City of Portland Bureau of Fire and Police Disability and Retirement
Agenda for Regular Meeting – Board of Trustees
Tuesday, March 16, 2021 – 1:00 p.m.

Please note, City Hall is closed to the public due to the COVID-19 Pandemic. Under Portland City Code and state law, the Board of Trustees is holding this meeting electronically. All members of the board are attending remotely. The meeting is available to the public on the City's eGov PDX channel on YouTube, Channel 30, and www.portlandoregon.gov/video

The FPDR is taking these steps as a result of the COVID-19 pandemic and the need to limit in-person contact and promote social distancing. The pandemic is an emergency that threatens the public health, safety and welfare which requires us to meet remotely by electronic communications. Thank you for your patience, flexibility and understanding as we manage through this difficult situation to do the FPDR's business.

ADMINISTRATION

The following consent item(s) are considered to be routine and will be acted upon by the Board in one motion, without discussion, unless a Board member, staff member or the public requests an item be held for discussion.

1 Approval of Minutes – January 26, 2021 Meeting

INTRODUCTION OF VISITORS

PUBLIC COMMENT PERIOD

Public comments will be heard by electronic communication (internet connection or telephone). If you wish to sign up for public comment, please register at the following link: https://zoom.us/webinar/register/WN_yiuOWCX0SH6uMfhc3-qCvg *You will be asked to provide your name, phone number, email address, agenda item number(s) you wish to provide comment on and zip code. After registering, you will receive a confirmation email containing information about joining the electronic/virtual meeting. Individuals will have three minutes to provide public comment unless otherwise stated at the meeting.* ***The deadline to sign up for the March 16, 2021 electronic board meeting is Monday, March 15, 2021 at 3:00 p.m. Individuals can also provide written testimony to the Board by emailing the FPDR Director Sam Hutchison at sam.hutchison@portlandoregon.gov by March 12, 2021.***

ACTION ITEMS

1 Annual Adjustment Review
- Issue: What shall be the FPDR Two 2021 benefit adjustment?
- Expected Outcome: Board determines FPDR Two 2021 benefit adjustment.

INFORMATION ITEMS

The following information items do not require action by the Board and are solely for informational purposes unless a Board member, staff member or the public requests an item be held for discussion.

1 FPDR Summary of Expenditures

2 COVID-19 Claims Update

3 Legislative Updates

4 FPDR Updates

5 Future Meeting Agenda Items

Copies of materials supplied to the Board before the meeting, except confidential items and those referred to Executive Session, are available for review by the public on the FPDR website at www.portlandoregon.gov/fpdr or at the FPDR offices located at: 1800 SW First Avenue, Suite 450, Portland, Oregon 97201

NOTE*: If you have a disability that requires any special materials services or assistance call (503) 823-6823 at least 48 hours before the meeting.*
#denotes items will be in Executive Session pursuant to ORS 192.660(2)(h) and not open to the public

[THE FOLLOWING SUMMARIZED MINUTES WERE CONDUCTED IN PUBLIC SESSION. THERE WERE NO PORTIONS OF THE MINUTES THAT WERE IN EXECUTIVE SESSION.]

A regular meeting of the Board of Trustees of the Fire and Police Disability and Retirement Fund was called to order on the 26th day of January 2021 at 2:01 p.m. As a result of the COVID-19 pandemic and the need to limit in-person contact and promote social distancing, the meeting was held remotely via a Zoom webinar platform.

Board Members Present Included:

Josh Harwood, Chairperson
Jason Lehman, Fire Trustee
Catherine MacLeod, Citizen Trustee
Brian Hunzeker, Police Trustee

Also present were:

Sam Hutchison, FPDR Director
Kimberly Mitchell, FPDR Claims Manager
Stacy Jones, FPDR Finance Manager
Franco A. Lucchin, Sr. Deputy City Attorney
Lorne Dauenhauer, FPDR Outside Legal Counsel
Matt Larrabee, Actuary, Milliman
Scott Preppernau, Actuary, Milliman
Gary Deeth, Actuary, Milliman
Kristin Johnson, Financial Policy Advisor, Office of Comm. Hardesty
Rick Nixon, BTS
Joseph Gymkowski, Retired Fire Member

Chair Harwood called the meeting to order and asked for approval of the minutes.

Trustee Lehman made a motion that was seconded by Trustee Hunzeker and unanimously passed to approve the November 17, 2020 minutes.

Aye	*Trustee Harwood, Trustee Hunzeker, Trustee Lehman, Trustee MacLeod*
Nay	*None*
Abstain	*None*
Absent	*None*

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There were no General Public Comments.

