City of Portland Bureau of Fire and Police Disability and Retirement
Agenda for Regular Meeting – Board of Trustees
Tuesday, March 15, 2022 – 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 25, 2022 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://us06web.zoom.us/webinar/register/WN_OFgcHFz0Sa-tOR-48UOJkA*** *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 15, 2022 electronic board meeting is Monday, March 14, 2022 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 11, 2022.***

ACTION ITEMS

1 Annual Adjustment Review
   - Issue: What shall be the FPDR Two 2022 benefit adjustment?
   - Expected Outcome: Board determines FPDR Two 2022 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 Future Board Meeting Location/City Vaccine Policy for Volunteers

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.*

[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 25th day of January at 1:05 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:

Margaret Carter – Board Chair
Catherine MacLeod, Citizen Trustee
James Huang, Citizen Trustee
Kyle MacLowry, Fire Trustee

Board Members Absent:

Christopher Kulp, Police Trustee

Also present were:

Sam Hutchison, FPDR Director
Kimberly Mitchell, FPDR Claims Manager
Stacy Jones, Deputy Director/FPDR Finance Manager
Julie Crisp, FPDR Business Systems Analyst
Julie Hall, FPDR Office Specialist
Franco A. Lucchin, Sr. Deputy City Attorney
Lorne Dauenhauer, Outside Legal Counsel
OpenSignal, Pdx

Board Chair Margaret Carter (Chair Carter) welcomed everyone and called the meeting to order.

Newly elected Fire Trustee Kyle MacLowry (Trustee MacLowry) was introduced, and Director Sam Hutchison (Director Hutchison) asked Trustee MacLowry to say a few words. Trustee MacLowry first wanted to take a minute to thank former Fire Trustee Jason Lehman. As the person who will be replacing Trustee Lehman, Trustee MacLowry wanted to say how thankful they are for Trustee Lehman's nine years of service on the board and felt that it will take time to get to Trustee Lehman's level of knowledge. Trustee MacLowry originally hailed from

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Maryland, however, has been in Portland for a good 30 years and has been working for Portland Fire for 15 years as a line firefighter. Trustee MacLowry was a vice president of Local 43 for three years from 2017 to 2020, a committee member and district representative for years before that and felt that some of that experience and knowledge from that time may help Trustee MacLowry with issues that they may arise on the board. Trustee MacLowry was working in the West Hills at Station 15 and was happy to be on the board.

Chair Carter then asked for approval of the minutes.

Trustee MacLeod made a motion that was seconded by Trustee Huang and unanimously passed to approve the November 16, 2021 minutes. (Trustee Kulp was absent from the vote).

Aye	*Chair Carter, Trustee MacLeod, Trustee Huang, Trustee MacLowry*
Nay	*None*
Abstain	*None*

Introduction of non-board members in attendance were then made.
There were no General Public Comments.

Action Item No. 1 – Adopt 2022-2023 Budget

Stacy Jones, FPDR Deputy Director/Finance Manager (Stacy) stated that it was time for the board to adopt the annual budget for fiscal year July 1, 2022 to June 30, 2023. Stacy explained that they are the only board of a city bureau that has the exclusive authority to adopt a budget; that City Council does not have the authority to set the budget for FPDR. However, the FPDR's main revenue source is a dedicated property tax levy and only City Council can levy a tax, so City Charter requires City Council to levy a tax sufficient to fund the budget that the board approves. Stacy added that because FPDR is a city bureau, and they manage a city fund, state and local budget laws require City Council to adopt a budget for all city funds and FPDR will go through the citywide budget process along with the other bureaus in the city.

Stacy also stated that in addition to next year's budget a forecast for the next five fiscal years is also prepared to make sure that they are thinking adequately ahead and although they will be talking mostly about the budget because that is what the board needs to adopt, Stacy was also going to talk about what is going to happen over the next five fiscal years so that they can keep an eye on what is coming up ahead. Stacy briefly went over some additional materials provided

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to the board that are separate from the budget presentation and explained that they were some of the documents that were required to be submitted as part of the citywide budget process.

Stacy then began the budget presentation with the forecast summary. Stacy explained that it was the five-year forecast summary and will have their budget and their five-year forecast and went through each of the columns. The last line of the slide notes "Total Net of TANs" and Stacy stated that TANs stands for tax anticipation notes and went on to explain that since their primary revenue source is property taxes, they issue short term tax anticipation notes every year, so they are essentially short-term bonds. They issue them and repay them in the same fiscal year so including them sort of artificially inflates the size of the budget so the board will often see Stacy present the budget "net of TANs".

Trustee MacLeod noticed that the property taxes are substantially higher in FYE 21/22 than they were last year and than they are projected to be next year and asked if that is something Stacy will be talking about later. Stacy stated that the single most notable thing about the budget is that they are going to drop their property tax revenue ask by four percent and added that they will talk about that because they are sitting on an excess fund balance that they built up in cautiousness and nervousness about the financial risk they were facing and are now feeling comfortable letting go of some of that balance and asking for lower property taxes so that is kind of the answer in advance.

Trustee MacLowry asked Stacy to briefly explain how when total resources and total requirements are always even, how they end up with a balance at the beginning of each fund year. Stacy explained that you will see on the slide that beginning fund balance, that is a resource, so it is always included as a resource in the top and then ending fund balance is always included as a requirement. Stacy stated it does not necessarily make sense to a non-budget person because it is not an expense. It is a balancing item to make sure that the two things balance between resources, so it is what is leftover from the previous year that was not spent. If they don't spend any of their fund contingency and they spent exactly what they said they were going to spend and got as much revenue as they thought they were going to get, then what they had set aside for fund contingency would be fund balance. They would just have the fund balance hanging out there for them to use the next year.

