Report of the Independent Auditors and Financial Statements

FOR THE FISCAL YEAR ENDED

JUNE 30, 2021

PORTLAND FIRE AND POLICE DISABILITY AND RETIREMENT FUNDS

TRUST FUNDS OF THE CITY OF PORTLAND, OREGON

FIREFIGHTER
CITY OF PORTLAND
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INTRODUCTORY SECTION

City of Portland, Oregon

Fire and Police Disability

and Retirement Funds

Trust Funds of the City of Portland, Oregon

June 30, 2021

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Report of Independent Auditors

The Board of Trustees
City of Portland, Oregon, Fire and Police
Disability and Retirement Fund and Reserve Fund (Component unit of the City of Portland)

Report on the Financial Statements

We have audited the accompanying financial statements of plan net position of the City of Portland, Oregon, Fire and Police Disability and Retirement Fund and the City of Portland, Oregon, Fire and Police Disability and Retirement Reserve Fund (the Funds), component units of the City of Portland, Oregon as of June 30, 2021, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 9 through 15, schedule of changes in net position liability and related ratios on page 49, the City share of Oregon Post Employees Retirement System on pages 51 through 52, the City share of OPERS Other Postemployment Benefits on page 53, and the City of Portland Other Postemployment Benefits on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portland, Oregon, Fire and Police Disability and Retirement Fund and the City of Portland, Oregon, Fire and Police Disability and Retirement Reserve Fund's basic financial statements. The supplementary information included on pages 57 through 64 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules on pages 57 through 60 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary data on pages 61 through 64 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021 on our consideration of the Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
October 27, 2021

Management's Discussion and Analysis

As management of the City of Portland, Oregon's Fire and Police Disability and Retirement Fund (FPDR Fund) and Fire and Police Disability and Retirement Reserve Fund (Reserve Fund), we offer readers this narrative overview and analysis of the financial activities of the funds for the fiscal year ended June 30, 2021. For more detailed information regarding the funds' financial activities, the reader should also review the actual financial statements, including the notes and supplementary schedules.

Financial Highlights

- An independent actuary conducts biannual valuations of FPDR's obligations. The most recent valuation was completed with data as of June 30, 2020; rolling that valuation forward to June 30, 2021 yields a total pension liability (the actuarial present value of the plan's projected benefit payments that are attributed to past periods of member service) of $4.6 billion.

- The FPDR Fund is financed on a pay-as-you-go basis. The Portland City Charter provides for annual employer contributions that equal current year benefits and administrative expenses. Employer contributions are primarily financed by a dedicated property tax levy, which provided $168.0 million of the $168.6 million in total contributions. Other employer contributions derive from a surcharge collected when fire or police services are provided to external organizations, subrogation on disability claims, and miscellaneous revenue.

- The imposed FPDR property tax levy for the fiscal year ended June 30, 2021 was $1.09 per $1,000 of real market value (RMV) within the City of Portland. By Charter the levy may not exceed $2.80 per $1,000 of real market value. Portland property owners make tax payments on assessed value rather than real market value; the FPDR levy was $2.76 per $1,000 of assessed value for the fiscal year ended June 30, 2021.

- Since governmental accounting standards do not allow future dedicated tax revenues to be reflected in the Fund's financial statements, the Plan's net position reflects only current assets, primarily cash on hand. Net position was $13.3 million on June 30, 2021, a decrease from the June 30, 2020 net position of $18.6 million.

- FPDR fund assets declined slightly by $2.3 million or 6.9% for the fiscal year ended June 30, 2021. A $2.0 million drop in cash and short-term investments accounted for this change, as the Fund paid out more in both pension and disability benefits than originally anticipated for FY 2020-21.

- FPDR fund liabilities (as opposed to FPDR plan liabilities) rose more pointedly, by $3.3 million or 21.0%. An increase of $1.6 million in the FPDR Fund's liability for PERS contributions on the accrued leave balances of FPDR Three members was the primary driver of this growth. However, a $0.8 million increase in the June pension benefit payable on July 1 and an increase in the City's liability in the Oregon Public Employees Retirement System (PERS), which added $0.8 million to FPDR's share of that liability for FPDR employees, also contributed.

- Benefit payments to retirees and disabled members as well as their beneficiaries climbed by 8.4%, or $13.1 million. This unusually large increase had two sources: a record-breaking number of retirements, which increased pension expenses, and a surge in short-term disability costs. A total of 107 FPDR members retired between July 1, 2020 and June 30, 2021, the most ever in a single fiscal year. This was likely due to several factors, including the timing of financially advantageous retirement months, the pandemic and persistent protests, and organizational and financial change at the Portland Police Bureau. In addition, a sizable number of COVID infections and exposures in the active sworn population resulted in an increase in disability claims. Short-term wage replacement benefits increased by $1.0 million or 62.5% in the fiscal year ended June 30, 2021, as compared with the prior year.

Financial Statements and Analysis

The FPDR Fund provides disability, death and retirement benefits to the sworn employees of Portland Fire and Rescue and the Portland Police Bureau and their survivors. Chapter 5 of the Portland City Charter establishes the level of benefits and the method of administering benefits, and serves as the Plan document.

The FPDR Fund is financed on a pay-as-you-go basis. Each year's benefits and expenses are paid from employer contributions derived almost entirely from a dedicated property tax levy assessed each year. No assets are accumulated to fund benefit payments in future years. Although the City Charter provides FPDR with dedicated property tax levy authority of up to $2.80 per $1,000 of real market value, the Oregon state constitution caps each property's general government taxes at $10 per $1,000 of RMV. After reaching this point all levies, including the FPDR levy, are subject to compression to fit under the $10 limit. For this reason, it is unlikely that FPDR could collect the full $2.80 per $1,000 of real market value on each property. However, it appears increasingly unlikely this will ever be necessary. The RMV levy rate for the fiscal year ended June 30, 2021 was $1.09, well below the $2.80 cap.

Sworn members of the Fire and Police Bureaus hired after 2006 are enrolled in the prefunded PERS pension plan. The FPDR Fund pays the employee and employer portions of PERS contributions for these members. The FPDR Plan itself provides only disability, funeral and preretirement death benefits to these members. Members of the FPDR plan sworn prior to 2007 are covered by the FPDR plan for their retirement and post-retirement death benefits, as well as their disability, death and pre-retirement death benefits. Funding both PERS contributions for members hired since 2006 and current benefits to retirees hired before 2007 (and their survivors) under FPDR's pay-as-you-go pension plan – simultaneous payments for two generations of employees – creates upward pressure on FPDR's tax levy. The levy is expected to peak in the mid- to late-2030s, when most members hired before 2007 will be retired and receiving direct FPDR pension benefits, and nearly all of the active workforce will be enrolled in PERS with FPDR pre-funding their PERS pensions.

The FPDR Plan's net pension liability is $4.5 billion for the fiscal year ended June 30, 2021, an increase of $151.4 million from June 30, 2020. The largest contributor was $61.2 million in economic/demographic losses, caused chiefly by actual sworn salary increases and experienced participant longevity that were both in excess of actuarial assumptions. A drop in the discount rate – the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index (Bond Buyer Index) - from 2.21% on June 30, 2020 to 2.16% on June 30, 2021 increased the pension liability by another $28.0 million, the second largest source of the increase.

Many assumptions used in the June 30, 2020 actuarial valuation and levy analysis are based on a new experience study of the FPDR Plan completed with data from July 1, 2014 – June 30, 2019. It is now projected that 25% of Fire members and 45% of Police members retire between ages 50 and 55, and that all members retire by age 65. (In prior valuations, it was assumed that all Fire members would retire by age 60.) For the first time, the June 30, 2020 valuation also assumes different retirement rates for those with less than 25 years of service who are eligible to retire based on age; previously, retirement rates were based on age only. The assumption that 65% of members will retire in a "27 pay date month," when the final pay used to calculate pensions includes 27 pay periods rather than the usual 26, is unchanged from earlier valuations, as is the projection that 80% of retirees will choose the lowest survivor benefit option. The June 30, 2020 valuation further presumes that 70% of retirees will have a surviving spouse at death, a decrease from 80% in previous valuations. Prior valuations assumed that 80% of beneficiaries live in Oregon, for purposes of determining eligibility for the additional pension benefit provided in Oregon Revised Statutes to those subject to Oregon income tax. The June 30, 2020 valuation now assumes that only 70% live in Oregon, based on the experience study.

Financial Statements and Analysis, continued

Because of the FPDR plan's pay-as-you-go funding basis, the net pension liability does not reflect the value of dedicated future revenues from the property tax levy. Management assesses the plan's long-term financial condition in part by projecting the future availability of revenues from this tax, which is the source of employer contributions under the Charter. The most recent levy adequacy analysis, completed by an independent actuary in connection with the actuarial valuation of the fund, was as of June 30, 2020. At baseline assumptions, property tax revenues are expected to be sufficient to cover future benefit payments and fund expenses for the life of the plan. Under a wide range of simulated economic scenarios in the foreseeable future, the analysis projects that there is less than a 1% probability of the FPDR Fund levy reaching the maximum $2.80 per $1,000 of RMV in any year through 2039. At the median (50th percentile) probability, the analysis predicts the FPDR tax rate will peak at $1.46 per $1,000 of real market value in 2031 - 2033. The previous June 30, 2018 analysis estimated a 1% probability of reaching the FPDR levy cap, and a peak FPDR tax rate of $1.32 at the median probability. The projected peak tax rate in the June 30, 2020 levy analysis is higher because Portland RMV growth fell below the prior model's median assumed RMV growth rate. Furthermore, continued flat or slow RMV growth is now projected for 2021. The tax levy analyses encompass all facts, decisions and conditions pertaining to the FPDR plan known at the time each analysis was completed.

The FPDR Reserve Fund provides a reserve in case the FPDR Fund cannot meet its current obligations. At June 30, 2021 the Reserve Fund had a $750,000 net position and generated no income or expenses. Interest earned on the Reserve Fund balance is credited directly to the FPDR Fund. The following statements present the combined totals of the FPDR Fund and Reserve Fund.

The *Statement of Plan Net Position* presents information on all of the funds' assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the funds is improving or deteriorating, but due to the pay-as-you-go nature of the plan, management's goal is to meet current obligations and maintain a reasonable contingency for the current year, not to achieve a certain level of fund balance or prefund benefits.

The *Statement of Changes in Plan Net Position* presents information showing how the funds' net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some changes to assets and liabilities reported in this statement will not result in changes to cash flows until future fiscal periods.

Financial Statements and Analysis, continued

The following schedule compares total plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the fiscal years ended June 30, 2021 and 2020:

Summary of Net Position
For Years as Stated

	2021	2020	Change
ASSETS			
Cash and investments (held by City Treasurer)	$ 25,993,126	$ 28,016,839	$ (2,023,713)
Receivables	5,309,791	5,507,887	(198,096)
FPDR share of City PERS OPEB asset	5,508	18,962	(13,454)
Capital assets	187,014	290,516	(103,502)
Total assets	31,495,439	33,834,204	(2,338,765)
Deferred outflows of resources (City PERS pension)	1,210,502	927,068	283,434
Deferred outflows of resources	1,210,502	927,068	283,434
LIABILITIES			
Accounts payable	12,592,171	11,604,271	987,900
FPDR share of City PERS pension liability	3,295,820	2,540,532	755,288
Other liabilities	3,418,634	1,812,305	1,606,329
Total liabilities	19,306,625	15,957,108	3,349,517
Deferred inflows of resources (City PERS pension)	107,589	160,649	(53,060)
Deferred inflows of resources	107,589	160,649	(53,060)
NET POSITION			
Total net position	$ 13,291,727	$ 18,643,515	$ (5,351,788)

Financial Statements and Analysis, continued

The funds' net position declined from $18.6 million at June 30, 2020 to $13.3 million at June 30, 2021, a 28.7% decrease. Total assets are valued at 6.9% less, $31.5 million on June 30, 2021 as compared to $33.8 million on June 30, 2020. A drop in cash and other short-term investments of $2.0 million, or 7.2%, accounted for most of the change in assets. The fund's reduced cash position is related to higher benefit expenditures than planned in the fiscal year ended June 30, 2021, as discussed above under Financial Highlights. Total plan liabilities changed more significantly, increasing by 21.0% from $16.0 million in the fiscal year ended June 30, 2020 to $19.3 million for the fiscal year ended June 30, 2021. The largest single increase was in the FPDR Fund's liability for PERS contributions on the accrued leave balances of sworn employees hired after 2006, part of Other Liabilities in the table above. FPDR's compensated absence liability for these members grew by 87.8%, or $2.0 million, for the fiscal year ended June 30, 2021. Citywide, employee leave balances increased substantially during the pandemic, and the sworn workforce was no exception. Accounts payable, which is almost entirely for the June pension benefit payable on July 1 each year, increased by $0.8 million for the fiscal year ended June 30, 2021. The June pension benefit payable grows each year as more FPDR Two members (those hired between 1990 and 2006, inclusive) retire with a more generous pension benefit, on average, than FPDR One members (those retired before 1990). Finally, $0.8 million of the higher fund liability for the fiscal year ended June 30, 2021 is attributable to the City's rising liability for PERS; accordingly, the PERS liability for FPDR employees increased by 29.7% over the prior year.

