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: March 19, 2024, at 1:04 p.m.; Meeting adjourned at 4:11 p.m.

Board Members Present:

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

Also Present:

Sam Hutchison (FPDR Director); Stacy Jones (FPDR Deputy Director/Finance Manager); Kimberly Mitchell (FPDR Claims Manager); Julie Hall (FPDR Legal Assistant); Lorne Dauenhauer (FPDR Outside Counsel); Kevin Machiz (Private Citizen); Ryan Lufkin (Attorney, Public Safety Labor Group); OpenSignal PDX

Motions Made and Approved:

- Motion by Trustee MacLowry that was seconded by Trustee Kulp and unanimously passed (4-0) to approve the January 23, 2024 minutes.
- Motion by Trustee Kulp that was seconded by Trustee MacLowry and unanimously passed (4-0) to approve a 2% benefit adjustment on July 1, 2024 for FPDR 2 Retirees.
- Motion by Trustee Kramer that was seconded by Trustee Kulp and unanimously passed (4-0) to approve Resolution 552.
- Motion by Trustee Kulp that was seconded by Trustee Kramer and unanimously passed (4-0) to approve Resolution 553.

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 standing by]

Director Hutchison: Lorne should be here today. I don't see him on here but he has a presentation to make.

Lorne Dauenhauer: Hi here. My video is down but I'm here.

Director Hutchison: So you're the blank spot at the top of the screen. So we'll turn it on over to you, Catherine.

Chair MacLeod: All right, thank you Sam. Welcome everyone to the March 19th, 2024 meeting of the City's Board of Trustees of the Fire and Police Disability and Retirement Fund. We start with administration consent items. Does anyone have any discussion or concerns about the minutes of the January 23, 2024 meeting? Hearing none. Does anyone want to make a motion to approve those minutes?

Trustee MacLowry: I'll make a motion.

Trustee Kulp: I'll second.

Chair MacLeod: Thank you. All in favor say aye.

Trustee MacLowry: Aye.

Trustee Kulp: Aye.

Trustee Kramer: Aye.

Chair MacLeod: Aye. Opposed? All right, those minutes are approved without change. Thank you. Do we have any visitors in person in the meeting room or on online?

Director Hutchison: Is Mr. Machiz logged in yet?

Julie Hall: Yes, he is.

Director Hutchison: Mr. Machiz is logged in, I'm not certain you'll see him on your screens but he's an attendee and wanted to make some comments later following the annual adjustment review presentation.

Chair MacLeod: Okay. Thank you very much. And no one else in the room? Okay. I understand that Lorne is there on the phone.

Lorne Dauenhauer: I am here.

Chair MacLeod: Okay. Thank you. Any public comments at this time? Okay, let's move on to action item number 1, the annual adjustment review. I'm assuming that's Stacy, and I see you're coming onscreen.

ACTION ITEM NO. 1 – ANNUAL ADJUSTMENT REVIEW

Stacy Jones: There we go. I've only been up here once so far. Can everybody see me? Hi, I'm Stacy Jones. I'm the Deputy Director and also the Finance and Pension Manager. I'm here today as I usually am in March to talk about the FPDR 2 COLA adjustment and also just describe the FPDR 1 COLA adjustment.

So today for the action item staff is asking the board to consider awarding a cost-of-living adjustment to our FPDR 2 beneficiaries consistent with the authority you have under the charter to do so and we're asking you to do that on July 1, 2024. As with last year I've sent the board a memo that outlines the options available to the board and describes the board's authority with respect to the FPDR 2 COLA. The memo also discusses recent inflation and costs to the fund of awarding a COLA. But I always like to share it, thank you for bringing up the memo. Julie, if you could scroll to the very bottom of the memo. So all the way down at the very end there is a chart, last thing. And I don't know if you can kind of zoom and make it a little bit bigger. Your zoom buttons are up there at the top, in your ribbon. Yes.

Julie Hall: When I zoom in, it's going away.

Stacy Jones: Scroll down or up, one or the other. Oh, weird. That is odd. I don't know. What happened to it? It's gone. That doesn't make any sense. So I'll just remind the board and let Trustee Kramer know that FPDR 1 benefits are a percent of active duty pay. That means they increase in accordance with active duty pay. They increase in line with any wage increases awarded by the Portland Firefighter Association contract and the Portland Police Association contract. Both contracts require an increase that is equal to a particular inflation index, the CPI-W West A, which was 3.3% for the specified period. The memo is back. If you just scroll all the way to the bottom, Julie, we won't try to zoom it or do anything fancy. Thank you. FPDR 1 police and FPDR 1 fire will get that 3.3% increase effective July 1, 2024. FPDR 1 fire beneficiaries will also get an additional 0.8% increase, and that's because the PFFA contract has a 0.8% salary increase in addition to COLA. So they will all see that in their August benefit payment since it's effective on July 1 and they receive their July benefit on August 1st. So there are only 253 FPDR 1s and they have smaller pension benefits and in addition to that, about 60% of the FPDR 1 members remaining are surviving spouses, so that's an even smaller benefit. You can see the median benefit is less than $3,500. Even though those are some higher increases that will be awarded on July 1st, the cost to the fund is very minimal, it's less than half a million total for next year between both FPDR 1 fire and FPDR 1 police. So again, that's not within the board's discretion, it's just part of the defined benefit but I just wanted to share that with the board. If there are no questions about the FPDR 1s I'll go back to the FPDR 2s, which you do have to make a decision about.

So if we could scroll back up to the top of the memo so I can talk about what is the action item before the board and what is the board's authority. The board can award any percentage rate increase between 0% and 2%. Why 2%? The board cannot award more than 2% because that is the highest cost-of-living adjustment that PERS gives any retiree and charter language limits the board to the PERS COLA. That's why you can't go above 2%. You can give a 0% COLA, which I guess is not giving a COLA. Historically the board has always awarded some COLA effective always on July 1st, but the board can make it effective on any date. So what can you do today or any time, really? We just have historically talked about it in the spring and made it effective on July 1st. You can vote to approve a cost-of-living adjustment that can be anything between zero and 2% or any method that results in a COLA between that range for all beneficiaries, and you can make it effective on July 1 as the board has always done or you can make it effective on any other date. So that's option 1. Option 2 for the board is to ask me for more information, more analyses, more options than I've talked about in this memo or anything that you're interested in, and I'll bring that back in May. This is kind of our chance to see what direction the board might want to go. I can bring you more information in May or you can decline to provide the COLA, that's always within the board's authority as well. So that's the decision in front of you.

Before I turn it over for board discussion, I'll just hit a few highlights. The board is generally most interested in two things, and those are the two things that make the most sense for you to be interested in. The first is inflation in the prior year. How are increasing costs impacting members? And the second is cost to the fund and how would a cost-of-living adjustment impact the fund's financial position. So let me talk about those two things.

So there are many ways to measure inflation, but inflation was in the 3.5% zone for calendar year 2023. And if you scroll down a little bit to that inflation paragraph which is at the bottom of the first page, what it's showing there is that the inflation index that PERS uses and that we have historically looked at is the CPI-U West for urban consumers in the West region, and that came in at 3.6% for 2023. There is an index that I only recently learned about from the City economist and that's because it's only used for research because it's not statistically robust enough to use it for much else, but it's interesting. It’s an index that specifically tracks cost for retirees, and that came in at 3.69% for 2023. So look at that with a caveat, because it's not as robust as the BLS's (Bureau of Labor Statistics) normal indices, but it’s interesting. As I already just mentioned, the CPI-W, which is the CPI for wage earners and is looking at a different basket of goods for people who are younger and actively employed in larger west size cities, was 3.3%. They're all in the 3.5% zone to give you a sense of inflation. Inflation is still high by historic standards but it’s coming back down into what I would call the high end of the normal range. However we are coming off of two of the highest inflation years in the last half century. 6.25% inflation in 2022, now I'm talking about the CPI-U, doesn't matter that much, but 6.25% in 2022, and 7.65% in 2021. So that gives you some sense of the inflation landscape that members are facing.