Trustee MacLowry asked if it does not revert back to any sort of General Fund. Stacy replied "no" and that there is no connection between the General Fund and FPDR. The FPDR sits on

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their money and the way that they deal with having too much fund balance is to reduce what they ask property tax owners to pay them in the next fiscal year which is what they will be doing next year and alternatively, when they do not have enough fund balance, they ask for a little bit more.

Stacy then pointed out the changes of percent from year to year and stated that net of TANs they have very slight growth for FYE23 compared to their projection for the current year, but they will see heftier growth once they strip out the fund level requirements. Stacy explained that fund level requirements is where everything lives that really does not have a lot to do with operating their programs. Stacy stated that they are having average annual growth of about six percent a year which is similar to their growth rate over the last five years. Stacy also reminded the board that they are having growth above and beyond usual inflation and have been for the last 15 years and will continue to have for the next 15 years at least because they are transitioning from the pay-as-you-go pension plan for the FPDR One and FPDR Two members who are now either retired or halfway through their working careers and then the pre-funded pension program for their FPDR Three members who are in PERS and while they fund the two plans simultaneously they will get that double whammy for a generation which is why they are going to see tons of expenditure growth at FPDR. But Stacy added that it was part of the plan and expected when the change was adopted in 2006.

Stacy stated that last year there were so many things to worry about with the budget, but it boiled down to three things, at least in the short term:

- runaway costs in FYE21
- related drop in fund balance
- whether property taxes, which are FPDR's main revenue source, were going to be resilient through the pandemic.

Stacy was happy to report that they had a very happy ending to all three of those items. Stacy stated that exactly one year ago they were in the middle of a record-breaking retirement year, and we were also in the midst of the craziest spike in new disability claims that they ever experienced driven by last year's winter Covid surge. Stacy added that although Fire and Police overtime on which they pay PERS contributions had cooled by then there was constant fear of its return at any moment, but in reality, what happened after they board adopted the budget last year is that both Covid claims, and the retirements dropped off almost entirely and they did not think that would happen. However, Stacy added that they are currently experiencing and have been for the last few weeks a second massive wave of Covid related claims, but they are hoping those will be

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of shorter duration because nearly all of the sworn employees are vaccinated, the quarantine period is now shorter for people who have been infected and they are hopeful that it is going to be less impactful than last year's Covid wave. In terms of property taxes, Stacy stated that they were worried about delinquencies and compression losses for property taxes, and you would get more compression losses if a lot of governments raised their levies to deal with higher delinquencies. They were all afraid that fewer people would be able to pay their property taxes and then everyone increasing their levies to manage for that produces more compression. In fact, the City Economist predicted delinquencies would be worse this year because commercial delinquencies would be higher, and it looks like the City Economist was right. Delinquencies went from a kind of normal 4 – 4 ½ percent up to 4.6 percent last year and it is looking like they are going to at around 5 percent this year but that increase in delinquencies was very absorbable and it was not bad in a way that could destroy the budget and compression did not really budge so FDPR came out great on that. In terms of fund balance at this time last year, Stacy stated that they were also projecting a historically low fund balance and thought they would end the last fiscal year with only $8 million but they wound up only having to draw about $3.5 million out of fund contingency last year to cover all of the spending and then on top of that property taxes came in better than they thought, a couple of million dollars over budget with the fortuitous result that they wound up with a perfectly reasonable $14.5 million ending fund balance. Stacy added that on top of that they set fund contingency a little high for the current fiscal year to manage for all the risks and at the moment it appears that they won't need any of that contingency in the current year so that contingency in the current year will also follow the fund balance is what they are projecting so that means that they will end the current fiscal year with about $25.3 million in fund balance. Stacy stated that they are experiencing the upside effects of budgeting and forecasting pretty conservatively through the pandemic, they have been financially stable through the pandemic thus far, and they can now use that excess fund balance to ask the taxpayers for a little bit less next year.

Stacy then went on to list the new concerns for this year. Stacy stated that they are less dramatic than the concerns of last year but wanted the board to be aware of them:

- Fire and Police Administrative Consolidation. City Council created an Office of Community Safety at the Office of Management and Finance to consolidate some of the finance and other back of house administrative staff at Police, Fire, Emergency Management and 911 to create efficiencies where there are shared functions or like tasks

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across those bureaus. Transition issues have had some impact on FPDR's budget projections and processing.