The following schedule displays changes in employer contributions, benefit payments, administrative expenses and plan net position during the fiscal years ended June 30, 2021 and 2020:

	2021	2020	Increase (Decrease)
Employer contributions: property taxes	$ 168,021,551	$ 156,162,325	$ 11,859,226
Employer contributions: other	595,093	1,615,394	(1,020,301)
Net investment income	108,919	1,571,320	(1,462,401)
Total Additions	168,725,563	159,349,039	9,376,524
Benefit payments	169,727,979	156,628,716	13,099,263
Operating and administrative expenses	4,349,372	4,078,104	271,268
Total Deductions	174,077,351	160,706,820	13,370,531
Net Increase / (Decrease)	(5,351,788)	(1,357,781)	(3,994,007)
Beginning Net Position	18,643,515	20,001,296	(1,357,781)
Ending Net Position	$ 13,291,727	$ 18,643,515	$ (5,351,788)

Financial Statements and Analysis, continued

Additions to plan net position include property tax revenues, other employer contributions, and investment income. The primary funding source for the FPDR Fund is employer contributions derived from the dedicated property tax. The FPDR Board determines the tax revenue required in any given year by approving the annual budget and subtracting other anticipated revenues and existing fund balance. This amount is then forwarded to the City Economist, who calculates the tax levy amount and resulting levy rate after factoring in delinquencies, discounts and compression losses. Property tax revenues totaled $168.0 million in the fiscal year ended June 30, 2021, an $11.9 million or 7.6% increase from the prior year. Property taxes were increased, as they are most years, to fund rising benefit expenses. In addition, taxes were levied at a higher rate in 2020 to account for a potentially higher delinquency level during the pandemic. However, tax revenue came in above expectations for the fiscal year ended June 30, 2021. This may have been because the delinquency assumption was too high, but lower compression and discount losses than projected might also have been responsible.

Employer contributions derived from sources other than property taxes are a very small proportion of total employer contributions. They include pension and disability overhead charges collected from third parties who contract for police and fire services, subrogation revenue recovered from third parties at fault for member disability claims, overpayment recoveries, and other minor miscellaneous revenues. Non-property tax employer contributions declined by approximately $1.0 million for the fiscal year ended June 30, 2021, primarily because of a $0.6 million drop in overhead charges collected on contracted police and fire services. This revenue source is expected to decline even further in future fiscal years. Most third-party charges derived from a Portland Police Bureau contract with TriMet (the regional transit agency) to provide transit security services, and the City of Portland terminated this contract on December 31, 2020. Subrogation revenue and overpayment recoveries also declined somewhat for the fiscal year ended June 30, 2021. Investment income also declined substantially for the fiscal year ended June 30, 2021, by $1.5 million or 93.1%. Interest income was $0.5 million, but unrealized losses of $0.4 million (the FPDR Fund's share of unrealized losses on City investment pool holdings at June 30, 2021) reduce investment income to $0.1 million. The decline in investment income is primarily the result of lower interest rates. Interest earned in the City investment pool was 0.93%, less than half the 2.0% returned for the prior fiscal year ended June 30, 2020.

The largest deduction to the FPDR Fund net position is obviously benefit payments. For the fiscal year ended June 30, 2021, benefits amounted to $169.7 million, an increase of $13.1 million or 8.4%. FPDR benefits generally grow by 5% to 7% each year, as more members sworn before 2007 retire (increasing direct FPDR pension payments) and new sworn employees are hired to replace them (increasing pre-funded PERS contributions made by the FPDR Fund for members hired after 2006, which are also classified as benefit payments). However, as discussed above in Financial Highlights, benefit payments grew more than usual for the fiscal year ended June 30, 2021 because of a record-breaking number of retirements during the fiscal year, as well as disability benefits related to COVID-19 claims.

Operating and administrative expenses increased by $0.3 million, or 6.7%, for the fiscal year ended June 30, 2021. As with the increase in liability related to sworn employee leave balances, the FPDR Fund also had an unusually large liability for the leave balances of FPDR employees on June 30, 2021. Compensated absence liability for FPDR employees grew $0.4 million, increasing GAAP-basis operating and administrative expenses by the same amount. The change was partially offset by reductions in other administrative expenses, particularly in claims investigation expenses and payments to a medical cost management service.

Financial Statements and Analysis, continued

COVID-19 Pandemic and Response

The pandemic and associated macroeconomic disruptions have had only minor impacts to the FPDR Fund. As mentioned above, more FPDR members retired in the fiscal year ended June 30, 2021 than in any previous year. It is likely that the high number of retirements is at least partially related to the risks and difficulties of police and fire service during the pandemic. In addition, FPDR received more disability claims in the fiscal year ended June 30, 2021 than in any other year, due to COVID-19 infections and exposures among the sworn workforce that required members to quarantine away from work. Fortunately, COVID-19 claims were typically of short duration and incurred few medical costs. All the same, total disability costs for the fiscal year ended June 30, 2021 were 24.6% higher than the previous year, and approximately 12.6% above the ten-year annual average. FPDR's primary revenue source – property taxes – proved resilient, although management did gross up the tax levy more than usual to account for a potentially higher delinquency rate. FPDR collected $166.6 million in current year property taxes for the fiscal year ended June 30, 2021, $2.9 million more than budgeted and enough to cover the aforementioned growth in pension and disability benefit expenses. Finally, FPDR employees continued to work mostly remotely throughout the fiscal year ended June 30, 2021. Most of FPDR's business and financial activities are easily accomplished in a remote and paperless setting, and there were no disruptions to FPDR services or operations as a result of the transition to remote work. Please see COVID-19 Impacts and Risks in Note 2 for more information.

Capital Asset and Long-Term Debt Activity

FPDR owns an intangible capital asset, a database to issue all participant-related payments, track member and beneficiary information, create pension estimates, and manage disability claims. The database had a net book value of $0.2 million on June 30, 2021.

The funds had no long-term debt activity in the fiscal year ended June 30, 2021, other than FPDR's prorated share of payments on pension obligation bonds issued by the City in 1999 to reduce the City's liability with PERS.

Requests for Information

This financial report is designed to provide a general overview of the funds' finances for interested readers. All currently known facts, decisions and conditions that will have a significant effect on the funds' future financial position or operations have been discussed above. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance and Pension Manager, Fire and Police Disability and Retirement Fund, 1800 SW First Ave., Suite 450, Portland, OR 97201 or fpdr@portlandoregon.gov.

Fire and Police Disability and Retirement Funds
Statement of Plan Net Position
June 30, 2021

	FPDR Fund	Reserve Fund	Total
Assets			
Cash and investments held by City Treasurer	$ 25,243,126	$ 750,000	$ 25,993,126
Property taxes (contributions) receivable	4,856,901	-	4,856,901
Interest receivable	140,193	-	140,193
Accounts receivable, net	54,900	-	54,900
Overpayment recoveries receivable	256,701	-	256,701
Prepaid expense	1,096	-	1,096
Capital assets, net	187,014	-	187,014
Net OPEB asset	5,508	-	5,508
Total assets	30,745,439	750,000	31,495,439
Deferred outflows of resources			
Deferred outflows - pensions	1,168,181	-	1,168,181
Deferred outflows - OPEB	42,321	-	42,321
Total deferred outflows	1,210,502	-	1,210,502
Liabilities			
Accounts payable	12,592,171	-	12,592,171
Compensated absences	2,552,562	-	2,552,562
Bonds payable	131,256	-	131,256
Interest payable	302,024	-	302,024
FPDR share of City PERS pension liability	3,295,820	-	3,295,820
Other liabilities	240,000	-	240,000
FPDR share of City other post-employment benefits	192,792	-	192,792
Total liabilities	19,306,625	-	19,306,625
Deferred inflows of resources			
Deferred inflows - pensions	80,813	-	80,813
Deferred inflows - OPEB	26,776	-	26,776
Total deferred inflows	107,589	-	107,589
Net Position			
Restricted for pensions	12,541,727	750,000	13,291,727
Total net position	$ 12,541,727	$ 750,000	$ 13,291,727

See accompanying notes to financial statements.

Fire and Police Disability and Retirement Funds
Statement of Changes in Plan Net Position
For the Year Ended June 30, 2021

	FPDR Fund	Reserve Fund	Total
Additions			
Contributions - funded by property taxes	$ 168,021,551	$ -	$ 168,021,551
Other contributions	595,093	-	595,093
Total employer contributions	168,616,644	-	168,616,644
Net investment income	108,919	-	108,919
Total additions	168,725,563	-	168,725,563
Deductions			
Disability, retirement and medical benefits	169,727,979	-	169,727,979
Operating and administrative expenses	4,349,372	-	4,349,372
Total deductions	174,077,351	-	174,077,351
Change in net position	(5,351,788)	-	(5,351,788)
Net position - beginning	17,893,515	750,000	18,643,515
Net position - ending	$ 12,541,727	$ 750,000	$ 13,291,727

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund descriptions - The Fire and Police Disability and Retirement Fund (the FPDR Fund), a Trust Fund of the City of Portland, Oregon (the City), was established by adoption of Chapter 5 of the Charter of the City by the voters at the general election held November 2, 1948. The purpose of the FPDR Fund is to provide "for the benefit of the sworn employees of the Bureau of Fire, Rescue and Emergency Services (hereinafter Bureau of Fire) and the Bureau of Police of the City of Portland (hereinafter Bureau of Police) and for the benefit of the Surviving Spouses and Dependent Minor Children of deceased sworn employees" (Charter Section 5-101). The plan may only be amended by voters in the City of Portland, with some exceptions. Ten revisions have been passed by the voters since the creation of the plan in 1948. The most recent voter revision, comprised of eleven different plan amendments, was passed November 6, 2012.

The Fire and Police Disability and Retirement Reserve Fund (the Reserve Fund), a Trust Fund of the City of Portland, Oregon, is authorized under the provisions of Chapter 5, Section 5-104 of the Charter of the City. The purpose of the Reserve Fund is to provide a reserve from which advances can be made to the Fire and Police Disability and Retirement Fund in the event the latter fund is depleted to the extent it cannot meet its current obligations. The Reserve Fund maximum is established at $750,000 by the Charter and was fully funded at June 30, 2021.

The funds are presented as a blended component unit of the City of Portland, as required by accounting principles generally accepted in the United States of America (U.S. GAAP). A blended component unit, although a legally separate entity, is in substance part of the City's operations. The City is considered to be financially accountable for the funds.

The funds are reported as pension trust funds in the Annual Comprehensive Financial Report of the City of Portland, Oregon.

Basis of accounting - Financial reporting for the funds is in accordance with the provisions of Governmental Accounting Standard Statement No. 67 (Statement 67): Financial Reporting for Pension Plans, along with other applicable Governmental Accounting Standards Board (GASB) standards.

The funds' accounts are maintained on the accrual basis of accounting. Contributions are recognized as revenues within the Plan when the dedicated property tax that funds employer contributions is levied; other revenues are recognized in the period in which they are due. Expenses are reported in the period in which they are incurred.

Use of estimates - In preparing the funds' financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates.

Budget - The funds' budget is developed as part of the budgeting process at the City, which is required by state law to budget all funds. State law further requires that total resources in each fund equal total expenditures and requirements for that fund. Appropriations lapse at fiscal year end. The City legally adopts its budget annually for all funds prior to July 1 through passage of an ordinance. The budget ordinance authorizes positions and establishes appropriations for the fiscal year by bureau, fund, and major categories of expenditures. The legal level of appropriation is established for bureau program expenses, interfund cash transfers, debt service and related expenditures, contingencies for each fund, and for the General Fund at the business area level. Bureau program expenses include the major object categories personnel services, materials and services, General Fund overhead, and capital outlay. The City budgets on the modified accrual basis of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets may be modified during the fiscal year through different means. Bureau managers, without City Council's approval, may request a transfer of appropriations between line items within major object categories, provided transfers do not affect total appropriations. In addition, bureaus may transfer appropriations between major object categories with the permission of their Commissioner-in-Charge, provided the adjustments do not affect total appropriations. However, most appropriation transfers happen via one of the two supplemental Budget Monitoring Process ordinances approved by City Council each year, or the over-expenditure ordinance generally approved by City Council each June. Increases or decreases in total appropriations, including increases funded by a draw on fund contingency, and changes in total positions can only be approved by City Council. Bureaus are allowed to amend the budget via ordinance outside the Adopted Budget, Budget Monitoring, and over-expenditure processes with City Council approval. In addition, Oregon state law requires a formal supplemental budget to increase appropriations or transfer appropriations from a fund's operating contingency during the fiscal year. The supplemental budget process requires a public hearing and advance notice by newspaper publication prior to City Council approval.

Cash and investments - As the FPDR Plan is funded on a pay-as-you-go basis, the funds have limited cash and investment assets, all of which are maintained in a cash and investment pool with other funds of the City. City Charter states that FPDR funds shall be in the care and custody of the City Treasurer; FPDR does not have separate investments or its own investment policy. The funds' cash and cash equivalents are represented by participation in the City pool rather than specific, identifiable securities. Interest earned on pooled investments is allocated monthly based on the average participation of the funds in relation to total investments in the pool. It is not practical to determine the investment risk, collateral or insurance coverage for the FPDR funds' share of these pooled investments. Information about the pooled investments, as well as disclosures of the legal and accounting provisions governing the City's management of cash and investments, can be found in the City's annual financial statements.

