

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: May 28, 2024, at 1:16 p.m.; Meeting adjourned at 2:30 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); Franco Lucchin (Sr. Deputy City Attorney); Lorne Dauenhauer (FPDR Outside Counsel); OpenSignal PDX
Motions Made and Approved: <ul style="list-style-type: none">• Motion by Trustee Kulp that was seconded by Chair MacLeod and unanimously passed (4-0) to approve the March 19, 2024 minutes.• Motion by Trustee Kramer that was seconded by Chair MacLeod and unanimously passed (4-0) to approve Resolution 554.• Motion by Trustee Kulp that was seconded by Trustee Kramer and unanimously passed (4-0) to approve Resolution 555.• Motion by Trustee Kramer that was seconded by Chair MacLeod and unanimously passed (4-0) to approve Resolution 556.
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: Ok, it's 1:00, we're waiting for Chris. I think we're trying to give him a call now to see if he's coming. We resent the invite to Chris, so just give us a second.

Trustee MacLowry: Are we still waiting on Chris?

Director Hutchison: These microphones are crazy today. Yeah, we're working with them to get Chris on board.

Trustee MacLowry: Okay.

Director Hutchison: I sent him a couple of links. Hopefully one of them works. Chris called and said what's happening.

Chair MacLeod: Sam, are we being recorded yet?

Director Hutchison: We've got the closed captioning and the video people doing that. Officially they won't start until we say we're ready to go.

Director Hutchison: It looks like we're ready to go. Kyle, I'll turn it over to you.

Trustee MacLowry: Thank you. Chair MacLeod is having some laryngitis issues, so I'll just be temporary Chair for this meeting. Welcome everybody to the May 28th, 2024 Board of Trustees meeting for the Fire and Police Disability and Retirement fund. Looking at the agenda, it appears the first order of business is an administration consent item to approve the minutes of the March 19, 2024 meeting. Does anybody have any comments or concerns for the meeting minutes as written?

Chair MacLeod: No.

Trustee MacLowry: Hearing none, anybody care to make a motion?

Trustee Kulp: I'll make a motion.

Chair MacLeod: I'll second it.

Trustee MacLowry: All in favor of approving the minutes as written, say aye.

Trustee Kulp: Aye.

Chair MacLeod: Aye.

Trustee Kramer: Aye.

Trustee MacLowry: Aye. The motion passes. Do we have any visitors to introduce today?

Director Hutchison: We have Franco and Lorne, our attorneys. Other than that it's just us.

Trustee MacLowry: And Lee Bursten?

Julie Hall: That is our captioner for today.

Trustee MacLowry: Thank you very much. Any public comment for today's meeting?

Julie Hall: No comment for today.

Trustee MacLowry: Fantastic. Looks like we're rolling right into the action items for today. The first one is a discussion of resolution number 554, administrative rule amendments. Sam, I'll turn this over to you.

ACTION ITEM 1 – RESOLUTION 554 UPDATING THE DEFINITION OF ATTENDING PHYSICIAN

Director Hutchison: Yes. And I'll have Kim here next to me, she'll add some color commentary to my presentation. So FPDR seeks to update its administrative rules to expand the type of provider specialties who can act as an attending physician. This is to keep pace with the medical community and their use or referral to these providers for treatment.

Over the past several years, FPDR has noticed changes in provider specialties that treat members in urgent care and office visit settings. Often members are triaged and then seen by a Physician Assistant, Nurse Practitioner, or Naturopath. They're also instructed to follow up with those providers after the emergency department or urgent care visit. However, our rules require that our members be treated with an M.D., a D.O., Doctor, Chiropractor or Podiatrist. Those providers can be challenging to access and that can result in treatment delays or breaking continuity in care following illness, injury, or occupational disability. Many medical providers who treat our FPDR members also treat injured employees covered under Oregon workers' compensation. Because the Oregon workers' compensation system has recognized Physician's Assistants, Nurse Practitioners, and Naturopaths as treating physicians for many years, our providers are confused as to why FPDR has not accepted these medical providers. This has caused some delays in treatment as providers and FPDR members seek out an M.D., D.O. or Chiropractor to supervise their care. We feel the benefits of these rule changes will be easier and provide broader access to care for members and assure continuity of care. Many of these providers are less expensive than an M.D. and there will be less confusion with our medical providers. Kim, did you have any more to add to that?

Kim Mitchell: I think you covered it well, Sam. It's a great benefit and one that's going to help our members with their injuries and access to care.

Director Hutchison: If you want to share the screen there Julie, we'll walk through the changes. Now, a lot of the wording we're using in these rule changes mirrors workers' compensation. We did that because our medical providers are familiar with the workers' compensation wording.

So we're changing the definition in several different areas. We're going to change rules 5.7, 5.8, 5.9, and 5.10, all the places that have the definition of the attending physician. You'll drop down and see paragraph B, which is the chiropractor paragraph. We're extending the period of disability to 60 days from the date of first visit, excuse me, the period of treatment to 60 days from 30, and then also from 12 to 18 visits. Again, this mirrors workers' compensation and that's why we upped the number of visits there. We have a sentence there at the bottom that's deleted. I do not know why that was ever put there because that's replicated in rule 5.7.09 (A). It's a duplicate and doesn't belong here so we're just striking it out. It's found elsewhere in the rules.

We're also adding paragraph C, which is the Naturopath or Doctor of Naturopathy. They have the same 60 days and 18 visits that the chiropractors have. And paragraph D we're adding Physician Assistants and they have a period of 180 days from which they can provide treatment as well as authorize disability. Again, those days match Oregon workers' compensation. Then if you want to flip down two pages, we have Nurse Practitioner. It's in a different part, it's an unusual thing because workers' comp doesn't include nurse practitioner under attending physician, but it does allow the nurse practitioner to provide services for 180 days just like the physician assistant. So that's what we're looking to change here in rule 5.7. Any questions on that?

