FIRE AND POLICE DISABILITY AND RETIREMENT BOARD OF TRUSTEES MEETING	MINUTES

This was a hybrid meeting with the option to attend in-person or remotely via a Zoom webinar platform.

Date and Time: September 26, 2023, at 1:18 p.m.; The meeting was in recess from 3:21 to 3:30 p.m.; Meeting adjourned at 3:54 p.m.

Board Members Present:

Catherine MacLeod (Citizen Trustee); Tom Kramer (Citizen Trustee); Christopher Kulp (Police Trustee); Kyle MacLowry (Fire Trustee)

Also Present:

Sam Hutchison (FPDR Director); Kimberly Mitchell (FPDR Claims Manager); Stacy Jones (FPDR Deputy Director/Finance Manager); Julie Crisp (FPDR Business Systems Analyst); Julie Hall (FPDR Legal Assistant); Franco A. Lucchin (Sr. Deputy City Attorney); Lorne Dauenhauer (Outside Legal Counsel); Kevin Machiz (Community Member); Del Stevens (Retired Fire Member); OpenSignal PDX

Motions Made and Approved:

- Motion by Trustee MacLowry that was seconded by Trustee Kramer and unanimously passed (3-0) to approve the July 25, 2023 minutes.

A text file produced through the closed captioning process for the live broadcast of this board meeting is attached and should be considered a verbatim transcript.

Fire and Police Disability and Retirement

By__________________________________

Sam Hutchison

FPDR Director

CLOSED CAPTIONING FILE

[Captioner on standby]

Director Hutchison: Thank you. Okay. Here we go. So, Christopher Kulp is having technical issues. He's on a city police computer which is having fits trying to get into the network stuff we're doing right now, so he's working to do that and will join us when he can. We don't have any votes today, so we can move through with everything. So, I'll turn it over to you, Catherine. Do you want to go ahead and start?

Trustee MacLeod: Okay. Well, welcome to the September 26th meeting of the Board of the Fire and Police Disability and Retirement plan. I think we start with introduction of our newest trustee, Mr. Thomas Kramer. I don't know if that means Tom that you're introducing yourself.

Trustee Kramer: Thank you, Catherine. I'm glad to be here and I don't want to waste anyone's time by saying more. Sorry, I was warned to toggle on and forgot that I was given that warning. All I said was that I'm glad to be here and I won't waste anyone's time further.

Trustee MacLeod: All right. Thank you. Welcome aboard, we're very, very glad to have you with us, and with luck we'll fill that center seat as well in the near future. So, we look forward to that.

Director Hutchison: Fingers crossed.

Trustee MacLeod: Our first and perhaps only real action item for this meeting is for us to approve the minutes from the July 25th meeting. I guess I don't know the protocol for this, if Trustee Kulp is not able to hear us, and Trustee Kramer was not officially part of that, I don't know if he's appropriate to approve the minutes.

Director Hutchison: You've got a quorum to vote, and you need three positives to say yes. If not, we can just delay the approval to next meeting.

Trustee MacLowry: I'll make a motion to approve the meeting minutes.

Trustee MacLeod: Perfect. Do we have a second?

Trustee Kramer: I'm willing to second. I attended that meeting even though I wasn't a trustee at the time of the meeting.

Trustee MacLeod: We'll take that. All those in favor of approving the minutes as written? Aye.

Trustee MacLowry: Aye

Trustee Kramer: Aye

Trustee MacLeod: All right, so they are officially approved. Thank you very much. Next up is introduction of visitors. And I will ask not being the one sitting in the room, if there's any visitors that want to introduce themselves.

[Attendees introducing themselves off mic]

Director Hutchison: And me, Sam.

Trustee MacLeod: Are there any visitors on the phone that need to be introduced?

Director Hutchison: No.

Trustee MacLeod: All right then. Thank you, I'm glad everyone is here. Next up is public comment period, and I understand that Mr. Stevens would like to make some comments.

Director Hutchison: Del, you're up.

PUBLIC COMMENT PEROID – DEL STEVENS

Del Stevens: Good afternoon. I was anticipating maybe going into some of the inequity issues today, but there's not going to be an opportunity because of the shortness of time. I did, however, make a summary of the issues I thought were important, if I could read that into the record.

Julie Hall: Of course.

Del Stevens: Thank you. Okay. Today's September 26th, 2023. It's the FPDR pension board meeting. Good afternoon. I want to thank you for giving me the opportunity to speak at the FPDR board meeting today. I was not sure how long I would be given to speak, so I have made a summary of the issues that I feel are germane to the way our disability process is handled. I will try to explain how we have arrived at the place we now find ourselves, and what should be done now. We are the only city in the state of Oregon which does not have a disability pension as part of their employee benefits. I come before you today because our firefighters and police officers that become disabled while performing their duties are not receiving the full benefits they are entitled to. However, before I speak to these compelling issues, I would like to share a brief profile of my own experience for the city of Portland.

I was hired as a firefighter on December 20, 1968. I served in a variety of positions over my career with the Portland fire bureau. These included Fire Inspector, Fire Lieutenant, Fire and Arson Investigator, Station Captain, Battalion Chief, Chief, and finally, after working 35 years and having two operations on my back, I received a disability pension in June of 2002. During this time, I was not only pleased to serve the needs of our city but was also active in union activities with local 43 of the International Association of Firefighters. As part of my other duties, I served a term as one of the trustees on the pension board during a very challenging time. We undertook the challenging and lengthy process of creating an entirely new pension structure that would hopefully match or exceed those provided by the Oregon Public Employees Retirement System, known as PERS. We hired a recommended actuary by the name of Bob McCrory to lead us in the year-long process of creating a new pension in 1989. This was a very long and involved effort, but finally resulted in a tier two plan that was endorsed by both the fire and police unions, as well as by mayor Bud Clark. In fact, the firefighters and police officers then working were given the opportunity to accept the new plan or stay with the old plan. Some who had been injured while doing their job previously chose to stay with the old plan. That plan provided for 60% of a firefighter's pay as a disability pension. For those who chose the new plan, they found that a line of duty injury that was career-ending would result in a 2% per year worked with a number of years, maxing out at 30 would be counted. And this would all be based on a member's rank at the time of leaving. Many of us felt this was a benefit that would provide financial security for the rest of our lives. We never expected that PERS would negotiate with the Internal Revenue Service as a result of the Hauser case in 2006 and end up with a tax-protected disability pension.

The issue before us today is that our firefighters and police officers who do the same exact kind of work and suffer a career-ending injury deserve the same benefit. There are many justifications for this. The existing Oregon Administrative Rules of our state are very explicit in its rule that all firefighters and police officers in the State of Oregon shall have a service pension and a disability pension. This law is current, and there are no exceptions made. The City of Portland is not in compliance with the existing state law that all other public fire and police agencies in our state are in conformity with. There are also provisions in our US Constitution that specify equal pay for equal work. There's nothing equal about one group of public employees who have suffered a career-ending disability not paying a federal and state income tax on their pension, while another group in the same profession with disabling injuries also must pay taxes on their pension. This is discriminatory and that is something our country is very careful to avoid. It is even more flagrant when both groups of employees work for the same employer. Another issue that the voters approved, the new pension plan overwhelmingly, in 1990, and it became part of the city charter. What was passed by the voters in our city should not be changed or revised with going back to the voters. When the director of FPDR removed the words "disability pension" from the city charter, he exceeded his authority. The city, in the values it endorses as part of its strategic plans, and there's been several over the years, among other values, one of the prominent values is we are committed to equity and integrity in all areas of our operation. If this is something they truly believe in, they need to bring this issue back before the voters at the next election. The fire and police unions need to be consulted on this issue, as well as the citizens. This benefit is very important to all of our firefighters and police officers, especially the disabled ones who go off duty, and also of course their families. It is time to do the right thing. Those were just the issues that I wanted to make sure would be considered and covered. I understand you have a busy agenda, and you don't want to get into a lot of specific issues. But please, in your capacity to make sure that the process is fair and equitable, don't let this issue keep going. Our members are suffering. We have people out there who have lost their houses. There are homeless people all around, and now is the time to step up and do the right thing. There's no cost involved to the city by giving us the same benefit that PERS has as far as a nontaxable disability pension. If you'd like to ask me questions, I'll be glad to answer that, or we can meet at another time.

Julie Hall: Thank you for your comments, Mr. Stevens. We're going need to move on to the next public commenter.

Del Stevens: I'm sorry, I couldn't understand that.

Julie Hall: Thank you, Del. We have another public commenter, so we're going to need to move on. I appreciate your time today.

Del Stevens: Thank you for giving me the opportunity to speak.

Julie Hall: Thank you.

Trustee MacLeod: May I ask, can you leave a copy of those comments with us so we can have those and review those?

Julie Hall: Catherine, I'll scan those in for you today.

Trustee MacLeod: I appreciate that. Thank you.

Del Stevens: Thank you for your concern.

Trustee MacLeod: Mr. Stevens is the only public commenter I have on my agenda.

Julie Hall: We do have another public commenter today, it's Kevin Machiz. Would you like to come up?

Trustee MacLeod: Welcome Mr. Machiz.

PUBLIC COMMENT PERIOD CONTINUED– KEVIN MACHIZ

Kevin Machiz: Thank you, I'm Kevin Machiz. I’m here today to extend an olive branch. Turning to the next slide, the charter gives the board the authority to grant - looks like we lost the slides. The charter gives the board the authority to grant COLAs up to a 2% cap. Actual inflation has exceeded 2% recently. Several current and former trustees have commented they would want to grant higher COLAs in response to actual inflation exceeding 2% if they had the authority to do so. At the March 15, 2022 board meeting there was discussion about changing the charter to lift the cap. It was even brought up that asking for a measure involving increased taxpayer costs would make this unlikely to succeed. Next slide, hopefully we'll get it up.

I believe there is a way to successfully lift the 2% cap on COLAs if that's still something you want to do for your members. I am proposing two concurrent policy changes. First replace the charter's 2% cap on COLAs with actual CPI inflation, turning to slide three here.

So first, to replace the charter's 2% cap on COLAs with actual CPI inflation, condition on exceeding a specified funding ratio. Second, to adopt a comprehensive actuarial funding policy. By moving these two policy changes forward concurrently, the board would have the ability to give COLAs they seem to want, and the long-term cost to taxpayers would go down. In other words, everyone can get what they most want. Next slide.

If we could skip ahead to slide five, please. Here on slide five what we're going to see is about one-third of all states have implemented similar ties between COLAs and funding. Why have so many states done this? First, these provisions don't ask whether benefits are too generous or not generous enough. The FPDR board wrestles with that question every year, when this topic comes up, and it has gotten the board nowhere regarding that cap. Instead, these provisions ask a much more productive question, which is, what benefit increase can we afford? Second, the policies align everyone's incentives towards funding as quickly as practical.

So, this is slide six. This slide summarizes an example change in funding policy to address a specific concern that Trustee Kulp raised at a prior board meeting. Trustee Kulp asked what increase in property tax would be necessary over a 30-year period under two example funding policies and I responded it would be between 2% and 9%. Trustee Kulp felt that was too high and so this example funding policy is responsive to Trustee Kulp. In this example, there is no increase in cost to taxpayers over a 30-year period. Over the life of the plan, this alternative is expected to reduce costs by $2.5 billion. What I’m proposing is that just a fraction of these cost savings can be dedicated to lifting the cap on COLAs. Thank you.

Trustee MacLeod: Thank you. Before you leave, did I hear you correctly that with no additional cost to taxpayers we're going to find money to prefund the plan?

Kevin Machiz: Over a 30-year period, that's correct. Under the example funding policy shown on the screen here.