FPDR accounts for cash and investments in accordance with U.S. GAAP, which requires governmental entities, including governmental external investment pools, to report certain investments at fair value on the balance sheet and to recognize the corresponding change in the fair value of investments in the year in which the change occurred. Disclosures regarding risks associated with cash and investments are included in the City's financial statements.

Contributions funded with property taxes - Property taxes are recognized as receivables and revenues when levied. Property taxes become a lien against the property as of July 1 each year and are due in three installments on November 15, February 15 and May 15. Property taxes are due from property owners within the City of Portland.

Capital assets - The FPDR Fund has one intangible capital asset, a database used to process participant-related payments and to track member and beneficiary information. The database is stated at cost, and depreciation is calculated on a straight-line basis over ten years (the estimated useful life of the software).

Public Employees Retirement System (PERS) liability – All of the employees that provide services for the FPDR Fund are employees of the City of Portland and therefore are participants in PERS. Contributions to PERS are made by the City and have historically been made based on the annual required contribution. Such contributions are proportionally allocated to the FPDR Fund and charged to expense as funded. In conformance with GASB Statement No. 68 (Statement 68): Accounting and Financial Reporting for Pensions, the City has recognized a PERS liability for the fiscal year ended June 30, 2021; FPDR's share of this liability and related deferred inflows and outflows are reflected in FPDR's ending plan net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred inflows and outflows - FPDR's share of the City PERS deferred inflows and outflows are included in FPDR's Statement of Plan Net Position. Deferred inflows represent an acquisition of net position that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that future period. Likewise, deferred outflows represent a consumption of net position that applies to a future period, and so will not be recognized as an outflow of resources (expense) until that future period. Deferred inflows and outflows of resources for PERS are comprised of several sources; each source is reflected as an actuarially determined balance in FPDR's financial statements. Deferred inflows derive from differences between the City's actual PERS contributions and the City's proportionate share of PERS contributions. Differences between expected and actual experience, differences between projected and actual earnings, changes in assumptions and employer proportion, and City contributions made subsequent to the measurement date constitutes deferred outflows. Both deferred inflows and outflows for PERS are amortized over a five-year period.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION

Plan description - The City of Portland Fire and Police Disability, Retirement and Death Benefit Plan (the FPDR Plan or the Plan) is a single-employer, defined benefit plan for sworn employees of the Portland Police Bureau and Portland Fire and Rescue and their survivors. The plan is governed by the Board of Trustees (the FPDR Board), composed of the Mayor or Mayor's designee, two active members of the Fire and Police Bureaus and two citizens appointed by the Mayor and confirmed by the City Council. The Fire and Police member trustees are elected by the active members of the Fire Bureau and Police Bureau, respectively. The citizen trustees must have relevant experience in pension or disability matters. The Plan is administered by the Bureau of Fire and Police Disability and Retirement, led by the Fund Administrator.

The Plan's authority for vesting and benefit provisions is provided by Chapter 5 of the City Charter, which serves as the Plan document, and can be found at www.portland.gov/charter/5. Amendments require approval of the voters in the City of Portland. City Council may provide by ordinance any additional benefits that the City of Portland is required by law to extend to the members and may also change benefits by ordinance to maintain the Plan's tax-qualified status with the Internal Revenue Service. FPDR also publishes a Plan Summary, which can be found at www.portland.gov/fpdr/charter-and-administrative-rules.

A special property tax levy was approved by Portland voters as the resource for annual employer contributions. Under the Charter, the dedicated property tax must be set at a rate that will fund current year benefit payments and administrative expenses only. Therefore, the FPDR plan is not prefunded on an actuarial basis. City Charter specifies that the special property tax levy cannot exceed two and eight-tenths mills on each dollar of valuation ($2.80 per $1,000 of real market value) not exempt from such levy. As required by the Charter, the FPDR Board of Trustees estimates the amount of money required to pay and discharge all requirements of the FPDR Fund, exclusive of any loans, advances or revenues from other sources (such as interagency revenue and interest), for the succeeding fiscal year and submits this estimate to the City Council. The Council is required by Charter to annually levy a tax sufficient to fund the estimated expenses for the upcoming year provided by the FPDR Board. While the FPDR Fund has not experienced any funding shortfalls to date, future funding is dependent on the availability of property tax revenues and, in the absence of sufficient property tax revenues, City funds.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

Participation and benefits - As of June 30, 2021, membership data related to the Plan was as follows:

	FPDR One	FPDR Two	FPDR Three	Total
Retirees, beneficiaries and participants with disabilities currently receiving pension or long-term disability benefits	316	1,649	-	1,965
Vested beneficiaries not yet in pay status				
Surviving spouses not yet eligible	-	1	-	1
Terminated employees	-	77	-	77
	-	78	-	78
Active members on short-term disability	-	13	9	22
Active members:				
Vested	-	731	-	731
Non-vested	-	-	-	-
Not in FPDR pension plan	-	-	723	723
Total active members	-	731	723	1,454

The FPDR Plan consists of three tiers, two of which are now closed to new employees. Fire and police personnel hired before January 1, 2013 generally became eligible for membership in the Plan immediately upon employment. Sworn personnel initially hired on or after January 1, 2013 are not eligible for membership until they have completed six months of service.

FPDR One, the original tier, and FPDR Two, created in 1990, are part of a single-employer, defined-benefit plan administered by the FPDR Board of Trustees. Active members (those not already retired or on long-term disability) enrolled in the Plan on July 1, 1990 were required to make an election as to whether they wished to fall under the provisions of the Plan as constituted prior to July 1, 1990 (FPDR One) or become subject to the new Plan provisions after June 30, 1990 (FPDR Two). FPDR One and FPDR Two are both closed to new entrants; FPDR Two closed to new entrants on January 1, 2007. As of June 30, 2021, there were 316 FPDR One members and 2,380 FPDR Two members and beneficiaries, as well as 77 former FPDR Two employees and one FPDR Two surviving spouse who are vested, but not yet receiving a pension benefit.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

On November 7, 2006, voters in the City of Portland passed a measure that changed the retirement plan for new police officers and firefighters. Members hired after 2006 are FPDR Three members and enrolled in the Oregon Public Employees Retirement System (PERS), predominantly in the Oregon Public Service Retirement Plan (OPSRP) tier, for retirement benefits. New employees do not become members of PERS for six months unless they were previously members of PERS. The Bureaus of Police and Fire pay the employee and employer portions of PERS contributions, but are then reimbursed by the FPDR Fund through the interagency billing process; therefore, the dedicated FPDR tax levy funds FPDR Three PERS contributions as well as the FPDR Plan. FPDR Three PERS contributions are included in disability, retirement and medical benefits on FPDR's *Statement of Changes in Plan Net Position.* More information about the City's PERS liability can be found in the City's annual financial statements. FPDR Three members are covered by the FPDR Plan for disability, funeral and preretirement death benefits. As of June 30, 2021, there were 723 FPDR Three members. This does not include retired FPDR Three members, who remain eligible only for disability benefits (medical costs) arising from service or occupational claims approved before their retirement, and a one-time funeral benefit upon their death. Active FPDR Three members are covered for disability and preretirement death benefits.

FPDR One service-connected and occupational disability benefits are paid at 60% of top-step pay for a police officer or firefighter. Nonservice-connected disability benefits for FPDR One members are paid in the amount of the member's maximum earned pension, defined below, with a minimum payment of 20% of top-step pay for a police officer or firefighter.

The Plan provides for service-connected and occupational disability benefits for FPDR Two and Three members at 75% of the member's base pay, reduced by 50% of any wages earned in other employment, for the first year. After the first year, if the member is medically stationary and capable of substantial gainful activity, benefits are reduced to 50% of the member's base pay, and then further reduced by 25% of any wages earned in other employment. The minimum benefit is 25% of the member's base pay. The Plan also provides for nonservice-connected disability benefits at reduced rates of base pay after 10 years of service.

FPDR One retirement benefits are provided upon termination of employment on or after attaining age 50 (with 25 or more years of service) or 55 (with 20 years or more of service). Retirement benefits are paid to members at 2% of current top-step pay for a police officer or firefighter for each year of active service (up to 60%). Therefore, FPDR One members receive post-retirement benefit increases equal to increases in current top-step police officer or firefighter pay. FPDR One retirement benefits are increased, as necessary, on July 1 of each year. If increases in police officer or firefighter pay occur after July 1 in any given year, FPDR One beneficiaries receive the corresponding increase to their benefit on the following July 1. FPDR One Fire pension benefits were increased by 2.9% on July 1, 2020, and 1.6% on July 1, 2021. FPDR One Police pension benefits did not increase on July 1, 2020, but were increased by 2.9% on July 1, 2021. High-ranking FPDR One participants also receive a supplemental retirement benefit; these benefits are paid from the FPDR Fund but are authorized by a City ordinance and are not part of the Plan. The supplemental benefit payments totaled $141,149 to 6 retirees for the fiscal year ending June 30, 2021.

Effective July 1, 1990, the Plan was amended to provide a new tier. FPDR Two retirement benefits are payable upon termination of employment on or after attaining age 55, or on or after attaining age 50 if the member has 25 or more years of service. Members become 100% vested after five years of service. Benefits are paid to members at retirement using the following formula: 2.2% to 2.8% multiplied by years of service (30-year maximum); that product is multiplied by the highest one-year base pay the member received during the final three years of employment. The accrual rate of 2.2, 2.4, 2.6 or 2.8% is selected by the member at retirement; the rate determines the survivor benefit.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

The City Charter allows the FPDR Board to grant postretirement benefit adjustments to FPDR Two members. The timing and amount of adjustments are at the Board's discretion, with the limitation that the percentage change in any one year may not exceed the highest percentage change granted to police and fire members of PERS for the same period (currently 2%). For July 1, 2021, the Board awarded the maximum, 2%, to all FPDR Two participants. For July 1, 2020, the Board awarded a blended percentage increase: 1.75% multiplied by the percent of service completed before October 8, 2013, plus 2.0% multiplied by the percent of service completed before October 8, 2013. The calculation is similar to the current PERS adjustment methodology, except that the PERS calculation uses 1.25% for service on or after October 2013 and applies a second, lower rate to benefits amounts above $60,000 per year.

Additional pension benefits are mandated by Oregon Revised Statutes (ORS) for both FPDR One and FPDR Two members whose service began prior to July 14, 1995, and whose pension benefits are subject to Oregon income tax. The benefits are calculated as a percentage of the Plan benefits, using the higher of 9.89% times the member's percent of service prior to October 1991 (when Oregon began taxing local pension benefits), or 0% to 4% based on the member's total years of service. Surviving spouses receive the same percentage benefit as the member on their benefits, so long as the pension benefits remain subject to Oregon income tax.

Death benefits are paid to the surviving spouse or minor children of a member in a variety of circumstances, primarily the death after retirement of an FPDR One or Two member. A former spouse can also be treated as a surviving spouse in some situations if specified in a court-certified domestic relations order accepted by FPDR. Death benefits calculated as a percentage of base pay are also payable to a surviving spouse or minor children if the member dies from a service-connected or occupational injury or illness before retirement, regardless of vesting. Death benefits are also payable to a surviving spouse or minor children in the case of a non service-connected death before retirement if the member has sufficient service time as defined by the Plan.

Contributions - Under the Charter, annual employer contributions to the FPDR Plan are made in the amount of projected current year benefit payments and administrative expenses only. Annual employer contributions to PERS for FPDR Three members are a percentage of current year wages for those members. Employer contributions to both the FPDR Plan and PERS for FPDR Three members are funded by a special property tax levy, which cannot exceed two and eight-tenths mills on each dollar valuation ($2.80 per $1,000 of real market value) not exempt from such levy. In the event that funding is less than the required payments to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the FPDR property tax levy in the succeeding year. For the year ended June 30, 2021, the actual imposed levy rate per $1,000 of real market value under the special property tax levy was $1.05, and the total revenue received from the levy (which is most of the City's employer contribution) was $168.0 million.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

The FPDR Board periodically assesses the future availability of property tax revenues by ordering projections and simulations in connection with the actuarial valuation of the funds. The most recent assessment was as of June 30, 2020. The analysis found that, under a wide range of simulated economic scenarios over the next 20 years, the future FPDR Fund levy would remain under $2.80 per $1,000 of real market value. The levy exceeded the $2.80 threshold in at least one year in fewer than 1% of modeled scenarios. This represents a slight decline from approximately one percent of modeled scenarios in the prior analysis as of June 30, 2018. Robust growth in real market values in the City's tax base over the last decade has made it unlikely the FPDR levy will ever be insufficient to fund benefits and expenses. The June 30, 2020 analysis extends through FY 2039-40. Plan costs peak in FY 2038-39 in nominal terms; the peak on an inflation-adjusted basis is in FY 2034-35.

Approximately 99% of employer contributions to the Plan are funded by property taxes. The remaining 1% is funded from pension and disability overhead charges assessed when third parties hire Portland police or fire services, subrogation revenue from disability claims, and other miscellaneous revenue, such as overpayment recoveries.

Employees do not contribute to the Plan. FPDR One members were previously required to contribute 7% of their base salary into the Plan. Effective July 1, 1990, members choosing to join the new FPDR Two tier were no longer required to make contributions into the Plan. All FPDR One members are now receiving retirement or long-term disability benefits and are no longer contributing.

