

Portland FPDR Transparency

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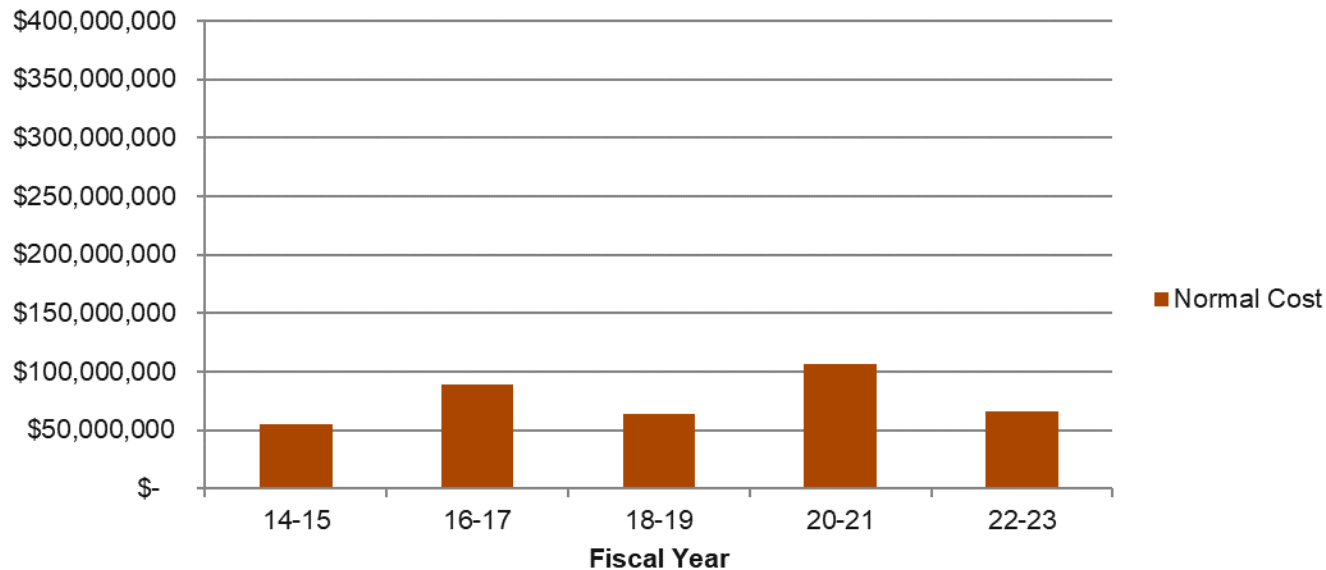
Should FPDR Get Off Pay-As-You-Go?

- ▶ Improve transparency of compensation in the Portland Police Bureau and Portland Fire & Rescue Bureau
 - ▶ Mitigate a lack of transparency that can hide costs by passing them off to future generations of Portland taxpayers
- ▶ Intergenerational Equity
 - ▶ The costs of employee benefits are paid for by taxpayers who employed them
- ▶ Paying the bills sooner is expected to reduce the cumulative long-term costs of those bills.
- ▶ Mitigates risks of any potential deterioration in the city's finances