- Retire-Rehire Programs. Return of the Retire-Rehire Program at the Police Bureau and Fire Bureau is bargaining for a similar program. This is a program that began at the Police Bureau where a member can retire, FPDR starts paying them as a retiree and then the bureau hires them back immediately, so they continue working as a police officer while getting a pension from FPDR. In the short run, it drives up pension costs because it incentivizes retirement, but on the other hand it also drives down PERS contribution costs for FPDR Three members because FPDR does not pay the PERS contribution costs for the retire-rehire, the city pays for those contribution costs. The Retire-Rehire Program does not change anything related to the FPDR pension; FPDR would pay them in the same way, so it has no impact on the member's pension. It also has no impact on the disability plan.
- Open PPA Contract. The Portland Police Association (PPA) contract has been open since June 30, 2021. They are the largest of three sworn labor contracts and remain in mediation. The PPA contract is more than six months past expiration which means that potential retroactive payments are piling up. FPDR staff are expecting that when their contract is finalized it will include a retroactive COLA, but their forecast does not include funds for bonuses or additional salary increases or new premiums.
- High Inflation. Inflation clocked in at about 7 percent for 2021 and that is the most inflation they have seen in the U.S. in about 30 years. The primary way it impacts the fund is through wage inflation and that is because wage cost of living adjustments for city employees are tied closely to inflation. FPDR will see a 5 percent wage COLA for Police and Fire on July 1, 2022 and that in turn will increase the cost of virtually all FPDR benefits because most of them are connected to wages in one way or another but inflation is also hitting FPDR in administrative costs a little bit and that's mostly in personnel because everyone who works for FPDR is also a City employee and is going to see that 5 percent wage COLA on July 1, 2022.

Trustee Huang asked Stacy what the impact to the budget would be if they were hit by another Covid variant. Stacy replied that they have enough money in fund contingency for next year to cover the same level of increased disability costs that they experienced last year when they had their Covid wave. Stacy also added that disability benefits are a very small part of the budget and unless something really new and dramatic happens, the risks are pretty manageable within the size of their fund for the kind of contingency they normally set.

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Stacy then went through the FYE23 expenses and pointed out that virtually all of their expenses are pension related and almost 3/4ths of their costs are for direct pension benefits for their FPDR One and FPDR Two members and about half of the remainder is for PERS contributions which are the contributions they are making for people who were hired in 2007 and later. PERS contributions are a little bit more of the budget this year. Last year they were 14 percent and this year it is 16 percent. Stacy added that is what they should expect to see as they phase in the pre-funded PERS population.

Going over FPDR One and FPDR Two pension payments, Stacy explained that they built the budget with a combination of actuarial models and economic forecasts, and they are projecting about a 5.4 percent growth for the next year. Stacy stated that they experienced about 3.8 percent growth in pension expenses for the current year and their average annual growth over the last five years in pensions has been about 5 percent so that 5.4 percent is pretty typical. Stacy added that they expect far fewer retirements in FYE22 and FYE23 and their actuarial modeling is showing only 44 retirements next year. However, these are unprecedented times and actuarial models are by their nature backward looking so Stacy stated they went ahead and added 20 cushions to their retirement projection for this year just to make sure that if they get surprised and 20 more people retire than they think, they have the money built into the budget separate from fund contingency. Stacy also went on to say that there is also the risk that deaths will remain high because of the continued pandemic which would reduce costs so those are some of the factors they were thinking about as they built the budget.

Stacy also explained to the board that costs are going to keep going up as FPDR Two retirees continue to become a bigger portion of the group because the pension benefit for FPDR Two retirees is more generous than the pension benefit for FPDR One retirees who are now passing away and becoming a smaller part of the group. Stacy went over a graph showing ten years of actual retirements, projected retirements for the current year, and projected retirements for the next five fiscal years.

Chair Carter asked Stacy whether they find police members retiring more than fire members because of the endangerment of the job itself. Stacy replied that they do find that police retire with fewer years of service than fire members. Trustee MacLowry added that police is also a bigger group. Stacy also stated that they have a lot of firefighters who work for the full 30 years but do not have many police members who work for the full 30 years but to bear in mind that police officers do tend to be a little older when they are hired, and the jobs are different.

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Stacy continued on to PERS contributions and stated that it is the second biggest item in their budget – about 16 percent and it is the fastest growing part of the budget. Stacy added that every year there are more and more FPDR Three members, their wages are scaling up every year, and PERS contribution rates go up every two years. Trustee MacLowry confirmed that the PERS employer rate was not going to go up in FYE23. Stacy stated that it went up for the current FYE22 so it will not go up again until FYE24.

Moving on to the disability benefit slide, Stacy reminded the board that disability was four percent of their total budget. Stacy went over the different categories and stated that they are seeing increases that are in line with wage inflation because except for medical payments, the other benefits are all a percentage of wages, so they are going to go up as wages go up. Medical payments are going to go up with medical inflation. Stacy also wanted to point out that in short-term disability, benefits were very high last year in FYE21 and that was because of Covid claims in the sworn workforce, but they have projected that they will go down to normal levels in FYE22. However, Stacy added that while they assume that Covid claims have reduced to the point where they are returning more to normal from a financial point of view, Stacy was less confident than she was two weeks ago and wanted to be transparent to the board about that.

Chair Carter stated that they do not know the extent to which the disease itself might affect those that are long haulers and how can they anticipate for that or is that considered an emergency kind of fiscal issue. Stacy was going to defer to Kim Mitchell, Disability Manager (Kim) to answer the question but first stated that based on actuarial modeling, they do assume that some people move from short term disability to long term disability, but they had not updated that model in Covid times. However, Stacy stated that even if they had 10 or 15 people moving from short term to long term disability, since disability is only four percent of their budget, it would not be a problem.

Kim was pleased to report that they have had only two long haul type Covid claims, and both of the members have recovered well, and they are back to work. Kim added that fortunately what they have seen with the current spike in Covid claims is that the duration of disability has been shortened and part of that is that the medical providers are following the CDC's new guidelines which shorten the length of disability. Kim also stated that most of their members who have had Covid, had their couple of weeks off, and have returned to regular work.