If we turn and talk about cost, Julie, if we scroll down that table in the middle of that second page it talks about costs. So, if the board wanted to give the maximum COLA that they're authorized to give, 2% to all FPDR 2 beneficiaries, that would cost about $2.9 million in fiscal year 2024-25. So it’s a smaller percentage increase than the FPDR 1s but obviously it will cost more because we estimate we'll have over 1900 FPDR 2 beneficiaries on July 1, and of course the median benefit is much higher, it's about $6,500 a month. So a combination of those two factors gets us to about $2.9 million. The memo also mentions some other considerations that the board has discussed over the years in the context of making this decision, and it also attempts to summarize as briefly as possible the tortured history of the FPDR 2 pension COLA or at least over the last decade, some of you have lived that tortured history. I did give Trustee Kramer a bit more of a tutorial but I wouldn't be surprised if he wants to delve more into that history, it is long and complicated. That’s all I really wanted to say so I can answer questions or turn it over to the board for discussion. Of course, I and my staff am happy to some back in May if there are additional pieces of information that the board wants to see.

Director Hutchison: Just a quick point of order, you can ask Stacy questions and Kevin Machiz wants to make a presentation and after that the board would deliberate on what actions they want to take.

Stacy Jones: Okay, so no deliberations right now, only questions.

Director Hutchison: Questions, right.

Trustee Kramer: May I ask one if I'm not cutting anyone else off?

Stacy Jones: Of course.

Trustee Kramer: Our FPDR 3 folks are stuck with the PERS rule. They get that odd three-tier adjustment, presumably.

Stacy Jones: Yes, that's correct.

Trustee Kramer: This is an odd question. Are Portland police and fire tier 2 employees covered by a defined contribution plan at all analogous to the IAP?

Stacy Jones: The FPDR 2, no. They can contribute their own money without any match into the City's deferred compensation program which operates like an IRA or 401(k) but there's no match from the City. It's like an IRA, it's a 457B with a Roth option as well.

Trustee Kramer: Thank you.

Trustee MacLowry: Catherine, I think you're muted.

Stacy Jones: Chairman MacLeod, we can't hear you. Strange to say, you don't look muted. We can't see your mute button.

Julie Hall: Catherine, nobody can hear you and we're working on the issue, I'm so sorry. Thank you. Okay, everyone, I don't know if the Zoom participants can hear me or not but we're going to go ahead and take a small break. Catherine's nodding, okay. Thanks, everyone.

[AT 1:22 P.M THE BOARD RECESSED DUE TO TECHNICAL ISSUES. THE MEETING RESUMED AT 1:41 P.M.]

Director Hutchison: Ok, we're ready to go everybody. So where did we end up?

Stacy Jones: Alright folks, so I'm back. I don't know if I need to restate anything. For the record, I'm Stacy Jones, the FPDR Pension and Finance Manager and we are discussing Action Item 1, which is the FPDR 2 cost-of-living adjustment. We're asking if the board has any questions before we turn it over for public testimony.

Chair MacLeod: I think Trustee Kramer had asked a couple of questions and I had asked one, wanting to verify what the assumption was for COLA increases for FPDR 2 in the most recent actuarial valuation. And I recollected but I'm not 100% sure that it was a 2% increase on service up to October 2013, and then something less, I think 1.75%, for service after October 2013.

Stacy Jones: That is an excellent question and I think you're right Chair MacLeod but I need to hop into our latest valuation and make sure. I think you're right but let me make sure. Did you hear the answer to Trustee Kramer's questions all of the remote attendees? Ok, good.

Yes, so the assumption for COLAs for FPDR 2s in the latest actuarial valuation, which was as of June 30, 2022, was the blended average using 2% for service before October 8, 2013 and 1.75% for service after that date.

Chair MacLeod: Thank you. Are there any other questions about the background material or what our options are for today from any of Trustees? So before discussion then, we go to comments.

Stacy Jones: Could you hold on one second, chair MacLeod?

Trustee MacLowry: Check, check. Thank you.

Stacy Jones: Chair MacLeod, could you hear Trustee MacLowry when he said “check, check”?

Chair MacLeod: I heard “check, check”, but nothing before.

Stacy Jones: We were just experimenting with their different stations. Okay, I think we're set. You can proceed, Chair MacLeod.

Chair MacLeod: So are there any other questions that someone would like to explore before we go to public comment?

Trustee MacLowry: No, thank you.

Chair MacLeod: Then I think we're open for comment.

ACTION ITEM NO. 1 ANNUAL ADJUSTMENT REVIEW - PUBLIC COMMENT FROM KEVIN MACHIZ

Julie Hall: Ok, now we have some public comment by Kevin Machiz. Kevin, I’m going to unmute you, and if you would like I can share your presentation. Let me know.

Kevin Machiz: Thank you, yes. I would appreciate the presentation.

Julie Hall: Oh, I can barely hear you. One moment. Let’s see if that works better.

Kevin Machiz: Hello, can you hear me?

Chair MacLeod: Yes.

Kevin Machiz: Thank you, I’m Kevin Machiz. I’m here to address some questions raised by the board regarding inflation and cost-of-living adjustments, and just to elaborate on Trustee Kramer’s question before. Additionally the FPDR 2 members do not participate in Social Security so they don’t receive the cost-of-living adjustment that Social Security would normally provide either. The charter gives the board the authority to grant colas up to a 2% cap. Actual inflation has far exceeded 2% recently. At the March 15, 2022 board meeting, Trustee Kulp asked is there a way to calculate how far behind inflation are the retirees. While it’s difficult to answer that question about an entire population of retirees with various retirement dates, an easier way to address that question is to choose a single starting date, such as July 2020. For an FPDR 2 member who was a retiree during the period July 2020 through

February 2024, inflation adjusted value of their monthly benefit payment has declined by 11.2% over that same time period. Turn to the next slide please.

To translate that into a dollar value for retired member's monthly benefit, we need to know what benefit they received in July 2020. In this hypothetical example, $6,280 is an arbitrary amount close to the average of FPDR 2 retired members. In other words, some retired members had higher monthly benefit payments, and some were lower. A member in this example would have seen their real monthly benefit payment decline cumulatively by 11.2% through February 2024. Consequently, the real value of their monthly benefit payment would have ended up at $5,578. What's important here is that this only took about 4 years to happen. Next slide.

Another topic that has come up is the ability of the board to keep up with inflation over the long term by continuing to grant 2% COLAs in individual years when actual inflation might fall back below 2%. While it may be true that inflation has experienced short term periods below 2%, this wasn't the case when you extended the time horizon out to 30 years which is approximately the amount of time members are assumed to spend in retirement. This chart shows that long term inflation did not fall to 2%. Turning to the next slide.

I believe there is a way to successfully lift the 2% cap on COLAs. I'm proposing two concurrent policy changes. First to replace the Charter's 2% cap on COLAs with actual CPI inflation, conditioned on exceeding a specified fund ratio. Second, to adopt a comprehensive actuarial funding policy. By moving these two policy changes forward concurrently, the board will be able to give the COLAs they seem to want, and the long term cost to taxpayers would go down. Thank you.

Chair MacLeod: Thank you, Mr. Machiz. Any comment or discussion on what we just heard about?

Trustee Kulp: Kevin, it's Chris Kulp. Hey, number one thank you for the work on that. On that first slide, I would not have guessed that it was down over 11%, and to think that's only over this very short period of time is eye-opening as well. On your last slide there, there's a lot of talk that I don't quite understand in regard to your second point. Can you explain a little bit on that second point?

Kevin Machiz: The second point, so the cost of replacing the charter's 2% cap?

Trustee Kulp: Yes, sir.

