FPDR BOARD OF TRUSTEES MATERIALS
January 23, 2023
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Note: There are no handouts for Information Items 2, 3, and 4 of the agenda

City of Portland Bureau of Fire and Police Disability and Retirement
Agenda for Regular Meeting – Board of Trustees
City Council Chambers – City Hall
1221 SW Fourth Avenue, 2nd Floor, Portland, Oregon 97204
Monday, January 23, 2023 – 1:00 p.m.

In accordance with Portland City Code and state law, The Fire and Police Disability and Retirement Board of Trustees will hold hybrid public meetings, which provides for both virtual and limited in-person attendance. Members of the board will elect to attend remotely by video and teleconference, or in-person. FPDR has made several avenues available for the public to listen to the audio broadcast of this meeting, including the City's e-GovPDX YouTube Channel, Channel 30, and www.portlandoregon.gov/video

ADMINISTRATION

The following consent item(s) are considered to be routine and will be acted upon by the Board in one motion, without discussion, unless a Board member, staff member or the public requests an item be held for discussion.

	1	Approval of Minutes – November 15, 2022 Meeting

INTRODUCTION OF VISITORS

PUBLIC COMMENT PERIOD VIA ELECTRONIC COMMUNICATION

	1	Lisa Knight, Active Firefighter – Would like to discuss a language change regarding the word spouse

Public comments will be heard by electronic communication (internet connection or telephone), or in-person. If you wish to sign up for public comment by electronic communication, please register at the following link:
https://us06web.zoom.us/webinar/register/WN_asDNmKCvR9aF7CfOIZ3yfQ
You will be asked to provide your name, phone number, email address, agenda item number(s) you wish to provide comment on and zip code. After registering, you will receive a confirmation email containing information about joining the electronic/virtual meeting. Individuals will have three minutes to provide public comment unless otherwise stated at the meeting. The deadline to sign up for the January 23, 2023 hybrid board meeting is Monday, January 22, 2023 at 3:00 p.m. Individuals can also provide written testimony to the Board by emailing the FPDR Director Sam Hutchison at sam.hutchison@portlandoregon.gov by January 20, 2023.

IN-PERSON PUBLIC COMMENT PERIOD

	1	Delmar Stevens, Retired Firefighter – Presenting an issue that needs to be addressed to the Board, ASAP
	2	Kevin Machiz, Private Citizen – Public comment will occur after Action Item 1 regarding FPDR funding

A sign-up sheet for members of the public wishing to make public comments will be available at the meeting. The public comment period will not exceed 30 minutes. Therefore, the Board may limit individual comments to three minutes per person. In addition, a sign-up sheet will be available prior to the meeting to allow public members the opportunity to sign up for an agenda item which they wish to provide comment on. When discussion on a specific agenda item is to begin, the public member will be allowed three minutes to provide comments, unless additional time is allowed by the Board.

ACTION ITEMS

	1	Actuarial Valuation and Levy Adequacy Analysis ○ Issue: Review June 30, 2022, actuarial valuation and levy adequacy analysis ○ Expected Outcome: Board accepts actuarial valuation and levy adequacy analysis
	2	Adopt 2023-2024 Budget ○ Issue: Review FY 2023-2024 Recommended Budget and Five-Year Forecast for FYE 2024-2028 ○ Expected Outcome: Board passes motion to adopt Recommended Budget as FPDR Requested Budget

INFORMATION ITEMS

The following information items do not require action by the Board and are solely for informational purposes unless a Board member, staff member or the public requests an item be held for discussion.

	1	FPDR Summary of Expenditures
	2	Legislative Updates
	3	FPDR Updates
	4	Future Meeting Agenda Items

Copies of materials supplied to the Board before the meeting, except confidential items and those referred to Executive Session, are available for review by the public on the FPDR website at www.portlandoregon.gov/fpdr or at the FPDR offices located at: 1800 SW First Avenue, Suite 250, Portland, Oregon 97201. ***NOTE****: If you have a disability that requires any special materials services or assistance call (503) 823-6823 at least 48 hours before the meeting.*

FIRE AND POLICE DISABILITY AND RETIREMENT BOARD OF TRUSTEES MEETING	MINUTES

As a result of the COVID-19 pandemic and the need to limit in-person contact and promote social distancing, the meeting was held remotely via a Zoom webinar platform.

Date and Time: November 15, 2022, at 1:00 p.m.; Meeting adjourned at 2:20 p.m.
Board Members Present: Margaret Carter (Board Chair); Catherine MacLeod (Citizen Trustee); James Huang (Citizen Trustee); Kyle MacLowry (Fire Trustee)
Board Members Absent: Christopher Kulp (Police Trustee)
Also Present: Sam Hutchison (FPDR Director); Stacy Jones (FPDR Deputy Director/Finance Manager) Kimberly Mitchell (FPDR Claims Manager); Julie Hall (FPDR Legal Assistant); Lorne Dauenhauer (Outside Legal Counsel); Kevin Machiz, (Portland Resident); Alise Horsley (Moss Adams); Keith Simovic (Moss Adams); OpenSignal PDX
Motions Made and Approved: • Motion by Trustee Huang that was seconded by Trustee MacLowry and passed (3-0) to approve the September 27, 2022, minutes.
A text file produced through the closed captioning process for the live broadcast of this board meeting is attached and should not be considered a verbatim transcript.

Fire and Police Disability and Retirement

By________________________________
Sam Hutchison
FPDR Director

CLOSED CAPTIONING FILE

[Captioner on standby]

Director Hutchison: We've got Catherine MacLeod as acting chair today. Margaret Carter is not feeling well but is in the meeting. James Huang and Kyle MacLowry are here so we have four of the five Trustees. Christopher Kulp said he couldn't make it today, so we have a quorum and are ready to go.

Trustee MacLeod: Welcome everyone to our November 15th board meeting. First up would be approval of minutes of the September 27th meeting. Does anybody have any comments or requested edits to the minutes? All right then, hearing none. Do we have a motion to approve those minutes?

Trustee Huang: I move that we adopt and approve the minutes.

Trustee MacLeod: Ok, a second?

Trustee MacLowry: I'll second.

Trustee MacLeod: Thank you, all those who approve say aye. And opposed? Sounds like that passes. Next up, introduction of visitors. I'm not sure how this goes, but Julie may know.

Julie Hall: Kevin Machiz is going to share his screen and has a presentation. Typically, three minutes are given to public commenters, so at the one-minute mark, I'll say one minute, and then after three minutes we'll let you wrap up your final statement.

Trustee MacLeod: Before we get started, are there any other visitors we should be introducing?

Julie Hall: I can't think of anyone else.

Trustee MacLeod: Kevin, do you want to begin?

PUBLIC COMMENT PERIOD

Kevin Machiz: Thank you. I'm Kevin Machiz. In September I urged the board to request that the actuary provide an analysis of a comprehensive actuarial funding policy. I'll address questions that came up in September as time allows. How would funding numbers compare to the actuarial results that I discussed? The bars in black here are the costs based on actuarial valuations. The bars in green are the cash contributions that fund the plan. The difference between the two represents negative amortization. By contrast, zero amortization would indicate that the plan is treading water. This answers another question - would the analysis in 2006 make a new analysis today somehow duplicative? No, because the plan has cumulatively engaged in hundreds of millions of dollars in negative amortization since that time. Another question - does a pay as you go funding policy prevent undue penalization of a short or limited group of taxpayers relative to a comprehensive actuarial funding policy? Again, no, the plan still engages in negative amortization right now.

I stated in September that Portland ran the costliest pension system in the United States. The question came up, would funding numbers provide a very different conclusion from actuarial results? No, this chart shows the numbers on a cash basis. Portland's system is the costliest in the country. This conclusion is consistent whether you analyze actuarial valuation results or projections of cash contributions. It was stated that an amortization might be ten to thirty years. Is that a similar amount of time as the remaining pay go period? No, shown in green on this chart, the next 10 years only contribute about a fifth of the benefit payments that will need to be paid over the life of the plan. You'll see the green bars are identical in these work charts because I used them as a benchmark to quantify another question with cursory analysis. Would a comprehensive actuarial funding policy result in cumulative cost savings? Under current policy, cumulative costs of FPDR total $2.7 billion over the next 15 years. $5.9 billion over the next 30 years, and over $8 billion through the end of the plan's life. The red bars in the top two charts assume a more aggressive funding policy requiring contributions over the next 15 years to amortize the unfunded liability and therefore eliminate all subsequent contributions. The red bar in the bottom two charts assume a less aggressive funding policy, requiring cumulative contributions over the next 30 years to amortize the unfunded liability and therefore eliminate all subsequent contributions. The results - under the more aggressive approach, cumulative contributions are higher by about half over the next 15 years, however this eliminates about half of the cumulative contributions over the full life of the plan. Under the less aggressive funding policy, what you find is that cumulative contributions are higher by just 1% to 8% over the next 30 years. This eliminates about one quarter to one third of cumulative costs over the full life of the plan. I'm not here to advocate for any of these alternative policies that are illustrated. my recommendation is to request your actuary provide the analysis. Thank you.

Trustee MacLeod: Okay, give me a minute to read the last slide about what you're requesting here. Okay thank you, Kevin. Board members, do you want to discuss any of what he is recommending here or requesting here first? Or do you have any questions about his presentation?