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Trustee Huang asked whether the City of Portland follows the CDC's definition of fully vaccinated to which Director Hutchison replied that fully vaccinated for the City right now is the two doses or single dose if you have the Johnson & Johnson version. Director Hutchison added that the City is strongly recommending the booster, but it is not required. Trustee MacLeod asked if staff has a general approximation of what the fully vaccinated percentages are for police and fire. Kim stated that is something they will have to follow up on.

Stacy stated that the administrative expenses of the plan were two percent of the budget and that personnel was about 2/3rds of all of the administrative costs which was similar to prior years. Stacy stated that they have 17 employees and while they can control the number and types of positions, compensation is mostly controlled by the City, and it is set in accordance with the City's compensation rules and so they are seeing bigger growth in personnel than they have in many years. In addition, they expect all City staff to get a five percent wage COLA on July 1, 2022. However, Stacy noted that 14 of 17 employees did not get any wage COLA in 2020 so the 2023 budget is only $2,000 different from their 2023 forecast from two years ago for personnel. Stacy added that elsewhere in the budget they are seeing a bit of impact of inflation in services and supplies and the biggest cost increases they are seeing are in labor-intensive services which are experiencing the same salary pressures that they are as inflation goes up, i.e., technology services, Office of the City Attorney. However, Stacy went on to say that there will be cost savings on the horizon in administration because FPDR will be moving into a smaller and cheaper office space later this spring that they are hoping will produce about $50,000 a year in savings.

Stacy then went over the actual fund balance for the last three fiscal years and the projected fund balance for the next two fiscal years. Stacy explained how they needed more cushion in their funds last year because there was a ton of volatility and how they managed the cash flow shortage with tax anticipation notes. Stacy explained the variability and how their fund balance gets dedicated to contingency. Stacy stated that FYE21 was not as bad as they were concerned it could be and only had to draw $3 million out of fund contingency and also that property taxes came in about $2 million over budget. With all of those things, the fund balance ended up at almost $15 million which is pretty much on target with where Stacy wanted to be but because they were mitigating for all of the pandemic risks and making sure they had enough contingency to cover all of the risks that they were facing last year, contingency was set pretty high for the current fiscal year. Stacy explained that now that it appears that they will not need that much of contingency, it will drop to fund balance and fund balance will be a little over $25 million at the

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end of the fiscal year on June 30, 2022. Stacy would therefore like to draw that back down to the $15 million range by the end of next fiscal year and recommends accomplishing that by not increasing the property tax levy.

Stacy then went over Revenue and stated that nearly all of their money comes from property taxes and there are two tiny slivers of other revenue which is mostly interest income on fund balance and interagency revenues. Stacy then explained how they figure how much they need in property taxes. Stacy also explained the impact on the tax rates and the two different kinds of tax rates (RMV – real market value and AV – assessed value).

Trustee MacLeod asked if there was a specific line item for contingency. Stacy stated that it is built in and is part of fund level requirements. Chair Carter asked if there is not enough money rolled up within the budget, how does staff draw on contingency without having to have an emergency meeting. Stacy stated that when they have to draw on fund contingency, they do not have to come back to the board because of the way the Oregon local budget law works. However, they do have to get City Council's permission. Stacy added that when the board adopts the budget, they are essentially telling staff to feel free to draw from contingency if they need to but if the board does not like that, Stacy stated that she has no objection to coming back at a board meeting to let the board know that they have to draw on fund contingency.

Stacy then stated that there was one risk that was not put on the slide – inflation. Stacy stated that it is not a major risk for next year's budget because they have built in high inflation into the budget, but it is a risk in the out years. To manage all of the risks they discussed, Stacy was recommending they have the 20 cushions in the pension budget, but mostly try to make sure they have enough cash on hand to manage the fallout for whatever does come their way; and that they return to something that is more like their usual contingency level which is about 7 percent of operating expenses which would be $14 million in FYE23. Stacy then stated that they could cover 20 additional retirements, potential salary increases and bonuses from the PPA contract, disability costs in an additional Covid surge, and a slightly higher property tax delinquency rate and still have $6 million left over. In addition, Stacy stated that fund contingency was not the only way they have to manage risk and provided examples.

All board members were comfortable with Stacy's recommendations and had no objections or changes to make.

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Stacy asked if the board could adopt the budget with the understanding that staff has the authority to make future technical adjustments to align with other bureaus' budgets. Stacy explained that the board has the exclusive authority to adopt the budget, however, when the mayor's budget is proposed, and City Council adopts the budget for the rest of the city sometimes there is a need for FPDR staff to make small technical adjustments to match up to the Police and Fire Bureau budgets in places where those intersect. However, if there are any significant changes either programmatically or financially, Stacy will bring those changes back to the board. The board had no issue with Stacy's request.

Chair Carter made a motion which was seconded by Trustee MacLeod and unanimously passed to adopt the FY 2022-2023 Recommended Budget as FPDR's requested budget. (Trustee Kulp was absent from the vote)

Aye	*Chair Carter, Trustee MacLeod, Trustee Huang, Trustee MacLowry*
Nay	*None*
Abstain	*None*

<u>Action Item No. 2 – Resolution No. 543 Office Lease</u>

Director Hutchison explained that prior to the September board meeting a review of new office space options was conducted, including local spaces, City-owned downtown spaces, and spaces in the building FPDR currently occupied and at the September board meeting that review, and office space options were discussed with the board as the current FPDR lease was expiring at the end of April. Director Hutchison also explained that one of the things they were looking at with the review was downsizing, unused or poor use of the current space, how everyone has learned how to telework as a result of the pandemic, and hybrid work schedules and as shared with the board in September, the review showed that FPDR did not need as much space as they currently had and moving into a smaller space in their current building was the best option. Director Hutchison wanted to report to the board that since the September board meeting, they have begun lease negotiations. They have a good project manager who comes from the City of Portland Facilities Division and the negotiations have been progressing and there will be cost savings and advantages of staying in the current building. Director Hutchison then went over the anticipated timeline, lease terms and costs.