Trustee MacLeod: Over a 30-year period. Okay. So, timing of taxpayer contributions would be changed, accelerated, but over the 30-year period you're saying they would be not increased.

Kevin Machiz: That's correct.

Trustee MacLeod: Thank you. Was there a time for any discussion of this? Did any of the other trustees have questions at this time, or do you want to take this up at another meeting?

Trustee MacLowry: I have no questions at this time. Thank you.

Trustee MacLeod: Okay. Thank you very much for your comments. If you can leave these, well I know we've got it in the agenda where we're trying to add these topics to future meetings, so we'll take that under advisement. Thank you very much. Sam, it looks like we're on to information items, because there are no other action items for this meeting.

Director Hutchison: We're going to start with the State of FPDR presentation. I'm trying to get the documents to share correctly on the zoom meeting. Catherine, do you have a copy of the paper?

Trustee MacLeod: I do, thank you.

INFORMATION ITEM NO. ONE – STATE OF FPDR PRESENTATION

Director Hutchison: We'll go ahead and get started here with the state of FPDR. So, we're here to present today the annual state of FPDR for the fiscal year July 2022 through June 2023. The goal of this presentation is to provide you and the audience with an overview of what's happened in FPDR and with the fund over the past year as well as showing how various activities and actions have impacted the fund. Presenting with me today is Kim Mitchell, our Claims Manager and Stacy Jones, our Financial Manager/Deputy Director. So, as we present, I urge you to ask questions about what you hear or see.

So, we'll slide on here to number two to discuss what happened last year. So, recovery from covid, we've had fewer covid claims, but we also had to educate members that we are transitioning away from the covid presumption rule, and that created some confusion over time. So, we had to spend time helping people understand that and how it changed, how those covid claims are being managed and decided. We also had to focus on claims needing attention and focus on presumption claims, so those claims were stressed at the time we had so many covid claims that we now had time to get back and start looking at those and catching up with how we should be handling those claims and preparing for an increased number of presumption claims. We also started the hybrid work schedule, returning to the office half-time. We created the 2023-2028 strategic plan. As far as I can go back in history, this is the first strategic plan FPDR has ever had. It's designed to guide us for the next five years and prepare for additional time after that, and we'll review the plan with you during our January board meeting. We had the 2023 state legislative session, so I constantly monitor and pour through all the bills to see which one of those bills will have any direct or indirect impact on FPDR and our members. So, we had two bills that impacted the board, and two bills that impacted FPDR, and we'll review those bills during our November meeting.

We returned to in-person widow visits, something that we pride ourselves on. We meet with each widow if possible if they're in the local area. We do take some trips outside the Portland metro area to meet with them. They find it invaluable to talk with a person to explain what their benefits are going to be, how they're going to be paid, and what they can expect from FPDR. In the disability area, we completed a process and improvement for digital claim workflow. When we started covid and were thrown out to do the work from home, we had to quickly pick up a digital claim process and so we wanted to come back in and evaluate it and see how we could further improve on it. We hired and trained a new disability analyst.

On page 3, for pension and finance we issued an actuarial RFP and selected Milliman as the FPDR actuarial firm for the next five years. We had to do some rearrangement in our finance team because we had a retirement of a long tenured lead financial analyst who had 25 plus years of service with FPDR, and she was fantastic at her job, took a lot of knowledge with her, we did the best we could to prepare and extract as much knowledge as we could from her before she left. We then promoted a financial analyst into her position from within the bureau, and we had to replace that financial analyst with another financial analyst, so she's our new analyst there. So, we're training everybody up to get them up to speed in those new positions for them. We also added Moda as an insurance withholding option for members. We have a benefit, there is a federal tax law that allows people to take a deduction on their taxes if we pay their medical premium when they retire, up to $3,000. But we have to have an agreement with medical providers to allow us to pay the premium for the member, and Moda finally, due to all the fantastic work with Beth, our Pension Benefit Coordinator, got them on board. So now we have a lot of retirees on Moda, and we can now pay their premium and they can get that tax credit.

So, for technology, we implemented new banking software, the old one had reached its end of life and they were not renewing it. And we upgraded all our computers and laptops, not a glamorous thing to do for the tech side, but it definitely helped us. We had seven, 8-year-old laptops and it made everybody's work smoother.

So, onto slide four, what's happening this fiscal year 2023-2024. We have our first contract with the city of Portland Professional Workers Union, they were just unionized a few months ago. They do not have a contract yet, they're in the process of negotiating that. Half of the FPDR staff are now part of this union when they were non-union before. So, once we have a labor agreement signed, we'll evaluate how it may impact FPDR operations. We're expecting there will be, how we pay people, what we pay them over time, etc. so we'll have to evaluate how that impacts our operation. And then we will review the agreement with the board in a future meeting once we have that information determined with you. We're going to begin executing our strategic plan. We're going to monitor the change to city organizational structure to assess its impact on FPDR, which at this point appears to be very light, very minimal. And we will review that quickly later today because I'd sent you some stuff on it and we'll walk through that a little bit. We're going to monitor the 2024 state legislative session, this is a short session of just a few months. I'm not expecting any PERS or workers' compensation-related bills. This is going to be public safety, drugs, alcohol issues and addiction issues, homelessness, so it's going to be some of the big items like that that are going to be on their radar. I expect there will be in the 2025 long session, there will be some bills coming in, and I'm going to propose one and we'll talk more about that later, next year. We're going to update the board handbook, the last one was updated in 2019. I thought we'd better get that caught up. Nothing big to change, it just needs to be cleaned up. And we're going to be continuing to review our continuity of operations plan, how we respond in a major disaster and how we can keep our services going to our members when there's big things happening to or in the city.

Also, what's happening further in 2023, we're on slide five, disability and we recently lost one of our managed care organizations. They're closing. And we're going to be in the process of figuring out how we manage without that organization, what we should do, and Kim will talk more about that later. That will take some time. We're going to complete the onboarding and training of the new disability analyst, because we have a new analyst and changes from covid, and presumptions we're shuffling claim loads around.

Pension and finance, we have two 27 pay dates in December and June, so that always creates a lot of movement in retirements. We're going to update our retirement education materials on the website, that's part of our strategic plan. And because of the change in city government, this next budget of the 2024-2025, which that work starts almost immediately, is that there's going to be a unique city budget. It's going to fund, half will fund the present form of government, the other half will fund the future form of government, and it's going to be an interesting budget cycle. Stacy may have more on that later when that comes in, but that could put a lot of pressure on us as we go through our budget.

And lastly, technology, we're on slide number six. Another glamorous thing we do for technology, they're replacing a lot of servers, so on the back end if the servers aren't replaced correctly, our database could go down and we could lose access and not be able to service our members, and we have other software and hardware improvements driven by the bureau of technology services. Again, they're not glamorous, but if they aren't done right and we're not on top of it, it could be crippling to the bureau.

On chart number seven, or page seven, is an organizational chart. I don't know if many people have seen this here, we don't have names on it, but it shows you our two teams. The business operations, which is really our finance and pension team that Stacy oversees, and you can see the position for the financial analyst there. And then we have the other team, this is our disability management area, and Kim is the manager over that. You can see all the positions in blue, including even one for the disability accountant, are dedicated to providing disability benefits. The disability accountant doesn't manage claims but does make sure all the checks get out the door for disability. They're over in the finance area because we're dealing with checks, but she works closely with the disability side to keep it going. You'll see we have the police liaison and fire liaison. We pay half their salary, but they are members of the police and fire bureaus. Slide number eight.

This is the program overview. So, programs are the services that we offer to our members, and they're linked to our and the city's budgets and performance measures. And so, it's a different look into what we do. So, we're not looking at people, but at the services we offer. So obviously we offer pension benefits, we offer sworn PERS contributions, that's not actually offered directly to our members, but we're the ones that make sure their contributions are made to PERS. It comes out of our budget and not out of police and fire's budget. We have the disability and death benefits that come out. The fourth box is admin support, that's not a program, but we put them on there anyway because the service they offer allows the three programs on the left-hand side to function. Oftentimes some of these people are the first line of contact for our members and surviving spouses, and they provide invaluable support. They keep us going through all different aspects of what happens in the bureau.

I'll jump over here to slide nine. We talked about performance measures briefly when we talked about programs. The key performance measures, each city bureau also has several key performance measures that best represent the outcomes of the bureau's core service delivery or programs. Performance measures are used to evaluate performance obviously but set city policy and inform the city budget. There are several types of performance measures you'll see, and they capture impacts of the program, there's workload measures, output measures, outcome measures, and efficiency measures. So, the following five slides will cover the FPDR key performance measures that we have. We're moving pretty fast, any questions so far? Anything you've gone over?

I'm going to do slide number nine, the first key performance measure. This is percent of workforce on disability. The trend here shows a slight decline in the workforce on disability as of a specific date, which we always choose June 30th to be specific, the end of the fiscal year. The trend has been leveling off, so we're about 3.2-3.5%. We don't expect it to vary much from that range going forward. It's not our intent to drive it down. So why is this slide important? Well, you can see back about 10 years ago we were up about 4.6%. If we took this back 20 years ago, it would have been 7-9% of the forces would have been on disability at the end of June. So, what's happened in those last 20 years? Because of the 2007 charter change, they transitioned the disability decision making from the board to the bureau, actually to the director. There's a lot of reasons why that happened, but they wanted to be consistent and straightforward in what they were doing. So, our predecessor, she worked closely with Kim and some of the other people to develop claim investigation management techniques that were improved and better able to stay on top of the claims, better able to help people return to work, and monitored the medical services they were receiving. We had the bureaus, both police and fire commit to transitional duty, which is where if they can bring somebody back for a temporary period of time doing light work with the intention that they'll eventually go back to work full-time, we will fund 75% of the wages they pay. So, they would be paid from the bureau, but we'll refund the bureau 75% of the wages. So that partnership has really encouraged the bureaus to get people back to work. And we have a strong work ethic with our members. They don't like being on claim and not working. So, you put all this together we've gotten a good result on that performance measure.

Stacy Jones: All right. I'm going to pick up from here. As Sam mentioned I'm Stacy Jones, and I manage the pension program and FPDR finances. I'm going to pick up from here. Our next key performance measure shows, it's not really a measure of performance, it's a key data point we're tracking, which shows the number of FPDR 2 retirements from active service each year. So, you'll see the total number of retirements on the left axis, and then you can see in each bar the police retirements are of course in blue, and the fire retirements are in red, I can never resist. So just for the benefit of Trustee Kramer, FPDR 2 members are those members hired before 2007 in the active workforce, and so when they retire, they're FPDR 2 retirees and we pay their pension benefits directly. So, at this point all of our new retirees are FPDR 2 members. You can see that, hurray, we had a more or less normal retirement year last year in fiscal year 2022-2023 after some very unusual highs and lows in the previous three fiscal years, that I'm sure everyone on the board remembers, except for Trustee Kramer, who wasn't here. Fiscal year 2021 was the highest retirement year ever in FPDR history. And then it sandwiched right between two of the lowest retirement years ever. So, it was kind of nice to be back to normal last year. So, on a strictly actuarial basis, we would have projected 13 fire retirements and 31 police retirements, so it was a bit higher than that. But we always budget for a bit more, and we actually budgeted for 61 retirements last year, and it came in lower than that at 53. So that is what retirements looked like last year. If we move on to the next slide, as those FPDR 2 members retire, what happens? They get replaced with newly hired FPDR 3 members. And again, FPDR 3 members are those who are hired 2007 and later, and they're covered by PERS for their pensions, not by FPDR. However, we do provide their disability plan, so they're not enrolled in workers' comp, just like the FPDR 1 and 2 members. And we're funding – the FPDR fund and hence the FPDR property tax levy – is the funding source for their PERS contributions. So, you can now see the FPDR 3 members are now making up a slight majority of the city's sworn workforce, it's been climbing and climbing. It's a little bit more at police, it's 52% at fire, and 59% of police, so it is a majority of both bureaus now. Fire employees tend to work longer, so the fire workforce tends to turn over a bit more slowly.