Trustee MacLowry: So, Chair MacLeod, I think it might take me a little bit to absorb some of the information that Kevin put forward. I'm not sure I'm in a position right now to give you an educated question or thought about it if that makes sense.

Trustee MacLeod: It does.

Trustee Huang: I agree with Kyle as well, so I think I'll need some time to digest this information.

Trustee MacLeod: Okay would you like us to schedule some time for a future meeting to discuss this more amongst the board or for us to submit questions to staff?

Trustee MacLowry: I might quickly ask, am I allowed to ask Kevin a direct question at this point? I'm looking at your last consideration. Are those bullet points essentially what you would like us to consider, just those three to five other points? Is that the distilled version of what you would like us to think about?

Kevin Machiz: I think if I'm understanding your questions about the output of the analysis from the actuary, that would be the cumulative long-term cost savings, the impact specifically on property tax compression including worst case scenarios, which has not been analyzed before. I think those would be key metrics to consider. It comes down to cost savings, intergenerational equity, the financial risk that the plan poses to the city, and just providing additional transparency that can be lacking when basically, what you're doing is taking costs that are borne by future generations, even though the service that cost is paying for is going to an earlier generation.

Trustee MacLowry: Okay so I recall your presentation last meeting being a little bit more directed towards prefunded versus pay as you go. This seems to be a little bit more granular than that, but maybe that's what you're getting at, is that accurate?

Kevin Machiz: That's right. The current funding policy is pay as you go, and what I am recommending that you consider is an analysis by your actuary of a comprehensive actuarial funding policy. What that means is that you would be prefunding the plan. That really is another way to state that.

Trustee MacLowry: Thank you.

Trustee MacLeod: Okay, thank you. I have a couple of questions, as well, Kevin. In terms of the information that went onto these graphs, well, first of all, I will make one comment about something that you see at the end, that there haven't been any worst-case scenarios done. I believe that there is typically worst-case analysis done when the actuary presents its levy adequacy analysis. Another one is coming up in January I believe, correct me if I'm wrong, Sam. So, I do believe that that analysis gets done. But that point aside, in terms of coming up with the red bars on your graphs, where is that data coming from? Is this interest costs and service costs being taken from the pension accounting reports, or are you looking back to some older actuarial funding analysis that's being done?

Kevin Machiz: Okay. So, the first question about not analyzing the impact of a worst-case scenario, what I'm specifically referring to there is the impact of FPDR on property tax compression. So, if you go back to the analyses that the actuary has done, what the actuary is doing is the other way around, looking at the impact of property tax compression on FPDR. And so, they'll take a static projection of property tax compression from the city economist and look at how that impacts FPDR. However, the nature of property tax compression is that these two things interact with each other to the extent that costs are higher than expected in that worst-case scenario. That also has an impact on property tax compression and so that's what I was referring to, as not having them analyzed in past years.

The second question was about these alternative funding policies I mentioned. And so, this is based on the 2020 actuarial valuation report, so it is already outdated. However, it's the latest data that's available. Again, as I mentioned this is meant to be illustrative in nature to indicate the real analysis with the precise assumptions rather than these kind of menu of potential alternative assumptions, that precise setting of assumptions should come from your actuary, not from me.

And then finally, what are the green bars, the red bars? These are cash contributions, and so all this does is ask, under different time periods, the top two charts here, over 15-year period, the bottom two charts over a longer-term 30-year period, and then as well I don't know what assumed rate of return you had worked out with your actuary in these scenarios, and so what I did was take the lowest one that's available from NASRA, a peer group of large public pension plans. On the left is the minimum, and on the right is the maximum of that peer group, and so I think it's quite reasonable to assume that it's going to be somewhere in between, but it's not my place to say where that would end up. That's how these charts are created.

Trustee MacLeod: Okay, thank you. The question I was trying to ask, and I don't think you directly answered, but I think I've intuited from it, is that, are the liabilities, etc. in the service costs that we're using going into this, taken from that valuation report which would have been an accounting report? That was my question. So, the liabilities, would they have been determined using a bond rate is what I'm asking?

Kevin Machiz: So, in this case, there is no use of discounting or bond rates. These are undiscounted contributions that are projected by the actuary and so there's no breakout between future normal costs versus the accrued liability. All this says is say the bottom left chart, for example, over a 30-year period, what level of cash contributions will be required to eliminate all subsequent contributions? So, there's no use of accounting numbers there, and there's no use of the discount rate that you're using according to the government accounting standards board. None of that comes into play in these.

Trustee MacLeod: Okay perfect. Thank you. I had a few comments that I was going to make, but does anybody else have any comments that they would like to make first?

Stacy Jones: I might throw in a small point of clarification that the analysis Kevin is talking about the impact of the FPDR tax levy on compression for other levies, including the city's general fund levy, that Kevin is right about the nature of the actuarial analysis that gets presented to the board in January. But the city does separately do an analysis of the impact of the FPDR levy and indeed all the levies that exist in the Portland borders, of the compression impact. The city economist does that analysis right now. Generally, it's a five-year analysis; sometimes, he does a 10-year analysis. So, it is not as long in nature, but I did want to say that that analysis does exist, it's done in the city economist's office, and it's shared with the city council, for five to 10-year periods.

Trustee MacLeod: Okay so we will need to entertain a motion about what we want to do going forward, whether we want to make a recommendation to have an actuary look at this, but before I get to that, I wanted to share a few comments and some thoughts that I gleaned from talking with Sam and Stacy about this for background. The board of trustees is bound by the charter and there's a special acknowledgment in the State constitution that allows for this special tax levy that pays the benefits and expenses of this plan. The program is this way because it would require a charter change to make any changes. Any advanced funding that we do that would be made here would have to be paid by the taxpayers, and could not be paid through this levy, there's no authority. Money can't come out of the current tax levy, unless again, it was modified to allow for prefunding to come out of this tax levy. So right now, the city of Portland would have to pay for this out of its general fund revenues or the charter could be amended to expand what could be paid for under the levy. These are things out of our board's control. The most that we could do about this, if we felt that it was warranted, would be to recommend some actuarial analysis, or get behind it to make some commentary to the city about pursuing some possible change. So, we don't have any direct authority in this matter, other than some investigation.

A little bit more history about this, which was helpful for me to get. When this plan was started, obviously, we weren't around, but it's our understanding that prefunding wasn't considered at the time. The number of retirees were few and the number of years that benefits were paid for each retiree were few, maybe 5 to 10 years and so it wasn't a huge consideration initially. But by 2006, there were serious discussions about the program costs and the benefits of prefunding were discussed and understood to be valuable and a decision was made at that time to establish tier 3 and to move them to Oregon PERS in 2007. That addressed the value of prefunding going forward. At this time, the current generation of taxpayers is footing the bill for prefunding FPDR 3 members and paying the current retiree benefits on the pay as you go costs for FPDR tiers 1 and 2. As we look at those costs, there are over 2,000 inactive members in those tiers and about 700 active tier 2 members. The average age of those actives members is a little more than 48, and their average years of service is more than 21. Looking back over the age at retirement in the past 10 years, the average age of retirement is 55, suggesting that on average again, there's maybe seven more years of future service for those tier 2 employees. Some will work a little less, some longer, but on average, about seven more years. So, when we consider actuarial liability calculations and funding, all of the liability for the 2000 inactive retirees and most of the liability for those 700 active employees, 21 plus years and only seven on average to go, three quarters of their liability has all been attributed to service they've already performed. So that means that most of the future benefit costs for those members relates to service that's already been provided, to prior generations of taxpayers. That means the current generation of taxpayers is not getting much. and they are already prefunding for tier 3 and paying the tier 1 and 2 costs.

So, keeping that in mind, while yes, ideally FPDR 1 and 2 members would have been prefunded from the start, that ship has sailed. We can't go back retroactively and make that have been the case, and the problem has been addressed for tier 3. So aside from the authority issues, which I just mentioned, probably the most important consideration from my vantage point going forward is for what is most equitable at this point for taxpayers who, no matter what they do, are going to be paying for services that they're not getting now, because those were already worked for all of tier 1 and most of tier 2. So, does accelerating the funding to prefund this over a 15-year period or a 30-year period, is that more equitable to the current taxpayers or is continuing to spread that out over the lifetime of the remaining retirees really more equitable? There's no way we can match the services provided to the cost of those benefits in retirement. We can't do that anymore, that's been done. So, if you try to accelerate it by prefunding, is that more equitable than just riding this out? Those are my thoughts. Does anybody want to make any other comment about this before we talk about where to go?

Trustee MacLowry: I would second basically everything you just said from our authority and to the history. I remember during the last presentation when Mr. Machiz brought this forward, I thought this was a decision that had been made in 2006, that it was going to be essentially moving towards the prefunded, but it was going to be phased in over the next 30 years, essentially, and we were about halfway there and the costs are going to continue to increase for the next, I think the projection is 12 to 15 years, and then again to that bell-shaped curve down the backside. So again, I agree. The authority is not for us to make that decision, but I feel like unless I'm not understanding enough of the details that we're already moving towards the solution that Kevin is suggesting. Those are my thoughts.