And then just scroll down to 5.8.01. Rule 5.8.01 is replicated in 5.9 and 5.10. This did not have that sentence under part C already, so we added C, which is naturopaths, we added D, physician assistants, and buried down there are a couple of more pages more, we added nurse practitioners. That's for rules 5.8, 5.9, and 5.10. That's what we're looking to do. Again, this brings us in line. We've had a lot of frustrations with our members who go into urgent care clinics and are treated by physician assistants, and we can't accept the physician assistant's proof of disability. We thought that was inappropriate, so that's why we wanted to match workers' compensation. We did have a posted FAQ session for the public and no one attended. We had a couple of people show interest, but they did not show up. Any questions about those, any concerns?

Trustee MacLowry: No, I appreciate it. It does seem to nicely broaden that ability both for the member and for the fund. Good changes. Is this something that we need to vote on today, Sam?

Director Hutchison: You have a resolution today, resolution 554, for you to vote on today, if you want to. If you'd like to delay, I'm not sure why we would delay it but if you have a reason to delay, we can do that.

Trustee MacLowry: Do we vote on these individually as we go or just wait until we're done?

Director Hutchison: That's a whole packet. I'm not going to go through rules 5.9 and 5.10, they match rule 5.8 exactly. This is just one exhibit, you'll vote on the whole package for rules 5.7, 5.8, 5.9, and 5.10.

Trustee Kramer: Has Lorne, Franco, or another attorney reviewed these provisions as revised?

Director Hutchison: I shared it with Franco a few months ago when we were looking at it.

Franco Lucchin: Yes, I've looked at it.

Trustee Kramer: Thank you.

Trustee MacLowry: Is there any more discussion on resolution number 554? Seeing none, would anyone care to make a motion?

Trustee Kramer: So moved.

Chair MacLeod: To adopt resolution 554, I will second that.

Trustee MacLowry: Thank you. All those in favor say aye.

Trustee Kramer: Aye.

Chair MacLeod: Aye.

Trustee Kulp: Aye.

Trustee MacLowry: Aye. Unanimous, the motion passes. It looks like resolution number 555 is the next action item, interfund loan in lieu of tax anticipation notes. I'm not sure if that's you or not, Sam.

Director Hutchison: No, definitely not me.

ACTION ITEM NO. 2 – RESOLUTION 555 INTERFUND LOAN IN LIEU OF TAX ANTICIPATION NOTES

Stacy Jones: Hey everybody. For the record I'm Stacy Jones, Pension and Finance Manager, here today to talk to you about cash flow, everybody's favorite topic. We generally do talk about this at the May board meeting because this is a good time to talk about our cash flow needs for the next fiscal year which starts on July 1st. So, I do not believe Trustee Kramer was with us when we had this discussion last year.

So just as a reminder, you all know that pretty much all of our expenses are funded by property tax revenues, and unfortunately property tax revenues do not come in in any sizable way until mid-November, but of course we have to start paying benefits on July 1. Literally on July 1 is our first \$12 or \$13 million pension payment. So every year we borrow money in July or August to bridge that gap between the start of the fiscal year and when most of our revenues come in. And every year since anyone can remember, we have done that by issuing tax anticipation notes or TANs. Notes, that just means short term bonds, and tax anticipation

notes are exactly what they sound like, short term bonds that governments issue in anticipation of receiving tax revenues and then you repay them when you receive the tax revenues. And partly because those are tax exempt, which means those who buy the notes can keep the earnings tax-free, partly because FPDR is very credit worthy, and partly because the revenue is backed by a dependable revenue source to repay the funds, we have always been able to borrow TANs at a significantly lower interest rate than we could earn on the city treasury pool, which is where we dropped the money while we spent it down and waited for our tax revenue to come in.

So in addition to being necessary from a cash flow point of view, issuing TANs has always been financially advantageous. We've always been able to have enough positive arbitrage earnings to cover the cost of issuing the TANs and have a little extra on the side, all within the IRS allowable limits of course because they don't let us make a bunch of money on arbitrage. So that has always been the case, at least as far back as I know, and Chair MacLeod has been around long enough to hear me get nervous about this every year for probably as long as you've been on the board, but now we've had two years in a row where we have not made money on this deal. So in the current year, 2023/2024, we paid 3.45% interest on our TANs and for the six months we had those funds invested in the city treasury pool we earned 2.77% on those funds. In the prior year, we paid 1.9% interest on our TANs and in the six months we had that money we only earned 1.2% in the city treasury pool.

Last year when I was reporting this to the board, I said I still think this is an anomaly but I wouldn't be surprised if this happened again next year. One of the many signs of these apocalyptic interest rate times we're living in is we're seeing really durable and wide lags between interest rate markets. There are always response lags between interest rate markets when the Fed moves interest rates, that's normal, but they're normally fleeting and small. In this environment where no one knows if the Fed is going to raise or lower interest rates or keep them the same and that's been going on for years, we're now in a situation where these very short-term interest rates for things like our TANs are essentially the same as the interest rate for short term and even medium-term interest rates. In fact the TANs have even been higher than they were last year. This is a very flipped, unusual situation. Normally the TAN rates, those very short-term tax-exempt rates, would be much lower and that has not happened now for two years in a row.

So, I've been talking with the debt manager, he and I have become really good friends over the last couple of years. I think that when we put all this together, what I recommend to the board is that for the first time ever, we do something different, at least for next year. When you consider that it costs \$50,000 to \$80,000 to issue tax anticipation notes, because we have to pay bond counsel to review the TANs and all the disclosures, and we have to pay Moody's to rate the TANs, even before we get into staff costs of doing all those things, it's going to cost \$50,000 to \$80,000. When you consider when we issue TANs we have to borrow all the money we need up front in one lump sum, I think an interfund loan is a better deal because there are

no costs associated with that and we can draw the money as we need it. We can do draws as often as once a week although that might drive Accounting crazy, but we can do them once a month and draw the money just as we need it. We will lose money on that deal because to arrange that I had to promise another fund that I could pay them ten basis points or one tenth of 1% more on what they could earn on the City investment pool. So we will lose money on that arrangement, but I do not think we will lose as much money as we probably will if we issue TANs.