Trustee MacLeod made a motion that was seconded by Trustee MacLowry and unanimously passed to adopt Resolution No. 543. (Trustee Kulp was absent from the vote)

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Aye	*Chair Carter, Trustee MacLeod, Trustee Huang, Trustee MacLowry*
Nay	*None*
Abstain	*None*

Information Item No. 1 - FPDR Summary of Expenditures

Stacy explained that the expenditure summary report extends through December of 2021 and pointed out that FPDR has not spent any money on PERS contributions yet this year and felt that it goes back to their discussion about the Police and Fire administrative consolidation and reflects the staffing transition issues the consolidation is having that FPDR has not been able to pay any PERS contributions back yet this year.

Information Item No. 2 – Future Board Meeting Location/City Vaccine Policy for Volunteers

Director Hutchison stated that this information item is not important at the moment since the Governor extended the State of Emergency until the end of June. Director Hutchison stated that they will hold off this matter until March on how they want to conduct future board meetings and then also there is a City vaccine policy for volunteers which impacts three board members. It does not impact the Police and Fire elected trustees because they are City employees.

Information Item No. 3 - FPDR Updates

Director Hutchison provided an update on the FPDR Covid-19 claim numbers and shared a table with the information showing a huge spike in November and December of 2020, with a little pick up in August and then the last pick up in November/December 2021 and January 2022.

Director Hutchison also provided updates on the managed care contracts and stated that the contracts for MHN and Kaiser were signed and are operational. The contract with Providence is still being worked on. Director Hutchison stated that the OBS contract is completed and signed and the not to exceed amount was decreased from $750,000 to $385,000.

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Director Hutchison explained that the legislative session will begin on February 1, 2022 and will end on March 7, 2022. Director Hutchison will be looking at all the bills presented this year to see if there is anything that will impact FPDR.

Information Item No. 4– Future Meeting Agenda Items

There was no discussion on this Information Item.

There being no further business, the meeting was adjourned at 3:33 p.m.

Sam Hutchison
FPDR Director

/kk

Board Authority and History

Factors to Consider

Comparing Options

Pension Cost-of-Living-Adjustment (COLA) for July 1, 2022

FPDR Finance Staff

March 15, 2022

Board Authority

FPDR ONE

- No Board decision
  - ✓ FPDR One pensions are a percent of active fire fighter and police officer pay
- Current Police and Fire contracts require 5.0% cost of living adjustment (COLA) on July 1, 2022
  - ✓ All FPDR One beneficiaries will likewise receive a 5.0% COLA on July 1, 2022
  - ✓ Will cost FPDR about $650,000 in FY 2022-23
- Side note: In addition, FPDR One Police beneficiaries are about to receive a 1.6% COLA retroactive to July 1, 2021
  - ✓ To comply with new Portland Police Association contract ratified in February
  - ✓ FPDR One Fire beneficiaries already received a 1.6% COLA on July 1, 2021

Board Authority

FPDR TWO

- Board has sole discretion over timing and amount, subject to a limit in City Charter:
  - ✓ 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"
- Board may choose any increase between 0% and 2% (highest PERS rate)
- Board may vary increases from year to year, skip years, grant increases at any time during the year, give multiple increases a year, etc.

History: Past COLA Approaches

Connection to PERS COLA Calculation

- From 1991 - 2013, Board used identical COLA calculation as Oregon PERS:
  - ✓ Inflation (CPI-U) up to a maximum of 2.0%
  - ✓ "Carry over" from low inflation years allowed, with result that nearly everyone got a 2.0% COLA nearly every year
- 2013 PERS legislative reforms and subsequent litigation changed the PERS COLA calculation:

Current PERS COLA Methodology		
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%

- Since then, Board has sometimes used modified versions of the new PERS COLA calculation and sometimes awarded 2.0% to all

History: Board COLA Decisions 2014 - 2021

- Since the PERS COLA calculation changed, the Board has awarded various COLAs:

Date	Board Awarded COLA	COLA Calculation	More or Less Than PERS?	More or Less Than Inflation?
July 1, 2021	2.0%	2.0% for All	More	More (1.74% Inflation)
July 1, 2020	1.89%-2.0%	Service Timing Blend: 2.0/1.75%	More	Less (2.69% Inflation)
July 1, 2019	2.0%	2.0% for All	More	Less (3.35% Inflation)
July 1, 2018	1.75-2.00%	Service Timing Blend: 2.0/1.25%	More	Less (4.17% Inflation)
July 1, 2017	1.84-2.00%	Service Timing Blend: 2.0/1.25%	More	Less (2.14% Inflation)
July 1, 2016	1.23-2.00%	Service Timing Blend: 2.0/1.25/1.23%	More	More (1.23% Inflation)
July 1, 2015	2.00%	2.0% For All	More	Less (2.41% Inflation)
July 1, 2014	2.00%	2.0% For All	More	Less (2.50% Inflation)