Funding status - The following table shows the funds' total pension liability and net pension liability for the FPDR Plan, as measured by the most recent biennial actuarial valuation, prepared by independent actuaries as of June 30, 2020 and rolled forward to June 30, 2021. These figures do not include the pension liability for FPDR Three members, who are covered by the PERS Plan. Similar information for PERS can be found in the City's annual financial statements.

	As of June 30, 2021
Total pension liability	$ 4,553,280,004
Less plan net position	13,291,727
Net pension liability	$ 4,539,988,277
Plan net position as a percentage of total pension liability	0.29%

The ratio of the net pension liability to covered payroll is 2,924%. Covered payroll was $155.3 million for the fiscal year ended June 30, 2021. The plan net position is the net position of the FPDR Fund and the Reserve Fund, reported at approximate fair value. Employer contributions to the Plan for the year ended June 30, 2021 were $143.6 million. Employer contributions to the FPDR Fund were $25.0 million higher, but the $23.1 million used for PERS contributions for FPDR Three members, as well as $1.9 million in additional compensated absence accruals also associated with FPDR Three members are excluded here, as those expenses are not part of the benefit payments shown in the Schedule of Changes in Net Pension Liability and Related Ratios.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

The net pension liability, as calculated in accordance with GASB Statement 67 (Statement 67): Financial Reporting for Pension Plans, increased by $151.4 million between June 30, 2020 and June 30, 2021. The largest contributor was $61.2 million in economic/demographic losses, caused primarily by actual sworn salary increases and experienced participant longevity that were both in excess of actuarial assumptions. A drop in the discount rate – the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index (Bond Buyer Index) – from 2.21% on June 30, 2020 to 2.16% on June 30, 2021 increased the pension liability by another $28.0 million, the second largest source of the increase.

Significant assumptions used to prepare the June 30, 2020 actuarial valuation and the June 30, 2021 roll-forward are listed below. These assumptions were applied to all periods included in the measurement.

Discount rate	2.16%
Long-term expected rate of return, net of investment expense	N/A
Municipal bond rate	2.16%
Valuation date	June 30, 2020
Measurement date	June 30, 2021
Inflation	2.25%
Projected salary increases, including inflation	3.25%
Post-retirement benefit increases	
FPDR One	3.25%
FPDR Two	Blend 2.00%/1.75%
Mortality	
Pub-2010 tables, generationally projected using Unisex Social Security Data Scale.	
Healthy Retirees: Healthy Public Safety Retiree, set back 0 months for males and 12 months for females.	
Beneficiaries: Healthy General Employees Retiree, set back 12 months for males and 0 months for females.	
Disabled retirees: Disabled Retiree, blended 50% Public Safety/50% Non-Safety, no set backs.	
Active members: Healthy Public Safety Employee, set back 0 months for males and 12 months for females.	
Actuarial cost method	Entry Age Normal

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

Many assumptions used in the actuarial valuation are based on a new experience study of the FPDR Plan completed with data from July 1, 2014 – June 30, 2019. The June 30, 2020 valuation is the first to reflect updated assumptions arising from the June 30, 2019 plan experience study. The projected salary increases above are for members who have reached the top pay step of their job classification, which occurs after no more than five years in the Fire Bureau and no more than eight years in the Police Bureau. Those who have not reached the final pay step of their position have projected annual salary increases ranging up to 21.75%, as detailed in the actuarial valuation report. Pre-retirement withdrawal rates are now projected separately for the Fire and Police Bureaus, to reflect the Police Bureau's higher withdrawal incidence. For police officers, 15% are projected to withdraw in the first year of employment and 7.5% in the second year, as compared with 10% in the first year and 1% in the second year for fire fighters. It is now projected that 25% of Fire members and 45% of Police members retire between ages 50 and 55, and that all members retire by age 65. (In prior valuations, it was assumed that all Fire members would retire by age 60.) For the first time, the June 30, 2020 valuation also assumes different retirement rates for those with less than 25 years of service who are eligible to retire based on age; previously, retirement rates were based on age only. The assumption that 65% of members will retire in a "27 pay date month," when the final pay used to calculate pensions will include 27 pay periods rather than the usual 26, is unchanged from earlier valuations. The June 30, 2020 valuation assumes that 80% of retirees choose the lowest survivor benefit option. It further presumes that 70% of retirees will have a surviving spouse at death, a decrease from 80% in previous valuations. The valuation projects that 70% of beneficiaries live in Oregon, for purposes of determining eligibility for the additional pension benefit provided in ORS to those subject to Oregon income tax. This is a reduction from an 80% assumption in prior valuations. Medical expenses for disability claims approved before member retirement are calculated as a liability load: 0.65% of projected pension payments. This percentage is identical to that used in earlier liability calculations.

The discount rate is equal to the June 30 value each year of the Bond Buyer Index. The Bond Buyer Index is used to approximate a low-risk rate of return in accordance with Statement 67 requirements. It includes 20 general obligation bonds maturing in 20 years with an average rating of approximately Aa2 (Moody's Investor Services) or AA (Standard and Poor's). As a pay-as-you-go plan, the FPDR funds have negligible current assets, all of which are cash or short-term investments. It was therefore determined that the discount rate should be based exclusively on a high-quality municipal bond index rather than a blended discount rate that would include the bond rate as well as the long-term expected rate of return on the funds' assets.

The following table illustrates the net pension liability's sensitivity to the discount rate assumption. If a 3.16% discount rate had been used instead of 2.16%, the net pension liability as of June 30, 2021 would have been $633.6 million, or 14%, lower. If a 1.16% discount rate had been used, the net pension liability as of June 30, 2021 would have been $801.6 million, or 18%, higher.

	1% Decrease 1.16%	Current Discount Rate 2.16%	1%,Increase 3.16%
Total pension liability	$ 5,354,841,577	$ 4,553,280,004	$ 3,919,664,808
Less plan net position	13,291,727	13,291,727	13,291,727
Net pension liability	$ 5,341,549,850	$ 4,539,988,277	$ 3,906,373,081

It should be noted that the net pension liability, plan net position as a percentage of total pension liability and the ratio of the net pension liability to covered payroll are measures typically used to gauge the financial health of prefunded plans. Since the FPDR plan is a pay-as-you-go plan funded with a dedicated property tax, the critical measure of the plan's financial health is whether this property tax will ever be insufficient to fully cover plan expenditures, as discussed above in the Contributions section.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

Other assets - In addition to cash and short-term investments, the FPDR Fund's assets include receivables, one capital asset and an OPEB asset. The fund's largest receivable is property taxes due but not received at the close of the fiscal year. For the fiscal year ended June 30, 2021, contributions receivable from property taxes are $4.9 million. FPDR's sole capital asset is a software database with a net value of $187,014 on June 30, 2021. The database is being depreciated over 10 years. The City OPEB asset has been valued in accordance with GASB Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. FPDR's prorated share of that amount is $5,508.

Other liabilities – Outside of accounts payable, which is almost entirely for the June 2021 pension benefit payable on July 1, the FPDR Fund has three other significant liabilities.

The first is the fund's share (for FPDR employees only) of the City of Portland's liability in Oregon PERS and the City's internal OPEB plan. GASB Statements 68 and 75 were used to value the City's PERS and OPEB liability. As of June 30, 2021, FPDR's prorated share of these liabilities is $3.3 million and $0.2 million respectively. In the fiscal year ended June 30, 2000, the City issued pension obligation bonds and deposited the proceeds, which were in excess of the City's annual required contribution, with the PERS plan. In compliance with Statement 68, these excess contributions reduce the City's proportional share of the PERS liability.

The second liability is FPDR's share of pension obligation bonds issued by the City of Portland in 1999 to finance its estimated unfunded accrued actuarial liability (UAAL) with PERS and to pay costs related to the financing of the UAAL, including capitalized interest and costs of issuance. Total bonds issued were $300.8 million. Interest rates on the $75.07 million of fixed rate 1999 Series C bonds ranged from 7.70% to 7.93% on June 30, 2021. The debt is allocated to the FPDR Fund (for FPDR employees only), as well as to the general government, enterprise and internal service funds, for these funds to recognize their appropriate share of the indebtedness. The FPDR Fund's share of this indebtedness, as determined by the FPDR Fund's weighted average contribution to PERS in the fiscal year ended June 30, 1999, is $131,256 at June 30, 2021.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

The FPDR Fund's share of the bonds payable transactions for the year ended June 30, 2021 are as follows:

	Outstanding June 30, 2020	Bonds Allocated	Bonds Matured and Paid During Year	Outstanding June 30, 2021
Oregon Public Employees Retirement System Bonds ("PERS Pension Bonds")	$ 186,322	$ -	$ 55,066	$ 131,256

Future maturities of bond principal and interest at June 30, 2021 are as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 61,876	$ 4,765	$ 66,641
2023	11,094	58,213	69,307
2024	10,675	61,403	72,078
2025	10,271	64,691	74,962
2026	9,882	68,079	77,961
2027-2031	27,458	225,631	253,089
	$ 131,256	$ 482,782	$ 614,038

Finally, as of June 30, 2021, FPDR has booked $2.6 million for compensated absences payable. This includes leave earned but not yet paid for FPDR employees, as well as the future PERS contributions payable on leave earned but not yet paid for FPDR Three members at the Fire and Police Bureaus.

Commitments and contingencies - The FPDR Fund leases its office space under a noncancelable operating lease with a third party. The lease agreement expires on April 30, 2022. In the fiscal year ended June 30, 2021, rent expense was equal to $204,424.

The minimum future obligations for this lease for the fiscal years ending June 30 are summarized below:

Year Ending June 30,	Amount
2022	193,786
	$ 193,786

The FPDR Fund is involved in various claims and legal actions in the normal course of business. Currently, there are no claims against the Fund for $50,000 or more, and no claims involving lesser amounts that might exceed $50,000 in the aggregate.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

COVID-19 Impacts and Risks - The FPDR Fund has been only minimally impacted by the pandemic and resulting economic downturn. Short-term disability costs for wage replacement (time loss) were significantly higher than usual for the fiscal year ended June 30, 2021, at $2.7 million. Short-term time loss benefits averaged $1.6 million annually over the previous five years. The higher cost was attributable to a sizable number of COVID-19 infections and exposures that forced members to discontinue work during quarantine and/or recovery periods. Fortunately, most COVID-19 claims were of short duration and had few medical costs. It is probable that FPDR will continue to receive a high volume of COVID-19 disability claims in the next fiscal year, and again experience above average short-term time loss costs for the fiscal year ending June 30, 2022. FPDR has planned for this possibility in its FY 2021-22 Adopted Budget. All Portland fire fighters must be vaccinated or receive an approved exception by October 18, 2021, which may reduce the number of claims and/or quarantine periods among Fire members after the first quarter of the fiscal year. In addition, more FPDR members – 107 – retired in the fiscal year ended June 30, 2021 than in any previous year on record. This unprecedented level of retirements is almost certainly related to the challenges of public safety service during the pandemic, although other factors undoubtedly played a role. Despite record retirements, pension benefit costs grew by $8.1 million or 6.3%. This growth rate falls within the typical 6% to 7% annual pension cost increase experienced since FPDR began funding two generations of pensions simultaneously. The fact that so many retirements have already occurred, and that there are no 27 pay date months in the next fiscal year, combine to make it unlikely that high retirement levels remain a meaningful risk for the FPDR Fund for the fiscal year ending June 30, 2022. Nevertheless, FPDR expects pension costs to grow more than usual next year as the FY 2020-21 retirees receive a full year of pension benefits.

FPDR costs are funded almost exclusively with property taxes, a resource that proved stable during the initial recession caused by the pandemic. Oregon's unusual property taxation system – in which there is a wide divergence between real market value and assessed value for most properties – means that real market values can fall very substantially without impacting tax collections. Nonpayment of taxes by distressed households and businesses has been a greater concern than falling market values. Management grossed up the 2020 FPDR tax levy by 6.0% to account for potentially higher delinquencies than usual. (Normally a delinquency rate of approximately 4.5% is assumed.) Actual current year tax collections came in $2.9 million over budget for the fiscal year ended June 30, 2021. This could mean the delinquency assumption was too high for the 2020 levy, although it may also be the case that compression losses or discounts were lower than forecast. Management has dropped the delinquency assumption to 5.2% for the 2021 tax levy.

FPDR staff continued to work mostly remotely during the fiscal year ended June 30, 2021 and the FPDR offices remained closed to members and the public. All retirements were processed virtually via online platforms such as Zoom and Facetime, and with the help of a secure web portal for exchanging documents. The operational changes required to work smoothly from alternate locations and to transition some paper-based processes to electronic workflows were mostly accomplished in the prior fiscal year (FY 2019-20). Business and member services functioned seamlessly, securely and sustainably in the fiscal year ended June 30, 2021. No significant changes to internal control processes or approval methods were necessary in the transition to remote and paperless work.

NOTE 3 - SHORT-TERM DEBT

During the year the FPDR Fund borrowed $31.3 million in publicly issued tax anticipation notes. These notes were borrowed to cover fund expenditures from the beginning of the fiscal year until property taxes were collected. There was no outstanding balance as of June 30, 2021.