Action Item No. 1 – Actuarial Valuation and Levy Adequacy Analysis

Scott Preppernau (Scott) of Milliman stated that they were providing a biennial update on the actuarial valuation of the FPDR program and levy modeling. Scott added that the completed valuation is as of June 30, 2020 and that is their starting point for a 20-year forward looking projection of costs under the FPDR program and contributions for Oregon PERS members and what that translates to for the levy as RMV value and how that compares to the $2.80 cap. Scott stated that it is meant to give a projection that can quantify the potential volatility of some key moving parts that will affect levy amounts in the future. Scott also stated that there have not been a lot of changes that affect their modeled benefit provisions since their last valuation and levy modeling in 2018, but there have been updates to the assumptions as was discussed at the September board meeting. The main ones to note are 1) that they are using different assumptions for FPDR 2 COLA; 2) demographic, retirement, mortality assumptions are based on their most recent experience study; 3) economic assumption like inflation was lowered; and 4) discount rate which affects the valuation piece but not the levy adequacy modeling was updated. Scott added that on the flip side they are using and updated current real market values and projected median forward-looking changes in real market value that affect the levy modeling, but not the valuation.

Scott explained that one of the main uses for valuation for FPDR is to tie into required financial statement reporting. Because of the pay-as-you-go structure of FPDR it is not used for establishing funded status of the program or prefunding future benefits or determining actuarial contributions. And it was important to note that as of the valuation date, the monthly benefit run rate of FPDR benefit payments were $11 to $12 million dollars per month and in their valuation model that grows for about 16 years and then eventually gradually declines but it does not get back to that lower level in non-inflation adjusted dollars until late 2050's. Scott stated that valuation by its nature is a very long-term calculation exercise and given the long-term nature of their model, assumptions have an effect on the outcome that you get out of it.

Scott went over more detail on the assumptions that came out of the 2020 experience study and the board's discussion at the September board meeting and stated that the discount rate affects the valuation and is tied to municipal bond rates and like most bond rates right now is quite low relative to where it has been historically and has an impact on the measured liability. Scott added that they continued to keep the mortality assumption in line with the Oregon PERS police and fire mortality

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assumption since it is a bigger, more statistically credible public safety population to base it off and that assumption and this one as well now uses what is known as a PUB-2010 table which is the first kind of new modern public safety mortality table which was published in 2019 so it is more specific to the population they care about for the plan. Also, the FPDR Two COLA was updated to assume 2.00 percent for service prior to October 8, 2013 and 1.75 percent for later service. Scott stated that a variety of other assumptions were updated but even with that it did not dramatically change the picture of the projected benefit payments.

Scott went on to the valuation results and stated taking the projected benefit payments and discounting them back into the present value into the liability is where you see the impact of the decrease in the discount rate. The discount rate was 3.87 percent in 2018 and has dropped to 2.21 percent for the current valuation and because of that even with a similar projected stream of future benefit payments, the actuarially accrued liability increased from $3.3 billion to $4.46 billion. Scott also went over the actuarial accrued liability changes and stated that the assumption changes had some ups and downs and the FPDR COLA assumption added to the measured liability, but what stands out is the discount rate as the one that is driving the change in the measurement.

Matt Larrabee (Matt) of Milliman then went over the levy adequacy analysis. Matt stated that there are two major subcomponents in the levy analysis. The first is the pay-as-you-go costs subcomponent which are the FPDR One and FPDR Two retiree benefit payments. They also include a margin on projections for disability and disability related medical payments and administrative payments. The second is levied on FPDR Three payroll and is the pre-funded costs subcomponent which is the employer contribution for FPDR Three members OPSRP contributions. Matt stated that these are more variable and less predictable.

Matt went on to state that during the projection period of their levy adequacy analysis, the FPDR levy will be funding two generations of FPDR members simultaneously and the mechanisms of those funding methods are quite different. Pay-as-you-go to a prefunded system means that for an extended period they will have higher levies and higher near-term costs. Matt went over the effects of the 2006 City Charter reform and stated that there will be cost benefits, but it will occur very slowly. In addition, Matt stated that while the levy adequacy model is not a guarantee of what will occur, it is a robust sample set and went over the factors that drive levy variability. Matt also went over the volatility associated with the analysis and the sources of volatility not modeled.

Matt went over the graphs in his presentation and explained how they developed a final levy for the board. Matt stated that the levy stays reasonably steady over the 20-year modeling period, then

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starts to trend down because they have lessening pressure on the pay-as-you-go component. Matt added that the $2.80 levy limit is exceeded in at least one year in less than one percent of their modeled economic scenarios. So, while there is still a level of risk, they would characterize the level of risk as low.

Trustee Hunzeker and Trustee MacLeod questioned what the strategy would be to mitigate a continuation of worse-case scenario years. Matt explained that they have those kinds of correlated bad events and the levy on the bad end still would not cause a problem. FPDR One and FPDR Two are balanced in this scenario. Stacy added that they have looked into those worse case scenarios and there are a number of possible options, i.e., change the City Charter to change the cap, issuance of pension obligation bonds, and if those scenarios were to happen it would be in the early to mid-2030's.

Trustee Lehman asked where the number for RMV growth comes from. Chair Harwood provided the number and explained that it was an estimate. Chair Harwood added that the assessment date for 2021/2022 was January 1st and what they are finding are conflicting things depending on the property. Residential property has done well but commercial property, downtown in particular, is something they are going to have to watch. Chair Harwood stated that for collections purposes they are fine in this fiscal year but it is next fiscal year where they will have to navigate as there will undoubtedly be property tax bills issued to companies that cannot pay it or that do not exist and those are factors they have not had to deal with in a prior recession.