If we move on to the next slide, slide 12 my favorite chart, which all the trustees are used to, but again, I keep calling you out, Trustee Kramer, for the benefit of Trustee Kramer. So, we pay virtually all of our costs with our dedicated property tax levy, which is separate from the city's general government levy. But the city charter caps that levy at $2.80 per $1,000 of real market value, always remembering that's totally different from assessed value, which is what you actually pay your property taxes based on. But what this chart shows is where the FPDR tax rate has been over the last five years, and where it is projected to be over the next 20 years, in relation to that cap, and the cap is depicted as a red line across the top. So, the blue line shows, and I've got to make sure I get my colors right on the screen. The blue line shows the actual rate for the last five years. You'll notice that dip down to $1.11 last year, and that happened because we were using up some excess fund balance that we had built up during the pandemic. And so essentially, we returned some of that money to the taxpayers by dropping our tax levy a bit. The I guess is it brown line, for the next five years is the city economist projection of what the rate will be for the next five years. That's as far out as you're going to get an economist to go. As he's looking with the best sense of what's going to happen with real market values, and then we of course also do a five-year projection of our spending. Now beyond that, we turn the projections over to the actuaries, and so these next two lines, which oh, boy, the bottom line which I don't know what color that is either, I should have written these down. The top line is green and the bottom line I guess is brown. The bottom line shows what an actuarial analysis and projection predicts the tax rate will be at the medium probability, out of thousands of scenarios that the actuaries throw at this, predicts the rate will be at medium probability. And the top line shows what they predict it will be at the 95th percentile probability, which you can kind of think of as a worst-case scenario. They've peeled off the worst 5% of cases, but the 95th percentile. So, the bottom line, as has been the case for many years now, is that the levy is not projected to be anywhere near the red line, not even in our moment of peak expense in the 2030s. And that peak expense moment will happen when the entire workforce is FPDR 3, so we are prefunding an entire generation of employees' pensions, and we have a full contingent of living FPDR 2 retirees. So, we're simultaneously funding an entire generation of direct pay-as-you go retirees. So, we'll be fully funding two generations of employee pensions simultaneously. After that moment mortality in the FPDR population will start to make costs go down, and then future taxpayers will reap those benefits.

So, moving on to the last slide on some bureau-wide metrics. These are two different measures of administrative spending of the plan over the last 10 years. So, the gold line shows administrative spending as a percent of total plan spending, and the purple bars show administrative spending per plan participant. So, both of those are really common measures for tracking administrative spending in really any kind of benefit plan. So, I would like to show both to the board, but I prefer the administrative spending per participant as a better measure, because the number of plan participants is relatively stable, at least compared to the operating budget, which is increasing very rapidly, much more rapidly than inflation as we fund those two generations of retirees simultaneously, and as we continue to phase into that funding. So, we are having a lot of growth in the denominator of the gold line and the purple bar is a little more stable. The administrative spending is pretty small. It was $2.9 million last fiscal year, and it was $2.6 million the year before. So small changes can make large percentage swings. But we did spend a little more on administration last year, about $300,000 more, and that was because of personnel and vendor payments. So, in personnel, we had a 5% COLA for all city employees, or all FPDR employees I should say, which is the maximum COLA permitted in the city labor agreements. We filled our new disability analyst position partway through the year, and we had a large vacation leave payout for that beloved lead financial analyst as she left. So, personnel, higher spending than usual last year. And then for vendor payments, it was a planned valuation and tax levy analysis year, which meant we spent more on actuarial services, we also hired a firm to help us with our strategic plan and we spent a little bit more on administrative costs in the disability program. It was a really normal fluctuation, and then higher personnel costs are what led to that uptick last year. And with that, I'm going to turn and talk about the pension program starting on the next slide, which I manage. So please interrupt me and ask questions so that I am not listening to myself drone on and on. You can ask me anything you want. There's got to be something, I'm sure there is stuff.

So, pivoting now from those kinds of broader bureau-wide measures, let's talk about the pension program and then I'll kick it over to Kim and she'll talk about the disability program. Some of these slides I show you every year, just so everyone can have a grasp of where we are in this transition from a pay-as-you-go plan to a prefunded plan. So, this chart shows the number of people who received a direct pension benefit, FPDR pension benefit from us at any point in the fiscal year. Those are pay-as-you-go pension benefits, and that could be retirees, surviving spouses, divorced spouses. The total number of pension beneficiaries are in the bolded totals at the top of the bars, and then the percent who are FPDR 1 are in purple in the bar chart and the percent who are FPDR 2 are in tan. So, the FPDR 1 members are those folks who were already retired or on long-term disability in 1990, and the FPDR 2 members are the folks who retired after 1990. So, our retiree population is a mix of FPDR 1 and 2, and our active population is a mix of FPDR 2 and FPDR 3. Yes?

Trustee Kramer: I'm sorry, may I go back over something I think I heard you say? Let's imagine we have a retired member for whom a portion of the pension is being paid to an alternate payee pursuant to a divorce order. Are they counted as two participants or one?

Stacy Jones: No, they're counted as two, because this is a head count. That's a good question, because normally when you're counting these things for auditors and such, it's just one pension benefit, but this is a head count. Great question. So, you can see in this slide that ongoing transition from a retiree population that was a mix of FPDR 1 and 2 to one that is mostly FPDR 2. At the start 10 years ago, a third of our retiree population were FPDR 1 members, and now it's only about one-eighth. That does translate into more expense for us, because the FPDR 2 pension benefit is more generous than the FPDR 1 pension benefit. And then in addition, most of those remaining FPDR 1 pension beneficiaries are surviving spouses, and the surviving spouse benefit is also smaller than the member benefit. So, we are having increasing expenses in that pension population, in that retiree population. And then if we go to the next slide, we are also having increasing expenses in our active population. This shows all of our actively working police and fire members. It shows the total number of members who are actively working as of June 30 each year. So, this is a little different, the previous slide shows everybody that we paid over the course of the whole year, this is a head count on June 30th. And then it shows the percent now who are FPDR 2 versus FPDR 3 in the bars, because the active population is that mix of 2 and 3, so the FPDR 2 are still in tan, but now the FPDR 3 are purple instead of the FPDR 1. But the first thing I want to talk about, and we've talked about this every year for the last several years, is that the first thing I think should jump out at you from this chart is the decline in the size of the sworn workforce that you can really see during the pandemic and fiscal year 2021. And that is on top of an earlier decline that you can't fully see in this graph that really started in fiscal year 2012-2013, you can see the tail end of it. And then that subsequent decline during the pandemic and fiscal year 2021 and then you can see that staffing just hasn't yet recovered. And it's been essentially flat, and that staffing problem as always is pretty much at police. So that problem persists, and it is holding down our PERS contribution costs, as I keep saying, once they get staffed up, we're going to see a big increase in PERS costs. That's how it's impacting us, but it's obviously impacting lots of other things that we care about at the city. Here again you can see that ongoing transition from FPDR 2 to FPDR 3. Ten years ago, only a quarter of the active workforce was FPDR 3, and as we've talked about earlier, now over half of the active workforce are FPDR 3. So that transition, again, means more costs for us, because active FPDR 2s don't cost us a dime, at least not in the pension program. They cost us a lot of money when they retire. But active FPDR 3s only cost us money while they're working, because we are prefunding their pension benefits with PERS. So, as we have more and more FPDR 3s, we have to pay more and more PERS contributions.

If we look at the next slide, let's talk about money, my favorite topic. So, this slide shows how much money we've been spending on all these people. This has all the pension expenses for the last 10 years. The total, no that's not true, the total is not in bold at the top. The PERS contributions expenses for the active FPDR 3 members are in purple, with that dollar amount above the purple bars. And then the costs for direct pension benefit payments to FPDR 1 and 2s are in the tan bars. So, you can definitely see the growth in the PERS contributions that I was just talking about as more and more of the sworn workforce becomes FPDR 3. So that's a trend we saw on all the earlier slides. But it's not just growth in the workforce that's making those contributions go up, it's also wage growth. Which there is sort of structural wage growth as cost-of-living adjustments happen, and then there is wage growth that is happening as this population filters through the organization at police and fire, as they move through the step increases, as they promote into higher paying job classifications, as they get specialty premiums, all of those things. And then in addition to that, the PERS rates go up every two years, or at least that's been the case ever since I joined the workforce. So, all of those things are contributing to escalating PERS costs. But you could also see the PERS contribution costs are still dwarfed by our direct pension payments to the FPDR 1 and 2 retirees, and that will be the case for many more years to come.

So, the average annual growth in all of these costs over the last 10 years is 5.2%, and costs grew 5.5% in 2022-2023. So that is pretty much in line with the trend that we've seen since we started phasing in the prefunded plan for the FPDR 3s. So again, the theme is 2022-2023 returning, things returning to normal. And if 5% average annual growth seems high, remember, we're very deliberately and intentionally funding two generations of retirees simultaneously in order to save money for future generations of taxpayers. But to do that, we have to double up on expenses for this current generation of taxpayers. So that is why costs are growing so rapidly. This is all being done on purpose as part of the 2006 charter reform. All right, any questions about the pension program overall before I want to spend a few slides on a particular issue in the pension program that I wanted to share with the board? But any questions on pension program in general?

Trustee Kramer: I'm afraid you covered this on an earlier slide, but it's only starting to make sense to me now, Stacy. The maximum expense point I think you said will be when essentially all of our tier 2 retirees are in pay status, and our workforce is almost exclusively tier 3 people for whom we're prefunding. And if you told us sort of when roughly we think we'll hit that peak, I missed it. Would you go back to that?

Stacy Jones: Yeah, definitely. That's also a good question, I don't think I did mention that. So right now, we think that will be in the late 2030s, maybe even the early 2040s. Earlier we thought that would be, up until very recently, we thought that would happen sooner, more like the mid-2030s. But this slow hiring that's happening is pushing that date out a bit, it looks like, as our actuaries keep updating their projections. So now for non-inflation adjusted dollars, we think our high point would be in 2041 for the levy, but that's non-inflation adjusted dollars. On an inflation adjusted basis it would be in the late 2030s. Another great question. Any others before I move on?

So, I wanted to highlight an issue this year for the board if we can move to the next slide. In addition to the usual data points and program parameters we talk about each year, I want to talk about a particular service that we provide at FPDR that the citizen trustees may not even know we do this. I'm sure Trustees MacLowry and Kulp know we do. And it's a service area we've been struggling with for the last couple of years, so I wanted to share data around it, because it's also a service area that's changed a lot over the last several years. That service area is pension estimates. So, what is a pension estimate? I guess that's kind of self-explanatory, but a member, an actively working member calls us up, calls Beth our Pension Coordinator and requests an estimate of their pension, of what their future pension would be for a particular potential retirement date or particular potential retirement scenario with a certain amount of on-call pay or with a promotion, or whatever they're thinking of. They usually ask for two to four retirement dates or scenarios in one request. So, when we say we prepared one estimate, we usually actually prepared two to four estimates and gave them to the member as one set, but we track it as one set.

So, two things have really changed with pension estimates over the last five to ten years: volume and complexity. This first slide shows volume. So, you can see that over the last several years, our annual average pension estimates prepared is 332, and in the years before that, we were averaging about 227, so that's about a 46% increase in volume. And that data isn't even fully capturing the demand for pension estimates because there was a period, a couple of periods during the pandemic when we actually restricted estimates. And folks who wanted estimates that were really far out, we said we can't do them right now. And we didn't even track those folks that we turned away. So, if you were tracking demand for estimates, it would be even several of these bars would be even higher than they are now in recent years. So that is the increase in volume.