Kevin Machiz: Or number 2, the cost savings of a change in policy?

Trustee Kulp: The cost savings and the change in policy. If we raise these COLAs, how are you showing a savings to the fund in general? Does that make sense?

Kevin Machiz: Sure, yes. So replacing the cap of 2% on COLAs with actual CPI inflation under the actuaries' current assumptions, that would increase costs. The board has discussed this in past meetings when this topic comes up, right, that it would be so hard to get that passed through council and through ballot measure, etc. because it means increasing costs without any kind of corresponding service that we could show to taxpayers. So my proposal is that if you were to move forward, that increase in the benefit policy with the change in funding policy, the change in funding policy would be how you achieve the cost savings. You just dedicate a tiny fraction of those long-term cost savings to this improvement in the COLA here.

Trustee Kulp: That makes more sense to me now, I didn't catch that part initially. Thank you.

Kevin Machiz: Thank you.

Chair MacLeod: Thank you. Yeah, I think it's very illustrative to see over these past few years very high inflation and to see what the impact really has been. To bring it back into reality, our reality and this board's role, as I understand it, and please Sam or Lorne, step in if I'm misstating something, our current authority does not extend to modifying the COLA for the maximum COLA of 2%, and it doesn't extend to changing the funding policy. Is that correct, Sam or Lorne?

Lorne Dauenhauer: That's correct. In fact I believe, Sam and Stacy can correct me on this, I believe the 2% cap is imposed on FPDR by Oregon statutes, that even if we wanted to give a higher than 2% COLA we could not.

Chair MacLeod: That would be important. Is that something you might be able to investigate and verify for us?

Stacy Jones: Do you mean because the PERS COLA is mandated by Oregon law?

Lorne Dauenhauer: I believe so. I believe under ETOB, I think under the statute that we're limited to giving a COLA that can't exceed the State COLA, no? Is that a charter limitation?

Stacy Jones: There's language in the City charter that explicitly states that the FPDR board cannot give a COLA that exceeds the COLA that PERS awards retirees, and the PERS COLA methodology is enshrined in State statute.

Lorne Dauenhauer: That’s right. Thank you.

Chair MacLeod: Thank you for clarifying. But nonetheless, we understand Mr. Machiz you brought the proposal about funding the tier 1 and tier 2 benefits on at least two prior occasions and we know your earnestness about that. It's interesting to have it paired with the potential for a COLA improvement. But again those things, we're limited and really have no power over either of those two things. So as far as our responsibility goes, I think really all we can do is decide as a board whether we are interested in requesting any actuarial analysis on either of these things, or in turn encouraging the membership for Police and Fire to decide the importance for either of them to pursue these things and bring it to the Council. Any discussion amongst the trustees about whether either in today's meeting or a subsequent meeting you want to discuss any informational analysis that we would share with others, but we could take no direct action on ourselves? I don't know if people are commenting and are on mute or if there is no expressed interest.

Trustee MacLowry: No expressed interest in the room. I think everything has been said. I agree we’ve already settled this topic Chair MacLeod and as far as I understand from what Stacy was saying that the 2% max is through charter language and if we were able to, through whatever methodology, change that charter language we could then disassociate with the State mandate, which it’s frustrating as I’ve mentioned in the past the way the COLA is established, but we don't have the authority to change the charter from any of the seats in this room.

Chair MacLeod: Okay. So for now, I'm going to thank you for the presentation and for now perhaps move that back to our options for today with regard to this annual adjustment review, which as Stacy pointed out are to vote to approve the COLA increase today and I'll open it up to recommendations, or that we decline to do it today, any COLA, or that we table it and request additional information and come back to it in May.

Trustee Kulp: I'll make the motion to just approve the 2% COLA across the board without trying to fluctuate these different percentages.

Trustee MacLowry: Second.

Chair MacLeod: I'm sorry, was that a second?

Director Hutchison: Quick point of order, we do need an effective date in the motion. July 1.

Chair MacLeod: 2024.

Trustee Kulp: I'll make that motion and update it with July 1st of 2024.

Chair MacLeod: Thank you. Is there a second?

Trustee MacLowry: Second.

Stacy Jones: Trustee MacLowry seconded it.

Chair MacLeod: Thank you. I'm hearing a lot of reverberation so it's hard to tell.

Trustee MacLowry: We all are.

Chair MacLeod: All those in favor signify by saying aye. Aye.

Trustee Kramer: Aye.

Trustee Kulp: Aye.

Trustee MacLowry: Aye.

Chair MacLeod: Opposed? Hearing no opposes, that motion is passed.

Stacy Jones: Thank you very much, Board. I appreciate the decision, and I know the beneficiaries will appreciate being notified far in advance. Thank you very much for that. We'll move on to the next item.

Chair MacLeod: So the next action item is Resolution Number 552, Administrative Rule amendments to various sections that I won't state.

ACTION ITEM NO. 2 – RESOLUTION NO. 552 REGARDING "DEFINITION OF SPOUSE"

Director Hutchison: So we have two Administrative Rule changes we're proposing today under two separate resolutions, but before we get started on that, is everybody hearing me online?

Chair MacLeod: Yes.

Director Hutchison: Okay. We were going to pose a third change this time, and it was going to be the definition of Attending Physician. We pulled that out because we wanted to give our MCOs, Managed Care Organizations, the opportunity to look at it because they're the ones that are going to have to hold the physicians in their plans to that. We've had no negative feedback, but we didn't get their feedback in time to put it on this meeting agenda so it will show up on the May agenda.

So the first one we're looking at is Resolution 552, which is approval of the definition or change in the definition of a spouse in the administrative rules. Julie, do you want to pop that document up? FPDR reviewed the definition of spouse at the behest of Lisa Knight, Firefighter, when she raised her concerns in January of 2023. She wanted to make sure that we could protect the definition of spouse in the FPDR plan from any potential changes that the Supreme Court could be making if they invalidate same-sex marriage. Basically what we came up with was that there is no way to bulletproof our definition of spouse from the Supreme Court because we don't know what decision they're going to make or if or when they're going to make it. However, our definition right now fully complies with all state and federal laws and is very broad and allows protection of same sex spouses and same sex marriages. So we're very solid on that, and we had discussed that last November.

So what we're doing when we're looking over the definition of spouse, Julie, can you move your mouse off that document? And so as we were going through the administrative rules, we noticed we have definition of spouse and surviving spouse in seven different administrative rules and we have seven different definitions of surviving spouse, and not all of them agree to what was in the FPDR plan.

So what you're looking at here in this document right now is the upper part of that document. It says charter, which is done by Ordinance 186926 in December 2014 at the behest of a law change at the Federal level and at the State level of what the definition of surviving spouse and spouse should be. This is what's in the plan today. It's what we use today to administer claims and retirement pensions going forward. But this definition was not in our administrative rules and it doesn't make sense to have different definitions. You'll see I've got two colors on this top part here. The blue color is the definition of surviving spouse, and the yellowish color is the definition of spouse. So you'll notice here on the proposed change that is in all seven administrative rules, we have the blue portion of that which matches the language in the definition that's in the plan. We've changed the word to make it a little more readable but there's been no material change to that definition and we've split the definitions into two parts, both the surviving spouse, which is in blue, and then spouse, which is in yellow. And actually, that's a green color, sorry. I can't tell, I think it's green and then there is a little blue part down here that you will see under the proposed change, and that refers to another plan or charter change that was made a few years before this definition and we have to insert it, that covers domestic partnerships. They are part of the definition of surviving spouse.

So we didn't change the wording materially at all. We made it a little bit more readable and then the same part here for spouse, it's a separate definition and matches the yellow part above. And so all we've done for this, even though it's a big long one since we've changed so many different rules, is we brought the definition of spouse and surviving spouse in the administrative rules to match what is in the plan. No changes in substance, no change in anything, it was just to make it simple to read, and I think if Firefighter Knight had been looking in it and shared some of these documents, that's where some of the confusion could have come from when they were looking at it initially.