History: Past COLA Concerns

Inflation and Pension Maintenance

- COLAs are crucial to maintaining some level of member purchasing power
  - ✓ Even the maximum 2.0% COLA will not allow pensions to keep up with inflation over long retirements

Taxpayer Cost

- Taxpayers already funding generous pensions in expensive manner (pay-as-you-go)
- Current taxpayers funding two generations of retirements simultaneously
- COLAs are a significant expense over the long run

Risk of Tax Levy Hitting $2.80 Charter Cap

- Concern has abated as real market value has soared, now low risk of hitting cap

Desirability of Maintaining Connection to PERS

- Legal and historic connotations/interpretations of PERS limit in City Charter
- Differences and similarities between PERS and FPDR

Potential Considerations

Purchasing Power Maintenance

- Purpose of a COLA is to limit or prevent erosion in the buying power of a benefit or wage
- Full maintenance of purchasing power requires a COLA equal to inflation each year
- Since Board cannot exceed maximum PERS COLA (2.0%), Board cannot grant a COLA equal to inflation each year

Fund/Taxpayer Cost

- Cost to Portland residents: Higher COLA requires larger increases in property taxes
- Even without COLAs, FPDR tax levy will increase very significantly for next 15 – 20 years
- However, FPDR tax levy will decline on a one-time basis for fall 2022

Economic Context

- Inflation = 7.65% for 2021 (CPI-U for West Region), highest in about 40 years
- Future inflation and overall economic environment remains unusually uncertain, both for FPDR members and for Portland taxpayers

Potential Considerations

Comparison to PERS/Similar Plans

- Board interpretation of PERS limit in City Charter
- Important to Board to maintain connection to PERS COLA or not?
- FPDR Two members have generous pensions and access to an unmatched 457(b) plan but:
  - ✓ Do not generally receive Social Security benefits
  - ✓ Are likely to have spent entire career with the City (and therefore less likely to have non-City pensions or retirement savings)

Time Horizon and Consistency vs. Flexibility

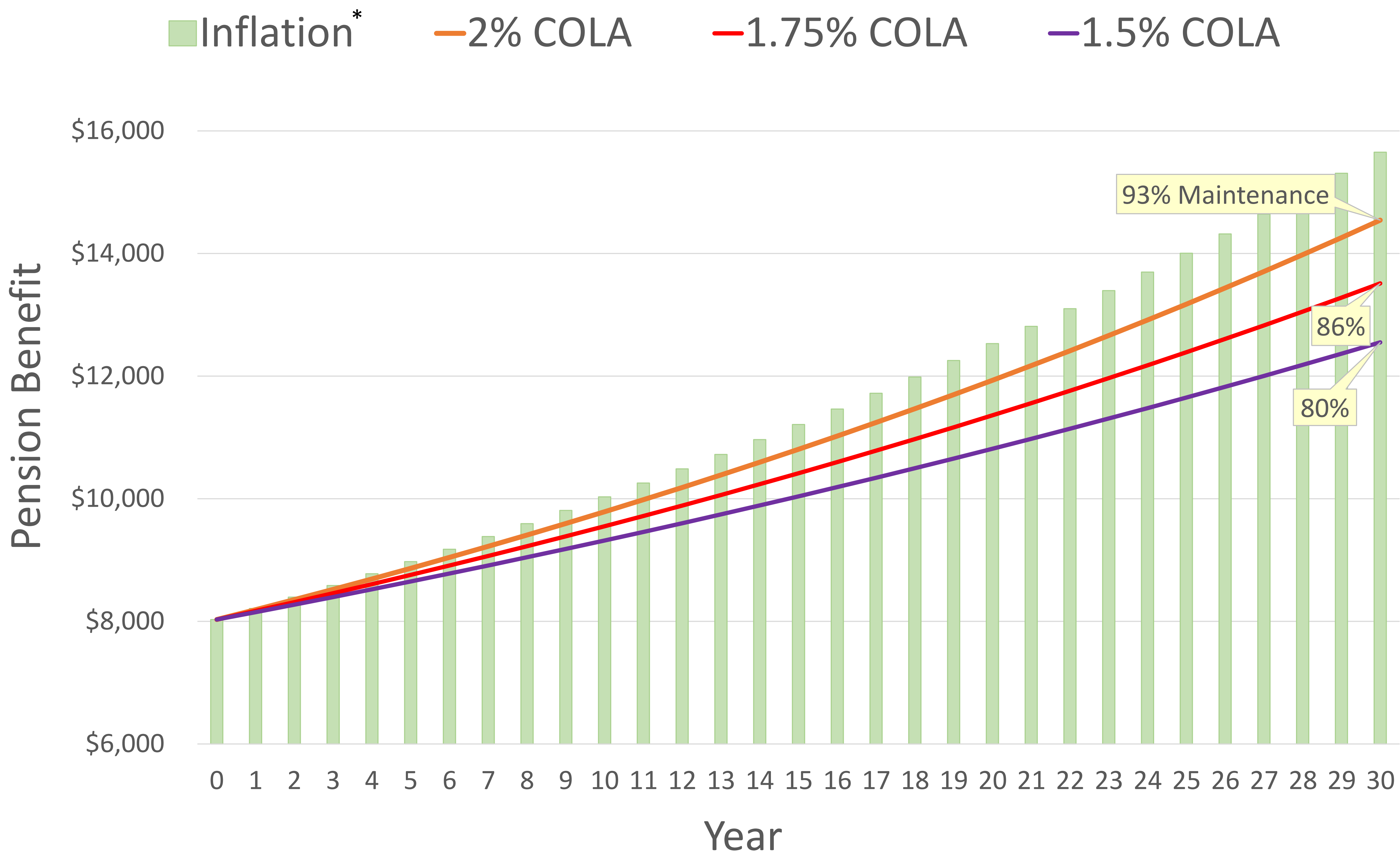
- Consistency is valuable in and of itself, both for members and for managing the Fund
- However, flexibility allows Board to respond to unique situations or new considerations
- This Board cannot bind future Boards to a COLA approach or methodology
- Today's decision is just for July 1, 2022
  - ✓ However, costs and benefits of a COLA method are best compared over the long run
  - ✓ For this Board, is the 2022 decision unique or part of a longer term approach?