So my estimate is that it will cost us about \$440,000 if we borrow this money through an interfund loan. My estimate of issuing a TAN, and this is my low-end estimate, is that it would cost us about \$480,000, including the issuance cost. Debt management, who probably knows more than I do about this, they estimate it's going to cost us \$565,000 to issue tax anticipation notes, but either way it's cheaper than issuing tax anticipation notes. Basically, with the rates similar between an interfund loan and TANs, then the interfund loan wins because we don't have to borrow the money up front, all of it, and we don't have to pay all these issuance costs associated with TANs. Now, there is uncertainty around the TANs, but there's not uncertainty around the interfund loan because we know the spread is just going to be those ten basis points. But there is uncertainty around TANs because when we would go to issue them in July or August, who knows for sure what the interest rate environment would look like. Possibly it wouldn't be this bad: possibly it would be worse. So to me, in addition to being less expensive, the interfund loan is also less risky. We know we'll lose those ten basis points but that's the limit of our exposure, and there is no limit to our exposure if we go out in this TAN market.

So I think for this one more year this is what is the most financially prudent thing to do while we wait for interest rate environments to return to normal, should they ever return to normal. I still believe eventually they will, the fundamental laws of economics have not changed. So that's why the resolution before you today is asking you to authorize an interfund loan for the first time rather than a TAN issue. City Council also has to authorize that loan, so we would bring that to them later after you authorized it, and I've negotiated a loan with the parks finance manager to have a loan from the park's capital fund, which as you would guess by the name is used to fund multiyear capital projects in the parks. So they can easily do without \$45 million or so for a couple of months. I am grateful for the partnership of the finance managers across the City who are really willing to work together and collaborate to save the taxpayers money when we can. They could have asked for more than ten basis points, but they were willing to just do ten basis points to make it worth their trouble because it is a pain for them. We have to go to Council, and we have to do a bunch of journal entries and move money around. So that is what I'm bringing to the board, but I imagine you might have questions since we've never done this before.

Trustee Kramer: May I ask Stacy a question? Will we, that is FPDR, be represented by counsel in that sort of interfund negotiation, or have we decided counsel isn't necessary?

Stacy Jones: No, I just directly negotiated with the parks finance manager. We didn't employ a counsel in that negotiation. It was essentially a financial negotiation and he and I negotiated it. The debt manager was sort of involved but the parks finance manager and I have known each other a long time so we sort of did it ourselves. The debt manager thought we would have to pay a lot more than ten basis points, but parks was sold on doing it for that relatively small amount. I can't imagine we could have got it for less, honestly.

Trustee Kramer: And how will that agreement be documented?

Stacy Jones: So there are very official loan agreement documents that the City has in our financial policies for interfund loans that we just have to fill out as a matter of course, they're part of the interfund loan financial policies. Debt management oversees that process. So now that parks and I have agreed on the terms, they've written them up. I just saw them in my email right before this meeting, for review by all the parties. The City attorney's office will look at them because they look at everything that goes to Council. I see Franco nodding.

Actually, Franco, this did hit your office because we were making sure there was no legal problem with the parks fund lending us this money as well. So, we have run it through those folks. Do you have anything you want to add to that Franco?

Franco Lucchin: Yeah, I was just going to say for the board's benefit, there were several of us who looked at it. I did for FPDR, there was at least another of my colleagues who looked at it I think on the finance side, just to make sure that we thought the arrangement was legal.

Trustee Kramer: Franco, this might be a more technical conversation than we want to have in this setting. I'm content if you say that but how do the conflicts rules affect those discussions?

Franco Lucchin: Like the Oregon government ethics rules, or?

Trustee Kramer: I was just thinking, I think of you as FPDR's attorney. But as a City attorney, I don't know whether the City can divide itself that way, so that Franco can represent one part of the City and some other City attorney can represent some other part of the City.

Franco Lucchin: I would say so, simply because the FPDR has a fund, and the City otherwise is funded by the general fund. And I guess the other thing I would say is there are other instances where, and in fact I'm involved in at least one of them, where the City Attorney's office has to have walls between and among its colleagues, the attorneys in the office. For example, I staff the civil service board and I'm there as the Board's adviser, not representing the City itself, even though one of my colleagues might be there representing the City as a party. So I appreciate the question, these situations do come up from time to time.

Stacy Jones: Trustee Kramer if you're also thinking perhaps about fiduciary responsibilities and negotiating financial arrangements, that's something that happens for all the finance managers across the city all the time when we're negotiating with each other. We have to negotiate with all the central service funds around all kind of things. We're negotiating

transactions with each other all the time and we do those directly with each other, where our interests are not divided in that sense. I have no interest in enriching the parks department. But the central functions do sort of play a referee/umpire role, when necessary. In this case it's debt management, in other cases it's the budget office. There are situations where bureaus just cannot agree, and then they'll come in to sort of umpire and come up with a fair solution. In this case, nobody has to lend me money. They could all say no, and unless the Mayor told people to lend me money, I don't think there's anything to referee here. Debt management can't make other funds lend us money but certainly they wouldn't allow something unfair to happen either. That's sort of the role of the central functions.

Trustee MacLowry: If I could rephrase that so I understand what you're saying, this sort of thing happens routinely among city agencies, this lending. And it's possible, not likely, we could authorize this and they could still say no. But the first step, Stacy, is to get this resolution authorized. Is that accurate?

Stacy Jones: Yes. And they won't say no, they have no reason to say no.

Director Hutchison: And the final say on this is with the City Council it does go through here. We continue through the negotiations and have the debt manager look at it, then it goes in front of City Council who balances the entire City, FPDR and Parks, and makes sure this is equitable between the two and is able to be done. So they have their option of bringing in more attorneys to take a look at it.

Chair MacLeod: I have just one small question, and that is that if the situations with interest rates change and in a future year again TANs seem to be the clear winner, is there any difficulty in returning to that approach?

Stacy Jones: No. And in fact, that's what we would anticipate doing, at least now, is that we would anticipate returning to issuing TANs next year. Of course, if this keeps going on and on and on, but hopefully next year we would be back to issuing TANs and making some money.

Chair MacLeod: Okay, thank you.