So what we're asking for in Resolution 552 is to approve the changes in the definition of spouse and surviving spouse to match what is in the FPDR plan as shown on this document. Any questions on that? Also I do want to say as it was in the resolution, we did have a public hearing set aside and nobody showed, so this didn't become an issue. Nobody put in any writing, so I don't think this was controversial at all. It's more of what I consider a housekeeping amendment.

Trustee Kramer: I have two questions for you Sam if that’s timely.

Director Hutchison: Go ahead.

Trustee Kramer: The first one is, has this wording been run by Council or cleared by Council already?

Director Hutchison: You'll see on the document, this was a Council-approved ordinance to comply with changes in law.

Trustee Kramer: Sorry.

Director Hutchison: That was done and approved in 2014 and there is an ordinance number at the top of that. So that is part of what we call the charter, the FPDR plan.

Trustee Kramer: And you may have addressed this in your opening remarks. In 5.6, there was a strange discordant definition of surviving spouse which has been eliminated. Was that because it never made any sense where it was?

Director Hutchison: Well, it made sense where it was, but the administrative rules were written starting in 2007, so when they made these changes that were in 2014, not all the administrative rules were updated. It was an oversight. We changed some of them but some of them were left in 2007 wording. That’s why we’re doing this. We want to get all those definitions up to the current definition so if I'm under this rule, I'm a spouse in this rule but I'm not a spouse in this rule. So we wanted to clarify that. We always follow what's in the plan but the administrative rules didn't match and it was confusing.

Trustee Kramer: Let me see if I'm with you on just one small point, and that is, in 5.6 we've deleted the definition of surviving spouse and we haven't replaced it with anything? I assume that's because it isn't in fact relevant. I believe 5.6 relates to claim appeals.

Director Hutchison: Good point on that. So what we did is we looked through every administrative rule that used the definition. You're correct, if the definition was in the definition section but was never used in the follow-on section, we deleted it. So thank you, Tom, I appreciate that, you did catch that one. And I think you'll see maybe one or two of the others, you'll see the definition of spouse, not the definition of surviving spouse because surviving spouse wasn't talked about in that rule. Good catch on that, thank you. I had done this many months ago so I forgot all the details.

Trustee MacLowry: I have one clarifying question as well. Just so I can understand, this language change is just in administrative rules, this isn't changing any language cleanup in the charter itself?

Director Hutchison: No, the charter itself, like in that one document I showed you, that was in 2014 in response to Federal law changes.

Trustee MacLowry: Right.

Director Hutchison: That was the guiding force. Unfortunately, when that passed, we should have immediately gone in and updated all the administrative rules, and that was not done. So ten years after the fact, I'm coming through and cleaning up the administrative rules to match and make sure as Tom brought up, do we need the definition for some of those rules because they don't use that term elsewhere in the any of rules.

Trustee MacLowry: Makes sense, thanks.

Director Hutchison: So again, we are not changing the definition of spouse. That is locked into the charter by City ordinance due to Federal law and that's what we administer by.

Chair MacLeod: Thank you for clarifying that. Any other questions or discussions about this? If not, is there a motion to approve resolution number 552 as written?

Trustee Kramer: So moved.

Chair MacLeod: Do we have a second?

Trustee Kulp: Second.

Chair MacLeod: All those in favor?

Trustee MacLowry: Aye.

Trustee Kulp: Aye.

Trustee Kramer: Aye.

Chair MacLeod: Aye. Opposed? Okay. The resolution passes. Thank you.

ACTION ITEM NO. 3 – RESOLUTION NO. 553 REGARDING APPOINTMENT OF CITIZEN BOARD MEMBERS

Director Hutchison: So we'll move on to the second administrative rule change. This is under Resolution 553, and I will thank Tom for being the cause of this rule administration change. So I'll walk through what happened with this one. So what we want to do, we're looking at citizen board member appointments and there's a provision in that administrative rule saying that the auditor shall give the citizen trustee an oath of office. Tom, we didn't do it because what we had found out at the time was that the City Council had removed that requirement from the City code. And so the City Council says, any member of any board of any commission in the city sponsored by any bureau or the city at large no longer has to have the board members take an oath of office, so the auditor's office quit giving the oath. We wanted to strike that one sentence out of here to say they no longer have to take an oath of office. That's all this rule does, it takes that out because the City and the Auditor's office no longer does that.

Chair MacLeod: That seems pretty straightforward. Thank you for explaining that. Any questions or discussion? All right, then. The motion to adopt resolution number 553.

Trustee Kulp: I'll make the motion.

Trustee Kramer: Second

Director Hutchison: It looks like some of the cameras are back up in the room, so we're getting there.

Chair MacLeod: Good. I think I heard a second, so all those in favor say aye.

Trustee Kramer: Aye.

Trustee Kulp: Aye.

Trustee MacLowry: Aye.

Chair MacLeod: Aye. Opposed? All right. Thank you, and I think that concludes our official action items for today. And that moves us on to information items. Who is going to present information item one?

Director Hutchison: Kim is doing it, we're getting her set up on a laptop right now.

Chair MacLeod: I thought that might be the case. Okay.

INFORMATION ITEM NO. 1 – MAJORIS HEALTH SYSTEMS CONTRACT UPDATE

Kim Mitchell: Good afternoon, Trustees, I'm Kimberly Mitchell, the FPDR Disability Claims Manager. I have a brief update on the status of the Majoris contract. We have the exhibit that's in section 1, which is the pricing agreement or contract that we are referring to today. The brief update is just to let you know we've done a lot of work. Majoris and FPDR have been meeting consistently over the past several months to just understand individual programs and how we work. We're very unique from their standard Workers' compensation type programs. But we have come together and agreed to the pricing, the deliverables, and terms of the contract.

So we are right now pushing the contract through the process. Procurement is involved, and what they're going to do is secure the signatures with Majoris, they're reviewing it right now. They're going to be signing the contract and then they are also helping the procurement to update the professional liability and insurance policy information. After that, the contract will be forwarded to the City Attorney's office for their review, the Chief Procurement Officer will review after that, and then the

Auditor's Office. So we've got a lot of hands in there, but they estimate that process is only going to take a couple of weeks. Somewhere within that process Sam will be signing the contract as well.

So once we do that, we will be ready to move forward and what we've been doing in the interim is we have just been preparing. We've been doing a lot of training between Majoris and my staff for them to understand our program better and for us to understand their processes. We've also been flagging claims for enrollment and preparing letters and forms and information that our membership will need once we're able to roll the contract out and get it implemented. And so a lot of work has happened behind the scenes, but we're at a place where I'm feeling good that we're going to be able to move forward. And so I think that's all I have to share about the status of it. Do you have any questions about the materials you received?

Trustee Kramer: I have just some procedural questions. If we just look at the first page, for example, the second paragraph, there is a couple of numbers in parentheses in a lighter font and those numbers appear throughout the contract. What do those numbers mean?

Kim Mitchell: So you're saying the first page of the contract?

Trustee MacLowry: At the end of the second paragraph, for example 11/20.

Kim Mitchell: Oh, good question.

Trustee MacLowry: And then in the numbered paragraphs, they appear essentially with respect at the beginning of each paragraph.

Stacy Jones: Those are revision dates for the contract on the template that procurement gives you.

Kim Mitchell: Okay, thank you, Stacy. I don't do these often. We think they're the revision dates from the template that the City uses, we all use a template and work from that to create our contracts.

Trustee Kramer: Some of them going back significant years.

Kim Mitchell: Yes.