COLA Comparisons:
FPDR Fund Cost in FY 2022-23

COLA Option	FY 2022-23 Cost*
1.50%	$160,569
1.75%	$187,330
2.00%	$214,092

*Based on current FPDR Two beneficiary population (assuming no deaths or new retirees before July 1, 2022)

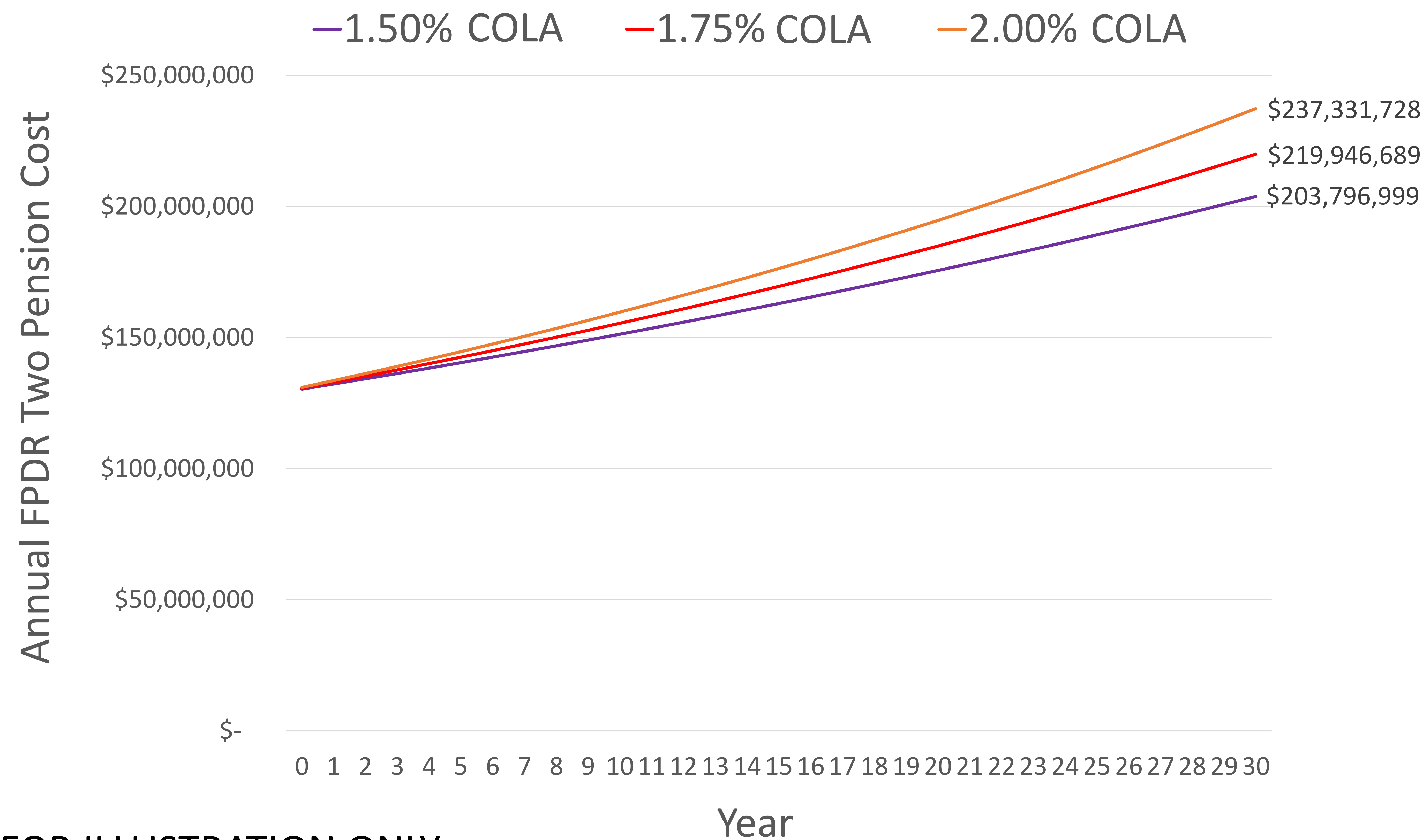
COLA Comparisons:
Purchasing Power Maintenance Example



FOR ILLUSTRATION ONLY

*Assumes 2.25% annual inflation (long-term inflation assumption from most recent plan valuation)