Trustee MacLowry: Okay, so I think procedurally I got this a little backwards. We're supposed to make a motion and then go to discussion. I think we just had a good discussion. Unless there is any further that anybody that would like to add, are we ready for a motion?

Trustee Kramer: Chair MacLowry, I agree. I thought it was a really interesting discussion and I commend Stacy and her staff for sort of looking at it and keeping an eye on it to see what made the most sense and reasoning it out for us.

Chair MacLeod: Agreed.

Trustee MacLowry: Agreed.

Trustee Kulp: I don't have any concerns. I'll make a motion.

Trustee Kramer: To adopt resolution 555?

Trustee MacLowry: Correct, yes. Resolution 555. Is there a second?

Trustee Kramer: Second.

Trustee MacLowry: Great. Now I would ask for any discussion. I think we're well along that way. All in favor of adopting resolution 555, say aye.

Trustee Kulp: Aye.

Trustee Kramer: Aye.

Chair MacLeod: Aye.

Trustee MacLowry: Aye. Okay. It appears the resolution passes.

Stacy Jones: Thank you, Board.

Trustee MacLowry: Indeed. The next action item is resolution 556, amend Online Business Systems contract. I'm guessing that's going to be you, Sam.

ACTION ITEM NO. 3 – RESOLUTION 556 AMEND ONLINE BUSINESS SYSTEMS CONTRACT

Director Hutchison: Yes, it will. So, we're here to look at making an amendment to the Online Business Systems contract. Online Business Systems provides system design and maintenance and programming services to support our database. The database houses all the data about our members, disability claims, and pensions. It is also used to calculate all benefits due to disabled members and retirees. Basically, it's the core of the services we offer to our members.

The contract is in effect now, it began on October 15, 2021. It will go through October 14, 2026, with a not to exceed value of \$385,000. Due to several large, unexpected projects requiring changes to the database and significant work by OBS or Online Business Systems, compensation paid to OBS will soon exceed the amount allotted by the contracts. We're just a hair shy of that \$385,000 and we still have about two years left on this contract. We had five large unexpected one-time projects which accounted for about half the hours Online Business Systems spent working on the database and providing services to FPDR since October 2021. The projects that were big and unexpected were onboarding the two MCOs, Providence and Majoris. This is the first time in 13 years we've onboarded an MCO, and we onboarded two back-to-back. There's a lot of work that has to be done so we can sync data back and forth between them and get the billing structure done correctly. Providence has a very complex billing structure, so we had to do a lot of work to the database to support that billing and payment.

The next one is a W4P tax calculation. Everybody knows what the W4 is. Tom, since you're retired you may know what the W4P is, it's telling us how much you want withheld out of your Federal income tax going forward. The IRS decided they're going to make the W4 and W4P

very complex to complete. If anybody has any changes, you should look at the IRS website to complete it, you almost need an accountant or tax specialist to complete it where it used to be fairly simple. We had to set up our system to allow us to handle those new WFPs coming through, and we have to be able to handle the old W4Ps because they're allowed to grandfather those in. So, we had to make quite a few adjustments to the database to handle those tax offsets or tax withholding under the old W4P and the new W4P.

We also in the last year or two replaced our check generation software. It's the software that sort of hooks our database up to all the financial people so we can pass through all the correct data to get benefits issued, whether they're direct deposit or actual paper checks. Again, that was unexpected. The prior check software quit supporting the version we were on and to update the version, they were going to triple the cost for it. We went and found another one that was probably a little bit cheaper than what the prior one was before and is doing the job well, but we had to do a lot of changes to the system to sync in with the new check generation software.

The last other big project was the city server migration. Our city, under the Bureau of Technology Services, had to upgrade their servers. They were many years old and they had to bring them up to 2020 or 2023 levels on the server. So we had to do intense testing on the database, making sure that the database could function on those new servers and all the information that we were bringing in and benefits getting out were not impacted by that server change. So that took quite a few hours to run all those tests. So those five different projects, as I said, counted for half of the OBS time.

So, we're asking for an additional \$250,000 to cover the OBS contract and services through October 14, 2026. We anticipate potentially two large projects that will require some OBS time, but we don't anticipate five and we don't see any risk that there will be other large ones. The first one is Wells Fargo's financial feed. They're changing what data they want from us and how they want it from us in order to do direct deposits. They haven't given us all the requirements yet, but we anticipate that's potentially pretty big. I won't go into a lot of the details until we get the requirements, but it could require changes to database and database security to levels we haven't had before for us to retain all the banking information. There's a possibility with the change in the form of government and some of the structure in the City, that some of our feeds we take in from our SAP city personnel program may have to change due to some structure. We're not certain, that may be nothing and it might be medium size. But we just have to wait and see when that team is done and how that works. So again, that's what we're asking for is to increase to \$250,000 to cover us for the remaining two and a half years on the contract.

Trustee MacLowry: Thank you, Sam. To do this correct this time, before we move into discussion could we get a motion to adopt resolution number 556?

Trustee Kramer: I would make that motion.

Chair MacLeod: I will second that.

Trustee MacLowry: Great, okay. Is there any discussion about the information that Sam has presented regarding this resolution? I'll go ahead and start because I have several questions if that's okay.

Director Hutchison: Go for it.

Trustee MacLowry: Sam you mentioned this contract started in 2021, prior to my time on the board. Were they the service that was used by FPDR prior to 2021? What was happening before this contract as far as the software and the database that was being used?

Director Hutchison: OBS was the prior contract. We had to go out for bid because we had had it for over ten years. It was a new contract with them.

Trustee MacLowry: So one of the things I'm sort of trying to understand. I know for other bureaus in the city, this type of thing, I'm probably misunderstanding it to some degree, the scope of the work would be done through BTS?

Director Hutchison: No. I'm sorry, go ahead and finish. I didn't mean to interrupt.

Trustee MacLowry: We're a different beast than some of the other bureaus, certainly at least as far as having our own funding, in that sense. I'm curious if there's any element that could have been or is done that dovetails with things that BTS does for other bureaus.