If we flip to the next slide, we can see that the second thing that has really changed is estimate complexity. And I just kind of struggled with a good way to explain this, but it's almost laughable to compare a pre-2010 estimate to an estimate from today. If I could open them both for you I would.

Really a lot of different things have happened at the city. The first thing is the lookback period, and some of you have lived through this. Before 2008, it was just 26 pay dates. Now it could be a lot of different things, and it can be a blend of different things. I won't dig into all of this, and I can update you at some future point, but it's the result of charter changes, and grievance processes and legal settlements and all kinds of things. So just calculating the lookback period has become really much more complicated. The types of premium pays offered at both bureaus have doubled.

Trustee MacLowry: Quick question. I would be under the assumption the majority of people are requesting estimates are going to be requesting them for 27th payroll period, is that not a good assumption?

Stacy Jones: No, it's not. I'd have to go back and look, but I would guess that about a third of them are not for 27 pay dates. Particularly at police, where we get a lot of estimate requests for folks who are considering taking another job, or just considering leaving, and they're not as concerned with retiring during a 27-payday month.

Trustee MacLowry: So those dates may be more randomly chosen than trying to target a specific 27 payroll?

Stacy Jones: Yes. And we do a lot of 26 versus 27 pay dates., what's the difference kind of estimates.

Trustee MacLowry: Thanks.

Stacy Jones: And of course, the non-reps are blended, so they have a blending formula which is even worse. So, the number of premium pay types have doubled. I just listed them all here. The 14 new types of premium pays that have been created since 2010. We've had an explosion at police, this is entirely at police, this third bullet point, in two types of pay that I won't go into all the details, but they have to be calculated through a very painful manual process, just because of the way they're configured in the city's payroll system. They were, work out of class pre-2010, it was very rare, and now it's exceedingly common. It's still rare at the fire bureau. And then we are seeing really frequent contract changes for PFFA, PPA and PPCOA to both the old premium pays and the new premium pays in terms of things like the percentage will change, like the education premium will go up by 1% every year for several years, or longevity pay will go up every year for several years, or you'll be able to qualify for it at a different time, or a premium will go away and come back. It's just a little more complicated. And it's also more common to have multiple effective dates in a single fiscal year for pay changes. It used to be that pay changes pretty much always happened on July 1st. Now we have pay dates that are effective on January 1st, July 1st, all kinds of dates in between. And the final thing is I just think, and this is a good thing, that members are more sophisticated, and they now ask for more dates and scenarios, and there's nothing wrong with that. There's nothing wrong with any of this. It's just trying to explain that in addition to the volume, they've also just become a lot more complicated.

So, what is the consequence of all of this? If we flip to the next slide, let's talk about processing time. So really, the consequence of all of this has been increased processing time. And for those of you who are unfamiliar, this is a box and whisker chart. The boxes show processing time for the middle 50% of estimates, and the whiskers show processing time for the upper and lower 25%, and the dots are outliers in statistic speak, I can explain it if you want, but we only have data in this format back to fiscal year 2014-2015, which is why I've only shown it back that far. You can see there's definitely some up and down year to year, but on the whole, you can see there are longer and thicker outlier tails, you can see there is an increase in average processing time over the last four years, and average processing time is marked by an x in the boxes. And you can see a more significant increase in that average processing time last year, and I think that's the added impact of a new finance team as we were talking about earlier. Because it is the financial analysts who spend the most time on these estimates. Our pension coordinator is also involved. So just to put some numbers around that, in fiscal year 2014-2015, our average processing time for an estimate was six business days, and the range was 0-24 days. So, no estimate took more than 24 business days, and the median was six days. Last year, I thought this is so interesting, the median was still six business days. Kind of blew my mind. I made three different people look at it. But the average was 26 days, and the range was now zero to 182 days. So we have just a much bigger spread and variability in how long it's taking us to get to these estimates, and that I think is because we have had to institute a prioritization system, where we are prioritizing folks who are thinking about retiring sooner, who have job offers, who are seeing a financial planner, anybody who needs their estimate right away, and pushing other people into, we have a three-tiered system now. So those folks in the third priority queue, they could wait several months. If they're just like, I just want to see what my pension will be in 2032, great. We'll get to that when we get to it, and it could sit there for several months is what's happening. If we flip to the next slide, this is a different way to look at processing time, just to ask what - go ahead.

Trustee MacLowry: Another question. So, when someone requests an estimate, are they given that information in what category they're in so they can have a good idea what amount of time to wait?

Stacy Jones: Yes.

Trustee MacLowry: This has come up several times in the membership.

Stacy Jones: Yeah. I'm glad, I imagine it has. I'm glad we're talking about it. The pension coordinator always tells them what queue they're in. Priority one, two, or three, and we even have, it's not going to be secret if I say it here, a priority zero which is, this is on fire and we need to do it today. But she tries to give them a sense of how long that will be, but honestly that third priority queue is very hard for her to judge. She says, it will probably be a couple months. Well, as you saw somebody waited 182 days, that's a lot more than a couple months. I know that was just one person, but she does try to give them a time estimate, as well as telling them the priority queue they're in, yes.

Trustee MacLowry: Thank you.

Stacy Jones: For the most part, members have been so patient and understanding, and I'm just floored at how grateful this community is and kind and understanding and reasonable about services. And our pension coordinator always has the authority to elevate someone to a higher priority level if she thinks that that is warranted. So, if someone is really frustrated, if someone has been waiting a long time, we have moved people around for that reason. We've tried to manage this as best we can. But a different way to look at processing time is to ask what percent of estimates are completed like within a particular time frame, and that's how we used to track estimate timeliness. We used to ask how many were complete within one week of requests. So, we have data in that format going back a pretty long ways, so I threw it up here for you to look at as well. It does tell a similar story, you can see we had a drop-off in processing speed in the last five years, kind of our worst moment was in fiscal year 2018-2019, which is where only 47% got processed within one week, and that was even when we had our amazing lead financial analyst who had been doing this for 25 years. But, yes, you can see that drop-off as we get into the complexity, and the volume increase.

So, let's look at the next slide, because of course there's more to estimates than processing speed. Members like to get their estimates as quickly as possible, but they probably care even more if they're accurate. And on that front, we have maintained an exceptionally high accuracy rate. This chart shows the percent of estimates that were within 1% of the final retirement calculation for estimates that were prepared within 12 months of retirement. Once we're beyond 12 months there are too many variables, it would be impossible to be that accurate. We have COLAs that are tied to inflation, and if you can show somebody who can predict inflation that accurately, gamble on that person. But so the estimate accuracy has not fallen off at all. It's arguably even improved in the last several years, but it's very close to 100%. It's processing time that has really fallen down, and we have very high standards around pension estimates. They're prepared very carefully, and they're reviewed by a second, the other analyst who did not prepare it, or by me before they go out. So, it's not to say we've never made a mistake, because we do, but we have a lot of high-quality controls for that.

So, to sum up. Over the last several years estimate volume has grown by about 50%. Over the last several years estimates have become increasingly complex and time consuming. And then in addition to those long-term structural changes, we've had retirements, promotions, new hires on our finance team that are causing hopefully some short-term loss in productivity, just this year while we get new folks trained up. So, all of those factors have caused processing times to increase. But we've been able to maintain really high accuracy levels. So, what did we do while this happened? We didn't do nothing. The increase in volume was happening really as I came into this job, and it happened pretty suddenly, so we were able to respond very purposefully to that. So how we responded was we attempted to automate more of this process. Before I guess it would be 2016-2017, all estimates were prepared entirely in Excel, which you know, younger folks call doing it by hand. And we have now automated maybe 40% of the estimate process, and I won't go into all of the details of how we did that, there was a feeling at the time that we pushed that as far as it could go. It's not as easy to program as you might think. There are over a thousand different pay permutations at police and fire, even programming the lookback broke our programmers, our programmers could not figure out how to program the lookbacks, and I thought that would be easy. So, we feel that we could take another run at it now, but anyway, we did automate the process and we cut our average processing time from five hours per estimate to three hours, but there's a ton of variability around that. Some take an hour; some take a whole day. So that was a big improvement, and I think if we had only been dealing with the volume increase or only been dealing with a complexity increase, that automation would have worked to maintain where we were. But given the double whammy, it didn't do enough.

But that is what we did so far, we've also implemented these prioritization plans to make sure the members who need these estimates are getting them as quickly as they can. And it may or may not be helpful for the Board to also know what Oregon PERS does with estimates. They provide, at least free of charge, four total estimates in the member's entire career. You can ask for two, you can't ask for estimates until you're within two years of retirement eligibility, and you can ask for two dates in each of those two years. They have a provision that you can pay for more estimates, but when I was talking to our PERS contact they said that is only time available, and they don't have any time available. So, sounds like it's not very often used. They don't do scenarios or multiple dates or anything like that. So, that is what PERS does. All of that said, we are a much smaller and simpler system than PERS, and we should be able to provide better and more personalized service than PERS. On the other hand, it's not uncommon for us to provide upwards of 50 estimates for a member before they retire. We provide unlimited estimates right now. And so that's where we are.

So, I will be considering what, if anything, to do about this issue this year in consultation with Sam, and there are four options, and this is an information sharing, not a problem-solving session. But the options are obviously more technology, to try to make this more efficient, which may not be possible or cost effective, but we haven't explored if we can go further with this; more staff to handle the additional workload; restrictions that would reduce the workload, a la PERS, hopefully not that far; or doing nothing and saying, this is okay. So, I would really appreciate the opinion of the trustees on this. You don't have to share that with me now. You can if you want, or you can share it later. Because I would like to know to what extent the Board views the current situation as a problem, and if you do view it as a problem, which approach makes the most sense to you, understanding that you don't know the details of our operations and if you see any other approaches we're not considering and to the active duty trustees, the extent to which you’re hearing about this from your members as a real service issue, the extent to which you're hearing about this. The members have been so polite and understanding with us, but I have a lot of curiosity about what they really think about having to wait sometimes months for these estimates. So that is an issue that I particularly wanted to highlight for the Board this year.

Trustee Kramer: Stacy, is there any correlation in our prioritization of requests with frequency of requests?

Stacy Jones: So, we have not entered that into the prioritization system, but we have talked about it. Saying, hey, if you've had three estimates already this year, maybe you go into the bottom queue. And in fact, the two financial analysts who prepare most of these estimates have pushed for that, and that could be something that we could look at. The only way that we have brought this in is if somebody calls in asking for an estimate and they've never asked for an estimate, or it's been years since they've asked for an estimate, our pension coordinator tries to put them in the top queue. This is somebody who’s asking for a service that they're not asking for very often.

Trustee MacLeod: I’m interested in Trustee MacLowry’ s thoughts, if any, on feedback he's hearing about time delays or any concerns he might have, or suspect others would have about cutting back the service.

Trustee MacLowry: At first blush, don't hold me to any of this, I may not be in favor of any restrictions, obviously. Though I personally have never asked for an estimate.

Stacy Jones: You could be in the top priority.

Trustee MacLowry: I’m waiting. It seems to me, again, just initially, that the solution would be technology. I don't know what that would entail, that's a long-term solution, potentially, that automation is the way that would be the easiest from my perspective, not knowing all the ins and outs and details involved in this. If it turns out that it is cost prohibitive, I guess there's a lot of information to be figured out, so, I’m speaking off the cuff. My initial thought when you were speaking was, why don't we have somebody else available to do some of the work? But that is in this day and age, it would seem to me automation would be a better solution, again, not knowing all the details. So, Trustee MacLeod, I'm not sure that helps, but it is of concern to some of the membership that I've spoken to. Very recently someone I know who has been waiting for a couple months, and just doesn't know what's going on. That was the genesis of my question for, are they told when they ask what queue they're in? And I'll go back to this member and see what information I can get from them. But it's something that I don't think people should be able to necessarily ask infinite number of times, but there are a lot of things, for the member, a lot of different things are happening with their lives, whether its job related, family related, they may need multiple times coming back to try to find out what's best for their own personal situation. So that flexibility is definitely a benefit and it's appreciated.