Director Hutchison: I think those will be removed on the final contract, those type of things will be removed going forward. The work Kim has done and what she's showing you here is, that the hard work has been done. All the staff at Majoris agrees to this agreement, so do the FPDR staff. Now it's got to go through all the little end pieces. First, the attorneys have to look at it and see if they like all the little things in it. So the bulk of the contract, the statement of work, the pricing is all agreed to here. It's just a matter of everybody dotting Is and crossing Ts moving forward. I'm sure that's one of the things that will be taken out before it's signed, we'll double check on that but they're just placeholders on what we've done.

I do want to thank Kim for doing a tremendous amount of work getting us to this point because Majoris is new to us. The City is sort of new in working into some of the Workers' compensation stuff. They're a larger regional company so they are sort of set in their ways of how things have to be done and we're a unique plan, so it took a lot of discussion back and forth. We never got opposition from Majoris but we all had to understand what we were expecting as a result. It took a lot of time, and we want to thank Kim for that. Now it goes through the last series of dotting Is and crossing Ts, making sure their attorneys and our attorneys and the insurance people are happy with it, and then it just goes through that process. When we get started with that, we are 95% of the way there. I've only had one or two times that we've had to come back based on that and get some stuff fixed but none of those have been major. So again, Kim has done all the work to get it here. So this document is going to go through, unless again, all the people who dot Is and cross Ts have some questions.

Trustee Kramer: I have two more along similar lines if that's all right. I suspect what you just said covered in Exhibit D at the very end, we have a blank and some redlined material saying just to be finalized in a final version.

Director Hutchison: Yes.

Trustee Kramer: And then this may have been answered by what you explained about the numbered clauses. Has legal or procurement already had some involvement in the sense we're using their boilerplate clauses, or they've given us an outline or something that makes us think we'll be able to get it through them quickly?

Kim Mitchell: Yes, procurement has a boilerplate contract that we've piggybacked on. It's something they've used with City Risk, who has a similar contract. So all the boilerplate language that was questionable has been worked out, which is why we wanted to piggyback on it a little bit to save some time on the back end.

Trustee Kramer: Thank you.

Chair MacLeod: I just have one question. It's been a while since we've talked about this. Who is providing these services currently? Is this all internal staff?

Kim Mitchell: Good question. Yes, currently staff is doing that internally for those members who are enrolled in an MCO, and it will be adopted for procedures for precertification similar to what the managed care organizations have used. It's not as detailed, but we have been able to continue the precertification's of all the treatments our members have needed through this process, but we want to hand that off to the MCOs.

Chair MacLeod: Okay, understood. Thank you. Any other questions for Kim? All right. Thank you very much, I appreciate the update.

Kim Mitchell: And Catherine, I'm sorry, were you asking whether or not they were replacing MHN?

Chair MacLeod: No, I knew that contract had ended, and I just wanted to know how it was being handled in the interim.

Kim Mitchell: Yes.

Chair MacLeod: So obviously there's been some training going on but the contract hasn't been executed.

Kim Mitchell: Correct.

Chair MacLeod: The services still need to be provided and I assumed it was staff, but thanks for confirming.

Kim Mitchell: Yes, thank you. Any other questions?

Chair MacLeod: Okay, thank you very much.

Kim Mitchell: Thank you.

Chair MacLeod: All right, I believe the next item is for Lorne, if that's correct, on the actuarial standard of practice update. Or Sam, were you going to start that off?

Director Hutchison: That's up to Lorne.

INFORMATION ITEM NO. 2 – ASOP #4 DISCUSSION FOLLOW UP

Lorne Dauenhauer: I'll take it. As most of you are aware, over the past several months there have been discussions concerning whether relatively new Actuarial Standards of Practice number 4, ASOP 4, might impose new requirements on Milliman as Milliman is performing projects for the fund. We in concert with the actuaries have previously reviewed ASOP 4 as well as the service agreement between the fund and Milliman and concluded it sure didn't look to us like ASOP 4 would impose things like funding assumptions and funding reports. Basically, our conclusion was that the new rules requiring enhanced disclosures only applied to the extent the work Milliman was performing for the fund constituted a funding valuation. Our view was that it didn't appear like it was a funding valuation within the meaning of ASOP 4, and therefore the contract with Milliman was sufficient. But in further discussions, we agreed that since the kind of final arbiter on what ASOP 4 means, one, rests with the actuaries and their own standards boards, and two, it's really up to Milliman to sort of self-police whether or not they're doing things in accordance with their own requirements imposed on them by the actuarial standards board, and that it would make sense for Milliman to reach out to the Actuarial Board on Counseling and Discipline, the ABCD, which is the body within the actuarial standards board that would be the one to decide whether or not the reports as they've historically been performed would satisfy the requirements of ASOP 4.

So Milliman reached out to the ABCD, spoke with someone on the ABCD with familiarity with ASOP 4, had a lengthy discussion with them concerning the nature of the services that Milliman has been and is expected to in the future render to FPDR, and on the basis of those discussions the individual with the ABCD concluded that it didn't appear to him that the work implicated anything that would make their work treated as funding valuations under ASOP 4 and therefore Milliman would not have to prepare those additional reports that are now required under ASOP 4 for any funding valuation.

A couple of things there. Since this was not raised as a formal complaint, this was really just Milliman seeking advice from the ABCD as to their informal conclusions as to whether or not the work Milliman is performing for the fund is a funding valuation. The response they got back was really informal. They don't typically issue written formal opinions unless the issue is something they think is going to come up again and again. Given the uniqueness of FPDR as a pay as you go system, it's unlikely that they're going to get a whole lot of questions involving similarly situated projects being performed by actuaries. Never say never, it could be that the ABCD could at some point issue a formal opinion on things like this although it seems unlikely. So Milliman's position, based on that conversation, is they are comfortable that none of the work they're being asked to provide constitutes a funding valuation so they're going to proceed accordingly with respect to the service agreement with the FPDR. They're not going to develop any sort of funding valuations. They're not going to develop any reports relating to contributions that might be required if the fund was subject to any contribution requirements. And I guess one last thing is that the individual that they spoke to at ABCD did indicate that he would be socializing the nature of the conversation they had with Milliman as well as the informal guidance that this individual had provided to Milliman to his colleagues on the ABCD, and if there were any significant disputes or questions that arose after that advice had been given, they would reach back out to Milliman to let Milliman know that maybe the answer they gave wasn't as solid as it seemed, and maybe there would be some further discussions. But subsequent to those discussions with Milliman, they have not heard anything back from that individual with the ABCD. So Milliman is again comfortable with proceeding as though no funding valuation concerns have been implicated and so they're just going to move on and perform the work as agreed to. Any questions?

Chair MacLeod: I have no questions, but I appreciate that well-thought-out summary, it's kind of complicated to follow. I appreciate how nicely you summarized that.

Lorne Dauenhauer: You're welcome, Catherine. If there are any other questions, and if the ABCD does come back to Milliman, I've asked Milliman to let me know immediately and I'll advise the Fund and the Board of Trustees so they're aware if there's any questions at all about any other interpretations of ASOP 4 and its application to the work Milliman is providing for the FPDR.

Chair MacLeod: Okay, thank you. And again, I would like to just help put this back in the context of where this question first came up. It related, again, to some discussion we had earlier today about the advisability or suggestion about prefunding the tier 1 and tier 2 FPDR benefits and discussion about the potential long-term savings of doing that juxtaposed against the cost to current taxpayers of doing so. That's where this came up in discussion, but the reality is grounded in the fact that this is not a decision that this board has any control over. Really, the extent of our involvement would be if any of the trustees felt very strongly that that would be information about prefunding that would be helpful to have to assess and analyze and perhaps pass along to Council or the public, that would be, as I understand it, our role. We could do that if we chose to spend the money to do that out of our budget.