Trustee MacLeod stated that it looked like COLA assumptions for future COLA changes was a little bit over a 2 percent change to accrued liability and it also looked like plan experience loss from retirees living longer and the assumption change to new mortality table – the PUB table, but that is a reduction in liability so the new table on average is assuming a shorter life expectancy but over the past year or two was that just kind of an anomaly with lower mortality. Scott stated that was correct and explained that for the last two-year period they did have a loss with fewer deaths than projected under the existing table. However, given that it was only a two year period and this was a smaller population to benchmark versus the overall state public safety population, they felt it was worthwhile to stick with the bigger more credible group and shift to the public safety specific tables which Oregon PERS moved to. Scott added that they will monitor it and if long term they see a pattern like that then there might be a further adjustment that they talk to the board about.

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Public Comment:
Joe Gymkowski (Joe) addressed the Board and congratulated Trustee Hunzeker on his appointment as the PPA President. Joe stated that at the July 2015 board meeting, Attorney Nelson Hall clarified that the term "disability" under FPDR is their version of workers' compensation and that without that, they have nothing. Joe also wanted to point out that the ETOB process is a complex process and since the passage of HB 2280, two aspects have never changed and that is that disability retirement and death benefits are required under the law. Under Section 5-403 City Council has the power to fix that without going to the voters. Joe added that a question was brought up by Trustee Hunzeker and Trustee MacLeod and then Trustee Lehman where they asked how FPDR passed the ETOB test if there was no disability retirement. Joe asked Matt that question as the actuary who conducted the ETOB test and stated if that question was already answered, where can Joe find the answer.

Matt stated that the issue of how the FPDR benefits were valued were done under the governing statute and under governing Oregon Administrative Rules as developed by the PERS Board and would be summarized in the most recently conducted ETOB test that was published probably a decade ago. Matt added that in terms of some of the legal interpretations and how the rules will be established for the next ETOB test, that oversight will come from the PERS Board and it will presumably go through a public rulemaking and administrative rule established process aligned in their view by statute before the next ETOB test will be conducted which Matt thought would be occurring next year.

Joe stated that in fairness to Matt, because the courts have told Joe several times over that the PERS Board has spoken and they are supported by the law, that the PERS Board only acted on the information of the actuary and so it comes down to the actuary's information being the sole source of proving the facts. Matt stated that while they certainly do actuarial work, some of the things mentioned by Joe are legal interpretations and they do not serve as legal counsel.

Joe stated that the bottom line is decisions are made based upon the data which is provided by the actuary. Joe then stated that second of all, it says that the actuary acquires data from FPDR so somehow along the way the information came across that certain benefits are there when they are not there.

Trustee MacLeod made a motion which was seconded by Trustee Lehman and unanimously passed to accept the Actuarial Valuation Report and Levy Adequacy Analysis.

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Aye	*Trustee Harwood, Trustee Hunzeker, Trustee Lehman, Trustee MacLeod*
Nay	*None*
Abstain	*None*
Absent	*None*

Trustee MacLeod stated that Joe's question is very complicated and the in's and outs of how it operates might need a little bit of interpretation. Trustee MacLeod did not want to get into it at the current board meeting but felt like they may want to circle back and get a response on whether they feel the plan was in compliance.

Director Hutchison stated that this was discussed pre-Covid and the Board agreed to have a work session for the FPDR attorneys to provide their legal opinion. Trustee MacLeod wanted to make sure they understand how the plan is complying. Director Hutchison will work with Chair Harwood to arrange this matter. Stacy stated that anyone who is concerned about how ETOB is handled needs to take it to PERS and added that if you handed it to 12 different actuarial firms, they will probably all give the same answer. Stacy added that Franco and Lorne have provided answers to previous boards, but they can talk about it in more detail.

Trustee Lehman did not know how the board memorializes it but would like to make sure the board is kept up on how and when ETOB is happening and even if it is about PERS, if it involves FPDR, they need to know what their role is and that they are protecting and holding up their end for the members. Stacy did not think they have any role, it is PERS' role and if FPDR does not pass, they have to change their benefits or put everyone in PERS. It is there for the State to say, "City of Portland, you are good" or "put all your people in PERS".

Matt stated that PERS will post administrative rules for public comment and the City usually has a representative so that is where the opportunity window would be for the City to comment. Director Hutchison stated that they will make sure to keep the board informed.

Action Item No. 2 – Adopt 2021-2022

Stacy explained that the Board has the exclusive authority to adopt the FPDR budget, but they do participate in the Citywide budget process and FPDR's budget will be included in the Citywide budget that City Council adopts. Stacy then presented the recommended budget to the board. Stacy went over the forecast summary slide and stated that it provides actual revenues and expenses and projections for the current year and the recommended budget for the next year. The recommended

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budget was for $260.59 million. Stacy stated that 7.3 percent is the average annual percentage growth over the five-year forecast, and it is a high growth rate because they are phasing in a prefunded plan while still funding a pay as you go plan.

Stacy then went over some issues that were unresolved at this time last year: 1) 2019 PERS reforms withstood legal challenges so there is some certainty about PERS reforms that should somewhat slow growth in PERS contribution rates; 2) None of the PFFA and PPCOA contracts were in place, but they are now in place. However, the PPA contract was only extended through June 2021; 3) Experience Study was updated and approved by the board in September.