Director Hutchison: No, this is a proprietary application built for and by FPDR for FPDR. It was probably built 15 or more years ago. It was a database, and so we built it ourselves and have to maintain it. BTS will do some background stuff and will help us maintain the connections with the other systems in the City, but it is ours to own and maintain.

Trustee MacLowry: Is this the program that your staff uses when members request their pension estimates?

Director Hutchison: Yes, we get information from this program and this houses all our data. If we need that data for anything including pension estimates, it pulls information out of there.

Trustee MacLowry: And the reason I ask is I know there's a quite a backlog of members wanting or waiting for pension estimates. I was curious if some of these projects that were unexpected maybe are the cause for some of the backlog.

Director Hutchison: No, that's a separate one. When we get back to the FPDR update session I'll have Stacy give you an update on the pension estimates and what we're doing to address that backlog but that has nothing to do with OBS at this point. We actually had OBS help us create a tool to automate part of the estimate process but that was a while back. We still may make changes in the future but this issue we're doing today had nothing to do with it.

Trustee MacLowry: Okay. And not to disparage OBS, but we're kind of stuck with them. It sounds like they're the ones who created the software that's being used for this database system. Not stuck with them, but it just would make the most sense to continue with them, it sounds like. Would that be an accurate description?

Director Hutchison: Yes, when we did this in 2021, that was part of the decisions we made at that time. They have an intimate knowledge of this, and part of the challenge is, especially with technical contracts, when you move to a new company they have to come to speed. So there's a learning curve to where you don't get a lot of productivity out of them while they're learning the software, learning the database and how we're using it. It's not to say it's off the table. The next time when this comes up in 2026, we'll make that decision at that time and what's the best way to do it.

Trustee MacLowry: That's the issue we had with CFAP. Thank you.

Director Hutchison: We'll let you know. We just hired a new Business Systems Analyst, and they are our technical person who oversees this application and database. And I have asked her while she's going through it, can she bring some of the work in-house, do we farm too much of it out and can she do some of it. I'll go over a little bit of her credentials here in a minute. That's one of the things I've asked her to do. I've also asked her to evaluate our relationship with OBS because we have not done that.

Trustee MacLowry: That was going to be one of my questions. That person's title is systems analyst.

Director Hutchison: Business Systems Analyst 3.

Trustee MacLowry: Thank you. Any other questions or discussion on the resolution? Hearing none, we will take a vote. Everyone in favor of adopting resolution number 556 please say aye.

Trustee Kulp: Aye.

Trustee Kramer: Aye.

Chair MacLeod: Aye.

Trustee MacLowry: Aye. Any opposition? Thank you. The motion passes.

Director Hutchison: And I will share with you the final amendment. It's now going through OBS for signature. When we sign and the City signs, we'll share with you the final. It's just a one-page contract amendment, and I'll share that with you.

Trustee MacLowry: Okay. So it looks like, unless anybody has additional information, the next items on the agenda are some informational items. The first being members transitioning from disability to retirement status. Who's the lead on that? Is it Kim?

INFORMATION ITEM NO. 1 – MEMBERS TRANSITIONING FROM DISABILITY TO RETIREMENT STATUS

Kim Mitchell: I'm Kimberly Mitchell, the Disability Claims Manager. I forgot to say that earlier so forgive me. You may recall that during the January 23, 2024 board meeting Lorne Dauenhauer, the FPDR Outside Counsel, shared information about a new tax law, 139C, that's going into effect January 1st, 2027. And that law would create a tax benefit for people who have transitioned from a work-related disability benefit to a pension, to a retirement. During that conversation Trustee Kulp asked if we had any historical data or data on the members who would be impacted by that new rule when it comes into effect.

So what I have provided here are just the numbers, in three different sets. These numbers represent the number of members, the pay amount, which is something I'll talk a little more about, and the number of members in each category. So I'm going to just dive into the top block of numbers, and these are members who are currently receiving monthly disability benefits. And just as background, again, these are members who suffered service-connected injuries. They are unable to return to police or fire employment. They are permanently restricted from any other work outside of their police and fire duties, or they can do some work, and I'll just break that down.

We have permanent total. Those are the people, the classification of our members who cannot return to their police and fire work, but we've also conducted a vocational analysis and they're not able to pursue earnings of a third of their base pay. They lack maybe transferable skills or their injuries are so severe that they cannot go out and look for other work. We call that permanent and total and they're paid 75% of their base pay until they retire. And so the members currently receiving that benefit, we have four that fit that category. And then we have what we call permanent and partial. These are people, again, fire and police officers who can't go back to regular work, but they can do some work. Their physical limitations don't prevent them from pursuing other employment. So we conduct a vocational analysis at the time we learn they are permanently restricted from returning to work. We do an assessment, and if they can by their physical skills and abilities, pursue work earning a third of their base pay then their benefit is reduced to 50%. So we have 14 members currently in that category and those members are charged with pursuing other employment to offset the benefits that we are paying from the fund. And then we have a category of those members that are permanent partial. They've met that SGA designation and they're getting 25%. That typically occurs when their outside earnings are very high. They are by law and by our rules, granted that minimum of 25% regardless of how much they earn. So that is the category that we have for them, and we have three of those members.

And so these members, it appears, will all benefit from that new rule. These members' retirements are projected at this time to start anywhere from 2024 to 2041. There's a little asterisk here at the bottom of the sheet that I provided. The reason there is a range of their projected retirement dates or their mandatory retirements is because any time our members

earn less or are paid less than 75%, when they're reduced to 50%, and then their outside income is offset which further reduces the benefit they receive, and their years of service accrual is extended. And I invite Stacy or anybody to chime in if I'm not making that clear for you. That's where we intersect, and I hand that off to Stacy's team. So, these are the numbers of current members receiving monthly disability benefits who may benefit from that new rule when it goes into effect. And then we have members who transitioned this past fiscal year, you just wanted to know about that. We've had three who have transitioned. One of them was a tier 1 member, or two of them were tier 1 members, so we still have those that are projected out because of their earnings. Two of them were tier 1 and one of them was a permanent partial SGA, in that category.