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation notes	$ -	$ 31,290,000	$ (31,290,000)	$ -

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS

Other postemployment benefits (OPEB) for the FPDR Fund consist of two components: an implicit rate subsidy for its retired staff's Health Insurance Continuation premiums and a contribution to the State of Oregon's Public Employees Retirement System (PERS) cost-sharing, multiple-employer defined benefit plan. All OPEB costs are associated with retired staff. Neither retired nor active members receive FPDR-paid medical benefits other than those associated with an approved pre-retirement disability claim (see Note 2, Plan Features and Other Information). Since numbers are not available for the FPDR Fund as a separate entity the numbers below are those of the City as a whole unless specifically identified.

Health Insurance Continuation

Plan description & benefits provided - As part of the City of Portland, the FPDR Fund has a Health Insurance Continuation (HIC) option available for most groups of retirees. It is a substantive postemployment benefits plan offered under Oregon Revised Statutes (ORS). ORS 243.303 requires the City provide retirees with an opportunity to participate in group health and dental insurance from the date of retirement to age 65, and the rate to be calculated using claims experience from retirees and active employees for health plan rating purposes. Providing the same rate to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB. This single-employer "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

Employees covered by benefit terms - At June 30, 2021, the following employees were covered by the benefit terms:

Retirees & spouses benefitting from HIC benefits	772
Active employees	5,795
	6,567

Total OPEB liability - The City's total HIC OPEB liability of $95,637,643 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial assumptions and other inputs - The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.10%
Salary increases	1.11%, weighted average
Discount rate	2.20%
Healthcare cost trend rates	4.50% - 6.70%
Retiree's share of benefit-related costs	29% of estimated HIC costs

The discount rate was based on an assumed municipal bond rate of 2.21%.

Post-Retirement Mortality used is based on Pub-2010 Base Tables, with Generational Projection using Unisex Social Security Data Scale. Active mortality used is based on Pub-2010 Base Tables, with Generational Projection using Unisex Social Security Data Scale.

The actuarial assumptions used in the July 1, 2019 valuation report were based on the actuarial valuation assumptions from the December 31, 2018 valuations of the Oregon PERS and OPERS retirement plans.

Changes in Total Liability

	Total OPEB Liability
Balance at 6/30/2020	$ 84,298,521
Changes for the year:	
Service cost	3,003,933
Interest	2,967,230
Actual experience	-
Changes of assumptions	10,460,682
Benefit payments	(5,092,723)
Net Changes	11,339,122
Balance at 6/30/2021	$ 95,637,643

Changes of assumptions reflect healthcare increases that were higher than assumed in the prior valuation, an increased participation rate from 45% to 37%, a change in the marriage rate from 60% to 45%, an increase in the assumed healthcare reform excise tax from the prior projection, and several assumption changes from the previous valuation including the rates of retirement, termination, disability, salary scale, and mortality.

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

	1% Decrease (1.20%)	Discount Rate (2.20%)	1% Increase (3.20%)
Total OPEB liability	$ 104,866,370	$ 95,637,643	$ 87,449,220

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare trend rates:

	Healthcare Cost Trend Rates (5.70% - decreasing to 3.50%)	Healthcare Cost Trend Rates (6.70% - decreasing to 4.50%)	Healthcare Cost Trend Rates (7.70% - decreasing to 5.50%)
Total OPEB liability	$ 84,446,398	$ 95,637,643	$ 108,959,378

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2021, the City recognized an OPEB expense of $3,759,863. At June 30, 2021, the City reported deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Actual and Expected Experience	$ 4,414,012	$ -
Changes of Assumptions	9,076,994	21,238,854
Subtotal	13,491,006	21,238,854
Contributions after Measurement Date	5,608,380	-
Total	$ 19,099,386	$ 21,238,854

$5.6 million reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recongnized as a reduction of the net OPEB liability in the year ending June 30, 2022.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year End June 30:	Amount
2022	$ (2,211,300)
2023	(2,211,300)
2024	(2,211,300)
2025	(1,442,334)
2026	(949,034)
Thereafter	1,277,421
Total	$ (7,747,847)

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

OPERS Retirement Health Insurance Account

Plan description - The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. ORS 238.420 established this trust fund and authorizes the Oregon Legislature to establish and amend the benefit provisions. PERS issues a publicly available financial report that includes financial statements and required supplementary information which can be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, telephone (503) 598-7377 or by URL: https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Benefits provided - RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible employees. ORS require that an amount equal to $60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the City, and any monthly cost in excess of $60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. The plan is closed to new entrants after January 1, 2004.

Contributions - Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. Participating cities are contractually required to contribute to RHIA at a rate assessed each year by PERS. The City's contractually required contribution rate for the year ended June 30, 2021 was 0.06% of the covered payroll for Tier 1/Tier 2 employees, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year. Contributions to the OPEB plan from the City were $72,833 for the year ended June 30, 2021. Employees are not required to contribute to the OPEB plan.

OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2021, the City reported an asset of $2,439,130 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation date as of December 31, 2018. The City's proportionate share of the RHIA net OPEB asset has been determined based on the City's contributions to the RHIA program (as reported by PERS) during the Measurement Period ending on the corresponding Measurement Date. The City's proportionate share at June 30, 2020 and June 30, 2021 was 3.97438327% and 1.19705914%, respectively.

City of Portland:	Net OPEB Asset	Allocation
Governmental activities	$ 1,972,350	80.9%
Business-type activities	431,128	17.7%
Government-wide	2,403,478	98.6%
Fiduciary Fund: Fire and Police Disability and Retirement Fund	5,508	0.2%
Component Unit: Prosper Portland	30,144	1.2%
	$ 2,439,130	100.0%

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

For the year ended June 30, 2021, the City recognized OPEB income of $1,020,630. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources	Net Deferred Outflow/(Inflows) of Resources
Difference between expected and actual experience	$ -	$ (249,350)	$ (249,350)
Changes of assumptions	-	(129,652)	(129,652)
Net difference between projected and actual earnings on investments	271,251	-	271,251
Changes in proportionate share	2,831,820	(70,714)	2,761,106
Total (prior to post-measurement date contributions)	3,103,071	(449,716)	2,653,355
City contributions made subsequent to measurement date	72,833	-	72,833
Net deferred outflow / (inflows) of resources	$ 3,175,904	$ (449,716)	$ 2,726,188

$72,833 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Outflows/(Inflows) of Resources				
Fiscal Year Ending June 30,	Differences between Expected and Actual Experience	Changes of Assumptions	Net Difference between Projected and Actual Earnings on Investments	Changes in Proportionate Share	Net Deferred Outflow/(Inflows) of Resources
2022	$ (188,494)	$ (68,500)	$ 13,787	$ 1,425,766	$ 1,182,559
2023	(60,856)	(61,152)	71,631	1,335,340	1,284,963
2024	-	-	100,270	-	100,270
2025	-	-	85,563	-	85,563
2026	-	-	-	-	-
Thereafter	-	-	-	-	-
	$ (249,350)	$ (129,652)	$ 271,251	$ 2,761,106	$ 2,653,355

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial methods and assumptions - The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation date	December 31, 2018
Measurement date	June 30, 2020
Experience study	2018, published July 24, 2019
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 %
Long-term expected rate of return	7.20 %
Discount rate	7.20 %
Projected salary increases	3.50 %
Retiree healthcare participation	Healthy retirees: 32%; Disabled retirees: 20%
Healthcare cost trend rate	Not applicable
Mortality	*Healthy retirees and beneficiaries:* Healthy retirees and beneficiaries: Pub-2010 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as describe in the valuation. *Active members:* Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as describe in the valuation. *Disabled retirees:* Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Discount rate - The discount rate used to measure the total OPEB liability at June 30, 2020 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

Depletion Date Projection - GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0	25.0	20.0
Public Equity	27.5	37.5	32.5
Private Equity	14.0	21.0	17.5
Real Estate	9.5	15.5	12.5
Alternative Equity	7.5	17.5	15.0
Opportunity Portfolio	-	3.0	-
Risk Parity	-	2.5	2.5
Total			100.0%

Long-Term Expected Rate of Return - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	9.6%	4.1%
Short-Term Bonds	9.6	3.7
Bank/Leveraged Loans	3.6	5.2
High Yield Bonds	1.2	5.7
Large/Mid Cap US Equities	16.2	6.3
Small Cap US Equities	1.4	6.7
Micro Cap US Equities	1.4	6.8
Developed Foreign Equities	13.5	6.9
Emerging Market Equities	4.2	7.7
Non-US Small Cap Equities	1.9	7.3
Private Equity	17.5	8.3
Real Estate (Property)	10	5.6
Real Estate (REITS)	2.5	6.7
Hedge Fund of Funds - Diversified	1.5	4.1
Hedge Fund - Event-driven	0.4	5.6
Timber	1.1	5.6
Farmland	1.1	6.1
Infrastructure	2.3	6.7
Commodities	1.1	3.8
Assumed Inflation - Mean		2.5%

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

***Sensitivity of the City's proportionate share of the net OPEB asset to changes in the discount rate* -** The following presents the City's proportionate share of the net OPEB liability/(asset), as well as what the District's proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%).

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net OPEB liability (asset)	$ (1,969,187)	$ (2,439,130)	$ (2,840,951)

The RHIA plan is unaffected by health care cost trends since the benefit is limited to a $60 monthly payment toward Medicare companion insurance premiums. Consequently, disclosure of a healthcare cost trend analysis is not applicable.

***OPEB plan fiduciary net position* -** Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPERS financial report.

***Aggregate Net OPEB Liability/Asset, Pension Expense, and Net Deferred Outflow/Inflow of Resources Related to OPEB* -** The tables below present the aggregate balance (in millions) of the City's net OPEB liability/(asset), OPEB expense, and net deferred inflows and outflows as of June 30, 2021:

	Deferred Outflow/(Inflow) of Resources - OPEB	Net OPEB Liability/(Asset)	OPEB Expense/(Income)
RHIA	$ 2,726,188	$ (2,439,130)	$ 1,020,630
HIC	(2,139,468)	95,637,643	3,759,863
Total	$ 586,720	$ 93,198,513	$ 4,780,493

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

State of Oregon Public Employees Retirement System

***Plan description* -** Civilian City employees and all sworn fire and police personnel hired after December 31, 2006 are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238, Chapter 23A, and Internal Revenue Service Code Section 401(a).

OPERS prepares their financial statements in accordance with generally accepted accounting principles as promulgated by the GASB. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to legal requirements. Benefits and withdrawals are recognized when they are currently due and payable in accordance with the terms of the plan. Investments are recognized at fair value, the amount that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. OPERS issues a publicly available financial report that can be obtained at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The 1995 Legislature created a second tier of benefits for those who became OPERS Program members after 1995, but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

Beginning January 1, 2004, all employees who were active members of OPERS became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or “picked-up” by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member’s IAP, not into the member’s OPERS account.

On November 7, 2006, voters in the City of Portland passed a measure that took effect January 1, 2007. All police officers and firefighters hired on or after January 1, 2007 are now enrolled in OPERS instead of the City’s Fire and Police Disability and Retirement (FPDR) fund for retirement purposes. They remain under the City’s FPDR plan for disability payments.

Benefits provided under ORS 238 - Tier One / Tier Two

Pension Benefits **-** The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2% for police and fire employees, 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years, or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General Service employees may retire after reaching age 55, Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits **-** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member’s account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by a PERS employer at the time of death,
- Member died within 120 days after termination of PERS-covered employment,
- Member died as a result of injury sustained while employed in a PERS-covered job, or

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

- Member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits **-** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes after Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360, monthly benefits are adjusted annually through a cost-of-living adjustment (COLA). The COLA is capped at 2.0%.

Benefits provided under Chapter 238A - OPSRP Pension Program

Pension Benefits - The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

> *Police and Fire:* 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement. Reduced retirement benefits are available at age 50 to fire and police OPSRP members.
>
> *General Service:* 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits **-** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50% of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.

Disability Benefits - A member who has accrued 10 or more years of retirement credits before the member becomes disabled, or a member who becomes disabled due to job-related injury, shall receive a disability benefit of 45% of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes after Retirement **-** Under ORS 238.360 monthly benefits are adjusted annually through a cost-of-living adjustment (COLA). The COLA is capped at 2.0%.

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Funding Policy - PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

The City elected to finance its December 31, 1997 unfunded actuarial accrued liability to receive a lower employer contribution rate of covered employee's salaries. Proceeds of the 1999 Series, C, D, & E Bonds were used to finance all of the estimated UAAL of the City with OPERS as of December 31, 1997. As of June 30, 2021, only Series C is outstanding. The debt is recorded on the government-wide statements and is allocated to both governmental and business-type activities. Ultimately this debt is viewed as being an obligation of the general government.

Contributions - PERS' funding policy provides for periodic member and employer contributions at rates established by the Public Employees Retirement Board, subject to limits set in statute. The rates established for member and employer contributions were approved based on the recommendations of the System's third-party actuary.

The City's employer contributions for the year ended June 30, 2021 were $85.5 million, excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2021 for each pension program were: Tier1/Tier 2 – 21.86%, OPSRP general service – 15.53%, and OPSRP uniformed – 20.16%. Pension expense for the year was $217.5 million.

Pension Asset (Liability) and Related Deferred Inflows and Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 and rolled forward to June 30, 2020. The City's proportion of the net pension liability was based on the City's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers. References to the City of Portland, as the Reporting entity, include the City's fiduciary fund and component unit. At June 30, 2021, the City's proportion of OPERS net pension liability was 4.25335580%.

