July 1 (this means your last working day would be June 30 or earlier) to receive any cost-of-living adjustment on your pension granted for July 1. For most members, this means your ongoing pension benefit will generally be less if you wait to retire in July or August, compared with retiring on or before July 1.

Vacation Payoff, Tax Considerations: The first week in January is popular because, if you are carrying more than the maximum accrual for vacation, you can still get paid for the total as long as you retire before the end of the first pay period in January. Tax consequences and the best time to retire are different for each individual. It is worthwhile to estimate your taxes based on different dates or to get advice from a tax advisor a year or two before your anticipated retirement date.

Health Insurance: If you receive 80 hours of regular pay in the month in which you retire, you MAY be eligible to have your City-paid coverage go through the end of the following month. Check with the City Benefits office on this.

5. Can I buy back my military time?

There are no provisions in the Charter for the buy back of prior military time as one sometimes finds in federal retirement systems and/or in PERS. Military time served after employment by the member is "good time" for retirement purposes as long as the member returns to active City service.

6. What is the additional state tax offset benefit?

Prior to 1991 local government pensions were not taxed by the State of Oregon. Due to a court case ruling that states must treat federal retirees the same as other government retirees, the State of Oregon changed state law and began taxing all pensions. This change resulted in lawsuits from Oregon public retirees, who had worked with the expectation of a state-tax free pension. The court cases and legislative changes were resolved in 1997 with the 1995 House Bill 3349 (HB 3349).

Initially in 1991, the Oregon legislature passed Senate Bill 656 (SB 656). This bill required pensions to be increased by up to 4%, depending on years of service, to offset (partially) the state taxes now required. However, because this did not entirely offset the tax liability, a court ruling required the Legislature to develop a remedy. This resulted in passage of HB 3349. HB 3349 requires FPDR to increase pension benefits for anyone hired as a member prior to July 14, 1995. The formula for HB 3349 is the greater of a 9.89% increase for the portion of your years of service prior to October 1, 1991, or up to 4.0%, depending on years of creditable service.

For active members whose service began before July 14, 1995, the likely tax offset benefit will be based on years of service:

- Fewer than 10 years: 0%
- 10 years but fewer than 20 years: 1.0%
- 20 years but fewer than 25 years: 2.5%
- 25 years or more: 4.0%

The Oregon Revised Statutes that define the additional tax offset benefit and require its addition to FPDR benefits are 237.635, 237.637, 238.362, 238.364 and 238.366.

Do I receive the additional tax offset benefit if I don't live in Oregon?

The 2013 Oregon State Legislature passed Senate Bill 822 to further restrict eligibility for the tax offset benefit to retirees who are subject to Oregon personal income tax effective January 1, 2014. This changes affects retired participants as well as active members. You are responsible for informing FPDR of your eligibility, or a change in your eligibility, for the tax offset benefit, and FPDR will receive annual reports from the Oregon Department of Revenue regarding FPDR participants' Oregon tax filing status.

Will I always receive the additional tax offset benefit?

The additional tax offset benefit is not a guaranteed part of the FPDR benefit. The Oregon Legislature could change or eliminate the tax offset in the future.

7. What will my survivors (i.e., spouse, same-sex domestic partner or minor child) receive when I die after retirement? When do I pick a survivor's percentage?

This answer depends on whether you are an FPDR One member or an FPDR Two member (see question 1 on the different FPDR tiers). Survivor benefits for death before retirement are different than the benefits discussed here.

FPDR One: Your spouse (if married for at least one year) will receive a percentage of your pension upon your death based on your age difference, as shown in the survivor's table below. You do not "pick" the percentage; it is automatically applied. Neither do you have to designate your spouse as a beneficiary since he/she is automatically covered, but we do need to have a copy of your marriage certificate and your spouse's birth certificate. If you have no surviving spouse but do have a dependent minor child or children, the children will share a pension based on a surviving spouse of the same age for the rest of their minority or until their marriage. If you have a spouse who receives a pension and later dies, any dependent minor children will share the spouse's pension.

Note: If you had a nonservice-connected disability and then retired, your surviving spouse is only eligible for a survivor benefit if you had 10 or more years of service.