Stacy also went over what was different for this year: 1) Overhead revenue, which is one of the FPDR's non-property tax revenues. This year with the loss of TriMet police overhead charges, FPDR will have to get the revenue from the levy; 2) Uncertainty in police retirements. Given the huge number of retirements this year and the fact that there will be no 27 pay months next year, staff has decided to go off the actuarial projection and only budgeted for 10 police retirements next year, but they may see higher levels than budgeted for; 3) Covid-related uncertainty: economic downturn may lead to higher property tax delinquencies and Covid-related disability expenses have gone up dramatically; 4) Lower ending fund balance than normal – unusual events took a toll on current year fund balance.

Stacy then went over the FYE22 expenses and the pie chart showing what staff recommended for 2021/2022. FPDR One and Two pension payments account for about 70 percent of the budget and costs are going to go up as the FPDR Two members continue to retire and make up a bigger portion of the retiree pool. Stacy said the four main things affecting the pension budget are: higher COLA's, pension amounts, the number of new retirees, and deaths. Stacy stated that they predict pension costs will be 7 percent higher this year than last year. Stacy also stated that they think they will have the highest number of retirements in 2021 and that is the reason why they are seeing pension payments jump.

Stacy stated that PERS contributions are about 14 percent of the budget, it is growing quickly and will continue to do so for another decade. Stacy added that it is the fastest growing part of the budget with more PERS-covered employees every year, wages going up, and increasing PERS rates. She also stated that overtime had spiked at the Police Bureau this last year with the protests and with the wildfires for the Fire Bureau, however there is slower growth than forecast at this time last year.

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Trustee MacLeod asked if overtime was included in wages for PERS purposes. Stacy said they pay contributions on total wages, and overtime is also included in calculating the PERS pension, but it varies by PERS tier. Trustee Lehman asked if there was a difference between the IAP contribution and the regular PERS rate contribution for overtime. Stacy stated that they pay contributions on overtime for both. For example, with the 29.16 percent, 20.16 percent is for the defined benefit portion of the OPSRP benefit and 9 percent is going into IAP. Stacy added that a portion of that 9 percent is being redirected right now so while they are paying 9 percent, a full 9 percent is not going into IAP. On the back end when those members retire, that is into the world of PERS and since Stacy is not the PERS administrator, Stacy could not say with absolute certainty how that calculation works. However, Stacy believes when an OPSRP tier member retires they get the average overtime of their job classification in their calculation and assumes it is specific to the employer but does not know for sure. Stacy also thinks they use an average to prevent overtime spiking in the final three years. Trustee Lehman had not heard about anyone in that tier retiring yet and was curious about how their pension is going to be figured because Trustee Lehman knows in the FPDR pension, overtime does not make a difference. Trustee Lehman was under the assumption that it is different for different PERS tiers but thinks PERS Tier Three has been reduced compared to Tiers One and Two. Trustee Lehman wondered how that impacts rates and whether their rates are based on their members or whether it was a statewide thing but stated that Stacy probably could not answer all those questions today. Stacy added that the rate is specific to them, that the 29.16 percent they are paying is not necessarily the rate that the City of Eugene or Portland Public Schools is paying so Stacy could say that much. Beyond that, Stacy said it is a bit too much into PERS administration. Stacy also thought that PERS Tier One and Two members get their actual overtime in their pension calculation, whereas the Tier Three members get that average.

On disability benefits, Stacy stated that it was about 4 percent of the budget and that there has been an uptick in short-term disability benefits and medical payments as a result of Covid claims but they do expect it to drop back down in next year's budget. With regards to administration, Stacy stated that the pay for all non-represented employees were frozen and all FPDR staff were furloughed. Stacy stated the bureaus have been told to budget wage cost-of-living adjustment of 1.6 percent following the Mayor's guidance.

Stacy then went over how they are managing the Fund and what the costs of living outside the General Fund are. Stacy stated that they cannot overdraw on their fund balance and part of what they will be doing next year is growing the fund balance. The Fund contingency is normally about 7 percent of annual expenses but their recommended contingency this year will be 9 percent. In addition, FPDR must pay its share of Citywide costs and City pension obligation bonds.

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Stacy explained that property taxes are 95.7 percent of their revenue and went over the tax collections in 2020 and what they expect to collect in 2021 and beyond. Stacy added that there will be a significant increase in taxing next year by $25.4 million or 15.4 percent. $20.1 million of the increase was known last year and expected as a result of the retirements and PERS rate increases. However, the rest was unexpected and caused by the pandemic and protests, changes in the Police Bureau and the recession.

Stacy then went over the risks to the forecast. With regards to revenue risks Stacy went over property tax delinquencies and property tax compression losses. On expenditure risks Stacy went over police retirements, police hiring, a new PPA contract and PERS contribution rates. Stacy concluded by stating that the four main takeaways to the budget are 1) whether they will continue to retire record number of retirements or whether retirements will decline significantly next year as budgeted; 2) loss of most of their non-property tax revenue; 3) continued fallout from the pandemic, economy and Police reform; and 4) that FPDR will manage financial risk conservatively.