Trustee MacLeod: Thank you, that is actually the feedback I was looking for. So, it is a value to the members that you hear express that they've got, that they have at least in the past been able to ask for repetitive illustrations or projections, and those have been pretty promptly delivered in the past. That's important to them to have that.

Trustee MacLowry: It is important, and it's been noticed over the past few years that it's taking longer than it used to.

Trustee MacLeod: Yes, and I think Stacy has done a great job of explaining why that's the case. I guess I have a follow-up question. They are very complicated calculations, and she's just gone through a list that I'm sure is not an exhaustive one of the kinds of things that make it more tedious, and the challenges that obviously people begin to rely on and make decisions about their future based on estimates they've received, so they want to make sure they're doing them correctly. And some of those things are very difficult to automate. So, I'm curious, Stacy, do you feel like you've gone through the rough process for providing these estimates and have the majority of what you think could be automated completed at this point, or do you feel you're just kind of in the middle of the process and there's more that reasonably could be done without sacrificing accuracy?

Stacy Jones: It is a little hard for me to answer the question right now because I'm not a programmer. When I came into this position and we took our first run at automation, which was probably 2017, I would say, is when we did this, and I was floored by the difficulty of programming some things that I thought should be very programmable. I felt like anything I can do in Excel they can program, and then we couldn't. The professional programmers we have on contract could not program the lookback period. And we just, after them trying to do that for six months, just gave up and moved on to the next thing. And now the analysts literally type in, part of the problem is the way the look back period is broken up too, it's different for every member, or it can be. Literally infinite variations. And so, there are problems like that. So, our business systems analyst at the time, who is different from the business systems analyst we have now, and the programming staff we were working with then, felt strongly we had gone as far as we could back in 2017. That said, we have different people now, and 2017 feels like a long time ago in technology terms, and maybe there is more we can do. I am also a little concerned about the cost, although like Trustee MacLowry said it makes more sense to spend money once on a piece of technology than hire a staff person that we have to pay for forever. But yeah, again, I'm not wanting the Board to necessarily make a decision right now, because we don't have that kind of information. Just to take the temperature of the Board on how concerned are we about this as a service and is there a desire to spend a little money on it, I guess one way or another, in bringing estimate processing times back closer to where they were before, whether that be with staff or with technology.

Trustee MacLeod: I think the information that Trustee MacLowry provided in terms of feedback of members, that is a service they value, they've noticed the delay. The feedback you provided, we took a serious crack at automating what we could, but there were roadblocks, and we might have hit the limit. That was explored kind of to its fullest at the time. So right now, it sounds like you're just bringing us information, and that's good. But it does sound like something that needs to get a little bit of direction, either more staffing or maybe another crack at some automation of a few more steps in the process if possible. And maybe some readjustment in terms of feedback to members to say that because of things such as the 27 pay periods and the variety of pay periods, and premium pay and all the other factors that have made it more complicated, that just some efforts at outreach to adjust expectations a little bit, so that they know to expect longer timelines and they can adjust their planning accordingly to give you more time if that's needed.

Stacy Jones: Thank you, that's very helpful feedback from both of you, and helpful to think about as we go back and formulate a plan to try to tackle this problem in some way, shape, or form. We may come back to the Board with some options for doing that, and I also may follow up privately with Trustee MacLowry and Trustee Kulp to talk to you a little bit more in detail about how different scenarios, and I'll follow up with the liaisons too, to see how different scenarios might play out with the membership. I think that would be useful as well.

Trustee MacLeod: I have one last question. I'm curious what level of service Oregon PERS provides, if they have a limit on the number of illustrations that can be requested there and what turnaround times may be for something like that, because you obviously have different tier members in FPDR so I'm wondering if this is, it's obviously an issue because more and more the tier 2 people are approaching retirement, so there's going to continue to be a wave of that, but I'm curious just by comparison does PERS offer a comparable service or substantially less-frequent and less timely?

Stacy Jones: So I did mention earlier, and it's on the PERS website so they publish it as well, but I also talked with my PERS contact, they only allow members, and remembering that PERS has hundreds of thousands of members, they're much bigger and more complicated than we are and they have hundreds of employers as well, but they only allow members to ask for pension estimates if they're within two years of retirement eligibility or already retirement eligible, and they allow for them to ask for two estimates a year if they are within two years of retirement eligibility, and those can only be two dates. They don't do multiple dates and they don't do scenarios and they also don't, I didn't mention this, but they don't do estimates to anywhere near the accuracy that we have. That would be impossible for them because they have hundreds of employers. They can't understand the pay structure of all of their employers the way we can understand the pay structure of the police and fire bureaus.

Trustee MacLeod: I'd forgotten you had mentioned that earlier. Thank you.

Stacy Jones: Thank you for the feedback and for your patience as I went over that issue, and now I want to turn it over to Kim to talk about the disability program.

Kim Mitchell: Thank you Stacy and thank you trustees. I'm looking forward to sharing some information with you about the disability program and what's been going on this past fiscal year. We started the fiscal year off with our transition from covid claims. For Trustee Kramer, we'll see in some slides later in the presentation, for two years from fiscal 2021 and 2022, we had a record setting number of claims that we administered, disability claims, and we continue the transition from that era of claims administration this fiscal year. So that change was a transition from administering those claims under a temporary rule, which was created for covid claims during the presumption, I mean, during the pandemic, and it shifted the standard under which our analysts evaluate the claims, which is tied to our typical injury and illness claims standards. So, I won't get into the legalities of all of that, but it was just a shift and that's something that we had to work on as we transitioned from looking at and analyzing the claims under a presumption versus our standards for claims evaluation.

And so what we also worked on was coding changes, and we'll talking about coding and the impact on slides later, but we also wanted to change our coding and that's how we capture the types of injuries and illnesses that we report, and we worked on changing that to reflect also the change in status from covid claims being processed under the pandemic to claims being processed under the existing standards, and those standards are the way we evaluate any injury or illness claim that is filed. So that was something we started working on. And then the bigger thing was staffing. We hired and trained a new disability analyst, and that training is still going on, and it's going well in terms of her work. She's assigned to the fire bureau. And so, we are going to continue that training, but that training was really important to our redistribution of claims. Prior to you working with us02222 Trustee Kramer, we went to the board for permission to approve the budget for hiring a disability analyst. We had a history of claims being assigned to our analyst that were larger than industry standard for best practice outcomes. In other words, they had more claims than they needed to handle. So, what we wanted to do was hire an additional analyst so we could redistribute the claims among the analysts. What this meant for us is that we could assign the claims to the analyst at the right level. So, if the claim was less complex, we would assign it to a disability analyst and the senior analyst would handle the more complex claims, and we'll talk about more about the kind of complex claims later. So, it permitted me to assign claims at the right level.

It also promoted speedier processing of our less complex claims. The disability analyst would get these claims in, maybe it was a simple strain or sprain, and they could get it processed right away versus having it take more time if someone was handling a larger caseload. The other thing it allowed us to do is look at the assignment of occupational disability claims and we have several of them. But some of them were a little easier to manage, we've been handling them for years now. We understand the dynamics of them. So, the redistribution of claims allowed me to assign some of the occupational disability claims to our disability analyst, again in an effort to assign the claim at the right level and also reduce the burden on the senior analysts who are handling other complex occupational disability claims, and we'll go through those. And the other thing that the redistribution of claims has allowed me to do, and the addition of the analyst, was to have a team approach. We administer the claims for the fire and police bureau, so we now have two analysts, a senior and a junior analyst assigned to police and one to fire and that's resulted in better customer service and quicker response times to inquiries that our members have about claims. So that's been a big help for us to be able to do that, have that team approach, especially if one of the analysts is out for some reason, we have someone to step in and answer any questions or move things along. So that's been really helpful.

So, the redistribution of claims has really helped our senior analysts. As I said, they were handling a large number of claims. So, they are now administering, and we're still transitioning, but the numbers are lower, and we'll see that in slides as well, but they are administering claims at a number that produces the best outcomes for claims decision making and services to our members, which is really important to us, and allows them to focus on the medically complex, legal, and confidential claims. And the complex claims, I'll talk about it now. The occupational disability claims are our cancer claims. We have cancer presumptives and a list of cancers that have to be analyzed more critically. We have heart and lung claims, heart attack and other heart-related claims, lung claims, we have stress claims. We introduced, or they introduced in 2019 the post-traumatic stress and acute stress disorder claim, and the statute was created to kind of carve them out. We administer other mental health claims, which means claims with other diagnoses, but the PTSD and acute stress disorder were carved out and required a higher standard for FPDR in order to deny a claim. So those claims required a lot more time for them to look at and administer and decide on. So having that redistribution has helped with that model as well.

It also allowed us to continue our existing model. We have one senior analyst who is assigned to the post-retirement desk, well, it's post-retirement, monthly benefit disabilities, and non-service claims. And those aren't claims we report on every year, they are existing claims. Typically, what you'll see in the slides that are coming are the new claims that we receive each year. Those are the ones that everybody wants to analyze and look at in terms of the cause of injury and things like that, but we have existing claims, and these claims are members who have had a claim with FPDR that was approved before they retired and they come back to us and say, we need to reopen that claim. "I have more problems, I need more treatment", or whatever associated with that claim. So that claim is reopened and administered on that desk. So, the redistribution was really important to us to level out the claim numbers, to make sure we can assign claims at the right level, promote speedier claims processing for our members, and provide overall better service. So that was really important and something that we worked on where we're well into that and have a little more training to do. The disability analyst is going to be assigned some of the post-retirement claims, and these are claims that are a little less complex. We have established what our treatment obligations are and are providing routine care to those members that are retired, so she will be handling some of those as well, both of our disability analysts, which is going to be helpful.

So, the other thing we focus on is training, and because we do have the complex claims, the stress and mental health claims, heart, and lung claims, and then we have catastrophic injury claims, we want to do training, and the training supports our ongoing commitment to understanding the treatment our members receive as we work with them to navigate their claims. So, one of the things that we did this year is we hired a psychologist to come in and do some training on PTSD, post-traumatic stress claims and acute stress disorder claims. This was really important, prior to the new rule being implemented. These claims were, we had claims received but not in the volume that we do now, but they weren't looked at under the new statute, of course, they were looked at under 5-306 of the charter. But because we have gotten more of those claims, we wanted to make sure that we had additional training to aid in our understanding of those claims that provide our roles in treatment. We have counselors and psychologist and psychiatrists and, how do they treat members, what are their different approaches to treatment to promote recovery? We wanted to better understand that so that when we're looking at records, we have some ways to gauge a member's progression in treatment and work towards recovery. So, we did that, that was one of the things we enjoyed as well, learning. And then the other, we participate in medical training on knee injuries, shoulder, and back injuries. And when we talk about the types of injuries our members suffer, you'll see why that was important, because they suffer knee injuries and shoulder and back injuries. So, what training does for us is affords us the ability to learn about new medical treatment available for those conditions, changes in diagnostics and things that are going on in the treatment of those claims and so participating in that kind of training really helps us as we navigate those claims.