Trustee MacLeod: James, anything you want to add? You're on mute.

Trustee Huang: Nothing from me, and I think that for the benefit of Trustee Carter and Trustee Kulp, I think it probably would be beneficial to discuss when we have all the trustees present in terms of what would be the appropriate next steps for us.

Trustee MacLeod: All right. With that in mind, it strikes me then are you proposing a motion that we have further discussion of this at the next meeting?

Trustee Huang: Yes. I move that we table this to have further discussions at our next board meeting.

Trustee MacLowry: I guess it's up to me to second it so I shall second it.

Trustee MacLeod: Okay and I should have been more specific or asked you to be more specific regarding what Kevin is specifically requesting here, meaning that we consider whether or not to request actuarial analysis about prefunding, or that we simply have additional discussion on the topic in general?

Trustee Huang: I would say have additional discussion on this topic in general so that we can get the benefit of all the trustees to weigh in on next steps.

Trustee MacLeod: Kyle, do you want to second that as amended there?

Trustee MacLowry: Sure.

Trustee MacLeod: Okay, thank you. Do we have ayes at this point then? Anyone opposed? Thank you, Kevin. Next up are action items. I am told there are no action items so that would move us to information items.

INFORMATION ITEMS #1 – AUDITOR'S ANNUAL REPORT PRESENTED BY MOSS ADAMS

Stacy Jones: Yes, and our first information item is a report from Moss Adams, our external financial auditor. So, for the record I'm Stacy Jones. I'm the FPDR Deputy Director and the Pension and Finance manager. Let me just reintroduce to those of you who have met him before Keith Simovic, the lead partner at Moss Adams for our audit engagement, and who earlier in his career was also the manager and senior manager for our audits. So, he really has a lot of detailed knowledge about FPDR finances and operations that you might not normally find at the partner level.

I'd also like to introduce Alise Horsley, who was the Moss Adams manager assigned to our audit this year, and who conducted a lot of the testing. You have the complete audit report in your board materials. I'm sure that you have all read every word of that 80-page document or whatever it is. We'll leave it to Keith and Alise to hit the highlights and if you have any questions about anything in that document, or just want a five-minute overview from me, please don't hesitate to reach out. For now, I'll turn it over to Keith.

Keith Simovic: Perfect, thanks for that Stacy, and for that introduction as well. I really appreciate that. Yes, I do have a presentation here so I will pull up my slides here in just a second. So, the great news is that the audit is finalized. We completed that right at the tail end of October and the report has available for a little while now. So, it's very good news that we've been able to get through this in the normal time frame that we have in the past. We actually got to do a lot of that work on site this year, which it's been a couple of years since we've been able to do that with the pandemic and everything. So, it was great to be back on site in a new space for FPDR. We got to check out the new digs and everything and enjoyed working with the team and seeing everyone there in person as they were gracious enough to host us throughout the audit process. So, with that, we've got quite a bit of good information here to pass along. The audit went very smoothly and according to the time frame that we initially laid out. It's very important to kind of stick to that because this audit actually gets incorporated into the audit for the city of Portland as a whole, who Moss Adams serves as well. So, it's very important to keep that time frame and everything, and we appreciate all the help and efforts that Stacy and her team put forth in this process to get us to this point and to stick to that time frame. I really appreciate that.

Again, myself and Alise are here, but our team is more than just the two of us. There are more people involved so I'll introduce them quickly, even though they're not on the call today. Laurie Tish has been our quality control reviewer, a position not required by our professional audit standards, but one that our firm values very much and a role we use in every audit that we perform, It must be someone that's very experienced. They're involved in the industry groups so, in this case they work with local governments, they work with pension plans and Laurie has been on this account for a number of years. But at the same time, they're what we call a cold reviewer so they're not there with our team on site. They don't jump on calls like this, they don't have conversations with the management team or anything like that. They're supposed to come in and make sure that we're following all our professional standards. They read through certain key documents and our risk assessment process that we go through, making sure that we hit on all the right things there, making sure we follow through with what we said we were going to do. They also read the final set of financial statements, making sure that those include all the requirements for disclosures, and the presentation and format that the governmental accounting standards require. It's a very important role and that person must sign off on everything before we can release our final audit report. So, it was very exciting to have Laurie back in that role this year. And then Allen Soutavong was our staff on the engagement this year and rounded out our team.

In terms of a financial statement audit - the city has a contract with us, and we come in and do a number of different audits for different components of the city. This is kind of just a reminder of what you can expect to receive as deliverables in that process at the end of the day. Boxes 1 and 2 are probably the ones that you're most familiar with, and those are our audit reports over the fairness and accuracy of the information and numbers that are presented within that set of financial statements before you. So, with that, we're going through and we're doing all the testing to make sure there's evidence and substantive supporting documentation behind the numbers and activity that's reported in that set of financial statements. That involves going back to looking at underlying invoices, contracts, and agreements. We're also going through and doing a lot of sampling and testing over the benefit payments, how those are calculated and made, and all the internal controls that are involved in that process. That system of checks and balances is very key and important in that process. We spend a lot of time looking at those, as well.

At the end of the day, our goal is to be able to put forth a report that says - do we believe this set of financial statements is free from material misstatement due to error or fraud? Through all that testing, we get to a point where we can do that. We also do a technical review of the financial statement document. Not only are we looking at all those numbers, but we want to make sure that document is prepared in accordance with generally accepted accounting principles. There are very set rules and standards for how that document needs to be prepared, what format it can be in, and what disclosures should be in the footnotes. We spend a lot of time doing that technical review. That's something that I'm involved in, and that Laurie Tish our concurring reviewer is involved in, just to make sure that includes all those required items because again, this all gets included within the city's financial statements as well.

Box 3 is to ensure the audit is in accordance with governmental auditing standards. There's an additional report that those standards require to make sure that, if we found any issues with those internal controls, we're reporting them out right there in the document before you. So, there's another report typically towards the back of that set of financial statements where we have that additional report to note - did we note any material weaknesses or significant deficiencies in internal controls? Were there any gaping holes in that system of checks and balances that would allow for some significant error in those financial statements to slip through the cracks? Those are the types of things that we're looking for in this process.

And then box 4 is our communication to those charged with governance. I wish they had changed the terminology there, but that is our audit speak for a letter that we issue on every audit that we complete to give you a little more information about how the process went and if there are any findings, adjustments, best practice recommendations, that kind of thing. In terms of our financial statements, our audit opinion, and final reports, I'm going to pass it over to Alise and she's going to take you through the next couple of slides, including the results. She gives you the good news.

Alise Horsley: Can you all hear me? Okay perfect. Sometimes, I can't hear myself in my headset. I get to share the good news. All of our audit features come together in this final report, and we get to issue an unmodified clean opinion on the financial statement, which is great news. The government auditing standards report had no significant deficiencies or material weaknesses, which is pretty impressive for an organization to have nothing to report. So, no news is good news. Next up, we have our required communications with you all. Some things that we're explicitly asked to tell you and some of that is about our plan, scope, and timing, and if any of that has changed in the audit; it all went to plan. We issued on time as we agreed on.

And then, some updated accounting policies. The FPDR did implement GASB 87, which is the leasing standard. That had minimal impact on the financial statements for this year, so that was good. If we had any audit adjustments, we would tell you about those. We did not have any. And then, some other statements. If you consulted with any other accountants or agreements with management, or difficulties in performing the audit, we would tell you about those here as well. And good news, you had none of those. Your team is awesome, and any audit observations and recommendations, we had nothing to note. So onward to the next slide.

Keith Simovic: I was going to note a couple of things here, too. On the accounting policies, the GASB 87, that's a new leasing standard that every governmental organization is having to implement. It changes your accounting for leases, for the city it definitely had a significant impact on their financial reporting. For FPDR, there was an impact there, of course. You do have leasing with the office lease and everything, but just the timing of when you ended the previous lease and started the new one was right there at the tail end of the fiscal year. So not a lot of an impact there as of June 30th, 2022, but you will see some additional lease assets and lease liabilities going forward into next year because of that standard, because the new lease that was signed will be effective going forward into the fiscal year that we're currently in now, not the one that we just audited.

And other than that, I want to mention, when we say no difficulties in performing the audit, that goes back to the question - were there any scope exceptions? Were we able to get responses to all the questions that we asked? Did we feel like management was dodging us? Did we get all the documentation that we asked for? The answer in all that is yes. There was no limitation on the scope of our procedures. Everything that we asked for we got. Every question that we asked, we got a response back. That's always important to note, especially sitting on a governing body as a board member, you'll want to note were there any issues with us performing the audit. And there weren't. I'm very appreciative of all the hard work that went into this from FPDR's side to provide that documentation because it's no small task. There was a lot that we asked for, definitely hundreds of pieces of documentation. I don't know if we got to thousands, we could be close, but there's a lot that they have to provide to us as we go through this process. So, I really appreciate the efforts there. Okay, go ahead Alise, you can give all the great news.

Alise Horsley: Of course. Acknowledgments and thank you to Sam, Stacy, Mika, and Asha. The whole team has been super awesome, especially Asha coming into a new role this year. So, everyone, we never had to ask a question twice. It was great to be on site to meet you all.