FPDR ONE SURVIVOR ANNUITY TABLE

Difference Between Member's and Surviving Spouse's Age (rounded to closest year)		Surviving Spouse's Pension as Percent of Member's Maximum Earned Pension
Member	Same age or Surviving Spouse Older	56%
"	1 year older	55%
"	2 years older	54%
"	3 years older	53%
"	4 years older	52%
"	5 years older	51%
"	6 years older	50%
"	7 years older	49%
"	8 years older	48%
"	9 years older	47%
"	10 years older	46%
"	11 years older	45%
"	12 years older	44%
"	13 years older	43%
"	14 years older	42%
"	15 years older	41%
"	16 years older	40%
"	17 years older	39%
"	18 years older	38%
"	19 years older	37%
"	20 years older	36%

FPDR Two: Your spouse (if married for at least one year) will receive a percentage of your pension upon your death based upon the accrual rate you elected at the time of retirement. The four possible rates are shown below. If you are unsure which rate you elected, please call the FPDR office. The accrual rate you elect CANNOT be changed on or after your pension start date. You do not have to designate your spouse as a beneficiary; he/she is automatically covered, but we do need to have a copy of your marriage certificate and your spouse's birth certificate.

If you have both a spouse and a dependent minor child or children by a former marriage, your spouse receives half the benefit, and those children share the other half while they remain minors and unmarried. When the last child no longer qualifies as a dependent minor child, your spouse receives the entire benefit.

If you have no spouse but have dependent minor children, your children share the benefit while they remain minors and unmarried.

FPDR TWO SURVIVING SPOUSE BENEFIT

Accrual Rate Elected	Benefit Continuation to Surviving Spouse
2.2%	100% of your benefit
2.4%	75% of your benefit
2.6%	50% of your benefit
2.8%	25% of your benefit

8. When will my new spouse be eligible for survivor's benefits?

Under both FPDR One and FPDR Two, your spouse must be married to you for at least one year preceding your death.

9. When and how will I receive my pension benefit payment?

The first payment will be made the second Tuesday of the month following your pension start date. This will be a live, partial-month check, prorated for the number of days you were retired in the first month and mailed the day before the check date. If you would prefer to pick up the first payment, please contact the FPDR office a week before the payment date.

Thereafter, your full monthly pension benefit will be made by direct deposit on the first of each month. If the first falls on a weekend or holiday, the deposit will be made on the first **banking** day. FPDR will need your direct deposit instructions two weeks before the first deposit.

10. Is my pension taxed? What other deductions are taken out (e.g., insurance)?

At the time you retire you must complete a tax withholding form W-4P. On this form you will decide whether or not to have taxes (federal and/or Oregon state) withheld from your pension. Your pension benefit will be reported to you at the end of the tax year on a form 1099-R. This information is transmitted to the Internal Revenue Service (IRS) and the Oregon State Department of Revenue.

Generally speaking, your entire pension benefit will be reported as taxable income. If you made post-tax contributions to the pension fund prior to July 1, 1990, these contributions will reduce the taxable amount of your pension benefit. For members retired after 1986, the IRS provides a formula which spreads your contributions over your life expectancy. This formula is applied by our office and generally results in a "taxable amount" that is slightly lower than the gross pension amount.

Your pension is considered to be taxable by the state in which you reside. Consult individual state tax law or a tax advisor to determine your "residency." Prior to 1996, a federal tax law known as the "source tax" allowed pensions to be taxed by the state from which the pensions were being paid. Therefore, from 1991 until 1996, the State of Oregon would have considered your pension to be taxable regardless of your residency because the source of the pension was in Oregon. Please note that, prior to 1991, the State of Oregon did not tax local government pensions (see question 6 regarding additional tax offset benefits for more info).

The only other deductions taken from your pension are health and long-term care insurance benefits payable to the City of Portland or select non-City providers if you have signed up for this deduction (contact FPDR at 503-823-6823 for further information on non-City providers), any child support payments you may make, any tax levy against you and any one-time administrative fee for a domestic relations order. Under the Pension Protection Act you may exclude from your taxable income up to $3,000 a year of health or long-term care insurance paid for you from your pension benefit by FPDR. The list of insurers FPDR currently supports is on the FPDR website.

11. What adjustments will there be to my pension (i.e., cost of living), and when will they happen?

Future benefit adjustment will depend on whether you are an FPDR One member or an FPDR Two member (see question 1 on the different FPDR tiers).