Lorne Dauenhauer: Yeah, I think that's right. I guess what I would say is that earlier you said that the funding is baked into the charter and pursuant to the charter, we use a pay as you go funding approach that relies heavily on the property tax levy. It's been this way since 1948 or thereabouts. The fund has always been viewed as funded to be pay as you go. If ASOP 4 had said that the work Milliman is currently doing, even though it's a pay as you go type valuation, that if either that valuation was a funding valuation or the additional work that Milliman's doing regarding adequacy of the property tax levy for the City to be able to rely on as a method to pay the benefits, if either of those had met the definition of funding valuation under ASOP 4 that would require Milliman, pursuant to its own professional standards, to in addition to the normal reports that Milliman has been providing to the board to provide some additional reports that would apply to plans like PERS that actually are funded. And so, when PERS gets an actuarial report, there has to be a funding policy because that's funded, and there has to be some sort of a report on the required level of contributions that would be necessary to enable the plan to satisfy its funding assumptions. If that were to happen, Milliman would have to prepare a bunch of ancillary reports which would be of little use to the fund because irrespective of whatever reports Milliman was required to generate under ASOP 4, again, the question of whether or not the plan is to be funded or prefunded or not is a decision that this body doesn't have the power to make. But it would require nevertheless Milliman to prepare these extra reports.

So that's kind of what we've been focusing on is, does Milliman have to do these extra reports even though the FPDR doesn't actually have prefunding, and the ABCD has said no, you don't need to do that since the work that they're doing doesn't really make sense for them to do that. But again, even if they said ASOP 4 requires these reports, that in and of itself would not require the plan to be funded on a prefunded basis. It would just mean Milliman would have to prepare these extra reports that again, in my view, were effectively meaningless given the fact that the plan is not prefunded. Anyway, it's kind of like counting angels on the heads of pins, but I guess the key is that Milliman is comfortable that they don't need to worry about this.

Chair MacLeod: Yes, and that we can be comfortable that our contractual agreement with Milliman covers services that should be provided on behalf of the plan.

Lorne Dauenhauer: That's right.

Chair MacLeod: So we're in good shape. I think unless there's other questions that we can consider that resolved. If any Trustees in the future think there is significant value in us engaging Milliman to do this work optionally, on behalf of the plan, in order for us to share it with other bodies or groups informationally in order to encourage the Council or someone else to make a decision about this, that's our option for the future. So I'm assuming that's not on the table for now, but if someone is interested in that for a future board meeting topic let us know. Okay, any other discussion on that topic? Thank you, Lorne.

Information Item number 3 is follow-up to questions about the FPDR versus PERS comparison from our January meeting.

INFORMATION ITEM NO. 3 – FOLLOW UP QUESTIONS REGARDING FPDR & PERS PENSION COMPARISON

Director Hutchison: Kyle, did you want to preempt what we talked about before?

Trustee MacLowry: Sure. I spoke to Sam a little bit about this prior to the meeting offline, and that comparison was largely brought about by something I was interested in, and I think there was a little bit of a miscommunication between us. What Sam brought forth was expressed between the FPDR disability and the PERS disability plan. I was more interested in a comparison between the FPDR Disability and the State Workers' comp. I don't think I was as clear and actually, prior to that until the last meeting I didn't know there was a portion of PERS that was disability. All agencies that I'm aware of that I interact with on the fire side, they all have the PERS and they have Workers' comp for their disability. That was a miscommunication. I think more of what I was interested in was trying to get a sense of the comparison, similarities, and differences between my disability plan and the State Workers' comp plan. That's something maybe we can talk about offline later, Sam, or maybe we can talk about in a future meeting.

Director Hutchison: Thank you, Kyle. What precipitated that presentation was more to address issues that Joe Gymkowski and Del Stevens had brought forward, that PERS had a disability plan and that the feeling that was presented by them was that the PERS disability plan was richer than FPDR. So, when I looked at it, I was there more responding to the positions that Del Stevens and Joe Gymkowski had repeatedly made to the board over the past 10-15 years. So that's why I focused on the PERS, because there were some statements being made that PERS was richer, and even finding with the tax-free benefit it wasn't. So that was the point. I apologize for any confusion, it wasn’t the comparison of Worker’ comp between the State and FPDR.

Chair MacLeod: And I will say that I found that presentation to be particularly helpful, and it was also insightful because I think in that analysis, there was some discussion about the taxability of a portion of the benefits that might be now nontaxable that we weren't aware of before. But Trustee MacLowry, are you feeling you would like to have a presentation on the State Workers' comp versus FPDR workers disability benefits?

Trustee MacLowry: Yes, it doesn't necessarily have to be anything particularly formal. I think prior to us trying to put it on to a future agenda item, I’d be willing to just maybe interact and communicate with Sam directly, to get some basic information so we can be clearer and more precise with the comparison. It doesn't have to be a huge amount of work and something that can be more directed towards the specifics that maybe relate to FPDR. So I'm happy to go down that road so we can sort of foray into it right now and Sam and I can talk about it and maybe bring it forward in the next meeting to try and figure out when that might work on a future agenda. Does that work for you?

Chair MacLeod: That would be great, it does.

Director Hutchison: One thing I can do for you, I think I forwarded it a while back, but around 2007 there was a lot of analysis done by unions comparing the two plans, because there was at the time of 2007 a lot of recommendation at that time not only in creating FPDR 3 but to move FPDR disability into the State’s Workers' compensation system. The unions and even FPDR did some high-level comparisons between the two, and I think the most telling is that Bennett Hartman who did the study and who represents fire right now, they did the study and had no recommendations to move it. They felt the FPDR plan was richer than the State Workers’ compensation plan. So we can come back and share those documents. We'll go back and find those old documents that were used to compare Workers’ comp at that time, and those are high level. I think what we've talked about is for full complete comparison, it’s pretty complex because Workers’ comp does things differently than we do. How they make benefits and how they define benefits and how they define permanent partial, permanent total. There’s a lot of difference in that, but I think the high-level overview coming from that analysis done back about 2007 I can share with you, and then if we want to talk about it further, we can.

Trustee MacLowry: Are you referring to the work that was done during the FPDR reform committee or after the reform went into action?

Director Hutchison: I think there was some analysis, but it wasn't done in reply to that. What we'll do, because I'm going talk about what we've done for giving more documents on the reform committee. I will look at just specifically for the Workers’ comp and share those with you. I think I did in the past but I’ll share them again. It gives you an overview of what the thinking was at the time. The concern that I have for comparing Workers’ comp with FPDR and the state is that it’s like comparing an apple to an elephant. There are so many differences in the plan it is hard to do it. If you can take some straightforward situations, you can do it which is I think what the attorney's firm and FPDR had done at the time. The challenge we had is the auditor's office did their own review and they came out and said Workers' comp is so far ahead and they made some mistakes in their analysis, and they ignored some of the counter benefits that FPDR had.

So we'll do that and see how far to go. The concern that Kim and I have had is that if you want to have a comparison, you're going to probably have a third party do that comparison for you because of the complexities of the two plans and with what compares and does not compare. So we can look at that. So let me share that stuff with you and then if after you have more discussions and see what direction you want to go and understand it. And just always remember that if any time the membership believes they want to move or that Workers' comp is better than FPDR, the members can vote to move to Workers' comp. It would have to be a majority of all members but that's in the charter in section 5-403. I can't remember the exact number, but it is in section 5-403.

Trustee MacLowry: Okay.

Director Hutchison: If everybody else wants to do their own analysis and if they can convince half of the active members that they want to move it they can. I will tell you that it would still probably be administered by the FPDR or maybe Risk Management, but the funding and all the cost would still come from FPDR even if it was moved under that plan. It wouldn't cost us any less or more.

Trustee MacLowry: Great, thank you Sam.