<u>Public Comment</u>:
Joe asked Director Hutchison about a January 2020 agenda item in which Del Stevens and Joe were to be a part of and asked that Henry Groepper replace Del Stevens. Joe also asked Stacy about a question initially raised by Trustee Lehman at a prior meeting when Trustee Lehman asked about a comment Stacy made regarding FPDR retirement being better than PERS retirement and whether Stacy had provided a report on that to Trustee Lehman. An email will be sent to Stacy from Joe regarding what the question was.

Trustee Lehman made a motion that was seconded by Trustee Hunzeker and unanimously passed to adopt the 2021-2022 Budget.

Aye	*Trustee Harwood, Trustee Hunzeker, Trustee Lehman, Trustee MacLeod*
Nay	*None*
Abstain	*None*
Absent	*None*

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Action Item No. 3 – Resolution No. 533 – Amend Milliman (Actuary) Contract

Stacy explained that the Milliman contract was expiring on March 31, 2021. Stacy stated that it has been extended once and would prefer to extend it one more time for another two years and FPDR will conduct an RFP process at the end of that time. Stacy stated that Milliman knows the FPDR plan inside and out and can conduct the tax levy analysis and they also are the PERS actuaries. The contract would be extended until March 31, 2023 and would add $40,000 to the contract. Stacy added that Milliman's prices have not increased since 2017.

Trustee MacLeod concurred with everything Stacy stated and added that Milliman is on top of the plan and their understanding is incredible and they do a good job. Trustee Lehman agreed that they do a good job but was concerned about why they were adding a four percent adjustment to it and wanted to know if there was any negotiation with Milliman. Stacy stated that they did negotiate and inflation over that period was 13 percent and they are increasing by 4 percent which is significantly below inflation. Stacy added that at the end of the renewal period Milliman would have been their actuary for 10 years so they will do an RFP process at that time.

Trustee MacLeod made a motion that was seconded by Trustee Hunzeker and unanimously passed to accept Resolution No. 533.

Aye	*Trustee Harwood, Trustee Hunzeker, Trustee Lehman, Trustee MacLeod*
Nay	*None*
Abstain	*None*
Absent	*None*

Information Item No. 1 – FPDR Summary of Expenditures

There was no discussion on this item.

Information Item No. 2 – FPDR Updates

There was no discussion on this item.

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Information Item No. 3 – Future Meeting Agenda Items

Director Hutchison stated that FPDR Two benefit adjustment will be on the March board meeting agenda. Director Hutchison also stated that there will be a quick review of Covid claims and the legislature has kicked off so there will also be a legislative recap at the March board meeting.

There being no further business, the meeting was adjourned at 4:41 p.m.

Sam Hutchison
FPDR Director

/kk

Board Authority and History | Considerations | Some Options | Option Comparison

PENSION COLA FOR JULY 1, 2021

FPDR Finance Staff
March 16, 2021

Board Authority

FPDR ONE

- No Board decision
  - ✓ FPDR One pensions are a percent of active fire fighter and police officer pay
- Fire fighters: Current contract calls for 1.6% cost of living adjustment (COLA)
- Police officers:
  - ✓ Current letter of agreement (LOA) includes last year's delayed COLA of 2.9%
  - ✓ Any additional COLA unknown since LOA expires June 30, 2021 and no successor contract in place

FPDR TWO

- Board has sole discretion over timing and amount, subject to a cap:
  - ✓ Charter Section 5-312: "The percentage rate of change shall not exceed the percentage rate applied to retirement benefits payable to police and fire employees by the Public Employees Retirement System of the State of Oregon"
- Therefore, Board may choose any increase between 0% and 2% (highest PERS rate)
- Board may grant increase at any time, may skip years, may give multiple increases a year, may vary increases from year to year

History: Past COLA Methodologies

"Old PERS" COLA Method

Inflation (CPI-U) up to a maximum of 2.0%

- When inflation was more than 2.0%, retirees got to "carry over" the excess and add it to their COLA in low inflation years to bring it up to 2.0%
- This meant that after a few years in retirement, most built up enough carry over to receive a 2.0% COLA each year
- Those retiring in a low inflation period often received less than 2.0% in first year(s)

"New PERS" COLA Method

- Result of 2013 legislative reforms and subsequent litigation
- Used by PERS since 2014 (applied retroactively in 2014 and 2015)

Percent of Service:	Benefits < $60K/Year	Benefits > $60K/Year
Before Oct 2013	CPI-U up to 2.0%, with Carryover	CPI-U up to 2.0%, with Carryover
After Oct 2013	1.25%	0.15%

History: Past COLA Methodologies

“Modified PERS One” COLA Method

- Developed by the FPDR Board in 2016, used for 2016 – 2018 COLAs
- Addressed Board concerns with lower COLA on benefits above $60K in New PERS method

Service Timing	Any Benefit Amount
Before Oct 2013	CPI-U up to 2.0%, with Carryover
After Oct 2013	1.25%