COLA Comparison: FPDR Fund Long-Term Cost Example

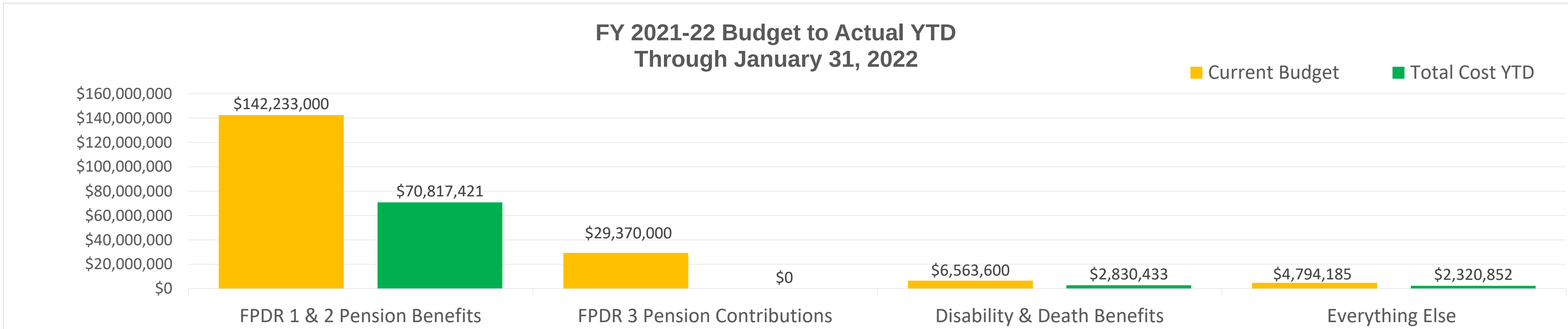


FOR ILLUSTRATION ONLY

*Assumes static FPDR Two pension beneficiary population (no deaths or new retirees)

FPDR Two Pension COLA for July 1, 2022

- Questions?
- Discussion?
- Motion?



FY 2021-22 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	$8,043,625	$0	$0	$0	$0	$0	$0	$0	$0
	Taxes	$190,947,841	-$1,076,969	$406,607	$288,474	$223,464	$121,120,329	$57,646,953	$2,490,483	$181,099,341
	Bond and note proceeds	$60,470,000	$38,542,500	$0	$0	$0	$0	$0	$0	$38,542,500
	Miscellaneous Sources	$409,000	-$18,475	$31,700	$15,808	$11,388	$13,364	$71,126	$66,614	$191,524
	Interfund Cash Transfer Revenues	$750,000	$0	$0	$0	$0	$0	$0	$0	$0
	Interagency Revenues	$228,200	$1,250	$0	$631	$631	$631	$631	$631	$4,404
Revenues Total		**$260,848,666**	**$37,448,306**	**$438,307**	**$304,913**	**$235,482**	**$121,134,324**	**$57,718,710**	**$2,557,727**	**$219,837,770**
Personnel	Personnel	$2,665,674	$195,392	$229,678	$219,355	$209,165	$218,437	$206,018	$220,798	$1,498,843
Personnel Total		**$2,665,674**	**$195,392**	**$229,678**	**$219,355**	**$209,165**	**$218,437**	**$206,018**	**$220,798**	**$1,498,843**
Ext. Mat. & Svcs.	Other External Materials & Services	$771,350	$63,012	$26,194	-$14,039	$61,707	$95,592	$29,943	$68,234	$330,644
	FPDR 1 & 2 Pension Benefits	$142,233,000	$11,750,513	$25,122	$11,810,765	$11,823,847	$11,817,500	$11,812,658	$11,777,017	$70,817,421
	Disability & Death Benefits	$6,563,600	-$165,070	$562,554	$455,927	$452,885	$439,145	$625,937	$459,054	$2,830,433
Ext. Mat. & Svcs. Total		**$149,567,950**	**$11,648,455**	**$613,870**	**$12,252,653**	**$12,338,439**	**$12,352,238**	**$12,468,538**	**$12,304,306**	**$73,978,498**
Int. Mat. & Svcs.	Other Internal Materials & Services	$736,901	$43,154	$22,121	$164,583	$66,644	$24,773	$86,627	$76,183	$484,084
	FPDR 3 Pension Contributions	$29,370,000	$0	$0	$0	$0	$0	$0	$0	$0
	Return to Work/Light Duty	$545,260	$0	$0	$0	$0	$0	$0	$0	$0
Int. Mat. & Svcs. Total		**$30,652,161**	**$43,154**	**$22,121**	**$164,583**	**$66,644**	**$24,773**	**$86,627**	**$76,183**	**$484,084**
Capital Outlay	Capital Outlay	$75,000	$0	$0	$0	$0	$2,990	$0	$2,210	$5,200
Capital Outlay Total		**$75,000**	**$0**	**$0**	**$0**	**$0**	**$2,990**	**$0**	**$2,210**	**$5,200**
Fund Expenses	Contingency	$16,114,447	$0	$0	$0	$0	$0	$0	$0	$0
	Debt Retirement	$60,886,741	$15,000	$19,764	$0	$0	$2,383	$0	$38,588,366	$38,625,513
	Interfund Cash Transfer Expenses	$886,693	$10,467	$10,467	$10,467	$10,467	$16,011	$10,467	$10,467	$78,813
Fund Expenses Total		**$77,887,881**	**$25,467**	**$30,231**	**$10,467**	**$10,467**	**$18,394**	**$10,467**	**$38,598,833**	**$38,704,326**