Now we'll begin to look at our numbers. And on this slide, we have this broken down by fire and police bureau. And so, we're looking at injury cause, the body parts injured and where they were injured. So, I'm going to just catch up on this really quick here. So with fire, we see that injury cause, and what we like to do is take the top five in number of claims filed in these categories, and we have a coding category of about 63 different ways to categorize a claim by cause, and it allows us to capture the different ways the members describe the injuries. But what we do each year is we look at the top five, and the top five this year are here on this donut chart, I guess it's not a chart, but we'll move on here. And we have 18% of the injury claims were filed for pandemic, and these were, we call it pandemic because it was administered under the period of the pandemic and with the causation of standards and that tied to it. So, we code it that way to capture those claims, and we have 18.4% of the top five were tied to the pandemic. And we see another 15.34% were caused by lifting injuries and for firefighters, they're always lifting, they're lifting patients at the scene of fires and they're lifting patients stuck in different locations in their homes, and so lots of lifting injuries are experienced by our members. We have 14% of the injuries of the top five occurring from overexertion, and this can occur at the scene of a call or in a variety of situations, sometimes training. We have a coding for communicable disease exposure, and that's almost 8% of the top five claims filed, and these were a combination of covid claims not tied to the presumption or pandemic after the expiration of the pandemic and the new rules, which was September 27th, I think, of 2022. So, we changed the coding, as I mentioned earlier, and they are now grouped with communicable diseases, and that can include pneumonia and other viral claims that are filed. And then last, we have a little over 7% which are slip and trip, no fall injuries. And these occur at the scene in these locations where they're firefighting, the hoses, slippery grounds, and things like that account for those slip and trip type injuries that we see.

So then when we look at body parts, this 25% of the top five are body systems is how that was coded. And this mostly captures illness and occupational disability type claims, combination of covid, heart, cancer, stress claims that impact the whole-body system, not just a specific part. We have about 12% of the claims that are injuries to the back, and we talked about that earlier. We have about 11% to multiple body parts and that can mean, I strained my back and my shoulder, my knee and my ankle, and we have that. We have almost 11% of injuries to shoulders, and again those are lifting, moving, twisting equipment, people, different things that cause those injuries, and then injuries to their knees at about 8%. So, when we talked about the training that we participated in, it's because these are the types of injuries our members are having. We want to stay up on the types of treatment that's available to them. So, we look at the injuries for our firefighters, 48% of their injuries occur at the scene of a fire or call. That's not a surprise given the work that they do. They do have injuries at the precinct or station, 31% of the top five occurred there, followed by 7% that we categorize at none, which is something I'm looking at changing. None is because they're illness claims so they're not tied to a specific location. Injuries that occur at multiple locations, and those are categories that can also be a combination of illness and exposure claims where they've done work at multiple locations or at least that's what they're claiming. So, we categorized it that way. And then tied for last are injuries occurred at multiple locations and at the training site, so we know there are times when our firefighters are injured there. Any questions about that before I move on?

So next we'll look at police, there's are a little different. But we see here that injury cause, so we have about 16% of the injuries were caused by assault, by human altercation, not uncommon. Our members are pursuing and apprehending suspects and they have altercations, and those injuries are occurring there. We have miscellaneous accidents, and these are where members report a variety of knee, ankle, strain, and other injuries that occur at work. We have almost 13% of our police injuries are in motor vehicle accidents; some of them are accidental, some intentional unfortunately. And we have almost 8% of claims filed that were tied to the pandemic, and then the other almost 6% were falls at the same level and sometimes these are injuries that occur during pursuit of suspect, during training or other things where the falls are occurring. So, when we look at the body parts, the multiple body parts are not a surprise given that a lot of their injuries occur because of assault. They will injure a back and a shoulder or multiple body parts during altercations. Body systems again are mostly the occupational disabilities or illness type claims. And then we see that the knee injuries make up about almost 10% of the claims filed. And the last, we have fingers at about 8% and hand injuries at about 2%. Interestingly enough, these hand and finger injuries can be the most complex and can be career enders for police, especially if they can't carry a gun or apprehend a suspect. While small in number they can be pretty catastrophic for our police officers.

So, when we look at the injuries by location, no surprise, almost 47% of how we present that occur at the scene of a call. We have other injuries, almost 18%, well 17%, that occur at the training sites, this is during DPSST training and other trainings where they're staging altercations and things like that in preparation for the real-life activities that they have to do. We see that almost 12% occur in vehicles. And we have another almost 12% that occur at the precinct and the stations, and they do some of the trainings at training sites and some at the precincts and stations. And the last part, almost 7% is none, and those again are more tied to illness type of claims.

So next, we're going to look at number of claims filed per fiscal year. So, we have the line graph on the top that will show kind of our history here, especially over the past few years where we've received the number of claims received and you see the fiscal year ending 2021, we had 536 claims that we administered, and these are new claims, not the existing post-retirement and other claims that we process. And then in fiscal year ending 2022 we administered 584 claims, a real spike from the averages that we have. What we see this year is that we received 320 new claims, and this is more in line with what we've typically seen in the past, even though it's slightly less, and this may be in part because we have fewer active members and then we also, I think, are transitioning just from that covid era, so these numbers are just lower. So, what we have in the bar graph, we have the fire in red, police in blue, and we see for this year, 191 fire claims, 129 police claims.

Trustee Kramer: Can I ask a very basic question? It's probably more of a Stacy question than a Kim question. Of our active members, roughly what percentage are police and what percentage are fire?

Stacy Jones: Let me pull that up for you, but there are definitely more police than fire. I'm trying to remember the breakdown. I think that police is 40% larger than fire or something like that. I'll pull the numbers up for you right now. We're just finishing the audit so that will be easy to do.

Trustee Kramer: What I was looking at was, it looks like around 2018 and 2019, there were more fire bureau claims than police claims, and should we be paying, is that something that's remarkable to us? Or it seems to be a trend.

Kim Mitchell: Yeah.

Director Hutchison: I'll jump in here real quick. The 2020/2021 and 2021/2022, the spikes there are all due to covid and that's why fire was more exposed to covid. So those two years it's not surprising that their numbers went significantly higher than police. So, I see what you're saying, but if you take out those two years, this year matches with everything, it doesn't stand out. But that's covid and fire is more exposed to covid than were police.

Kim Mitchell: Just across the bottom is the numbers of active members as of this fiscal year. What date do we use?

Stacy Jones: That's as of June 30. Let me get you the breakdown, I'll have it here in a sec.

Kim Mitchell: All right, so we'll move on. One of the things that is always of interest is our approval and denial rates. And what we have here in the bar graph in gold for the fiscal year 2023 shows that 83% of the claims were approved; 10% were denied. We had 3.44% of the claims that were incomplete and what this means is that a member filed a DILD, a claim injury report, to advise us of an injury but they didn't complete the application process, they didn't treat, and those claims are classified as incomplete after a period of time. 2.19% of the claims were pended, and these are claims that haven't been decided yet. They're still being analyzed to make a decision. And then 1.25% of the claims were withdrawn, this just means that the member submitted both a disability in the line of duty claim report and the medical report, so it's what we call a complete application of benefits, you can't do one without the other, and for whatever reason they've decided to withdraw it and usually it's tied to the fact that their doctor said this isn't caused by work, and so they withdraw it on their own.

So, what we have here on the right is just the breakdown by numbers. We have 320 claims filed this year, we see that 266 were approved and it gives you the actual numbers. When we look at this at the bottom, we see the time period of 10 years, the number of claims approved, denied, and incomplete, etc. And we recognize that for this fiscal year we've had a higher number of claims denied. I took a look at that. I wanted to look at the numbers to see what was driving that, and it wasn't covid claims, I wasn't sure if that would be a driver of that number. We received a variety of injuries and illness claims, occupational disability claims, heart specifically, and some covid claims that were determined not to be related to work. We don't often see that high of a number, but more surprising to me was just the variety. It wasn't all covid or all heart. They were across the board in terms of the types of claims that are filed. One thing that I want to assure and state because I think it's important, is we want to make the right decision for our membership. We are not here to deny claims, and I think our past percentages will show that. Our denial numbers compared to the state system are far less, but it is because we want to make sure that if we're denying a claim that it is the right decision and based on the information that we received during the investigation of our claim. And we also have a vetting process; the analysts will let us know their position after reviewing all the medical records and the claim records. I also take a review of that to look and see - have we left anything out, are there any other considerations that we need to make? And then Sam takes a final review of it. So, we take these denials seriously, they're not issued arbitrarily. The fact that the numbers are high is an odd year in terms of that number of claims being denied. Any questions?

Director Hutchison: SAIF, who's the largest workers' compensation carrier, their denial rate is 13% to 15% just to give you a standing, and that is fairly standard. There are other workers' compensation carriers in the state and they're all in that range, so we are much less. And we approve more because we know our members, we know what job they do, and we understand what it is. So that's why you see less denials than you do with some of the larger carriers that are doing it under the workers' compensation system.

Stacy Jones: Kim, maybe before we move on I'll circle back to the question of the active workforce. So, of those 1,429 active members, 665 as of June 30 were fire, and 764 were police. So, the difference is not as large as I was remembering. Police is so understaffed right now, they have so many vacant positions, the difference would be larger if they were staffed up. So that means of this sworn workforce 46.5% are fire and 53.5% are police. So not as much of a difference as I was thinking. Fire is still overrepresented just in terms of numbers in those disability claims, but if that answers that question.

Trustee MacLowry: A quick question for you Kim, just for my own knowledge. So, if an analyst goes down the road of denying a claim, there's a protocol for that that then channels through you and Sam before it's officially denied. Is that correct?

Kim Mitchell: Correct.

Director Hutchison: All denials have to have my signature on them. Technically, all claim decisions have to have my signature on them, but I delegate claim approvals back to people, but all denials go through that process and I see them.

Trustee MacLowry: So, an accepted claim may just be accepted initially by the analyst?

Kim Mitchell: Yes.

Trustee MacLowry: But the denial has multiple sets of eyes.

Director Hutchison: We have Franco Lucchin, our attorney here. He's often involved in those claims and will help us understand some of the legalities of the interpretation of the information and at any point in this process, all three of us, Kim, myself, or Franco have said, no, a denial doesn't stand, and we'll turn it back.

Trustee MacLowry: Okay.

Kim Mitchell: So, the next slide, we'll look at days to claim decision by fiscal year. We like to show this each year as well. We have a ten-year history, and we see that for fiscal year 2023, 190 of the 320 claims were approved within 30 days. That means the claim has been received, evaluated, and decided within 30 days. That's over 50% of the claims filed this year, which is very good. And we see that we have 60, here in blue, that were decided within 31 to 60 days. Ideally, we are making a decision within 60 days, that's an administrative rule standard and we try to meet that at all possible costs because our members want to know that their claim is approved or not. We'll talk about some factors that can extend that time for us as we look at the other numbers. We have 18 claims that were decided in 61 to 90 days, and then we have 24 claims that were decided in over 90 days. And I would like to talk about that because we have experienced what has been an industry-wide challenge in making decisions on the more complex claims because of covid and changes in staffing across the medical industry, community industry, healthcare industry, that's a better accurate term. We have found it's very difficult to get records, to get medical records, and that is kind of the basics of information we need to evaluate a claim. We've had challenges with it. I've been in meetings with other self-insured employers. They're having the same issue. A lot of the hospitals and recordkeeping companies have farmed out to third-party administrators or third-party providers, and they have no clue about the urgency and our need for those records. So that's been a huge driver in our delay in making decisions on some of our complex claims. The other is that our claims have gotten more complex, we're talking about cancers and heart claims and stress and mental health claims and finding providers who can help us analyze the claims, help us look at these records. We're not medical people. We rely on medical specialties to help us make these decisions and we get that information to them and ask questions appropriate to help us make a decision. And so, finding those specialty physicians has been really hard. We've had a challenge finding psychologists and psychiatrists to evaluate mental health claims and in the broader occupational setting, people don't see cancer claims very often, so it's hard to get oncologists and other specialists to do those exams for us. So that has taken time too.