And then for the last, we look back at a recent five-year history from fiscal year 2019 to 2023. We had 13 members who transitioned from monthly disability to retirement, and at the various pay rates: three at 75%, six at 60%, four at 50%, and none in the 25% category. That 60% is the base pay that was due to tier 1 members, they had their own separate category of pay for those members, so that's where the 60% is. We don't currently have any active tier 1, I'm pretty sure that they've all transitioned to retirement. So yes, we will have some members who may benefit from that new tax law, and we don't know all the parameters that the law will have some guidelines with it and will it be retroactive, that is to be determined. But the short of it for you is that we will have some members who will benefit from that tax law when it becomes effective. Any questions?

Trustee Kulp: No questions but thank you so much for the data.

Kim Mitchell: You're welcome.

Trustee MacLowry: I second that, thank you very much. I just came across one tiny question on the example at the very bottom, Kim. This particular example is 19 years of service, 75% of their base pay during the first year and 50% thereafter. Would that be someone who is that SGA person, further employment, and that's why it's bumped down to 50%?

Kim Mitchell: Correct.

Trustee MacLowry: Thank you. Just wanted to double-check that. Great, I appreciate the information.

Kim Mitchell: You're welcome, thank you.

Trustee MacLowry: It looks like the next informational item is FPDR summary of expenditures. I guess that's going to be Stacy.

INFORMATION ITEM NO. 2 – FPDR SUMMARY OF EXPENDITURES

Stacy Jones: All right, I'm back to talk about the expenditure report and how we're looking as we come in towards the end of the fiscal year. Just really probably two things to mention. The

first is the property tax revenue is right on target. I would be surprised if we are more than 1% off. So that is good and nice. Secondly, as Trustee Kramer pointed out very early on, we will overspend our original personnel budget. This is a city-wide problem happening to every single bureau because of the way health insurance is budgeted and costed back to the bureaus. There was a miscommunication from central HR about how that was going to be handled. The method is changing so everybody in the City had this problem. And then we also had an unanticipated retirement with a large vacation payout although that was a smaller issue. But not to fear, you don't see it in this chart but we were able to shift funds from fund contingency into personnel as part of the spring budget adjustment to make sure we don't overspend in our personnel category there to cover those additional costs. Other than that, not really anything noteworthy to point out. Are there any questions?

Trustee MacLowry: A quick observation, as usual the FPDR three pension contributions are lagging.

Stacy Jones: Yes.

Trustee MacLowry: Do you expect that last one to come in next month, that bill?

Stacy Jones: Actually they've sent it to us already. We approved it and sent it back to them, so it should be in May for that quarter three bill, for both police and fire. It's getting better as the year goes on. Normally we would expect that third quarter bill to be hitting in April so now they're only a month behind. And of course, the fourth quarter bill has to get in on time because we have to close out the fiscal year.

Trustee MacLowry: And you anticipate the cash, \$20 million there?

Stacy Jones: Yeah, we're going to be pretty close to target. I think we'll be \$1 million or two under. Let me look at the total. With the quarter three bills, which like I said we know the amounts even though they're not in SAP yet, let me look at our totals. We're almost at \$30 million with the quarter three, we're at somewhere between \$29 and \$30 million with the quarter three and our budget is a little over \$40 million.

Trustee MacLowry: Right.

Stacy Jones: So I think we're going to overspend our fire budget a little and underspend our police budget a little. Between the two it will kind of net out.

Chair MacLeod: And Stacy, on that topic. Are those FPDR 3 contributions determined as a percent of payroll?

Stacy Jones: Yes.

Chair MacLeod: So were recent increases in payroll known at the time you set this up, or did you just have a good sense of it and included margin for that?

Stacy Jones: Yes, all the recent increases were known when we established the budget. I'm trying to think if there was anything that wasn't known. I don't believe so because I think we had all the details of even the fire contract before we finalized this budget. So we have a pretty accurate model. It's getting a little harder to manage because of the promotion rates of the FPDR 3s now. The drift, we're still trying to get a handle on that spread of the FPDR 3s who are younger through the workforce, because they're being promoted at a much more rapid clip now. So that's an element that we can't predict necessarily although we can model it, of course. But the most unpredictable element of this is overtime because we do have to pay PERS contributions on overtime, and that is much more difficult to predict for both us and the police and fire bureau.

Chair MacLeod: Thank you. I also see that return to work, light duty is a bunch of zeroes.

Stacy Jones: That's right. I think they sent us quarters one and two at once. I would have to check in with my staff, a couple of months ago. There were some delays in our own office. I think Kim had reassigned which of the disability analysts were approving that. It's always a difficult thing to do honestly because the data comes over in bad form, but they are billing us for it. And you'll see I think three-quarters when May closes for those as well. So some of the delays on that side were caused by us as well.

Chair MacLeod: But there is some catch-up anticipated here. Okay.

Stacy Jones: Yes, and those amounts are much smaller but there is. I can't remember if the numbers are significantly different from past years, but I don't think so. So they should be close to budget.

Chair MacLeod: Thank you.

Trustee Kramer: Stacy, will you remind us about the roughly \$14 million in the contingency line item? I can't remember, was that based on sort of change of government potential expenses or was that a typical sort of number for that line item?

Stacy Jones: That's a great question. That's a pretty typical number for that line item. We generally carry around 7% or so in fund contingency. Every year when I ask the Board to adopt the budget, I'll kind of lay out all the risks that I see and try to monetize them and make sure that that is going to cover all the risks that I see. And so none of that was really related to the change of government in this current fiscal year. We do have some extra money in contingency for next year's budget that is related to the change of government, just a little bit more than we would normally have in contingency for that. But yeah, every fund in the city that has its own fund, we need to sit on some money to manage any unexpected situations and make sure we don't go negative.

Trustee MacLowry: Okay. Anybody else have any questions? Thank you, Stacy. It looks like the second to last informational item is the FPDR update. Sam?

INFORMATION ITEM NO. 3 – FPDR UPDATES

Director Hutchison: I'll ask Stacy to go ahead and give you a quick update on the pension estimates.