The City's net pension liability as the Reporting entity was allocated based on contributions by activity:

City of Portland:	Net Pension Liability	Allocation
Governmental activities	$ 685,853,813	73.89%
Business-type activities	222,028,620	23.92%
Government-wide	907,882,433	97.81%
Fiduciary Fund: Fire and Police Disability and Retirement Fund	3,295,820	0.36%
Component Unit: Prosper Portland	17,050,279	1.83%
	$ 928,228,532	100.00%

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

For the year ended June 30, 2021, the Reporting entity recognized pension expense of $217.5 million. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources	Net Deferred Outflow/(Inflows) of Resources
Differences between expected and actual experience	$ 40,853,283	$ -	$ 40,853,283
Changes of assumptions	49,815,093	1,745,418	48,069,675
Net difference between projected and actual earnings on investments	109,147,617	-	109,147,617
Changes in proportionate share	48,379,676	2,301,475	46,078,201
Differences between City contributions and proportionate share of contributions	218,691	19,293,013	(19,074,322)
Total (prior to post-measurement date contributions)	248,414,360	23,339,906	225,074,454
City contributions made subsequent to measurement date	85,541,366	-	85,541,366
Net deferred outflow / (inflows) of resources	$ 333,955,726	$ 23,339,906	$ 310,615,820

$85.5 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported by the City as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in subsequent years as follows:

Deferred Outflow of Resources

Fiscal Year Ending June 30,	Differences between Expected and Actual Experience	Changes of Assumptions	Net Difference between Projected and Actual Earnings on Investments	Changes in Proportionate Share	Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflow of Resources
2022	$ 14,036,552	$ 27,825,648	$ 3,266,191	$ 13,509,189	$ 99,405	$ 58,736,985
2023	11,296,094	18,324,537	29,875,240	13,498,721	99,405	73,093,997
2024	9,962,649	3,664,908	41,706,383	13,498,721	19,881	68,852,542
2025	4,578,958	-	34,299,803	6,462,143	-	45,340,904
2026	979,030	-	-	1,410,902	-	2,389,932
	$ 40,853,283	$ 49,815,093	$ 109,147,617	$ 48,379,676	$ 218,691	$ 248,414,360

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

	Deferred Inflows of Resources				
Fiscal June 30,	Changes in Proportionate Share	Changes of Assumptions	Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Net Deferred Outflow/(Inflows) of Resources
2022	$ 1,498,458	$ 405,911	$ 5,236,305	$ 7,140,674	$ 51,596,311
2023	724,466	405,911	4,990,954	6,121,331	66,972,666
2024	78,551	405,911	4,935,326	5,419,788	63,432,754
2025	-	405,911	3,273,148	3,679,059	41,661,845
2026	-	121,774	857,280	979,054	1,410,878
	$ 2,301,475	$ 1,745,418	$ 19,293,013	$ 23,339,906	$ 225,074,454

Actuarial Methods and Assumptions

***Actuarial Valuations* -** The employer contribution rates effective July 1, 2019 through June 30, 2021 were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31, 2018
Measurement date	June 30, 2020
Experience study	2018, published July 24, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.50%
Long-term expected rate of return	7.20%
Discount rate	7.20%
Projected salary increases	3.50%
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service
Mortality	Healthy retirees and beneficiaries:
	Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
	Active Members:
	Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
	Disabled Retirees:
	Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

The actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

Discount Rate **-** The discount rate used to measure the total pension liability was 7.20% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, and those of the contributing employers, are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Depletion Date Projection - GASB Statement No. 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

Assumed Asset Allocation

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0	25.0	20.0
Public Equity	27.5	37.5	32.5
Private Equity	14.0	21.0	17.5
Real Estate	9.5	15.5	12.5
Alternatives Portfolio	7.5	17.5	15.0
Opportunity Portfolio	-	3.0	-
Risk Parity	-	2.5	2.5
Total			100.0%

Long-Term Expected Rate of Return - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60	3.68
Intermediate-Term Bonds	3.60	5.19
High Yield Bonds	1.20	5.74
Large/Mid Cap US Equities	16.17	6.30
Small Cap US Equities	1.35	6.68
Micro Cap US Equities	1.35	6.79
Developed Foreign Equities	13.48	6.91
Emerging Market Equities	4.24	7.69
Non-US Small Cap Equities	1.93	7.25
Private Equity	17.50	8.33
Real Estate (Property)	10.00	5.55
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	1.50	4.06
Hedge Fund - Event-driven	0.38	5.59
Timber	1.13	5.61
Farmland	1.13	6.12
Infrastructure	2.25	6.67
Commodities	1.13	3.79
Assumed Inflation - Mean		2.50%

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net OPEB liability (asset)	$ 1,378,342,710	$ 928,228,532	$ 550,786,930

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report. The effect of OPERS on the City's net position has been determined on the same basis used by OPERS.

Changes in Assumptions - A summary of key changes implemented since the December 31, 2017 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2018 Experience Study for the System, which was published in July 2019, and can be found at: https://www.oregon.gov/pers/Documents/2018-Exp-Study.pdf

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Allocation of Liability for Service Segments - For purposes of allocating Tier One/Tier Two member's actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2016 and December 31, 2017 valuations, the Money Match was weighted 15% for General Service members and 0% for Police & Fire members. For the December 31, 2018 and December 31, 2019 valuations, this weighting has been adjusted to 10% for General Service members and 0% for Police & Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

Changes in Economic Assumptions:

Administrative Expenses - The administrative expense assumptions were updated to $32.5 million per year for Tier One/Tier Two and $8.0 million per year for OPSRP. Previously these were assumed to be $37.5 million per year and $6.5 million per year, respectively.

Healthcare Cost Inflation - The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2022 by the Affordable Care Act.

Changes in Demographic Assumptions:

Healthy Mortality - The healthy mortality base tables were updated to Pub-2010 generational Healthy Retiree mortality tables with group-specific job category and setback adjustments. Previously they were based on RP-2014 generational Disabbled Retiree mortality tables.

Disabled Mortality - The disabled mortality base tables were updated to Pub-2010 generational Disabled Retiree mortality tables with group-specific job category and setback adjustments. Previously they were based on RP-2014 generational Disabbled Retiree mortality tables.

Non-Annuitant Mortality - Non-annuitant mortality base tables were updated to Pub-2010 generational mortality tables with the same group-specific job category and setback adjustments as for healthy annuitants, and with an additional scaling factor adjustment for certain subgroups. Previously they were based on RP-2014 generational Employee mortality tables with the same group-specific collar and setback adjustments as for healthy annuitants.

Defined Contribution Plan – Individual Account Program (IAP):

Pension Benefits - Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)

Death Benefits - Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions - The City has chosen to pay the employees' contributions to the plan. 6% of covered payroll is paid for general service employees and 9% of covered payroll is paid for firefighters and police officers. For fiscal year 2021 the City paid $25.1 million.

Recordkeeping - OPERS contracts with VOYA Financial to maintain IAP participant records.

NOTE 6 - SUBSEQUENT EVENTS

In July 2021 FPDR issued tax anticipation notes for $38.5 million with a true interest cost of 0.21 percent. The notes are due for repayment on February 1, 2022.

FIREFIGHTER

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CITY OF PORTLAND OREGON

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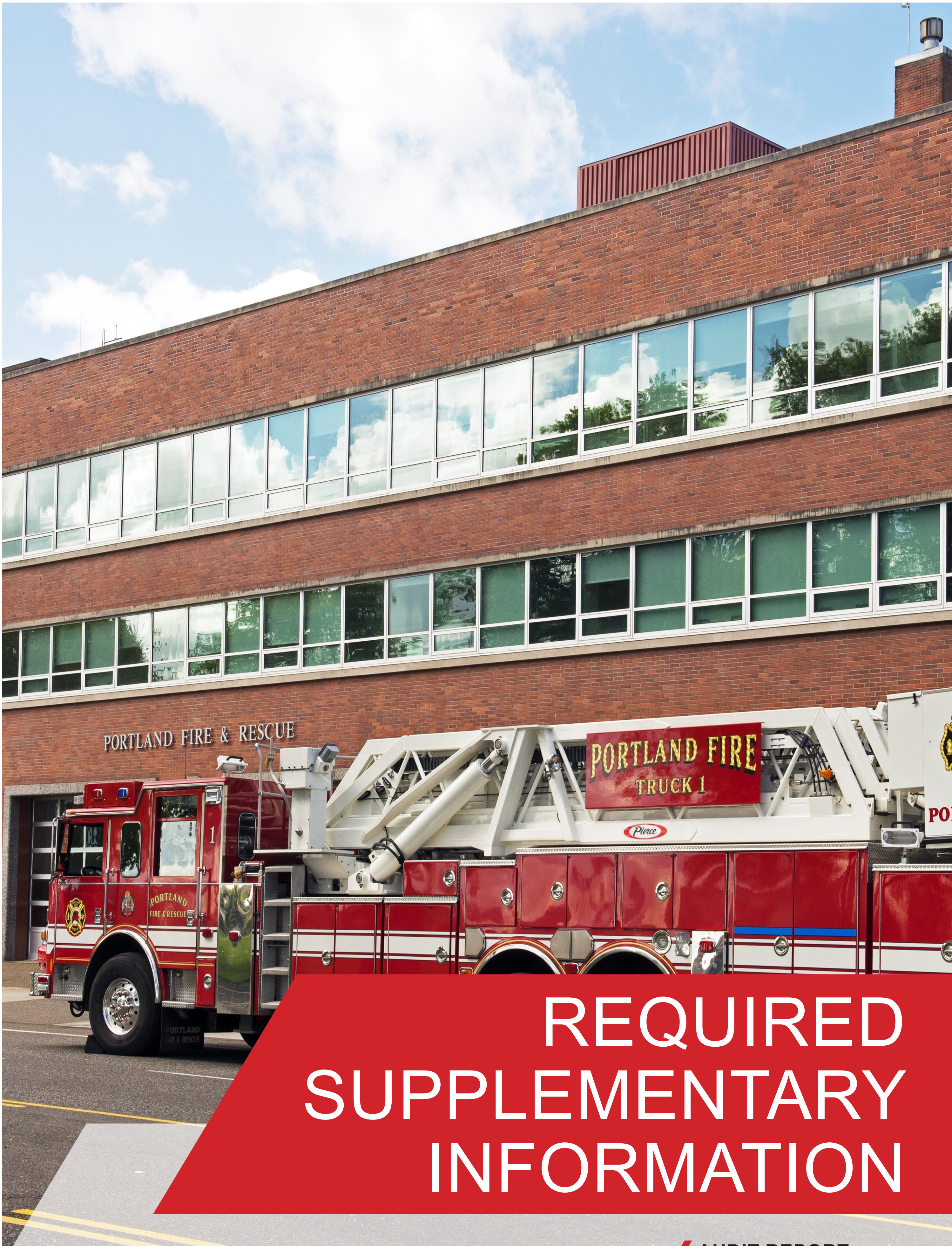
PORTLAND POLICE

OFFICER



REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Years Ending June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	$ 103,515,611	$ 73,903,174	$ 65,253,487	$ 74,361,810	$ 82,420,266	$ 66,693,061	$ 58,853,250	$ 63,660,926
Interest	98,095,681	125,139,549	127,541,668	120,974,879	97,302,658	110,470,511	106,304,323	117,017,081
Effect of plan changes	-	-	-	-	36,063,138	-	185,288,710	(222,274,639)
Effect of economic/ demographic gains (losses)	61,245,369	-	61,199,698	-	95,578,193	-	(25,565,616)	-
Changes of assumptions	27,985,112	774,909,460	150,231,268	(141,632,449)	(215,367,868)	431,404,102	208,943,518	106,474,383
Benefit payments	(144,738,509)	(135,411,347)	(130,733,191)	(125,666,995)	(120,351,973)	(114,001,126)	(110,900,284)	(108,003,419)
Net change in total pension liability	146,103,264	838,540,836	273,492,930	(71,962,755)	(24,355,586)	494,566,548	422,923,901	(43,125,668)
Total pension liability, beginning	4,407,176,740	3,568,635,904	3,295,142,974	3,367,105,729	3,391,461,315	2,896,894,767	2,473,970,866	2,517,096,534
Total pension liability, ending (a)	$ 4,553,280,004	$ 4,407,176,740	$ 3,568,635,904	$ 3,295,142,974	$ 3,367,105,729	$ 3,391,461,315	$ 2,896,894,767	$ 2,473,970,866
Plan fiduciary net position								
Contributions - employer	$ 143,627,174	$ 136,560,350	$ 135,479,059	$ 132,038,902	$ 120,700,158	$ 114,079,956	$ 115,852,428	$ 114,654,336
Net investment income	114,029	1,571,319	1,751,762	869,867	462,193	489,154	(522,201)	312,468
Benefit payments	(144,738,509)	(135,411,347)	(130,733,190)	(125,666,995)	(120,351,973)	(114,001,126)	(110,900,284)	(108,003,419)
Administrative expense	(4,349,368)	(4,083,219)	(4,287,107)	(3,601,087)	(4,085,644)	(5,019,573)	(3,085,925)	(3,585,476)
Net change in plan net position	(5,346,674)	(1,362,897)	2,210,524	3,640,687	(3,275,266)	(4,451,589)	1,344,018	3,377,909
Plan net position, beginning	18,638,401	20,001,298	17,790,774	14,150,087	17,425,353	21,876,942	20,532,924	17,155,015
Plan net position, ending (b)	13,291,727	18,638,401	20,001,298	17,790,774	14,150,087	17,425,353	21,876,942	20,532,924
Net pension liability, ending (a) - (b)	$ 4,539,988,277	$ 4,388,538,339	$ 3,548,634,606	$ 3,277,352,200	$ 3,352,955,642	$ 3,374,035,962	$ 2,875,017,825	$ 2,453,437,942

continued on the next page

Schedule of Changes in Net Pension Liability and Related Ratios, continued

	Fiscal Years Ending June 30,							
	2021	2020	2019	2018	2017	2016	2015	2015
Plan fiduciary net position as a percentage of total pension liability	0.29%	0.42%	0.56%	0.54%	0.42%	0.51%	0.76%	0.83%
Covered payroll	$ 155,289,464	$ 157,329,648	$ 152,493,193	$ 143,744,868	$ 137,619,298	$ 139,108,113	$ 139,346,388	$ 135,726,350
Net pension liability as a percentage of covered payroll	2923.56%	2789.39%	2327.08%	2279.98%	2436.40%	2425.48%	2063.22%	1807.64%

Notes to Schedule

1. Employer contribtuions shown here are $24,989,470 less than the comparable numbers in the Statement of Changes in Plan Net Position. The difference is due to contributions made to the Oregon Public Employees Retirement System (PERS) for FPDR Three members, as well as compensated absence accruals also related to FPDR Three members. These are employer contributions and benefit expenses to a pension plan, but not the FPDR plan.