<u>INFORMATION ITEM NO. 4 - LEGISLATIVE UPDATE</u>

Director Hutchison: The next thing, well are we done with that topic? Okay, so legislative update. This was a short session that lasted for a couple months and ended on March 10, 2024, so just a couple of weeks ago. There were two bills that are of interest to FPDR that went through. The first one is House Bill (HB) 4117. This is a follow up bill to HB 2805 from the 2023 legislature. 2805 clarified the definition of a public meeting. We had talked about what electronic meetings and electronic sharing of information means. It also empowered the Oregon Government Ethics Commission to conduct investigations, make findings, and impose penalties to organizations that do not comply with public meeting law. House bill 4117, which was passed this session, allows the commission to give advice on public meeting law. It authorizes them to issue advisory opinions on the application of public meeting laws to actual and hypothetical situations.

The advantage of this is that if we or any public entity is not certain if we are doing this correctly or if we're bypassing or not following public meeting law, you would have to wait until somebody filed the complaint and go through the complaint process. Now HB 4117 says that the commission can give you advice up front. So you give them the situation - are we in compliance, are we not in compliance, or maybe if we did this in the future would that be in compliance? It removes that gotcha approach to where you can only find out if you're not doing it right until somebody files a complaint and you get sanctioned for it. I'm not certain we'll avail ourselves with that but that was that good motion because a lot of times when they pass these laws it's what I called the gotcha, how you figure out if you're in compliance.

The second one is HB 4045, more changes to PERS. There always seems to be some PERS changes going through and this bill had some changes. A lot of it was defining who's a member and what class that member is in and what kind of benefits that class gets. So let me walk you through this. Prior to the passage of this bill, PERS had two classes of employees - general service, and police and fire. It's pretty obvious who is in that, but there's been a lot of concern that maybe there are other jobs throughout the state that are hazardous types of jobs or where people are in intense jobs that cause a lot of stress with a chance for either mental or physical ailments coming from that work and so they added a third class this year, and that was hazardous positions. For the city of Portland, this includes 911 Operators, Emergency Dispatchers, and anyone who works on emergency communications. This does not impact FPDR but is a significant change to PERS creating this third level. This also addresses the issue of everybody else saying, when we want somebody to get more than general service the only option is that we're going call them a police officer even though they're not a police officer. We saw a lot of crazy things out there and can still see in the statute labeling certain positions as police officers that aren't. So this created a hazardous positions class to put those folks in there, and for the City of Portland it'll be the emergency communications staff.

The second part which does impact FPDR is that under OPSRP (PERS Oregon Public Service Retirement Plan), the retirement age was age 60 for police and fire, which is higher than it was for PERS tier 1 and tier 2. This lowers the OPSRP retirement age to 55 so it matches closely with tier 1 and tier 2. That goes into effect for anybody whose date of retirement is on or after the effective date of the act, which is January 1, 2025. It will have a financial impact to us to some extent, so I've asked Stacy to go over that with you.

Stacy Jones: So it's a little hard to know exactly what the financial impact will be. You can see the LFO, the Legislative Fiscal Office, in their impact think it's likely as to all municipalities, that all things being equal that will increase PERS contribution rates. You kind of have two effects going on. One is that folks can retire earlier, so that means PERS will pay them for longer. The other effect is that it does somewhat reduce their benefit because part of the calculation is years of service, so that means you pay them less but for longer. But the actuaries know that the push/pull doesn't perfectly offset and that in general you are going to pay people out a little bit more. And that is because to retire at age 55, you have to have 25 years of service. I believe. Is that right for PERS?

Trustee MacLowry: Not for PERS, no.

Stacy Jones: I'll just pull up the bill. So maybe that is not a good explanation of why that push/pull happens. Sorry, you can go at 53 if you have 25 years of service, and 55 if you don't. But they do pull in and assume that people have pretty close to the maximum years of service when looking at the LFO analysis. So they expect a slight cost increase which will all things being equal result in an increase in PERS contributions for all municipalities that employ police and fire, which of course includes City of Portland and those are funded by the FPDR fund. But that's all things being equal, lots of things roll into contribution rates. Milliman will try to pull them apart for us when they go in and reset those things, but investment earnings go into those things, and all kind of things. But all things being equal, it will increase cost and it'll increase contribution rates. We're part of a rate pool at the city, the SLGRP. We're part of the state and local government rate pool. Setting PERS contribution rates is complicated but all things being equal it will increase first contribution rates or at least everyone expects it to, and we'll see how it actually plays out.

Trustee MacLowry: Part of that push/pull though, concurrently you may be having a higher employer rate or PERS rates for people currently employed but people would be leaving earlier. So less cost for those rates as people walking out at 55 instead of 57 or 60.

Stacy Jones: I'm sorry, I'm not quite following.

Trustee MacLowry: People leaving earlier and you're not paying for them anymore.

Stacy Jones: But you have to hire somebody new.

Trustee MacLowry: It's a percentage of salary, correct.

Stacy Jones: Yes, and that is just in the workforce demographic model. I think there will be a brief impact that you'll see if we do shift retirement age down, and the other thing we should mention is the impact to police and fire bureaus as they operate. They'll get a lower return on their investment if folks do retire more quickly in terms of training because people won't serve for as long as they once did. So for them it is a lower ROI (return on investment) on people in that sense. You'll also see that sort of impact right away where maybe a lot of people retire earlier than they expected, but then you just shift your whole model. Now it's just a shorter model, a shorter life cycle for your employees. And when you bring people in, and you hire them they take four years to top out at fire and eight years for police.

Trustee MacLowry: It's five for fire.

Stacy Jones: Five for fire and a longer time at police. So you shut that whole model down. So, I would have to defer to people who are more expert at costing those things than I am but that is the general belief, that all things being equal it increases contribution rates but there are many things that play into PERS contribution rates. This is one of the things that will likely increase contribution rates.

Chair MacLeod: Did you say this goes into effect for people hired on or after January 1, 2025?

Stacy Jones: No, people who are eligible to retire January 1, 2025 or later.

Chair MacLeod: Current members, I'm assuming.

Stacy Jones: Right. At the city of Portland, we don't have a lot of PERS covered members who will be eligible to retire on January 1, 2025 because we just started hiring PERS-covered members in 2007. There are some who came in as laterals who had preexisting PERS service. But operationally, this will more immediately impact other municipalities and the state police and places like that. It will impact us immediately in rates because we're part of that SLGRP pool, which right now feels like not such a great deal. But it will impact us operationally more in the future than it will now.

Chair MacLeod: What was the name of that bill?

Stacy Jones: It was house Bill 4157.

Director Hutchison: 4045.

Chair MacLeod: House bill 4045?

Director Hutchison: Right.

Chair MacLeod: Thank you.

Trustee Kulp: Sam.

Director Hutchison: Yes.

Trustee Kulp: Do any of those changes effect the ETOB test with tier 2 and FPDR 2 folks with those dates being 53 and 55? It doesn't affect us in any way right.

Director Hutchison: I don't think it would with us on top.

Stacy Jones: I don't think so either. And Sam, the house bill is HB 4157, right? I believe it is 4157. Just to make sure Chair MacLeod has the right bill number, too many bill numbers. Anyway, someone will figure that out. Just to be sure. Yeah, I don't think so because Trustee Kulp, for us it is 55 and age 50 with 25 years of service, so we still have better eligibility requirements.

Director Hutchison: It is House Bill 4045.

Stacy Jones: Oh, okay. I'm sorry.

Chair MacLeod: Thank you.

Director Hutchison: I think part of the advantage, some of the first retirees who come under this will be in the mid-2030s that were hired in 2007. So it gives both the fire bureau and police bureau time to adapt their staffing models as Stacy was talking about. So it’s not going to be all of a sudden next week or next year we're going to see a big change. I think you will be impacted, as Stacy said, for a short period of time as a lot of people retire earlier than they would have but that’s not going happen, I think. You have plenty of time for the bureaus to do their staffing models going forward.

And then next year starting in February, we will have the 6-month long legislative session. Every other year it is long. I do expect Workers’ compensation bills, PERS bills, and other bills and I'll be pouring through all of those as we go through and we'll talk a little more. I'm hoping I can get a bill for Workers’ comp or public records put through and I'll go more into that later after I get a chance to talk to government relations and see if it's got a snowballs chance of going through.