Keith Simovic: Perfect, so yes, very good news. It was a very clean audit overall. Unless there's any other questions, I think that's pretty much the results of our audit for this year. It was as good as you can expect to get out of this process. So very, very good news going forward, and in the past, we've had some recommendations here and there over the years, but you know, I think the good news is that your team at FPDR has listened to those and made changes over the years and continues to implement those internal controls and execute them throughout the year, so we're not finding things that are popping up again. It's interesting, once covid hit and the pandemic, remote work, and everything, even organizations that we audit that were very clean and didn't have a lot of recommendations and responded to recommendations really well, once we hit the pandemic and this remote work environment, new things were popping up that hadn't been there before just because of the upheaval and change that caused. But, you know, in this case, a very, very clean audit report is as good as you can expect. Very good news there. Any questions based on any of that? I'll go ahead and stop sharing my screen here.

Stacy Jones: It looks like nobody has a question. Nobody said Hey, on page 86 Keith, what does this mean?

Trustee MacLowry: Stacy, do we just pull out the questions we had from reading this?

Stacy Jones: Trustee MacLowry, did you read this? That's awesome. Yes, if you have questions, please pull them out.

Trustee MacLowry: So, in the financial section page 16.

Stacy Jones: I was joking and here he is actually doing it.

Trustee MacLowry: I think I've figured most of it out, but I have a question about "total plan liabilities changed less pointedly, decreased from 10.9%, from $19.3 million fiscal year ending June 30th, 2021, to $17.2 million for the fiscal year ending on June 30th of 2022. The largest single change was a $1.3 million drop in FPDR Fund's share of the City's overall liability for PERS". I understand the FPDR's fund share of the liability, but can you add some detail to the overall liability declining for PERS over the course of that year?

Stacy Jones: I'm not the best person to do that. Keith might be a better person to talk about the city's overall liability for PERS.

Keith Simovic: So that's going to be consistent with all the local government participants in the State PERS plan this year. it's because the timing of that, so even though FPDR's financial statements before you are as of June 30th, 2022, those pension plans because of how they are, they're cost sharing plans, they can be reported and have a measurement date up to one year in arrears of your financial reporting date. So that's actually a June 30th, 2021, figure, and when you think about how the market was doing post-covid, that was capturing everything from July 1, 2020, through June 30th, 2021. So, you're getting a lot of market returns going on and not as significant swings in the overall liability. You're going to see a big change again next year is what's going to happen. it's a rollercoaster.

Trustee MacLowry: Okay.

Keith Simovic: Great question. Any other thoughts?

Stacy Jones: Really excellent question. I might just point out, too, that if you just look at our fund and our share of the city's assets, when you look at how those are apportioned out, of course, when they marked everything to market on June 30th, 2022, if anybody had remembered what happened to the market at the end of June, it was a tank moment. We had relatively large on paper investment losses and those were portioned out to all the funds based on their participation in the pool. You will see that in the audit and that is kind of a timing issue. Any other questions?

<u>Trustee MacLowry</u>: Yeah. On page 34, in the other post-employment benefits section, actuarial assumptions and other inputs, inflation is listed as 2.1%. Can you explain that?

<u>Stacy Jones</u>: So, this is a note that is picked up from the city's ACFR (Annual Comprehensive Financial Report). This is the city's OPEB note. This isn't specific to FPDR, this is for the entire city's OPEB, and that again is another 2021 actuarial valuation on the city's OPEB. So, I don't know much about that valuation. I know very little about the city's OPEB valuation, but that was the inflation assumption that they were using then. Keith, I don't know if you know much more again since that's a city thing, if you know anything more about that.

<u>Keith Simovic</u>: Yes, that's for the city as a whole. Those inflation statistics get updated as you get a new valuation so it could be a timing thing there. That's set by the actuary, that's not something that FPDR sets or that we help set. That's set by the third-party actuary that does that for the city as a whole.

<u>Trustee MacLowry</u>: So, the inflation is not tied to the actual CPI? That's just a separate index that's somehow being pulled by an actuary?

<u>Stacy Jones</u>: So that's an assumed municipal bond rate. It's not that different from the discount rate we would use on the plan valuation. It's kind of a risk-free rate. This is an assumed municipal bond rate, they set at 2.61%. This was a valuation done in June of 2021, you would not come up with that same number right now. Again, it's the timing of how those valuations for PERS and for the city's OPEB liability get rolled into our financial accounting. So, it's not that there's no connection to inflation, but it's not specifically a measure of inflation rate.

<u>Trustee MacLowry</u>: Thank you. I think I ran out of steam after 50 pages or so.

<u>Keith Simovic</u>: That's very impressive.

<u>Stacy Jones</u>: I am impressed and delighted. Those are really good questions.

<u>Trustee MacLeod</u>: And I'll add a couple of general comments, not specific to this because obviously, I wasn't involved in anything about these assumptions, certainly not for the city of Portland, but in general, that bond rate, for example, that Stacy was talking about. At the same time the assets were returning a pretty phenomenal return as of the June 30, 2021, measurement date, the municipal bond rate was depressed. So, on June 30, 2022, what you're likely to see is a bond rate between 3.8% or 3.9% and 4%. The liabilities will go down next year, but the flip side is the assets lost a lot, and so you'll probably see the net difference could end up being kind of a wash, but you'll see liabilities probably a little lower and the assets lower so who knows that the difference will be. So just a comment about that. And on the inflation for other post-employment benefits, that is confounding in a time when inflation is just so crazy high, but the actuary set those assumptions for the very, very long-term and OPEB benefit liabilities like pensions are 30, 40, 50-year projections. And so those inflation rates, even in a much higher inflationary environment, you might only see that move to 2.5% to 3% at most because again they're looking for the very, very long term, they're not concerned with the short-term fluctuations. Just a couple of thoughts, those are really good questions.

<u>Trustee Huang</u>: Well, I don't have any substantive comments to add, but I would like to echo Keith's recognition of the FPDR staff for implementing such great controls and great records in order to have such solid and clean audit results. A huge thanks to the team.

<u>Director Hutchison</u>: Thank you, James. You thank me for the work I did on this. All I did was assign Stacy and her staff to do it and then get the hell out of the way and let them do it. They get all the credit for all the work on this audit project so thank you to all of them.

<u>Stacy Jones</u>: Well, tone at the top matters a lot and Sam provides an excellent tone at the top. But I also want to thank Keith and Alise for their work on the audit. You guys are great to work with as always and Keith, it's been a real pleasure to be able to work with you for the last several years because you now, like I said, have this very detailed knowledge of the FPDR plan that you probably don't have for everything in your portfolio. We've been very lucky as a plan to have auditors who really know where to dig and auditors that I feel I have complete trust that you will give me the cold hard truth. That's the most important quality, so thank you.

<u>Keith Simovic</u>: Very good. I appreciate that, thanks Stacy.

<u>Trustee MacLeod</u>: Thank you both. All right, then. It looks to me like we're moving on to equal to or better than test results.

<u>INFORMATION ITEMS #2 – PERS ETOB TEST RESULTS</u>

<u>Director Hutchison</u>: Here's a quick recap of the equal to or better than results. On July 22, 2022, the PERS board affirmed that the City of Portland's FPDR plan provides benefits equal to or better than PERS. This is done every 12 years and we passed this. I had provided you a link to this document before and we had briefly discussed it in prior board meetings, but we wanted to give you the written report so you could see it as a whole and read it. I'm not going to go through the document right now. It might be detailed but it's pretty self-explanatory. So, if you have any questions right now, Stacy and I would be glad to answer them, or if you have any questions in the future, give Stacy a call. She'll walk you through the document and the process. But the good news is that we did pass it, and it's a decision that's good for the next 12 years. Interestingly, since it was on July 22, anybody who appeals or disagrees with us passing it for any odd reason, they have 60 days to file an appeal of that pass on September 20th. Nobody did, so this decision stands, which is good news for the plan. So, did anybody have any questions or have a chance to review it or want a recap of this program again?

Trustee MacLeod: I had one very short question in terms of a reference. On the bottom of page 2 where they talk about their methodology, they talk about "this comparison does not include increases to retirement benefits under Oregon Revised Statutes 238.362-368", and another reference after that. Increases in benefits that are not considered had me wondering, so I didn't know if those were cost of living increases that occurred after the date of this. I'm just curious.

Stacy Jones: I'm pretty sure that those are the tax offset benefits that are identical between PERS and FPDR. Let me look that up while we continue to talk, but I think that's what that is, the tax offset benefit.

Trustee MacLeod: Okay, thank you. Then my only other question was whether or not you anticipate questions or public comment. I know in past years there have been equal to or better than test results that come out that we get retiree or other member questions about this testing etc. Any initial comments about this as the comment period has expired?

Director Hutchison: No one has asked us. We've had a couple of people in the past who have asked questions about it or wanted to make presentations. They did not pose any questions to us or the PERS board, nor did they attempt to appeal it. Only a limited group of people can appeal it and they being retirees are in that group that could have appealed it. Nobody has brought up any issues or anything at this point. Just basically to recap that what we've told people in the past, ETOB is governed by State statute, and Oregon Administrative Rules for PERS to follow. FPDR has no input into the process, other than to provide data or answer questions from the actuaries that are performing the evaluation. We don't control the process, we don't control anything, and that's the big thing because I think in the past, they've been asking us to go in and control or change the process. The process has to be changed by State statute and revising the Oregon Administrative Rules, which is controlled by the state and PERS, not by FPDR.