“Modified PERS Two” COLA Method

- Developed by the FPDR Board last year, used for 2020 COLA
- Addressed Board concerns with declining COLAs for future retirees, desire for a COLA “floor”

Service Timing	Any Benefit Amount
Before Oct 2013	CPI-U up to 2.0%, with Carryover
After Oct 2013	1.75%

History: Board Decisions 2014 - 2020

- Prior to July 1, 2014 Board used the same methodology as PERS: “Old PERS”
- Since then Board has awarded various COLAs:

Date	FPDR Two COLA	Method	More or Less Than PERS?
July 1, 2020	1.89% - 2.0%	Modified PERS Two	More (PERS applied New PERS method)
July 1, 2019	2.0%	2.0% for All	More (Totally different method)
July 1, 2018	1.75 – 2.00%	Modified PERS One	More (PERS applied New PERS method)
July 1, 2017	1.84 – 2.00%	Modified PERS One	More (PERS applied New PERS method)
July 1, 2016	1.23 - 2.00%	Modified PERS One (CPI 1.23% that year)	More (PERS applied New PERS method)
July 1, 2015	2.00%	Old PERS	More (PERS applied New PERS method retroactively)
July 1, 2014	2.00%	Old PERS	More (PERS applied New PERS method retroactively)

Considerations

Purchasing Power Maintenance

- Purpose of a COLA is to prevent or limit erosion in the buying power of a benefit or wage
- Full maintenance of purchasing power = a COLA equal to inflation each year

Fund/Taxpayer Cost

- Cost to Portland residents: Higher COLA requires larger increases in property taxes

Context

- Economic and political setting:
  - ✓ Ongoing recession
  - ✓ Lower inflation environment
  - ✓ Financial hardship and uncertainty: FPDR retirees and Portland taxpayers
- Comparison to similar plans: COLAs, value of average benefit, retiree reliance on benefit

Time Horizon

- Today's decision is just for July 1, 2021
- However, costs and benefits of a COLA method are best compared over the long run
- Is this year's decision unique or part of a long-term approach?

Some Options

Maximum Option

2.0% for all

Minimum Option

Nothing for all

Inflation Option

2020 Inflation = 1.74% (CPI-U West Region)

Old PERS Option

- 2.0% for all except FY 2020-21 retirees
- 1.74% for FY 2020-21 retirees, because no carryover bank to bring them up to 2.0%

Some Options

New PERS Option

- 2.0% (1.74% for FY 2020-21 retirees) for service before October 1, 2013; blend of 0.15% and 1.25% for service after, based on benefit amount
- Yields a July 1, 2021 COLA of 1.44% - 2.0%, depending on service timing and benefit amounts

Modified PERS One Option

- 2.0% (1.74% for FY 2020-21 retirees) for service before October 1, 2013; 1.25% for service after
- July 1, 2021 COLA of 1.56% - 2.0%, depending on service timing

Modified PERS Two Option

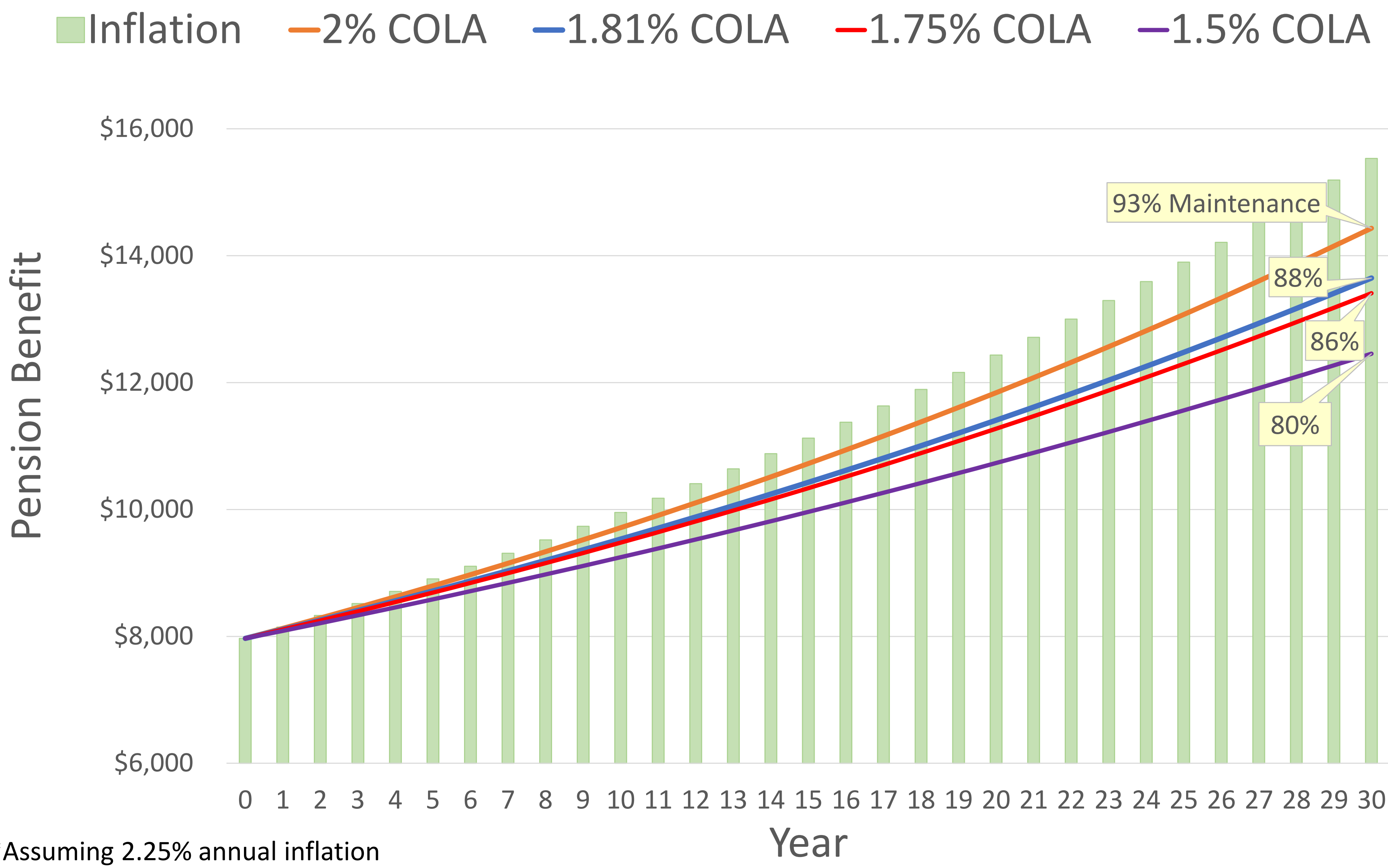
- 2.0% (1.74% for FY 2020-21 retirees) for service before October 1, 2013; 1.75% for service after
- July 1, 2021 COLA of 1.74% - 2.0%, depending on service timing