Lack of Transparency in Funding Policy

- ▶ Normal Cost is the annual cost of benefits earned in the current year

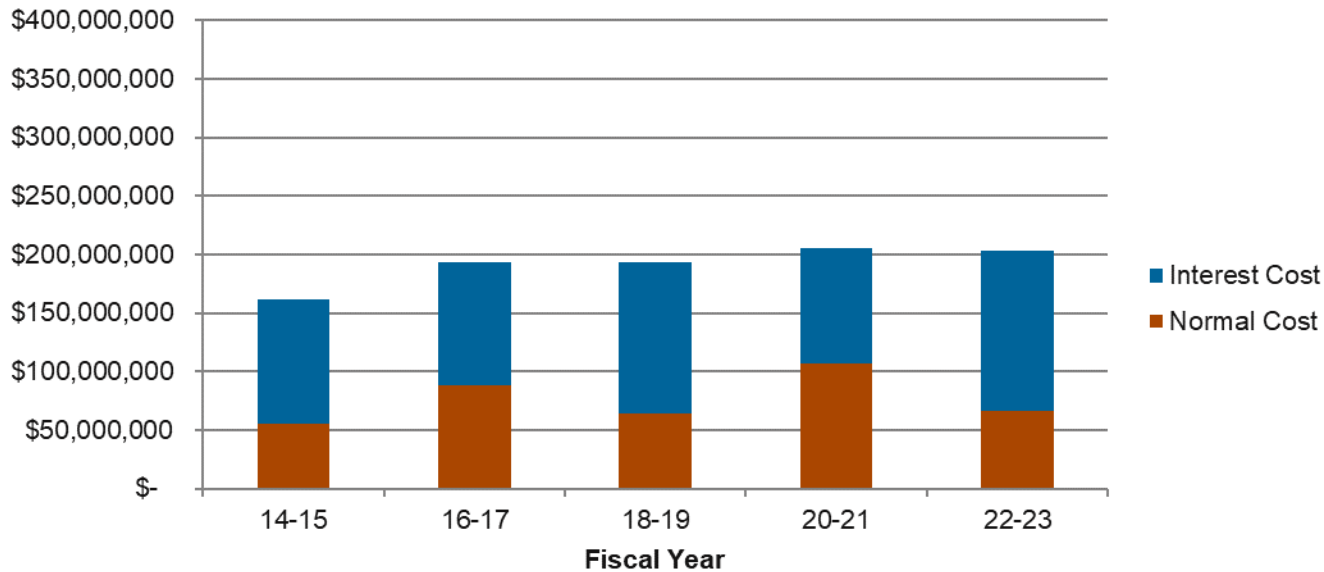
FPDR One and Two



Lack of Transparency in Funding Policy

- ▶ *Interest Cost = unfunded liability × annual interest rate*

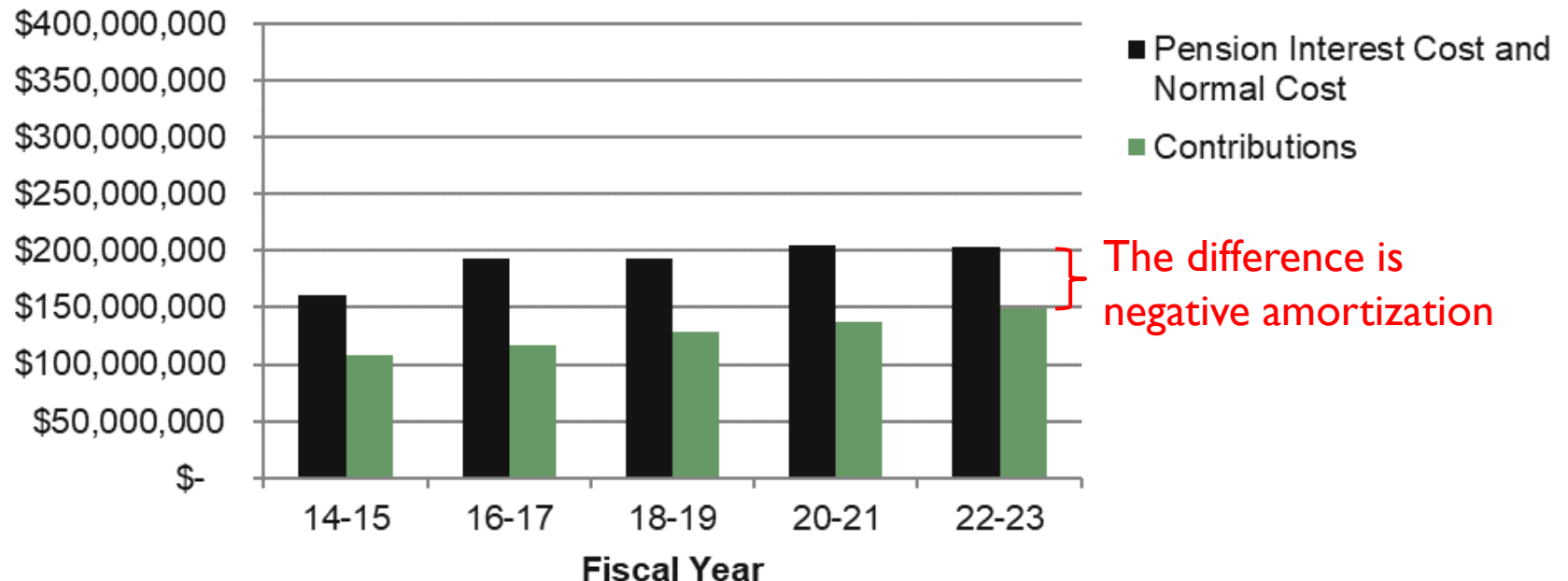
FPDR One and Two



Actuarial Basis vs. Cash Basis

- ▶ **Negative amortization:** When contributions are insufficient to cover Interest Cost and Normal Cost

FPDR One and Two



For Consideration

- ▶ The City should request its actuary provide an analysis of a Comprehensive Actuarial Funding Policy covering the following
 - ▶ Inputs
 - ▶ Various amortization periods
 - ▶ Pension Obligation Bonds
 - ▶ Combinations of the above
 - ▶ Outputs
 - ▶ Cumulative long-term cost savings
 - ▶ Analysis of the impact of FPDR on property tax compression, including in worse-case scenarios
 - ▶ This may require collaboration with the City Economist or an economic consulting firm given that it has not been done before

Appendix

Sources

- ▶ **City Budget Office:**

- <https://www.portlandoregon.gov/cbo/60863>

- ▶ **Milliman Actuarial Valuation Reports**

- ▶ 2022: <https://efiles.portlandoregon.gov/record/15832827/file/document>
 - ▶ 2020: <https://efiles.portlandoregon.gov/Record/14369462/>
 - ▶ 2018: <https://efiles.portlandoregon.gov/Record/13654325/>
 - ▶ 2016: <https://efiles.portlandoregon.gov/Record/13654402/>
 - ▶ 2014: <https://www.portlandoregon.gov/fpdr/article/515926>

Portland City Council Meeting - Wednesday, August 2, 2023 9:30 a.m.

Agenda Item	First Name	Last Name
650	Kevin	Machiz