Trustee MacLeod: Thank you.

Stacy Jones: And I did confirm, those are the tax offset benefits in the statutes. I wanted to say if you haven't had a chance to read through it, if you only read the first couple of pages, it's very useful for the board, especially since this does come up. I really like how the actuaries laid it out in a more detailed format than they have in the past, exactly how the test is conducted and I myself thought that was a very useful resource, and a useful resource for the board and for retirees who call in. Also, you have to be an active employee to challenge the results, not a retiree. Only active employees are impacted by the ETOB.

Trustee Huang: And thanks for sharing that, Stacy, because unfortunately, I haven't had a chance to look at this at all. I'll take you up on your offer to contact you. As I go through this report, are there any salient or material points that you think we should keep in mind for context as we go through this report?

Stacy Jones: Yeah, I guess I would sort of highlight the fact that this is just a comparison of FPDR 2 members because, of course, those are the only active members who are in the FPDR plan still, for pension, and being compared just to tier 1 and tier 2 in PERS. So that is the comparison that's occurring. What we passed on they call preliminary determination, meaning they just do a side-by-side comparison of our benefits. It's not necessary to go into a more complex actuarial analysis because you can see that the provisions, and they kind of state this, that our plan benefits are better than PERS in almost every provision. There were a couple of places where they're not, so then they come up with a load factor to account for that. For example, in PERS, folks can use unused vacation time, sick time, and overtime as part of their final pay calculation, and we can't do that in FPDR. So, they have a load factor to account for the few places where it is more generous.

The fact that we passed on preliminary determination, they do give an estimated sort of value comparison to PERS on I think that's at the bottom of page 5 where they say, and this is very similar to results in the past, that the plan is about 140% the value of PERS. So the FPDR plan, they're valuing at 140% of PERS. And then the final thing I would say is just remembering that that does not mean that every single person would be better off in FPDR than they would be in PERS, and, in fact, that's why they do specific testing around service retirement and disability retirement where the requirement is where that be at least 80%. It has to be at least 100% overall, and then it has to be 80% with these certain sub-benefit categories because that has come up in the past with retirees, especially those who are disability retired, that they're a little bit unhappy with their FPDR benefit because it is taxable where the PERS benefit is not.

Director Hutchison: And one thing about taxability - taxability is not at all considered in PERS. That was determined by the Secretary of State's office as well as the PERS attorneys. They have said the statute does not allow them to look at taxability of different benefits so that's out of scope for them. So that issue is not put into their evaluation.

Trustee MacLeod: Thanks, that's important.

Director Hutchison: And they did specifically take a hard look at that issue of taxability and approach state attorneys, as well as their PERS attorneys, to clarify how taxes can or cannot be evaluated in the ETOB test.

Trustee MacLeod: Okay. I think that moves us on to the next agenda item, legislative updates?

INFORMATION ITEMS #3 – LEGISLATIVE UPDATES

Director Hutchison: The 2023 Oregon Legislative session begins on January 17th, and this is the long session so it will end at the end of June, June 25th at the latest. Part of what I do here is I work closely with the City of Portland’s Office of Government Relations to identify any bills that are of interest or may impact FPDR. I’ve got a document I’ll go through here in a minute to show you what I look for. I do have the opportunity, when I look at the bills, that if I want to offer written or verbal testimony to the legislature on a bill, I'll coordinate with the government relations office. They control all lobbying and all interactions between city bureaus, elected officials, and employees with the state legislature. They want to make sure that the City of Portland presents itself unified across the city and they want to be careful that one bureau doesn't advocate so much for them they're actually disincentivizing something else for the city. So, we'll go with them through everything that we do. Based on that, neither I nor the board have the authority to endorse a bill or publicly decline a bill without the consent of city council. They're the only organization in the city that can approve the city formally endorsing a bill. I've got a few ways that I can sort of sidestep that and I'll walk you through what I do.

When there are bills that come up for worker's compensation, most of them will go through the Management Labor Advisory Committee (MLAC). This is a legislative defined committee that includes management, employers, insurers, and labor to talk about any of the workers compensation bills that are coming through or workers compensation issues, and then that committee will give its information to a formal legislative committee that's overseeing the bill. So, this is not a formal legislative committee, but it is a legislative mandated committee. I participate heavily in that. I look at all the bills. If it has any remote impact to FPDR, I will go to the MLAC meetings and testify. The advantage of the MLAC committee, this isn't formal testimony. There's a lot of give and take and open discussion among all these groups, as to what you like, what you don't like, what you would like to see changed in a bill, why you think it's good, why you don't think it's good, etc. So, it's really open-ended and you can get pretty specific on what you like and don't like about a bill. It gives me the opportunity to talk with bill writers and lobbyists during those meetings, and I've used those meetings to have a couple of recent presumption bills slightly modified to benefit FPDR or to eliminate some issues or questions about how FPDR is impacted. We did that on the recent heart/lung initiative, we did it with the PTSD, and I did give some input on the cancer presumptions. So that's the advantage of MLAC, I can get a little more formal. The best I can do is tell them I will not advocate against the bill, but I can't tell them officially that we're for a bill because I can't do that without council, but I can get more specific. I've also testified directly, too, in the legislative committees that are hearing the bills, just outlining any concerns or recommendations I have for them.

And so, what I want to do is go through that one document that should be in there, of what I look for when we have the legislature here. I wear multiple different hats. I'm always attuned to looking at any bill that can impact FPDR funding, FPDR 1 and 2. The biggest thing is I look at are property tax changes. There was a wave of bills several years ago that were proposing a lot of changes to property taxes and I read each bill down to the period and comma, just to make sure I fully understood what its potential impact to FPDR was, and I always keep the city appraised to what I find because if there's any issues with that, it could also impact the general fund for the city. Fortunately, this year I'm not hearing anything that will go into the property tax, but again, I'll watch it closely. I look at the FPDR retirement benefits for FPDR 1 and 2. I look at any legislation that could impact those benefits. I think in the past, we've seen alternate payee, which is basically how we handle divorced spouses, how we calculate their benefit, and then also the tax remedy tax offset, we've made a few changes to that lately. I look at PERS, again, that's for FPDR 3. I look at how any proposed PERS changes will impact employee and employer contributions, especially since we are the organization that pays the PERS contributions for police and fire; and I look at anything that could impact FPDR 3 benefits. Some of this stuff, though we don't have any authority over it, does ripple back into people looking at things to do for FPDR for our FPDR 1 and 2 plans.

Again, workers compensation which I alluded to here, I look at anything that could directly impact the FPDR plan. All the presumptions were the biggest ones lately. I also look for trends. Are there good things we may want to change in our administrative rules, or things we need to be prepared for maybe having other outside organizations trying to come in and change the administrative rules? I keep on top of.

Then, I put on my director hat. This is where I look at how I operate the bureau and I look at any of the PERS changes or other legislation that could impact my ability to retain my existing staff or attract new employees. A few years ago, there were some very radical changes to PERS being proposed, and it would have no longer given the city the advantage of having a very strong retirement plan that is used to attract people. That would have been difficult. It would have been hard to attract and retain people if those had gone through. And then, I still look through bills to see if there isn't any side mention in other bills. I haven't found any yet, but I look at it real deeply. Those are all the things I look through. I read probably 30 or 40 bills, and I know them quite well. I identify out of those bills which ones can impact FPDR.

So, we have a few pre-legislative bills put out there in workers comp. They will have no direct impact on FPDR. There are a couple of interesting things to look at to see what they're proposing, and Kim and I talk over them, and if there's something we should look at our rules in the future to change, but we haven't seen anything big at this point. We will be seeing more bills presented pre-legislative between now and January, and then come January we'll see a whole slug of bills presented. Probably three quarters of all bills presented will come out in the first week, and government relations pours through them all, as do I. I'll provide you updates in the board meetings, and I may provide you updates in email of just saying here's some important issues that are coming through that I'm watching and sort of how we're proceeding with them.

This is going to be an interesting legislative session this year. We have the new governor and new leadership in both houses. I think something like 40% or more of the representatives are new, so who knows what this is going to be like. The republicans made some inroads in the Senate, they took the supermajority away from the democrats there, so I think this will be interesting. Also, nobody can walk out anymore, that bill was passed, and I believe that will impact this legislation session. So, it's going to be an interesting session. Government relations doesn't know how this is going to pan out because a lot of their contacts have retired or were voted out, but I'll keep you up to date on any major issues that could impact FPDR, and I'll let you know if I'm actively working on some bills as we go through. So, any questions on what goes on with the legislative process?

Trustee Huang: Thank you for providing that summary. The only question that I have is what is the typical process that you've seen in the past where comments are relayed to you so you can share those comments with the government relations folks, especially from the police or fire department?