Sometimes the other reasons may be that we take more time than we might to get a member statement if they're not available because we want all of the information, we need to make a claim decision, so that can impact that. So, there are just a number of factors that we're trying to work on. We've been strategizing, how do we get records from OHSU and some of these folks quicker and who can we contact? But it has been a big challenge for us, and it has resulted in a delay in making a claims decision. But one of the things that we do, we have an administrative rule that says we want to give the members notice that it's taking longer than the 60 days preferred to make a claims decision, so in addition to informing the member over the phone and talking to them about that, we send a letter saying this is going to take longer than we anticipated and we issue that at 60 and at 90 days if we are still, if we still haven't decided the claim. So, we try to keep our members informed of what the status is, and they are usually right on board with us in terms of understanding that we're having trouble getting records and things like that. We will seek their assistance, when need be, and say your doctor, this doctor has these records, will you help us out. Sometimes they get on the phone and say, they need the records, so we've solicited help from the membership when need be. I'm laying this out to you because we don't like to have a claim decided after 60 days and certainly not after 90, but these are some of the factors and issues that we come up against. Any questions on that? Okay.

Next, we'll talk about total disability cost by fiscal year, slide 31. This slide represents all costs, and we'll see that this is down from the peak in 2021 where we had $7.28 million in disability costs, much of that was tied to disability benefits associated with the pandemic. While the claims were in shorter duration, there was just that volume. We saw that hike in the numbers of claims filed over that year and fiscal year ending 2022 as well. We've had a slight increase from 2022 to 2023 in disability costs, and we'll see a breakdown of that later. Some of that has to do with higher wage earners being on disability and we'll talk about that. But just a slight increase and more in line what we see over the past 10 years with the exception of our spike in 2013-2014, our disability costs are about the same total of our disability costs. So, this next slide is a breakdown, and this is a breakdown of again, a 10-year period, and we have our medical payments represented in gold and then our time loss payments, disability payments in gold – purple for medical costs and gold for time loss, and when we look at the medical costs, fiscal year ending 2021 and 2022, we see that we've had a decline in the last few years in medical treatment. That is, let me look at this. So, they're the lowest over the last ten years, and I just wanted to look at my notes for some of the cause of this. I did look at all of the information. The decrease in medical costs over the past couple of years has been due to the covid claims which require little, if any, medical treatment. The reduction in the number of claims filed has also resulted in the reduction in medical treatment, of course, and then use of our Managed Care Organizations, which we'll talk about in a few minutes, which is where we use their precertification to ensure that the treatment that our members receive is medically reasonable and necessary and appropriate, so those things impact our medical costs. And then our time loss here we see is still steady over the past couple of years. I think for the past fiscal year we have a lower number of claims, but we have had higher wage earners on disability and those higher wage earners and claims of longer duration result in more disability payout.

Next, we'll look at time loss components by fiscal year, and we've got a few lines here. We have the blue line, which represents our biweekly disability benefits, and these are benefits paid to our active members on a claim. And then we have the rust, I guess I would call that rust line, which is our wage subsidy that we reimburse to the bureau. This is our transitional duty return-to-work program dollars that are reimbursed back to the bureaus for placing our members in a transitional duty assignment. And then we have the green line with triangles and those are members on monthly disability benefits. So, the increase in biweekly disability benefits, again, is a result of claims of higher wage earners and claims of longer duration. We talked about that. The green line is disability benefits paid to members, and these are members who are unable to return to police or fire employment because of their injury or illness and so they are paid a monthly disability benefit until they retire or their status change. The monthly disability ceases when they reach retirement age and is often the cause of that drop that you'll see. There's been a steady decline over the past ten years as that number continues to drop. When we look at the transitional duty return to work dollars and the wage subsidy pay back to the bureaus, we see that this utilization has gone down since the fiscal year ending 2020. For the last couple of years, it's been primarily because of covid. Covid claims and the time loss associated have been short duration, so the challenge is to get somebody into a light duty assignment for two weeks or less, they're just not going to do it. It's not cost-effective to do that. So, we see that utilization of the transitional duty has taken a little dive, but what we hope as we move further and further away from covid-era processing is that we'll get more people in the transitional duty programs. We do work closely with our liaisons to find placement in the bureaus, and it is happening, but we'd like to see greater utilization and there's always a plug for that when we're handling the individual claims and working with the bureau and liaisons to see if we can get members placed in those programs. They're beneficial.

So, this last slide is our medical savings by fiscal year. Something that we're probably going to be working on, but it's a bar graph, and what we have are the medical bills, and these are the bills as they come in at $3.44 million, and what we have in gold is the total paid. And then what we have in this kind of pink, which represents our savings, and that $1.31 million, this is something that I want to break down better for you next time. But that $1.31 million represents the savings as a result of the statutory reduction we take. That is our use of the Oregon workers' comp fee schedule to reduce the billed amount to a fee schedule. But we do get additional savings, and that as a result of the split that we've arranged with Managed Health Northwest, one of the MCOs that we work with, and what they did is they said to pay for your MCO fee for services that they do, we're going to split the savings we've negotiated with the doctors, which was a nice split, and this year, it was about $57,000. It's not represented here; I'll make sure we have that breakdown for you next time. But we also have additional savings that come when we have members who treat outside of a Managed Care Organization, and these typically are rural or members who have to treat out of state for some reason. Maybe they had a recurrence, or they were just out of state for some reason and needed care and so for those, we do some additional, we do some negotiating. Our claims technician will reach out to the providers and say, hey, this is Oregon, we have fee schedules, we know you're not subject to it, but we'd like to negotiate with you to try to see if we can get some savings and we have about $23,000 in additional savings due to negotiations so I'll make sure to break that down in a way that you can easily see it next time. With that, that concludes my presentation. Any questions?

Trustee MacLowry: I have a quick question. Just a little bit ago you mentioned Managed Healthcare Northwest, Caremark, I'm just curious those what this board's responsibilities are going to be in regard to the search for replacing that organization?

Kim Mitchell: Thank you for mentioning that.

Director Hutchison: Why don't we wrap this up and I'll jump into that. Unless Tom or Catherine has any questions. You're on mute.

Trustee MacLeod: I had just one Kim. You on the slide preceding this one, you showed the number of monthly member claims continuing to kind of go down over the years and in the earlier years it made sense as you were ramping up the return-to-work benefits that would be going down. But then it kind of plateaued there right before the COVID years there but I was wondering if you have any insight why that continued to decrease.

Kim Mitchell: You know, it could be several factors. We've got fewer members on claims this year. So that well, and that doesn't impact the actual monthly. I think the biggest driver of that is members who are reaching disability retirement age. They're no longer eligible for the monthly benefit. Because we haven't had like deaths or other things and we haven't had anyone who was on a monthly benefit who miraculously recovered, so I think the largest driver of that decline is transitioning to retirement.

Trustee MacLeod: That makes sense, because on the earlier slides, I know the approved claims, the percentage of approved claims has fluctuated up and down, but has been in the upper 80s, low 90s, for the most part. It's been a little lower this year. But with people continuing to go down, approved claims, that would kind of explain why the monthly would be dropping here consistently. But it seemed that's been going up and down and the average has been higher. So, I think maybe if people are getting off of the monthly benefit here and transitioning into retirement, that could explain seeing that.

Stacy Jones: I could confirm that since I approve that payment batch every month. The monthly disability, the folks who are on long-term disability, it's actually a very small population. And only every now and then do we add a new person from the short-term biweekly to the long-term. That happens pretty rarely, maybe once a year, once every other year. So now, that population, they're going away as they reach retirement, mandatory retirement and move on to the retirement rolls.

Trustee MacLeod: Thank you.

Director Hutchison: Just a quick wrap-up on this. Normally what we do with State of FPDR is I ask the Chiefs, Chief Lovell and Chief Gillespie, if they want to come and speak, and unfortunately, they were unable to attend, and I also extended invitations to the union presidents and all three of them didn't show up. Last year they did, a lot of turmoil is going on, so I understand why. We're going to –

Trustee Kramer: I'm sorry. May I beg your and the group's indulgence and take a short break?

Director Hutchison: Certainly.

[AT 3:21 P.M. THE BOARD RECESSED FOR A SHORT BREAK. THE MEETING RESUMED AT 3:30 P.M.]

Director Hutchison: Let's start where Kim ended up and jump ahead. On my list of things to do is talk about the MCO, MHN and what the issues are and what we're going to do about it.

Kim Mitchell: Yes, we recently received notice from one of the Managed Care Organizations that we've contracted with since 2010 advising that they're closing their doors. They're a part of the Legacy system and financial troubles have just resulted in them saying they're not profitable the way they would like to be. I won't go into all the details, that's for them to explain, but they are closing their doors. So, what we currently have are two remaining MCOs. We contracted with MHN Caremark Comp, the ones that are closing their doors December 1st. Fortunately, we recently contracted with Providence MCO and with Kaiser On-the-Job, so we still have two managed care organizations that remains, but they don't necessarily fill the gap left by MHN. We're in the early stages of figuring out what we're going to do for the loss of the managed care network. We did send an advisory to the members to advise them that Caremark is closing, and we also let them know we want them to stay with, for those who are enrolled with our Caremark MCO, to stay with their providers for now until we know what we're going to do in transition. Our hope is they will stay with the providers and what we're looking at in the interim are some credentialing processes that most MCOs have, which means they can stay with the provider and be credentialed in to, say, Providence or Kaiser if someone were to choose that, and they also have some come along provisions, which is also like credentialing. So, we're looking at, how do we stabilize the members directly impacted by this, and we're also looking at options for adding another MCO. There's currently only three now in the state, and one of them that we're talking to is Majoris. They have quite an extensive panel as well, and we still have a lot of work to do so they can understand what our plan entails, what the MCO services would be for FPDR specifically. But we are still in the early stages of all this and trying to evaluate first and foremost how we can maintain the continuity of our members enrolled with Managed Care Northwest while we look at replacements.

Director Hutchison: I want to thank Kim, she's been on the phone a lot with Providence trying to figure out what Providence can do and how we can coordinate with them, can we credential some of the doctors that people are using. So, she's worked there. She's also talked with City Risk, who manages the city workers' compensation program, they have the same issue for all the other employees so we're trying to coordinate between what are they doing and we're recommending doing. So, we've got quite a few options. I think our first priority is taking care of the people that are now enrolled continuing to use their physicians going forward until we have this solved. New people that have new claims go to the two MCOs we have, because we had up until less than a year ago we had only two. We had decades where we had two, so that was a boon to get a third one, and sheer luck on our part that we got the third one, so we're back to two. Our goal is we'd like to talk with Majoris. We have learned they are extremely expensive, so we have to take a look, can we do things differently. But Kim has been on the phone trying to get contacts and working with Providence to see what they can do. Sometimes all of the MCOs have their review panels, is the patient getting the treatment from the doctor, they have panels to do that. We're going to lose that with MHN at this point and Providence is saying they may be willing to help us out with that, have their doctors look over a certain treatment, and this is a high priority for us, and Kim is spending a lot of time trying to work things out with parties on that.

Kim Mitchell: Any questions?

INFORMATION ITEM NO. TWO – ADMINISTRATIVE RULES PROCESS FROM THE BOARD OF TRUSTEES. THIS AGEND ITEM WILL BE PRESENTED AT A FUTURE MEETING

Director Hutchison: Got a couple of other things still left on the agenda. One of them was the administrative rule process. I'll give you a quick hint at the rules we were looking to add which is adding Physician Assistants, Nurse Practitioners, and Naturopaths into the attending physician list that we use for FPDR so we can match what workers' compensation does with those medical providers. However, we're going to push those rules off simply because of the MCO situation, because as the MCOs help us work with these providers and give us networks with those providers. Our goal is to get those rules to you no later than our March meeting. If we can do it before then to get to the point where we're comfortable with the MCO, we'll bring them back to you, and you do have in your packet a process for doing rulemaking. We'll review that at that time. So –

Trustee MacLowry: Sam, real quickly, can you reiterate the things you're wanting to add? You said naturopaths and two other things.