Trustee MacLowry: Great.

Stacy Jones: I wasn't planning to do that today but since Trustee MacLowry asked about it. So, we have made a ton of progress. Whether we can sustain it, I do not know. So while you all were talking about the OBS contract, I was trying to half listen and half look at where we are right now. So we had about 150 estimates in the queue back in late January, early February as we were coming off of budget. And as you guys may remember, the same staff who do all the finance tasks, prepare the budget, project cash flow, do all the finance things, also prepare pension estimates. So as we came off of budget, they pivoted their attention to estimates. And really only one analyst was able to really pivot a lot of her attention to that, while the other analyst was getting caught up on bank and database SAP reconciliations. But so now, I'm happy to report that we're down to only 31 in our queue, which is still not ideal but is a heck of a lot better than 150. So we have 31 estimates in our queue right now, 16 police and 15 fire. Six of those are more than six months old. So that's pretty old, and those are because they've asked for dates really pretty far out. Of those 31 estimates that are in our queue, nine of those have asked to see at least one date is a November 2024 date because that's a 27 pay date month. Those are our most urgent ones we want to get out, are those nine. But we don't have anyone waiting for a June estimate, which is good since it's May 28th, although I do see from Beth in my email that somebody called today asking for a June estimate so that person is waiting, but he just called today. And we don't have any fire folks that we know of waiting for a November estimate because of the six-month retire-rehire timeline. So that has been a complicating, difficult factor that will never repeat. And so chief Gillespie and I have talked about this, but fire is requiring six-month notice to take advantage of the retire-rehire program. And Trustee MacLowry might be able to talk more about this. But that means that fire members who wish to retire in November of 2024, which is a 27 pay date month, have to give notice in May that they want to do that. And that just happened to lay right on top of all the estimates for folks who want to retire in June, which is also a 27 pay date month. So just when we had this magic moment to get caught up, we got double whammied on the fire side because of that six-month requirement. So, when Chief Gillespie asked, is there anything I can do to help I said, could there be a five-month requirement or a four-month? So, we did talk about what can be done about that, but I don't think that's a situation that will ever repeat. It just happened to be that June and November happened to be the same distance apart, it was just a coincidence. But we did get all of those out to everyone at fire if they told us that they needed it for that retire-rehire reason.

So that's where we are right now. 31 waiting, nine of those are urgent in the sense that they've asked for November and that's pretty soon. They've also asked for other dates that are further

out. Six of those are more than six months old, and we also at this point consider those urgent because that's a really long time, even though those folks have asked for retirement in 2029 or 2030, we still want to get those out so that people can plan. So for me now the question is, can we maintain this. And it really has just been a massive workload. And now we're headed into summer, which is very busy for my finance staff. It's an evaluation year, so we have all the actuarial schedules to do, all the usual audit work. June is a 27 pay date month, so we have lots of retirements to calculate. So can we maintain it? We're trying a method where we're dedicating a chunk of every week to working on it. Things have a way of coming up and disrupting that. But we're still experimenting with whether we can maintain this, or if we need to add staff or technology resources. But at least we're mostly caught up right now, but not quite. We've still got 31 in the queue.

Trustee MacLowry: That's great, and thanks to you and the analysts taking on that workload. I am curious if there's anything with this renewed contract with OBS, is there any way we could add a layer, and it may not be applicable, but to the work that analyst is doing, if they can add another layer to the software that makes it an easier job to do the estimates? That may not be the direction of what their work is, but if there is a way to automate it, make it more of an automated job, that it's not so labor-heavy for the analyst. I would encourage that individual to get back to us about an easier way to do the job than it's being done.

Stacy Jones: We talked about this last September, that issue of if we need to throw more resources at this, is it people or is it technology. And to me, it should be technology. So that's something we have to revisit with OBS. Then we've had this transition with the business systems analyst and they had higher priority projects, but we're going to get back to this. Five years when we had OBS, maybe it's not that long ago, but a few years ago when we had them add the functionality we have right now, there was this general feeling that it had gone as far as they could take it in terms of automating it, and that did make a big difference, believe it or not. But I personally think that more could be done and so we do want to do that. It's just a matter of prioritizing it with other tasks, and we have a new business systems analyst. Another thing that I would like to see us do if possible is update the online calculator with the help of OBS or perhaps with the help of some folks over in what used to be OMF in our service area. You're going to trade off accuracy a bit for that, because the way you guys get paid is unbelievably complex, and once you ask individual fire or police folks to input their own pay, as crazy as this sounds none of them actually know their own pay, and that's understandable given the way that you are paid, let alone know all the 20 different ways it will change in the upcoming years. But I think we could do better with that online calculator also. So those are things I would like to see happen, yes.

Director Hutchison: One of the things we've looked at going forward is could we potentially bring in a consultant. It wouldn't be OBS, it wouldn't be us, but somebody else that could come in and look at this estimation process, how we can improve it and how we can automate it and have them so that's their sole focus. It would be like an RFP type of situation; here is our

problem, come in and tell us how to solve it. And that may be the most efficient way, but it does come with a price tag. So, this has been on our list, I just made notes, we'll make sure it gets on that list going forward. I think there's that third option of an outside consultant.

Stacy Jones: Yeah, I agree. OBS, essentially they're programmers, that's what they know how to do, and you really have to lay it all out for them to program it. They're not going to design a system. So having someone help design a system might be useful also.

Director Hutchison: Thank you.

Stacy Jones: You're welcome.

INFORMATION ITEM NO. 4 – FUTURE MEETING AGENDA ITEMS

Director Hutchison: We'll switch it over to me for FPDR updates. I've got a few here to go through. We've been talking about our new mysterious business systems analyst. We just hired Lili Acevedo. I think she's been here two weeks now and she has hit the ground running. The challenge is that she did not have any chance to overlap with her predecessor, Julie Crisp. Julie retired and it took us a couple of weeks before we could get Lili on board, and we contract with Julie, and she helped train Lili. Lili comes to us with a lot of experience in database coding. She's done a lot of coding herself. She understands databases and all the different coding languages that could be used for it. She was a program analyst at USC and for Oregon State. She has also been a technical project manager. She's led a lot of large projects, that's above and beyond just the coding that goes with the project and has a past history of an IT help desk technician, which is really great. She knows how to work with our staff and problem solve with the staff and our members who have portal problems, she brings that skill set. She has the broad skill set of programming databases, running projects, as well as doing all the miscellaneous IT help desk stuff.