Director Hutchison: Well, if police or fire have an interest in the bill, they go through and represent themselves through government relations. I could, and I haven't, but it's always in my back pocket. If I think a bill is going to have a significant negative impact, I can lead it up to police and fire and see where they want to go. I do talk to the police and fire unions, to see what they're doing and some of them are behind the bills. They're part of the sponsors of some of the bills and we'll talk about that. The process usually is we have to become aware of the bill, and then I have to find a way to insert myself into it, to give information, or have government relations do it. I'm going through the bills and the biggest challenge is a bill can sit in committee for weeks and weeks and you think they've forgotten about it, and then all of a sudden, out of nowhere, it's going to go for a hearing tomorrow, and you've got to scramble and get your opinion there. They spin on a dime sometimes, so you just have to keep watching it. There's a lot of behind-the-scenes politicking going on and so sometimes, they think I'll bring these three bills forward and agree not to bring those two up, all the back-and-forth that goes behind the scenes with the legislature. But some bills can pop up out of committee and hit the road going 100 miles per hour and you must be ready to deal with that and give your input. Sometimes, I'll draft my input ahead of time so I can pop it out.

Stacy Jones: Sam, the board may be interested to know, there is a process that's run through government relations where bills are ferreted out to the different departments at government relations. It's not totally ad hoc, government relations pass them out to the specific points of contact at each bureau. Sam is the point of contact for our bureau, and they have a formal process for gathering comments across the city, and also government relations set the legislative agenda with city council. That doesn't usually involve us, but it obviously does involve police and sometimes fire, as well. So, there is this overarching process that we do have a role in, as well.

Director Hutchison: And along with that, the city has its own legislative agenda to go through. FPDR as Stacy said is not part of it so if I feel something is important, I have to champion this and I have to be able to get permission to push something forward, even though it doesn't rise to the council's plan, because I have to look out for what's happening to our members, and I want to make sure it gets through. That's some extra work I do. It will keep me entertained for quite a while. You can see what's happening, so I'll keep you appraised as it goes through. I think January, the next board meeting, they'll have kicked off the first week so I should have a much better idea of the types of bills that are going through that could impact FPDR.

Trustee MacLeod: Thank you. Next up, FPDR summary of expenditures. Sounds like Stacy.

INFORMATION ITEMS #4 – FPDR SUMMARY OF EXENDITURES

Stacy Jones: It does. Everything looks pretty much like it always looks at this time of year, so I tried to comb through to see if there was anything interesting to point out to the board and there wasn't. Does the board have any questions?

Trustee MacLeod: Anyone? Okay, we'll just take that as a nice thing.

Stacy Jones: Every now and then it happens. We'll see what we have to report next time.

Trustee MacLeod: Okay. FPDR updates.

INFORMATION ITEMS #5 – FPDR UPDATES

Director Hutchison: Updates here. Back at the July board meeting, you all approved a new Disability Analyst position. It did get approved by council through the fall budget process, and so Kim Mitchell is working with human resources to get that position posted as soon as possible. If all the ducks fall in a row timely, and we have some good applicants and are able to go, we are keeping our fingers crossed that we can have the new position in January. Again, the hiring environment is rather odd and sometimes it can take a long time, but with the economy beginning to go down it may be faster and easier to get it, but we'll keep you appraised of that and hope we can get that position in place in January.

Trustee Huang: And Sam, maybe this is more for Kim. With that resource missing currently, is there any significant impact in the processing or from an HR resource standpoint in your area, Kim?

Kim Mitchell: We are plodding along as we have with our existing staff and certainly have outlined the trajectory for this new position, but at this time, we're managing James, and distributing work and making sure that we take care of the business that we need to take care of, and then are looking forward to redistribution of claims and things like that to better serve our members.

Trustee Huang: Great. Thank you for hanging in there.

Kim Mitchell: Thank you.

Trustee MacLowry: Along those lines Kim, have you noticed any decline in covid-related claims?

Kim Mitchell: Yes, thanks for asking, Kyle. There's been a drop in covid claims. We still have them, and they are evaluated under existing rules, but yes, from the surges that we reported and have experienced, it's a drastic decline.

Trustee MacLeod: That is good.

Director Hutchison: Kim, do you want to give a little background on the presumption types of claims we're receiving now?

Kim Mitchell: We continue to receive covid claims. They are just being administered without the benefit of the presumption, so we have to do the work to determine their entitlement to benefits. Is that where you were going?

Director Hutchison: We have the PTSD and heart/lung presumptions. We’re seeing an uptick in those claims.

Kim Mitchell: We definitely are seeing an uptick in the heart and PTSD claims, thank you Sam, and those are challenging claims to administer.

Director Hutchison: Okay, the next topic is future of the workplace, which is the term for what our workplace is going to look like in the new hybrid world coming forward. The city council's been evaluating a lot of options of what the hybrid model for the city should look like. They are meeting this week to set a structure around what it's going to look like, and then it will take a few months to implement it. Part of it is we have to get union buy-in and union negotiations on it to complete the union roll-out.

Part of it is, how many hours or days a week does somebody have to come into the office? Right now, it's one day or eight hours a week in the office. I’m not certain, but I think there's probably going to be a minimum of two to maybe three days a week in the office. That's just through the grapevine, we haven't heard from the council on it yet. Also, a lot of the jobs will be evaluated by what is the in-office need for those positions? Some positions could be required to come in more than the base, and some could be allowed to work less than the base. We should hope to see the structure of that coming out next week and we'll share that with you and the impact on FPDR. It won't impact our work here. We've been a year under the one day per week knowing that that's going to change, and employees are getting pretty anxious and wanting to know what the future is going to look like and want to get it implemented. So, I think when it comes through, they may not like the result in some cases, but I think there will be less stress because you get to know what direction it's going to go.

Trustee Huang: Sam, are you anticipating any potential resignations as a result of the decision being made?

Director Hutchison: At this point, I would say no. But again, if they come out with, which I highly, highly doubt, everybody is going to come back in five days a week, I don't think you'll see a rash of resignations. I think people will be going oh, this isn't the place I want to work and will be looking over the next few months or a year, looking for other opportunities out there that may give them the flexibility they want. So, I think no matter what decision is made, you're not going to see everybody up and run for the door. it's just going to enter into their thinking for what kind of job do I want in the future and may accelerate their plans for looking for a different job.

Okay, the next thing is we will have a new commissioner in charge in January since Commissioner Hardesty lost her reelection bid last week. So, what a commissioner in charge normally does in all the bureaus is they oversee the policy for the bureau, the operations of the bureau, the direction the bureau is going and sometimes, if the commissioner in charge wants to get there, they can get involved in the day-to-day operations of the bureau. What also passed was the new form of government. Although the council will do the policy, they won't do the operations and oversight of the bureau so that will change, but right now, that's what they do. FPDR is unique since you all oversee the policy, the general oversight of the plan, and you control the budget, there isn't a whole lot to do for the commissioner in charge, except for making sure I am operating the bureau under the city ordinances, charter, and administrative rules. Fortunately, most of them stand back. I'm lucky that all the people who I've had as my commissioner in charge, which has included Mayor Hales and Mayor Wheeler, they just stand back and let us do what we do. We know what we're doing, we do it well, and the board oversees everything so there's no issues there. So, I imagine the new commissioner in charge will take the same tact, plus we don't have much impact to the general fund or the city as a whole, so it's not like housing or streets or sewer or water. They tend to just let us do our own thing off to the side. Interestingly, I'm the one that's going to be the most impacted. Who's going to be the one I directly report to? Mayor wheeler is the one who makes commissioner in charge assignments and there's a lot of discussion on what he's going to do. The big belief is right now, he's going to assign bureaus with similar functions to the same commissioner in charge like all the public safety, police, fire, and BOEC (Bureau of Emergency Communications), and 9-1-1 will be under one. The infrastructure, which is water, sewer, and streets, will be assigned to another. So, they'll continue to do that. Where does FPDR fit into this whole thing? Nobody knows so they usually have us tag along with whoever has fire. I expect that same thing to be. There's a chance I won't know this assignment until March or so of next year because Mayor Wheeler may make an interim assignment. One time he took all the bureaus under his own wing for two or three months and redispersed them out. The only person this really impacts is me. It doesn't impact you as the board, and I make sure it doesn't impact the staff or the members we serve.

Trustee MacLeod: So, you're not going running wild right now unassigned to a commissioner.

Director Hutchison: No, no. I'll say Commissioner Hardesty as far as how she has supported me, and the bureau, has done an excellent job. When there were times I needed their help getting certain things done in the city or for FPDR, she was there for us, and her staff has been there for us. It's been really good. She just stands back and lets me and the staff do what we need to do and is there to support us. It's really been really great to work with her from that standpoint as commissioner in charge. I've had a couple of commissioners who just shove us into the corner, and it's hard to get them to help when I need it, but she's been great. So, from that standpoint, I'll miss working with her.

Stacy Jones: And Commissioner Hardesty is still our commissioner until the end of her term, unless the mayor, he can at any moment change that.

Director Hutchison: And I'm hoping to keep on her good side here because she hasn't given my annual performance appraisal yet. She's got to do that before she leaves. I'm about six months behind on getting that, keep your fingers crossed.

Trustee MacLeod: Are there any other updates or future meeting agenda items?