2. The net pension liability increased by $151.4 million (3.5%) between the fiscal years ending June 30, 2020 and 2021. The largest contributor was $61.2 million in economic/demographic losses, caused primarily by actual sworn salary increases and experienced participant longevityin excess of actuarial assumptions.A change in the discount rate from 2.21% to 2.16% was responsible for another $28.0 million of the increase. The 23.7%, or $0.8 billion, increase in the net pension liability between the fiscal years ended June 30, 2019 and 2020 was chiefly due to a large drop in the discount rate, which had previously hovered in the 3.5% - 4.0% range and has since dropped to 2.0% - 2.5%.

3. Fewer than 10 fiscal years are displayed because this schedule is required by Governmental Accounting Standards Board Statement No. 67, which took effect in the fiscal year ended June 30, 2014.

Schedule of the City's Proportionate Share of the Net Pension Liability
Oregon Public Employees Retirement System
Last 10 Fiscal Years [a]
(In Millions)

	Fiscal Years Ending June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
City proportion of the net pension liability (asset)	4.2533558%	4.0813041%	3.6931703%	3.7131302%	3.7833289%	3.7805422%	3.6293418%	3.6293418%
City proportionate share of the net pension liability (asset)	$ 928.23	$ 706.00	$ 559.50	$ 500.50	$ 568.00	$ 217.10	$ (82.30)	$ 185.20
Covered payroll [b]	$ 481.70	$ 439.70	$ 398.50	$ 359.90	$ 343.60	$ 330.50	$ 313.10	$ 302.60
City proportionate share of the net pension liability (asset) as a percentage of covered payroll	192.70%	160.56%	140.40%	139.07%	165.31%	65.69%	-26.29%	61.20%
Plan fiduciary net position as a percentage of the total pension liability	75.79%	80.20%	82.07%	83.12%	80.53%	91.88%	103.59%	92.00%

[a] Only years with available information are presented.

[b] As of the measurement date which is one year in arrears.

Schedule of City Contributions
Oregon Public Employees Retirement System
Last 10 Fiscal Years [a]
(In Millions)

	Fiscal Years Ending June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 84.00	$ 83.40	$ 57.80	$ 51.20	$ 35.60	$ 33.70	$ 26.30	$ 25.00
Contributions in relation to the contractually required contribution	$ 84.00	83.40	57.80	51.20	35.60	33.70	26.30	25.00
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 476.90	$ 481.70	$ 439.70	$ 398.50	$ 359.90	$ 343.60	$ 330.50	$ 313.10
Contributions as a percentage of covered payroll	17.61%	17.31%	13.15%	12.85%	9.89%	9.81%	7.96%	7.98%

[a] Only years with available information are presented.

Notes to Schedule

Changes in Assumptions

A summary of key changes implemented since the December 31, 2017 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2018 Experience Study for the System, which was published in July 2019, and can be found at: http://www.oregon.gov/PERS/Documents/2018-Exp-Study.pdf.

Changes in Actuarial Methods and Allocation Procedures

For purposes of allocating Tier One/Tier Two member's actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2016 and December 31, 2017 valuations, the Money Match was weighted 15% for General Service members and 0% for Police & Fire members. For the December 31, 2018 and December 31, 2019 valuations, this weighting has been adjusted to 10% for General Service members and 0% for Police & Fire members, based on a projection of the proportion of the liability attributable to Money Match benefits at those valuation dates.

Changes in Economic Assumptions

Administrative Expenses - The administrative expense assumptions were updated to $32.5 million per year for Tier One/Tier Two and $8.0 million per year for OPSRP. Previously these were assumed to be $37.5 million per year and $6.5 million per year, respectively.

Healthcare Cost Inflation - The healthcare cost inflation for the maximum Retiree Healthcare Insurance Premium Account (RHIPA) subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes consideration of the excise tax that will be introduced in 2022 by the Affordable Care Act.

Changes in Demographic Assumptions

Healthy Mortality - The healthy mortality base tables were updated to Pub-2010 generational Healthy Retiree mortality tables with group-specific job category and setback adjustments. Previously they were based on RP-2014 generational Disabbled Retiree mortality tables.

Disabled Mortality - The disabled mortality base tables were updated to Pub-2010 generational Disabled Retiree mortality tables with group-specific job category and setback adjustments. Previously they were based on RP-2014 generational Disabbled Retiree mortality tables.

Non-Annuitant Mortality - Non-annuitant mortality base tables were updated to Pub-2010 generational mortality tables with the same group-specific job category and setback adjustments as for healthy annuitants, and with an additional scaling factor adjustment for certain subgroups. Previously they were based on RP-2014 generational Employee mortality tables with the same group-specific collar and setback adjustments as for healthy annuitants.

Schedule of Proportionate Share of the Net OPEB Liability / (Asset)
Other Postemployment Benefits
Last 10 Fiscal Years [a]
(In Millions)

	Fiscal Years Ending June 30,				
	2021	2020	2019	2018	2017
Proportion of the OPEB pension liability (asset)	1.1970591%	3.9743833%	3.7425954%	3.5367635%	3.5959676%
Proportionate share of the net OPEB liability (asset)	$ (2.44)	$ (7.68)	$ (4.18)	$ (1.48)	$ 0.98
Covered payroll [b]	$ 481.70	$ 439.70	$ 398.50	$ 359.90	$ 343.60
Proportionate share of the OPEB liability (asset) as a percentage of its covered payroll	(0.51%)	(1.75%)	(1.05%)	(0.41%)	0.28%
Plan net position as a percentage of the total OPEB liability	150.10%	144.40%	124.00%	108.90%	94.20%

[a] Only years with available information are presented.

[b] As of the measurement date which is one year in arrears.

Schedule of Contributions
Other Postemployment Benefits
Last 10 Fiscal Years [a]
(In Millions)

	Fiscal Years Ending June 30,				
	2021	2020	2019	2018	2017
Contractually required contribution	$ 0.07	$ 0.08	$ 1.94	$ 1.78	$ 1.77
Contributions in relation to the contractually required contribution	0.07	0.08	1.94	1.78	1.77
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 476.90	$ 481.70	$ 439.70	$ 398.50	$ 359.90
Contributions as a percentage of covered payroll	0.01%	0.02%	0.44%	0.45%	0.49%

[a] Only years with available information are presented.

Schedule of Changes in the City's Total OPEB Liability and Related Ratios Last 10 Fiscal Years [a]

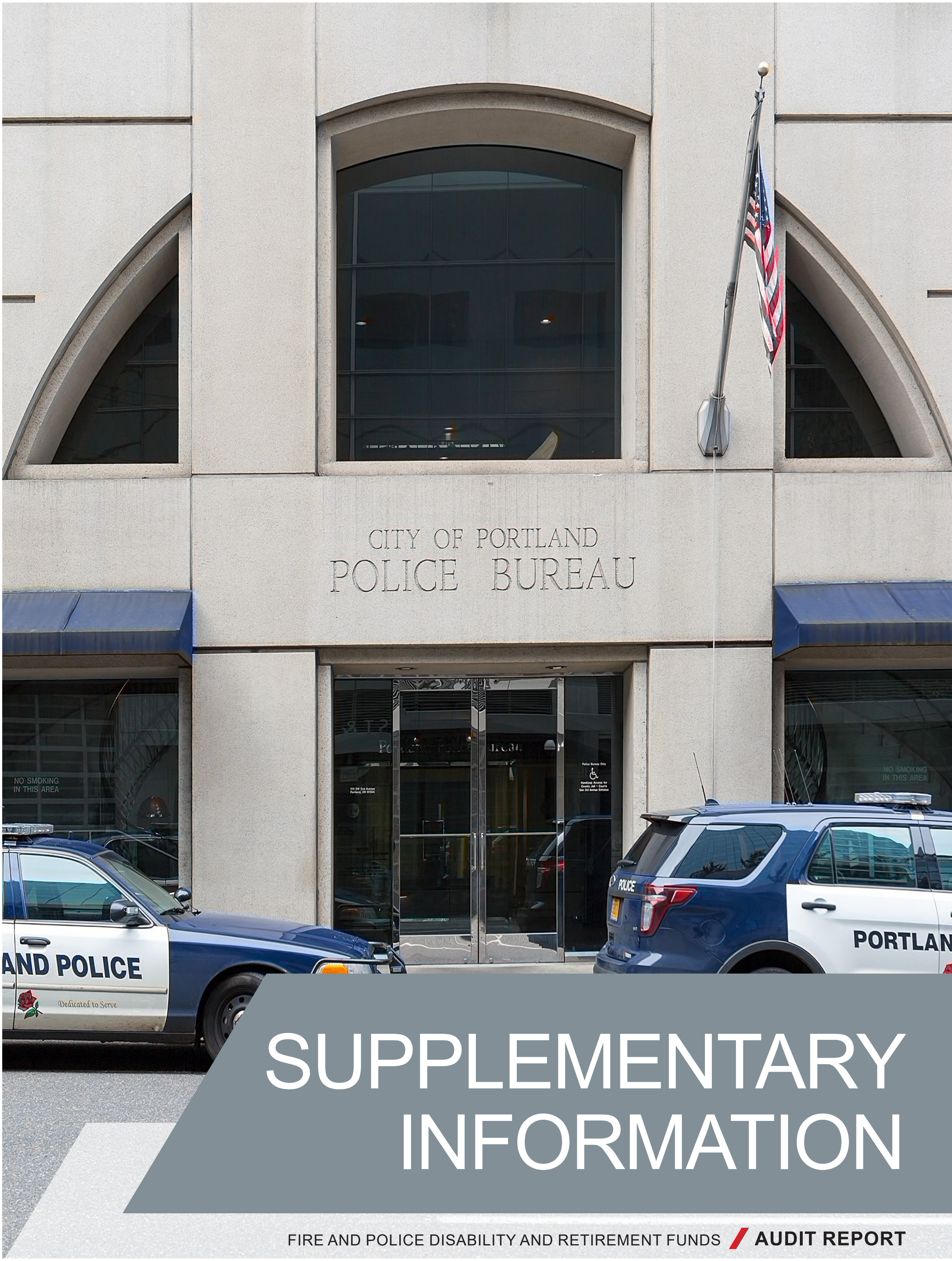
	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 3,003,933	$ 3,597,015	$ 3,675,148	$ 4,140,465
Interest	2,967,230	3,898,352	3,640,097	3,086,463
Differences between expected and actual experiences	-	6,051,864	-	-
Changes of assumptions	10,460,682	(22,748,251)	(2,777,647)	(6,825,794)
Benefit payments	(5,092,723)	(5,668,141)	(5,567,867)	(4,949,560)
Net change in total OPEB liability	11,339,122	(14,869,161)	(1,030,269)	(4,548,426)
Total OPEB liability - beginning	84,298,521	99,167,682	100,197,951	104,746,377
Total OPEB liability - ending	$ 95,637,643	$ 84,298,521	$ 99,167,682	$100,197,951
Covered-employee payroll	$555,559,013	$549,450,066	$439,305,357	$435,541,998
Total OPEB liability as a percentage of covered-employee payroll	17.21%	15.34%	22.57%	23.01%

[a] **Only years with available information are presented.**

Notes to Schedule

Changes of assumptions - There were a number of changes in the demographic and economic actuarial assumptions. Some of these assumption changes have significantly affected the liability of the plan but in an offsetting manner. Key items to note regarding actuarial assumptions include:

- Overall healthcare cost increases were higher than assumed in the prior valuation, resulting in an actuarial loss.
- The repeal of the healthcare reform excise tax on high-value benefit plans reduced the liability.
- Where applicable, demographic assumptions are based on the actuarial valuation assumptions of the Oregon PERS and OPSRP retirement plans. The latest Oregon PERS and OPSRP valuation report available is as of December 31, 2018. Many assumptions changed from the previous valuation including the rates of retirement, termination, disability, salary scale, and mortality.
- Participation rate was changed from 45% to 37%, and marriage percentage was changed from 60% to 45% to better reflect actual experience and anticipated future experience.
- Retiree lapse rate of 8% to better reflect actual experience.
- Discount rate decreased from 3.50% as of July 1, 2019 to 2.20% as of July 1, 2020.