Director Hutchison: Physician Assistants, Nurse Practitioners, and Naturopaths, because they just passed a statute here clarifying some of that stuff in the State workers' comp. Our intent is to match workers' comp. So, speaking of MCOs and providers, they're confused as to why FPDR does something different than workers' comp, so we think it's about time we catch up just so the providers and MCOs are working from the same direction as workers' compensation is in the state.

INFORMATION ITEM NO. THREE – IMPACT OF THE PROPOSED NEW CITY OF PORTLAND FORM OF GOVERNMENT ON FPDR

Director Hutchison: So, the next one is the impact of the proposed new City of Portland form of government. I'll go over that real quickly with you. The impact directly to FPDR is minimal. One thing they did was approve some extensive changes to the charter overall which created a new Commissioner, new city council. The city council now is five people who have administrative policy making and executive type jobs, so this is going to go more in the separation of government to where the new one will be 12 people representing three from four districts. They will have a legislative, but they will not have any executive or direct oversight of the operations of the city. That was a big change. And changing how they vote to a ranked choice voting and there was one other thing. I can't remember, sorry. But anyway, so I want to talk about what's the structure of the government is going to look like. So, on this page here, you'll see on the left. City council as I talked about will be 12 members, they will be policy only. Auditor, no change there. And the mayor will not be part of city council, they will only vote if there's a tie. They won't vote at any other time. They will sort the connection between them, and the mayor technically will oversee the operations of the city, but they made in the new charter a City Administrator position with the intent that that position does most of the oversight of what happens in the bureaus. And if you take a look over here, that's where you see the City Administrator.

You then have the next column, the five Deputy City Administrators, again the City Administrator can't handle 30 city reports coming up to them, so they've broken them out into different parts on here. So, you do have a community safety one, which is police, fire, emergency communications, and emergency management. At some point we've been lumped into there just because we serve police and fire, but we moved out of that because we do not directly impact the public. We do not offer emergency services to the public. We do not oversee any emergency investment in the public. It made no sense for us to be under that umbrella. So here we are at the budget and finance area, there wasn't a super good place to go. I made the advocacy that we should go straight to the city administrator, but they said no, you have to find a different area. The advantage of budget and finance, we have some synergy because, with Stacy here, there's a lot of complexity in our finances, in our budget, even though it was board approved, a budget still has to go through the city budget process, and when we issue the tax anticipation notes we have to work closely with the finance area to issue those notes, so we have a pretty good tie-in with the finance area. And also, they know our system, especially from the finance side, very well, the best outside of our bureau. So, this is very helpful to us. They also act as sort of a firewall, to where somebody says, gee, let's see if we can use the FPDR fund to help pay for something. And they say no you can't, because this is how the fund is designed, this is what you can do. So that was the best place to put us. They have city operations, which some people are thinking going to there, no. Because I think we have a better synergy there and to be honest with you, I didn't want the risk being put next to HR, because HR was having some opinions about how we should do things and they said we're offering benefits so they should have control but sorry, no. So, I wanted to make sure at finance is at the best place. The other two areas are Community Economic Development and Public Works. It's interesting why Arts is in Public Works. Arts and Parks have a very big tie-in together, so they do a lot of joint work.

So, this is the organization structure, how it impacts FPDR for the people doing work, from Stacy to Kim on down. It doesn't impact them on what they do. Now, we may do more discussions when we flesh out what this budget and finance team is, how there may be different interactions, but for the most part, we're not changing. The only thing that changes is per the charter, the mayor hired and fired the director. Now it's the city administrator who hires and fires the director. So that was the only part of the charter that was changed that impacted FPDR and I may have a boss which is more of a micromanager, which I'll have to deal with that. But other than that, I think this leaves us pretty intact to how we operate, the benefits that we offer, so we shouldn't see any impact to how we offer services and what services we offer. If there is any impact, I hope it's for the positive. And there's a little side thing here, if you look you'll see a special box on that down under community, and that economic development Prospect Portland Commission, I advocated for an FPDR board to have a box there. They're grumbling at me for wanting to make that change because it is a unique board. I don't know if you got the email that said it was two advisory boards. I don't know if you got that, Kyle. Did you not get that? I forwarded it to Tom after the fact, there was a memo or email went out to all advisory board members and sometimes FPDR gets included in that because of the hundreds of advisory boards and commissions in the city, only two are not advisory. Two are policy setting. One is FPDR. The other is Prosper Portland. So that's why I wanted us called out as a little different, because I report to you and not to city council. So, you have more control over FPDR than city council has. So that's why, anyway, I don't know if I put that box in. I'll grouse if they don't, but we'll go from there.

<u>INFORMATION ITEM NO. 5 – FPDR UPDATES</u>

Director Hutchison: A couple of more things here, just a status of the new board chair, we mentioned that. We're not having any success in our search. I'm working with the mayor's office because this is the mayor's designee is technically what this position is. The volunteers for boards in the city are tapped out. They put a lot of commissions out there, especially a lot with the change in government. It's just, you know, the mayor and everybody has asked all their friends to do those and they just don't have any options left. So, we actually posted this as a job on the city job board, just to see if another avenue, we posted it on LinkedIn for that. No responses after about three weeks there and I'm asking the other bureau directors, do you have some place that I can knock on some doors to see or other organizations that have it? We've never had this issue before. But I think a lot of it has to do with the fact that the mayor's tapped all of the possible candidates for the other commissions that are there. So, we'll keep working on that. The next one is, I'm going to threaten the mayor and he's going to have to show up.

Trustee MacLowry: Well, that's what it says in the charter, the mayor or his or her designee.

Director Hutchison: That's fair, but he elects not to do it.

Trustee MacLowry: Isn't it that their responsibility, it says in the charter, the mayor or their designee.

Director Hutchison: He doesn't have to attend if he doesn't want to. That's the issue that we have. I've talked with the office about it. That's on my list to come back and say, the mayor's got to do something about it, and push it. But this is unique. We have not had this issue before where we've had months and months of it with no end in sight.

Trustee Kramer: And sorry, did I interrupt you?

Director Hutchison: No, go ahead.

Trustee Kramer: I want to combine this with what you just told us and if this was answered in the materials, I missed it. Under the new city government structure, will the mayor still have authority to appoint the chair and the public members?

Director Hutchison: The mayor will still be a part of the board or will designate their own designee. So that did not change. And the citizen trustees must still be approved by city council, so none of that changed. The only thing that changed is who can hire and fire me.

<u>INFORMATION ITEM NO. 6 – FUTURE MEETING AGENDA ITEMS</u>

Director Hutchison: And one last thing, the last one here - the agenda topics, pull that one up. This is the last thing, just to confirm what we have for the agenda topics. This all this works on the documents that we've shared in the past. There we go. So, at this point, we have scheduled, you guys can tell me if you want to change this at all because this is your agenda. So, the only action agenda that we have for the 28th is the FPDR Administrative Rule changes. We're going to cross that off because we're going to delay that until we get the MCO situation done. We'll be reviewing the annual auditor's report because FPDR by charter is required to have an annual financial audit, which is very unique across the city. The city has to have their own, but we're the only bureau that has to have their specific one. You wanted to talk about the equal to or better than test for a follow-up discussion on that, how you wanted to resolve or what next steps you wanted to do. We talked about definition of spouse at a January board meeting where we had a member who was concerned about the definition of spouse and what would happen to it. I think, basically the concern is that the Supreme Court will come in and change the definition of "spouse," same-sex marriage, same-sex spouse situations, so we'll talk about that. And then we'll talk about the legislative updates, there are two bills that impact the board directly, you all, and two impact FPDR so we'll walk you through those, they're not huge impacts on you, just sets up more expectations of what you do and how the meetings are run. And so in January, at this point, we have to adopt the 2024-2025 budget.

Information items that you had said you wanted to see. We'll review the strategic plan and then you wanted a follow up on the ASOP number 4 presentation by Lorne to give you more legal information to verify what that was, I think a few meetings ago there was some discussion on that. In March, we have the annual adjustment review for FPDR 2, the COLA discussion there and it becomes effective July 1 but sometimes it takes two meetings to resolve that, so we start in March and if we need to, we finish in May. Other future meeting topics here that the board didn't set any particular time for are forming a committee to review the FPDR 2 pension plan. Another was to discuss soliciting a study to compare the FPDR disability program to Oregon workers' comp. When we feel it's ready, the impact of unionization on FPDR so as soon as we have the agreement in, and we can analyze that. We'll do the board handbook in the future and part of the board handbook we'll talk a little bit about trustee training. Stuff like that, so that's what we have. If you want to send emails to me or add or change any of these, let me know because this is a fluid document based on feedback that you've given me. If you have any thoughts for right now or anything else to add for November or potentially January? In January, we can put off until the November, but the November one, we're going to start prepping for that one pretty quickly.

Trustee MacLowry: If we have a little bit of time on either one of those, November or January?

Director Hutchison: I'm saying for the November meeting, we have the list that I have here, we're going to strike administrative rules, but the information items, if you don't have any changes there because we're going to start putting materials together and information together to present those items. January, we've got plenty of time to change, and March. January, you just have some things that are what you said you wanted to talk to. The action items for January and March are fixed, the information items we can change. Or if you want to add another action item, you can.

Trustee MacLowry: I'd be potentially interested in informational item. I had never heard of until today the issue that Del Stevens brought up about the taxable pension versus nontaxable pension. I overheard earlier during the break a little discussion about it. If we could perhaps get more information and background, that would be helpful for me to understand it better. If that happens in November or down the road, that's something that would be of interest.

Director Hutchison: That's a complex topic, November is too soon to bring that one up. I'll tentatively pencil that in for January. I may get back to you, all of you, to clarify the exact topic, how you want it addressed.

Trustee MacLowry: Thank you.

Director Hutchison: And one thing that we were talking about -

Trustee MacLeod: I agree, I think that would be a good topic to try to get in in the next couple of meetings.

Director Hutchison: Again, we can't get that done in November, we'll look to January for that one. We were talking about that during the break too is to compare PERS, what they do for disability retirement and retirement for what we do for retirement. I think you'll understand the two systems better and how one works the other, and it's hard to compare the way they're set up, they're a little bit of apples and pumpkins a little bit and so we'll do it, and we'll get a hypothetical and run it through both of them and we'll see what we come up with as far as numbers and payments.

Trustee MacLowry: Okay.

Trustee MacLeod: Otherwise, it looks like a good agenda to me, and as you said, Sam, that if someone thinks of something else they'd like to have slotted in to email and let you know.

Director Hutchison: Yeah, let me know and we'll put it in. And again, with the exception of November, it's not really set in stone. We can move stuff around except the action items, those can't move because they're time sensitive.

Trustee MacLeod: Okay. Very good. And is that the end of the information items for today?

Director Hutchison: I hope so. I'm closing my book, so it is, done.

Trustee MacLeod: It's been a very long, but I think productive meeting. Thank you for the really good annual reports on the plans, the state of the plan and what's been going on over the past 12 months. I think it's really helpful to look back and see the things that have changed and the things that haven't changed and what the trends have been. I really appreciate the staff effort for that. Anything else any of the trustees want to bring up or are we good to adjourn? All right. Hearing nothing else, then I'll adjourn the meeting. Thank you very much.

Trustee MacLowry: Thank you.

Director Hutchison: Thank you, everybody.