FPDR One: Pension benefits of FPDR One members are changed in step with changes to the pay of a first class firefighter or first class police officer. These pay rates are negotiated by the Portland Fire Fighters Association and the Portland Police Association. Pay raises are not guaranteed and are not predictable. Adjustments are computed annually at the beginning of the fiscal year, July 1.

FPDR Two: Pension benefits of FPDR Two members are adjusted as determined by the Board of Trustees, except that the percentage rate of change may not exceed the rate applied to retirement benefits payable to police and fire employees by PERS. The 2013 Special Legislative Session passed Senate Bill 861, which created a tiered adjustment rate for PERS pension benefits with a maximum rate of 1.25%. The maximum rate will be the limit for FPDR Two benefit adjustments effective July 1, 2014 and beyond.

Please note that when a benefit change is "effective" July 1, this means you will see the change on the August 1 payment, which covers benefits earned the prior month. Adjustments are computed annually at the beginning of the fiscal year, July 1.

12. What is the cash value of my pension? I need to know for a loan application, divorce purposes, etc.

The estimated value of your future benefits is subject to many variables, and FPDR does not estimate the value for members. Members contributed 7% of their base pay prior to July 1, 1990. If you were hired prior to this date, we can tell you the amount you contributed. The amount of your contributions would be the minimum amount paid to you or your beneficiaries in benefits.

The FPDR One and FPDR Two pensions are defined benefits. Your pension benefit is defined and promised based upon a formula. At retirement FPDR will calculate your pension based on this formula, and you will receive a monthly payment for life, with a percentage payable to your surviving spouse for his/her life depending on your relative ages (FPDR One) or on the accrual rate you elect at retirement (FPDR Two).

13. What impact will divorce have on my pension?

A portion of your pension benefit may be assigned to your ex-spouse if mandated by a court through a divorce decree or a domestic relations order (DRO). If FPDR has not accepted a DRO regarding your pension benefit, then there is no impact on your pension from FPDR's perspective.

FPDR has sample DROs for attorneys to use to properly split your pension benefit. Copies of the sample DROs may be obtained from the FPDR office, and the FPDR Administrative Rule 5.4 contains useful information regarding DROs.

There is a one-time administrative fee of $300 charged proportionately (based on the portion received by the member and the ex-spouse) to the member and the alternate payee when a domestic relations order is administered by FPDR. The fee is subtracted from a pension payment.

State statute provides that the total amount that will be paid out by FPDR must be no more than the amount payable to the member alone. Since the only form of retirement benefit payable from FPDR is a monthly benefit for life, a DRO splitting a member's benefit will result in two payment streams: one for the member and one for the member's former spouse.

If the DRO is a separate interest DRO, the former spouse's (alternate payee's) benefit will be determined based on actuarial assumptions in effect when the DRO is accepted by FPDR. If the member dies before reaching his or her earliest retirement date, the alternate payee does not receive anything. If the alternate payee dies before receiving benefits, the member's pension is paid as if there were no DRO. Once the alternate payee begins receiving benefits, the member's pension benefit is reduced according to the DRO even after the alternate payee's death.

The other form of DRO is a shared interest DRO. In this type of DRO that is generally only used once the member is retired, the member and alternate payee divide the member's benefit payment. If the alternate payee dies before the member, the member receives the full benefit. If the member dies before the alternate payee, the alternate payee's payments stop unless the member had a surviving spouse and the DRO assigned any surviving spouse benefit to the alternate payee.

14. How do I appeal a decision regarding my pension benefits?

FPDR Administrative Rule 5.4 – Retirement Benefits provides for an appeals process related to pension benefits. A member or a beneficiary may file a claim form with the FPDR Director if he or she disputes a decision by FPDR staff regarding his or her pension benefits.

Once the form has been filed, the Director has 90 days (or 180 days under special circumstances that the Director will provide a written notice about) to make a determination on the claim. If the member or beneficiary disagrees with the determination, he or she may submit a written appeal within 60 days of receiving the Director's determination to the Office of Administrative Hearings (OAH), the same body that hears FPDR's disability appeals.

The OAH hearings officer will give the member or beneficiary either a decision within 60 days or a notice of a 60-day extension of the review period, in which case the decision will be delivered within 120 days of the appeal's filing. The hearings officer's decision is FPDR's final administrative review proceeding for pension benefits, and members or beneficiaries must pursue all administrative appeals as a precondition to challenging the denial of a claim in a lawsuit.

The pension claim form is available on the FPDR web site, as are the Administrative Rules.