Part of her responsibilities as a business systems analyst is she keeps FPDR operational. She does that by maintaining, enhancing, and updating our database. We have a member web portal, and we have some other minor FPDR specific applications that she's entrusted to keep running. She provides custom and regular reports to us because a lot of times simple reports, like the one we did for you, Christopher, today, but there's other more complex ones that we share out with the Police and Fire Bureau and other parties. She will also support the members and staff by troubleshooting, helping train and coach them on how to do anything technical in the office. She'll work with BTS if there's problems with the systems, problems that impact our ability to work or with the member portal, and the big thing we're going to have her do is help us guide to the future of what we're looking to do. Identify technologies that help improve efficiency, help us better support our members, and allow our staff to better meet our service expectations for our members. And this is where we've put in for the estimates coming in that will fall under that. We'll have her take a look at that and see what she thinks we can do and should we go to OBS for our consultant route. I think that's going to be too complex for her

individually to take on for the estimates, but she can lead the project for that. And lastly, she manages the projects, there's a lot of different projects that fall underneath all of these other tasks that she does. There's project methodology, she's very familiar with that. She's able to tailor it to large projects and small projects that we do. So, our database is the life of the bureau, making sure everybody gets their benefits, allows us to track and make sure we're managing claims and pensions correctly. And that is part of her job is to keep that operational. I've been impressed because she's had to learn this job on her own. She's reached out to everybody. She's already made connections and contacts within the city and with OBS to help her learn the job and begin working with them. It's exciting to have her on board.

We've mentioned a couple of times the change in the city government. Just a quick reminder that we are going to put the effect of the service area model in effective July 1, so there will be reshuffling at the management level. Fortunately, not me but above me, who I report to in my reporting structure, all that will take effect on July 1st. FPDR will formally become part of the budget and finance service area. That was a good choice for us to be there because the budget and finance service area has a good understanding of how the FPDR fund works and how the finances work. There's a good synergy between the two of us. We do have the Deputy City Administrator who I'll report to and who will oversee that budget and finance area. That's Jonas Biery, he was a former debt manager. Stacy was talking about doing work with debt managers, so fortunately he has a very good understanding of FPDR and FPDR funding. Even though he's been in the private sector for the past four or five years, he's coming back to the city after being in the private sector and brings that knowledge with him. Overall, the changes should have minimal impact on FPDR and our members. I'm probably the one person that's going to be impacted the most, and I also feel it's my responsibility to make sure that this does not impact the staff or the members. I think the members will not see any of this change coming down, impacting what we do and how we serve them. Same thing with our staff.

Trustee elections. Again, a reminder the police and fire trustees' terms are up on December 31, 2024. In October we'll start the process. We'll go into more depth in our September meeting of what that process is and how we do that. We've been talking about comparing FPDR to workers' comp, so we have a bunch of documents. We're going to put those together and put them out in the Dropbox like we did with the pension information, so you'll have a chance to look at all the past studies and information about comparing workers' comp to the FPDR disability plan. What else do we have? The vacant Citizen Trustee position. I haven't had a lot of time because I've been training the business systems analyst and a few other things, so I'll renew my efforts in June to see what we can do to recruit a new citizen trustee. Again, the hardest part we have is with all these governmental changes, there are so many different committees and commissions helping create this government change that we've exhausted the pool of people that we usually would like to volunteer. So, we need to get creative and I have some ideas. I've got some people and some of the Commissioner's office willing to help us with that.

Future meeting agenda. So July 23, 2024 is our next meeting. We have nothing scheduled for it at this time. July is usually an off month, and we'll keep it open unless you have any ideas on what you would like to do, because we do have sort of our list of meeting topics that we've reviewed several times. We've talked about forming a committee to review the FPDR 2 pension plan, discussion on soliciting a study to compare FPDR disability program and the Oregon workers' comp program, look over the FPDR strategic plan, and Board of Trustees handbook and review. So I don't know if you want to do any of those for July or if you have any ideas. You don't have to have them now. I'll send out a request and we usually make the decision by mid-June whether or not we'll have the July meeting or at least I'll say that we'll have none and ask your opinion. So, I don't know if you have any thoughts now for the July meeting. September 24, 2024, that meeting I'm certain will have the State of FPDR and there will be some other topics that come through. I'm done with everything I've got, Kyle.

Trustee MacLowry: Great. That seems to be the end of the agenda unless anybody has anything they would like to add. I'll fully permit it if anybody does.

Trustee Kramer: Sorry if this was addressed while I was away, enjoying the quality of Comcast's service, but do we have any update on the Majoris contract that Kim reported on last meeting?

Director Hutchison: I'll have Kim run up here real quick.

Kim Mitchell: Thanks for asking. Update, we are enrolling members. That's a process we're going through right now, getting them transitioned. Those who have providers who are already on the panel have been notified and they're just kind of transitioning as they should with Majoris on the back end. So lots of communication right now between the members, the disability analysts, and Majoris, but we're moving right along. So far it's been smooth sailing. We'll have some members whose providers are not on the Majoris panel but they're going through what is called a credentialing process where they'll work with a doctor to see if they're willing to follow particular rules that are needed for treatment of the members, and where they are, they will be credentialed to continue to treat the members. For those that decide they don't want to follow those rules, we're going to work with the members to see if we can find someone who will do that, follow the FPDR and MCO rules. So it's going well right now. Thank you for asking.

Trustee MacLowry: Anybody have anything else.

Chair MacLeod: No. Thank you for handling the meeting, Kyle. Much appreciated.

Trustee MacLowry: My pleasure. It looks like we have come to the end today. Thank you everybody for participating and your time and meeting is adjourned. Take care everyone.

Trustee Kulp: Thank you, bye now.