SUPPLEMENTARY INFORMATION

FIRE AND POLICE DISABILITY AND RETIREMENT FUNDS / **AUDIT REPORT**


FIREFIGHTER
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Fire and Police Disability and Retirement Fund
Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes:				
Current year property taxes	$ 163,692,018	$ 163,692,018	$ 166,552,428	$ 2,860,410
Prior year property taxes	2,370,000	2,370,000	1,755,966	(614,034)
Total taxes	166,062,018	166,062,018	168,308,394	2,246,376
Revenues other than taxes:				
Other service charges	-	-	23	23
Billings to other funds for services	1,571,818	546,818	420,096	(126,722)
Investment earnings	1,256,000	1,256,000	512,998	(743,002)
Miscellaneous	126,800	126,800	71,235	(55,565)
Total revenues	169,016,636	167,991,636	169,312,746	1,321,110
Expenditures				
Current:				
Personnel services	2,464,800	2,464,800	2,447,180	17,620
External materials and services	145,124,200	147,124,200	145,030,608	2,093,592
Internal materials and services	25,501,327	26,011,327	24,183,325	1,828,002
General operating contingencies	11,518,151	7,983,151	-	7,983,151
Debt service and related costs:				
Principal	42,055,066	42,055,066	31,345,066	10,710,000
Interest	1,059,006	1,059,006	400,131	658,875
Debt issuance costs	38,900	38,900	46,408	(7,508)
Capital outlay	50,000	50,000	-	50,000
Total expenditures	227,811,450	226,786,450	203,452,718	23,333,732
Revenues over (under) expenditures	(58,794,814)	(58,794,814)	(34,139,972)	24,654,842
Other Financing Sources (Uses)				
Transfers from other funds	750,000	750,000	-	(750,000)
Transfers to other funds	(750,000)	(750,000)	-	750,000
General Fund overhead	(132,422)	(132,422)	(132,422)	-
Pension Debt redemption	(8,729)	(8,729)	(8,729)	-
Bonds and notes issued	42,000,000	42,000,000	31,290,000	(10,710,000)
Bonds and notes premium	-	-	368,596	368,596
Total other financing sources (uses)	41,858,849	41,858,849	31,517,445	(10,341,404)
Net change in fund balance	(16,935,965)	(16,935,965)	(2,622,527)	14,313,438
Fund balance - beginning	16,935,965	16,935,965	17,090,202	154,237
Fund balance - ending	$ -	$ -	$ 14,467,675	$ 14,467,675

continued on the next page

Fire and Police Disability and Retirement Fund
Schedule of Revenues and Expenditures - Budgetary Basis, continued
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Adjustment to generally accepted accounting principles (GAAP) basis:				
Unrealized gain (loss) on investments			$ 15,642	
Deferred revenue			3,477,429	
Capital assets, net of accumulated depreciation and amortization			187,014	
Other liabilities			(240,000)	
OPEB asset			5,508	
Deferred outflows - pensions			1,168,181	
Deferred outflows - OPEB			42,321	
Compensated absences			(2,552,562)	
Accrued interest payable			(302,024)	
Bonds payable			(131,256)	
Net pension liability - PERS			(3,295,820)	
Other postemployment benefits			(192,792)	
Deferred inflows - OPEB			(26,776)	
Deferred inflows - pensions			(80,813)	
Fund balance - GAAP basis			$ 12,541,727	

Fire and Police Disability and Retirement Reserve Fund
Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Other Financing Sources (Uses)				
Transfer from other fund:				
Fire and Police Disability and Retirement	$ 750,000	$ 750,000	$ -	$ (750,000)
Transfer to other fund:				
Fire and Police Disability and Retirement	(750,000)	(750,000)	-	750,000
Total other financing sources (uses)	-	-	-	-
Fund balance - beginning	750,000	750,000	750,000	-
Fund balance - ending	$ 750,000	$ 750,000	750,000	$ -
Adjustment to generally accepted accounting principles (GAAP) basis:			-	
Fund balance - GAAP basis			$ 750,000	

Fire and Police Disability and Retirement Funds
Schedule of Operating and Administrative Expenses – Budgetary Basis
For the Fiscal Year Ended June 30, 2021

Personnel services	$ 2,447,180
Materials and services	
Actuarial	98,200
Audit	29,150
Claims investigation	149,920
Computer consulting	40,040
Legal	33,865
Other professional services	100,846
Other external services	17,431
Office and computer supplies and minor equipment	20,195
Education	940
Subscriptions, publications and dues	6,887
Travel	590
Facilities operating lease	204,425
Enterprise Business System	23,153
Printing and Distribution	30,926
Facilities	4,479
Technology	143,140
Risk Management	30,226
City Attorney's Office	276,158
Police and Fire liaisons	143,607
Other fund services	41,309
Total materials and services	1,395,487
Overhead charges - General Fund	132,422
Debt service and related costs	
Principal	31,345,066
Interest	400,131
Debt issuance costs	46,408
Total debt service and related costs	31,791,605
Total administrative expenses (Budget)	$ 35,766,694
Plus/(minus)	
Debt principal	$ (31,345,066)
Bond premium	(368,596)
Depreciation	103,502
Transfers to (from) other funds	8,729
Accreted interest	27,407
PERS pension cost	452,210
Change in compensated absences	(294,439)
Change in other post-employment benefits	(1,069)
Operating and administrative expenses (GAAP)	$ 4,349,372

Fire and Police Disability and Retirement Funds
Schedule of Pension, Disability and Death Benefits Expenditures by Bureau
For the Fiscal Year Ended June 30, 2021

	Members		Other Beneficiaries		Total	
	Number	Amount	Number	Amount	Number	Amount
Portland Fire & Rescue:						
Nonservice disability benefits	1	25,802	-	-	1	25,802
Service disability benefits	78	1,083,640	-	-	78	1,083,640
Occupational disability benefits	157	447,885	-	-	157	447,885
Early return to work benefits	17	149,859	-	-	17	149,859
Claims settlement	-	-	-	-	-	-
Pensions (FPDR 1 and 2)	633	50,906,763	208	5,484,960	841	56,391,723
PERS contributions (FPDR Three)	307	10,228,836	-	-	307	10,228,836
Medical benefits	215	1,842,979	-	-	215	1,842,979
Vocational rehabilitation benefits	-	-	-	-	-	-
Funeral benefits	24	67,428	-	-	24	67,428
	1,432	64,753,192	208	5,484,960	1,640	70,238,152
Portland Police Bureau:						
Nonservice disability benefits	4	203,872	-	-	4	203,872
Service disability benefits	101	1,859,935	-	-	101	1,859,935
Occupational disability benefits	87	314,514	1	75,043	88	389,557
Early return to work benefits	29	260,531	-	-	29	260,531
Claims settlement	-	-	-	-	-	-
Pensions (FPDR 1 and 2)	1,031	74,684,159	257	6,216,119	1,288	80,900,278
PERS contributions (FPDR Three)	452	12,851,101	-	-	452	12,851,101
Medical benefits	188	1,094,652	-	-	188	1,094,652
Vocational rehabilitation benefits	-	-	-	-	-	-
Funeral benefits	17	20,366	-	-	17	20,366
	1,909	91,289,130	258	6,291,162	2,167	97,580,292
Combined Fire and Police:						
Nonservice disability benefits	5	229,674	-	-	5	229,674
Service disability benefits	179	2,943,575	-	-	179	2,943,575
Occupational disability benefits	244	762,399	1	75,043	245	837,442
Early return to work benefits	46	410,390	-	-	46	410,390
Claims settlement	-	-	-	-	-	-
Pensions (FPDR 1 and 2)	1,664	125,590,922	465	11,701,079	2,129	137,292,001
PERS contributions (FPDR Three)	759	23,079,937	-	-	759	23,079,937
Medical benefits	403	2,937,631	-	-	403	2,937,631
Vocational rehabilitation benefits	-	-	-	-	-	-
Funeral benefits	41	87,794	-	-	41	87,794
	3,341	156,042,322	466	11,776,122	3,807	167,818,444

Notes to Schedule

1. The benefits amount in the Statement of Changes in Plan Net Position is $169,727,979. The difference between that amount and this schedule consists of the change in the PERS contribution portion of the compensated absence liability associated with Police and Fire FPDR Three members, totaling $1,909,533, which is reclassified to a benefit expense for GAAP reporting.

2. Counts presented here represent the number of members or beneficiaries for whom a given expense was incurred during the year. Individuals may be included in multiple lines.

Fire and Police Disability and Retirement Funds
Schedule of Number of Pensioners and Beneficiaries by Bureau
For the Fiscal Year Ended June 30, 2021

	Portland Fire & Rescue			Portland Police Bureau			Total		
	Members	Other Beneficiaries	Total	Members	Other Beneficiaries	Total	Members	Other Beneficiaries	Total
Pensions	609	146	755	1,014	171	1,185	1,623	317	1,940
PERS:									
Contributions	316	-	316	407	-	407	723	-	723
Disability	11	-	11	35	1	36	46	1	47
	936	146	1,082	1,456	172	1,628	2,392	318	2,710

Fire and Police Disability and Retirement Funds

Comparative Schedule of Number of Pensioners and Beneficiaries by Bureau

	June 30, 2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Increase (decrease) Ten years ended June 30, 2021
Portland Fire & Rescue:											
Pension:											
FPDR 1&2 members	609	604	620	618	615	610	602	607	614	608	1
FPDR 3 members [(1)]	316	296	289	267	265	224	192	172	172	173	143
Other beneficiaries	146	144	144	154	169	176	179	177	189	187	(41)
Total	1,071	1,044	1,053	1,039	1,049	1,010	973	956	975	968	103
Disability:											
Members	11	18	19	12	14	18	24	27	23	23	(12)
Other beneficiaries	-	-	-	-	-	-	-	-	1	1	(1)
Total	11	18	19	12	14	18	24	27	24	24	(13)
Total Fire	1,082	1,062	1,072	1,051	1,063	1,028	997	983	999	992	90
Portland Police Bureau:											
Pension:											
FPDR 1&2 members	1,014	953	943	910	880	845	824	803	807	798	216
FPDR 3 members [(1)]	407	399	358	336	270	240	230	216	214	189	218
Other beneficiaries	171	177	177	177	184	185	189	196	198	195	(24)
Total	1,592	1,529	1,478	1,423	1,334	1,270	1,243	1,215	1,219	1,182	410
Disability:											
Members	35	32	31	42	36	40	42	44	42	43	(8)
Other beneficiaries	1	1	1	1	1	2	2	3	4	4	(3)
Total	36	33	32	43	37	42	44	47	46	47	(11)
Total Police	1,628	1,562	1,510	1,466	1,371	1,312	1,287	1,262	1,265	1,229	399
Summary of disability:											
Fire	11	18	19	14	14	18	24	27	24	24	(13)
Police	36	33	32	37	37	42	44	47	46	47	(11)
Total	47	51	51	51	51	60	68	74	70	71	(24)
Summary of pension and disability:											
Fire	1,082	1,062	1,072	1,051	1,063	1,028	997	983	999	992	90
Police	1,628	1,562	1,510	1,466	1,371	1,312	1,287	1,262	1,265	1,229	399
Total	2,710	2,624	2,582	2,517	2,434	2,340	2,284	2,245	2,264	2,221	489

Notes to Schedule

[(1)] FPDR Three members are enrolled in the Public Employees Retirement System. FPDR makes contributions to PERS on their behalf.

Fire and Police Disability and Retirement Reserve Funds
Schedule of Imposed Tax Levies Compared with Maximum Levies Authorized

Year ended June 30,	Imposed levy rate per $1,000 of real market value	Imposed levy	Maximum levy authorized ($2.80/$1,000)	Imposed levy under authorized levy
2012	1.34	108,666,428	227,257,618	118,591,190
2013	1.45	115,752,880	223,709,460	107,956,580
2014	1.47	123,304,615	235,325,707	112,021,092
2015	1.37	126,777,805	259,331,341	132,553,536
2016	1.23	126,376,817	287,358,793	160,981,976
2017	1.10	132,477,613	338,199,473	205,721,860
2018	1.08	148,214,877	384,951,394	236,736,517
2019	1.05	156,454,895	419,138,031	262,683,136
2020	1.05	161,017,652	427,766,153	266,748,501
2021	1.09	173,302,844	445,249,849	271,947,005

Notes to Schedule

The imposed levy differs from property taxes raised due to discounts and delinquencies.

Audit Comments and Disclosures

FIRE AND POLICE DISABILITY AND RETIREMENT FUNDS / **AUDIT REPORT**

MOSSADAMS

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
City of Portland, Oregon, Fire and Police
Disability and Retirement Fund and Reserve Fund
(Component unit of the City of Portland)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Portland, Oregon, Fire and Police Disability and Retirement Fund and the City of Portland, Oregon, Fire and Police Disability and Retirement Reserve Fund (the Funds), component units of the City of Portland, Oregon as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Funds' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Funds' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
October 27, 2021