INFORMATION ITEMS #6 – FUTURE MEETING AGENDA ITEMS

Director Hutchison: Future meeting agenda items. January 24th is our next meeting. It will be hybrid, so we will be meeting in city council chambers. There will be an opportunity to attend in person, but you can attend virtually. We'll give you a lot of information about this the latter part of December, but most likely first part of January how this is going to work. So Julie Hall is working with the council clerk, who's the one that sets up the meeting, how it's all set up, trying to make sure we can run the meetings the exact same way the city council does. During that meeting, we'll talk over the 23-24 budget, and you'll get a chance to approve it. Stacy will give you that, and then we'll have Milliman provide us with a biannual actuarial valuation and levy adequacy analysis presentation, which could be a good precursor if you want to discuss anything that Mr. Machiz has brought up. So that's where we're at.

Trustee MacLeod: Okay excellent. Any other general topics for the good? Or questions? Other agenda items anybody wants to add? All right, then. I think I will adjourn the meeting. Thank you, everybody.

Trustee Huang: Thanks, everybody.

Trustee MacLeod: Take care.

Actuarial Valuation & Levy Adequacy Analysis

FPDR

Scott Preppernau, FSA, EA, MAAA
Matt Larrabee, FSA, EA, MAAA
Gary Deeth, ASA, EA, MAAA

JANUARY 23, 2023

Milliman

Introduction

- Milliman has completed its June 30, 2022 actuarial valuation of the FPDR program
  - Actuarial valuations are performed biennially
- We have also completed an analysis assessing the likelihood that the permitted levy under the City Charter will be adequate to fund the FPDR program, including contributions to Oregon PERS for FPDR Three members
  - The analysis can be used by interested parties to assess the magnitude and potential volatility of future FPDR levies and to quantify several likely economic sources of levy volatility

Basis of Valuation and Levy Modeling

- The previous iterations of valuation and levy modeling were performed as of June 30, 2020
- No material changes to modeled benefit provisions since prior work
- Assumption changes since June 30, 2020:
  - Discount rate updated in accordance with previously adopted assumption (affects actuarial valuation present value liability calculations, but not levy modeling)
  - Mortality update in accordance with previously adopted assumption (modest effect)
  - Updated Real Market Value (RMV) for property subject to taxation (affects levy modeling, but not actuarial valuation calculations)
  - Additional assumptions underlying levy modeling are detailed in the Appendix

Actuarial Valuation Results

Valuation – Uses & Limitations

- The actuarial valuation will provide the basis for two fiscal years of financial statement reporting information for both FPDR and the City of Portland
- Actuarial valuation results as of June 30, 2022 will be rolled forward for use in financial reporting at June 30, 2023 and June 30, 2024
- The pay-as-you-go structure of FPDR benefits means that the actuarial valuation is <u>not</u> used for:
  - Establishing the funded status of the FPDR program
  - Determining an actuarially calculated pre-funding contribution rate

Projected Pension Benefit Payments

- An actuarial valuation is a very long-term calculation model
  - In total, as of June 30, 2022 retired and disabled FPDR members and their beneficiaries were receiving retirement pensions and long-term disability income replacement payments of approximately $12 to $13 million per month
  - In our valuation model, those payments are forecast to increase for the next 14 years on a non-inflation adjusted basis
    - The subsequent decline is gradual, with payments not decreasing to current levels (in non-inflation adjusted dollars) until around the year 2056
- Given the long-term nature of the model, assumptions play a key role in the calculations

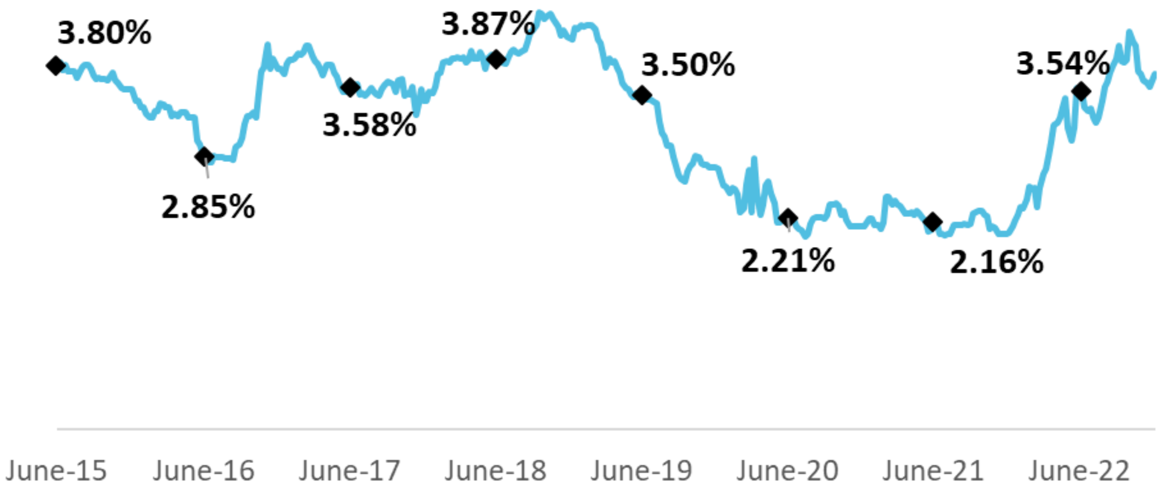
2022 Valuation Assumptions

- This valuation generally reflects the same assumptions used in the June 30, 2020 actuarial valuation
  - Based on the 2020 actuarial experience study, presented in September 2020
- Certain assumptions updated for June 30, 2022
  - Discount rate: assumption is defined by reference to municipal bond index rate; valuation uses the index's market rate as of the actuarial valuation date
  - Mortality: in 2014 Board approved use of Oregon PERS police & fire mortality assumption; FPDR assumption updated to maintain that link (modest effect)
  - 27-pay-period adjustment: increased load for the anticipated effect of "27-pay-period retirements" based on recently observed experience; load is equivalent to assuming 75% of future retirements will occur during "27-pay-period" months favorable to members (previously assumed 65%)

2022 Valuation Assumptions

- Discount Rate
  - Based on Bond Buyer Index shown at right
  - 6/30/2022 rate of 3.54% is significantly higher than the previous valuation date of 6/30/2020
  - Rates have increased further since then

Bond Buyer 20 Municipal Bond Index



- Mortality
  - Assumes more longevity improvement in the future, consistent with PERS assumption
- 27-pay-period adjustment
  - About 78% of retirements in six years prior to valuation were in favorable months
  - Results affected by high number of retirements in August 2020
  - We adjusted the assumption closer to recent experience and will continue to monitor

Benefit Provisions Valued

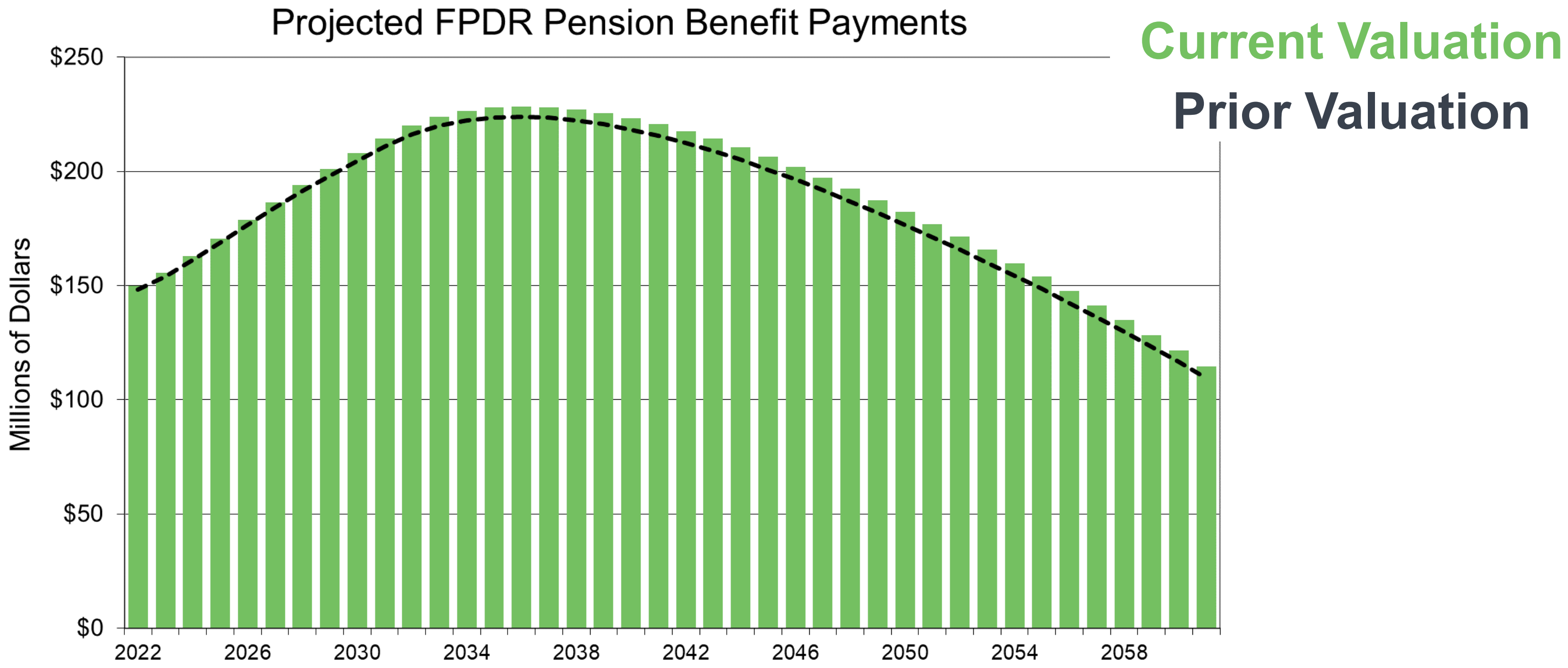
- There were no material changes in benefit provisions valued compared to the prior valuation
- As discussed, *assumed* level of future FPDR Two COLAs was also unchanged from prior valuation
  - Assumption does not affect actual future COLA – Board retains full discretion to adopt each year's COLA, within the Charter parameters
- Both the previous and the current valuation assumes 2.00% future COLA for service prior to October 8, 2013 and 1.75% future COLA for later service
  - This was also the approach the Board adopted for actual COLA in 2020, while COLA adopted by the Board in 2021 and 2022 was 2.0% for all service