Some Options

Comparing New PERS, PERS One, and PERS Two

- 77% of FPDR Two beneficiaries will receive a 2% COLA under all three methods
- New PERS least generous, PERS One more generous, PERS Two most generous
- Under all three methods, post-2013 retirees receive lower COLAs than earlier retirees
- Under all three methods, FY 2020-21 retirees receive even lower COLAs
  - ✓ Because inflation is less than 2.0%, and they don't have carryover built up
  - ✓ This could be eliminated by applying 2.0% for pre-2013 service for all
- New PERS has even lower COLAs for those with annual benefits > $60K
  - ✓ 85% of post-2013 retirees have annual benefits > $60K
  - ✓ Median annual benefit for those who retired between January 2014 and present: $88K
  - ✓ Median annual benefit for those who retired thus far in FY 2020-21: $96K

Option Comparison: Purchasing Power Maintenance Examples



*Assuming 2.25% annual inflation

Option Comparison

Option	Maximum (2.0%) for All	Inflation (1.74%) for All	New PERS	Modified PERS One (2.0%/ 1.25% Split)	Modified PERS Two (2.0%/ 1.75% Split)
Range of Increases on July 1	2.0% for all	1.74% for all	1.44% - 2.0%	1.56% - 2.0%	1.74% - 2.0%
Average Increase on July 1	2.0%	1.74%	1.95% Those with post-2013 service: 1.80%	1.96% Those with post-2013 service: 1.85%	1.98% Those with post-2013 service: 1.92%
Pension Maintenance After 30 Years*	93%	Depends, but less than 93%	Varies: 64% - 93%	Varies: 78% - 93%	Varies: 88%- 93%
Fund Cost in FY 2021-22	$2.497 M	$2.173 M	$2.414 M	$2.435 M	$2.464 M

*Assuming 2.25% annual inflation

Option Comparison

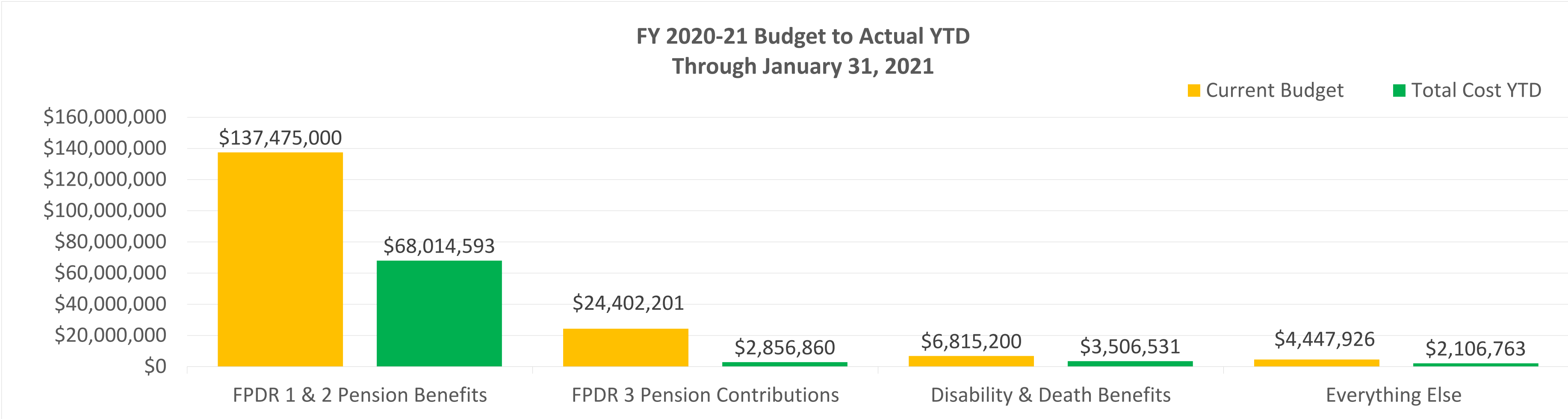
Option	Maximum (2.0%) for All	Inflation (1.74%) for All	New PERS	Modified PERS One (2.0%/ 1.25% Split)	Modified PERS Two (2.0%/ 1.75% Split)
Typical Retiree: ✓ 100% of service pre-2013	2.0%	1.74%	2.0%	2.0%	2.0%
Typical 2014-2021 Retiree: ✓ 86% of service pre-2013 ✓ $89K benefit	2.0%	1.74%	1.84%	1.89%	1.96%
Typical FY 2020-21 Retiree: ✓ 74% of service pre-2013 ✓ $96K benefit	2.0%	1.74%	1.50%	1.61%	1.74%