Chair MacLeod: Thank you very much. Next item is summary of expenditures. I take it that’s Stacy.

INFORMATION ITEM NO. 5 – FPDR SUMMARY OF EXPENDITURES

Stacy Jones: Yeah, not too much noteworthy to say. I suppose if you’d look at the second to last line, you’ll see we paid off our tax anticipation notes in January as you all know because I won't stop talking about it. I've been nervous about the interest arbitrage split so I've been wanting to pay those off earlier in the year than we have in the past. So we did go ahead and pay those off in January and you see that money going out the door. Another slightly interesting thing to note is up in revenues, miscellaneous sources, which is about the fourth line down. That is mostly interest income, and you can see we're finally getting some because we have money again. So that's what happened in December and January and we have some interest income coming in.

A sightly noteworthy item is in internal materials and services. FPDR pension contributions, those that we were just talking about where we reimburse police and fire for those pension contributions, you can see zeros all the way across because police and fire still hadn't billed us for any contributions. They did get quarters one and two in in February. I just wanted to reassure you, they hadn't closed February. I don't know why I need to reassure you, I should really be reassuring the general fund. But that money did get over into the general fund in February, you just can't see it here. This has recently come to the Mayor's attention so maybe this will get resolved and they will get this money moved over more quickly. I've been advocating for an automatic process but not with much luck. We'll see. Are there any questions about the expenditure report?

Chair MacLeod: Thank you. Sam, you're going to cover FPDR updates.

INFORMATION ITEM NO. 6 – FPDR UPDATES

Director Hutchison: FPDR updates. As we said earlier, in May we'll have the administrative rules for definition of attending physician. The timeline for that is we'll post those rules publicly on April 26th, we'll hold a public Q&A session the week of May 6th with the time and date to be determined, and then the board will evaluate trying to approve the rules if they desire at the board meeting on May 28, 2024. You'll have chance to read those ahead of time, and you can ask us any questions before the meeting and then we'll answer them while you evaluate those rules. I mentioned there may be some public Q&A participation because I do think it will be more positive because we're expanding the definition and covering more different types of practitioners under that. So I think that will be seen as a positive.

Trustee elections. Kyle and Christopher, your positions are up for election this December. The election process starts in October and is run by Julie Hall. The process is outlined in the administrative rules, section 5.2.04 (A)(3). This is a vote by mail so the rules are pretty detailed on the process. We will go over this process in more detail with you at our September board meeting because the work will start in October. If you have any questions beforehand, let us know. Julie and I will be happy to walk you through the processes at that point.

2007 charter reform. Kyle, you had asked for more information on the charter reform and documents. I think various people have tried to get public records and have different aspects of that. I asked Julie Hall to do a big research project to try to find all board materials relating to the 2007 charter reform and she has done it. We have something like 30 different documents, totaling almost 400 pages long. I think it's a comprehensive amount. We'll post it and we're going to set you up with a folder that you can pull the reports from the documents. It's a lot of reading but I know a lot of people have questions. We've tried to make it as complete as possible because I know people have been able to find certain reports, but this is as comprehensive as we could get.

So just let you know a little bit on that process of the 2007 charter reform. It was spearheaded by Commissioner Saltzman. He was commissioner in charge at that time of the FPDR. He ran it through with city council. City council approved and assigned committees that reviewed the FPDR plan. The FPDR Boards only role was to participate in providing input. They had no decision making and they did not drive the process, they were just sort of a stakeholder in the process as they worked through. So you'll be able to see all the documents there, all the committees, all the resolutions, all the committee reports. Have fun reading through it. I think we're also going to include probably 30 to 40 different Oregonian newspaper articles that sort of led up to why some of this stuff happened. You can see what was in the press and what the public was seeing and where some of the pressure was coming from behind the scenes politically to do something about the plan and why they wanted to do the reform. Be looking forward to that. We'll get that out to you in a few weeks here with links to the folder, and it's a secure folder.

Trustee MacLowry: Quick question. Were you able to find any of the city council work sessions that talked about reform. The videos?

Julie Hall: The videos? I'll look but I don't think we have any.

Trustee MacLowry: If you have trouble, I think I might have copies and can send them to you.

Director Hutchison: Fortunately a lot of this stuff is required to be saved. The city does not have a retention time period for the videos, so they tend to have dropped off or out of it. So anything you can contribute to that would be appreciated.

Trustee MacLowry: I think we have them archived at Local 43.

Director Hutchison: It would be interesting to compare what you all have in your archives versus what we're able to find through our searches of the reports.

INFORMATION ITEM NO. SEVEN – FUTURE MEETING AGENDA ITEMS

Director Hutchison: Let's jump over to the last meeting topic here today, future meeting agenda items. So for the May 28 board meeting we have tax anticipation notes. Stacy just said we paid them off, well we're going to have to start gearing up to issue them again, and there's a process to go through and we need your approval to do that. Stacy will explain the whole process as she usually does. We will also do the administrative rule change for the definition of Attending Physician. We have no informational items scheduled at this time but we'll go down to a list here in a minute of the informational items that you had put on a future meeting topic list. The July 23, 2024 meeting we have no topics of any kind, which is not uncommon for July. I think about half the time we cancel that meeting if we don't have topics but we always hold it in place. We usually make the decision not to hold it toward mid-June so if anything comes up, we don't cancel it too quick. September 24, 2024, we'll do the state of FPDR and we'll also go more into review of the process for the election of the police and fire trustees.

In the future meeting topic list which I've been keeping up, was a discussion of forming the committee to review the FPDR 2 pension plan. The second is a discussion on doing a study comparing the FPDR disability program to the Oregon Workers' comp program, and then also the strategic plan review for FPDR and at some point, and review of the Board of Trustees' handbook in more depth if you want to. So looking for the May 28 meeting, again, tax anticipation notes, administrative rule changes and no information items. Is there anything you want to bring up? It doesn't need to be decided now, we have all the way until about two weeks before we have to formalize the schedule. I see head nods negative here. Chris and Catherine? Head nods there. Okay.

Stacy Jones: Sam, I did just want to mention one thing about the May meeting and tax anticipation notes. There is a small possibility that I would bring forward a recommendation to borrow money from another fund at the city this year that the debt manager and I have been talking about. Which the option there is that we will not make any money, but nor will we lose any money and that may be something that we want to pursue as a risk management strategy this year. So just to give you heads up that there is a chance it will not be the normal tax anticipation notes. Instead you would be authorizing a fund transfer, probably from the sewer or water operating fund.

Director Hutchison: And there are two other topics I would insert under FPDR updates when they come up. One is any further impact on FPDR due to the City form of government change. I'll probably have a new boss effective July 1, which only impacts me. My job is to make sure it impacts nobody else, not my staff, not the members, and not the board. We also know that half our staff has now become covered under the CPPW union. They are going through negotiations now. When the contract is finalized, we'll share with you how it will require us as managers to change our approach to how we manage and use our staff. Right now they are salaried employees. I'm certain they'll be going into a process where there will be over time, or it won't technically be over time. It'll be time in excess of 40 hours is the term they will use to pay and also some more control of how tightly their schedules is done. We do have a lot of flexibility now should we have a lot of work we can move things around. We may lose that. We'll share that with you, how it goes forward, and what impact it does have to the fund or potentially to our members or even the budget. That's everything I have.

Chair MacLeod: Thank you, Sam. That's a lot of things coming up in the future. We look forward to being kept up to date on those. Any other miscellaneous topics for the good of the order today? All right then. I think I will officially adjourn us. Thank you very much everyone for your time and presentations.

Director Hutchison: Thank you for your patience while we work through all the technical issues.

Chair MacLeod: All right. Take care.

Trustee Kulp: Thank you guys.

Stacy Jones: Bye everybody.