FPDR Two Pension COLA for July 1, 2021

- Questions?

- Discussion?

- Motion?



FY 2020-21 Budget to Actual YTD by Month

Mid Level Classification	Detail Classification	Original Budget	July	August	September	October	November	December	January	YTD Total
Revenues	Beginning fund balance	$16,935,965	$0	$0	$0	$0	$0	$0	$0	$0
	Taxes	$166,062,018	-$573,181	$469,659	$367,635	$215,541	$111,969,411	$40,218,750	$2,815,172	$155,482,988
	Bond and note proceeds	$42,000,000	$0	$31,658,596	$0	$0	$0	$0	$0	$31,658,596
	Miscellaneous Sources	$1,382,800	-$54,972	$33,992	$37,209	$15,027	$21,430	$136,267	$93,806	$282,759
	Interfund Cash Transfer Revenues	$750,000	$0	$0	$0	$0	$0	$0	$0	$0
	Interagency Revenues	$1,571,818	$1,225	$0	$619	$1,237	$0	$619	$619	$4,318
Revenues Total		**$228,702,601**	**-$626,928**	**$32,162,247**	**$405,463**	**$231,806**	**$111,990,841**	**$40,355,636**	**$2,909,597**	**$187,428,662**
Personnel	Personnel	$2,464,800	$164,292	$206,642	$206,249	$207,343	$197,903	$212,819	$207,120	$1,402,368
Personnel Total		**$2,464,800**	**$164,292**	**$206,642**	**$206,249**	**$207,343**	**$197,903**	**$212,819**	**$207,120**	**$1,402,368**
External Materials & Services	Other External Materials & Services	$834,000	$2,676	$48,363	$58,830	$78,489	$81,048	$17,660	$56,647	$343,713
	FPDR 1 & 2 Pension Benefits	$137,475,000	$10,942,002	$262,030	$11,193,868	$22,821,738	$16,590	$11,402,022	$11,376,344	$68,014,593
	Disability & Death Benefits	$6,815,200	-$46,682	$545,286	$560,872	$560,610	$492,483	$889,111	$504,851	$3,506,531
External Materials & Services Total		**$145,124,200**	**$10,897,996**	**$855,679**	**$11,813,569**	**$23,460,837**	**$590,121**	**$12,308,793**	**$11,937,841**	**$71,864,837**
Internal Materials & Services	Other Internal Materials & Services	$689,226	$43,572	$42,163	$54,380	$41,035	$56,107	$52,170	$43,225	$332,652
	FPDR 3 Pension Contributions	$24,402,201	$0	$0	$0	$0	$2,856,860	$0	$0	$2,856,860
	Return to Work/Light Duty	$409,900	$0	$0	$0	$0	$28,030	$0	$0	$28,030
Internal Materials & Services Total		**$25,501,327**	**$43,572**	**$42,163**	**$54,380**	**$41,035**	**$2,940,997**	**$52,170**	**$43,225**	**$3,217,542**
Capital Outlay	Capital Outlay	$50,000	$0	$0	$0	$0	$0	$0	$0	$0
Capital Outlay Total		**$50,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Fund Expenses	Contingency	$11,518,151	$0	$0	$0	$0	$0	$0	$0	$0
	Debt Retirement	$43,152,972	$0	$18,634	$26,024	$0	$4,503	$1,250	$31,681,625	$31,732,036
	Interfund Cash Transfer Expenses	$891,151	$11,035	$11,035	$11,035	$11,035	$15,397	$11,035	$11,035	$81,607
Fund Expenses Total		**$55,562,274**	**$11,035**	**$29,669**	**$37,059**	**$11,035**	**$19,900**	**$12,285**	**$31,692,660**	**$31,813,643**
Expenses Total		**$228,702,601**	**$11,116,896**	**$1,134,152**	**$12,111,258**	**$23,720,249**	**$3,748,921**	**$12,586,067**	**$43,880,847**	**$108,298,390**