Actuarial Valuation - Development of Liabilities

- The valuation calculates projected future FPDR benefit payments by year for the FPDR membership group as of the actuarial valuation date
  - The projections combine the member and beneficiary census data with all of the long-term actuarial assumptions
- Those projected future year-by-year payments are then converted into a net present value as of the actuarial valuation date using a discount rate assumption
- A *cost allocation method* attributes a portion of the overall net present value for current actives to their service already performed as of the actuarial valuation date
  - This is called the ***actuarial accrued liability*** for the actives
- The portion of the net present value attributed to the upcoming year is called the ***normal cost*** for active members

Actuarial Valuation – Projected Benefits

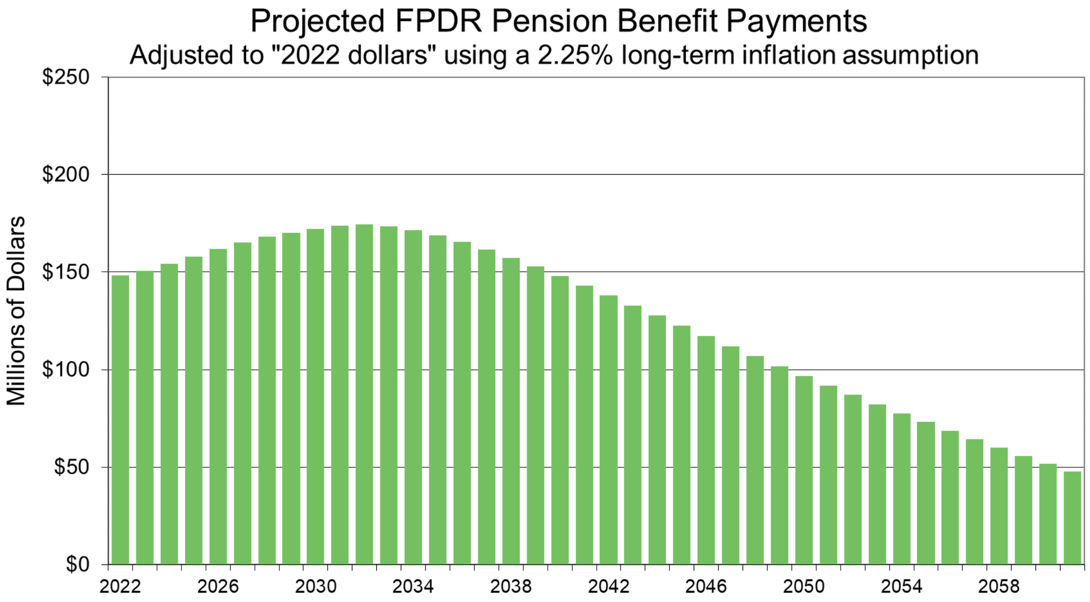
- Below are projected FPDR pension benefit payments on a non-inflation adjusted basis for the two most recent valuations



- Benefits projected to increase for 14 years; decrease thereafter
- Projected benefit payments are similar to the prior actuarial valuation

Actuarial Valuation – Projected Benefits

- This chart shows this valuation's projected payments on an inflation-adjusted basis using a long-term inflation assumption



- Once almost all FPDR Two members have retired, benefits will then begin to decrease over time when measured on this inflation-adjusted basis

Actuarial Valuation Results

($ in millions)	6/30/2020 Valuation	6/30/2022 Valuation
Discount Rate	2.21%	3.54%
Cost Allocation Method	Entry Age Normal	Entry Age Normal
Actuarial Accrued Liability	$4,456.1	$3,865.0
Normal Cost	$106.7	$66.6
Projected Base Pay for Next Year	$166.0	$169.8

- A 3.54% discount rate was used for this valuation
  - Same discount rate used for June 30, 2022 financial reporting
  - Reflects 20-year municipal bond index, per GASB financial reporting standards
  - Discount rate is higher than at previous valuation, materially lowering Actuarial Accrued Liability (as detailed on the next slide) and Normal Cost
- Projected base pay reflects the active member population on the actuarial valuation date, and does not reflect actual pay experience or turnover after that date

Actuarial Valuation Results

Actuarial Accrued Liability Changes

($ in millions)	Actuarial Accrued Liability
6/30/2020 Actuarial Accrued Liability	$4,456.1
Expected increase	124.0
Assumption change – Discount rate	(825.8)
Assumption change – Mortality	16.0
Assumption change – 27-Pay-Period	4.9
Experience (gain)/loss – Salary	63.9
Experience (gain)/loss – Other	25.9
6/30/2022 Actuarial Accrued Liability	$3,865.0

Higher discount rate

- More details can be found in our formal actuarial valuation report
  - "Expected increase" is the net effect of 1) additional service performed from 2020 to 2022; 2) interest as each future calendar year's projected benefits payments draw closer to time of payment; 3) benefit payments made between the two dates

Levy Adequacy Modeling

Levy Analysis
Total Requirements Calculation

- Our model includes separate components to develop the ***Total Requirements*** for FPDR
  - ***Pay-as-you go costs subcomponent***
    - FPDR One and FPDR Two retiree payments, death and disability benefits, and disability-related medical reimbursements
    - FPDR Three death, disability and disability-related medical
    - Administrative and operating expenses for the program
  - ***Pre-funded costs subcomponent*** (charged on FPDR Three payroll)
    - Variable employer contributions to the Oregon PERS (PERS) defined benefit program, in which FPDR Three members are eligible for OPSRP benefits
      - Set by the PERS Board, and includes a charge for the value of benefits currently being earned and a shortfall amortization charge for PERS unfunded liability
      - Reflects changes made in Senate Bill 1049 in June 2019
    - Fixed 9% of payroll contribution to the account balance-based Individual Account Program (IAP) administered by PERS

Effect of Transition to FPDR Three

- During the projection period of our levy adequacy analysis, the FPDR levy will be funding two generations of FPDR members simultaneously
  - FPDR One and FPDR Two members funded on a pay-as-you-go basis during their retirement years
  - Pre-funding of FPDR Three members' retirement benefits during their working careers
- In addition, disability and administrative costs are funded on a pay-as-you-go basis
- Higher levies and near-term costs are expected during a transition from a pay-as-you-go system to a pre-funded system

Effects of 2006 City Charter Reform

- Ultimately, the long-term cost of any benefit program is:

  Cost = Benefits Paid + Administrative Expenses – Investment Earnings

- Effects of the 2006 City Charter reform on long-term cost are:
  - Decreased FPDR Three benefit levels, when compared to FPDR Two
  - The pre-funded nature of FPDR Three benefits creates the potential for investment earnings, which lower long-term cost
- The cost-saving effects of the 2006 reform accrue very slowly, with the most dramatic effects likely to occur decades after the enactment of reform

Variability in Levy Adequacy Model Analysis

- A levy adequacy analysis is not a guarantee of what will occur, and our model accordingly attempts to illustrate the potential variability of outcomes in some areas
- In our model, the two large factors that drive levy variability are actual:
  - Changes in Real Market Value (RMV) that deviate from the baseline forecast
  - Oregon PERS future investment experience varying from baseline forecast
    - Variability due to this factor increases over time as a greater percentage of total payroll becomes FPDR Three
- In many of the poor economic scenarios modeled, low RMV growth and poor PERS investment results are linked, leading to a leveraged upward effect on the levy rate calculated as a fraction of RMV

Basis for the Levy Adequacy Model

- June 30, 2022 FPDR member demographic census
- Benefit provisions as reflected in the June 30, 2022 valuation
- RMV provided by the City of $178.5 billion as of January 2022, which was used in the 2022 levy request to fund FPDR for the 2022-2023 fiscal year (also known as fiscal 2023)
- RMV growth from 2022 to 2023 of **0.0%** and median annual growth of **2.0%** the following year, then **4.0%** in subsequent years of, based on input from the City of Portland's economist
  - A wide variety of potential RMV growth patterns were modeled
- A financial model with varying investment returns to project future Oregon PERS contributions using the most recent valuation and estimated 2022 PERS investment returns of -0.70%

Interpreting Analysis Results

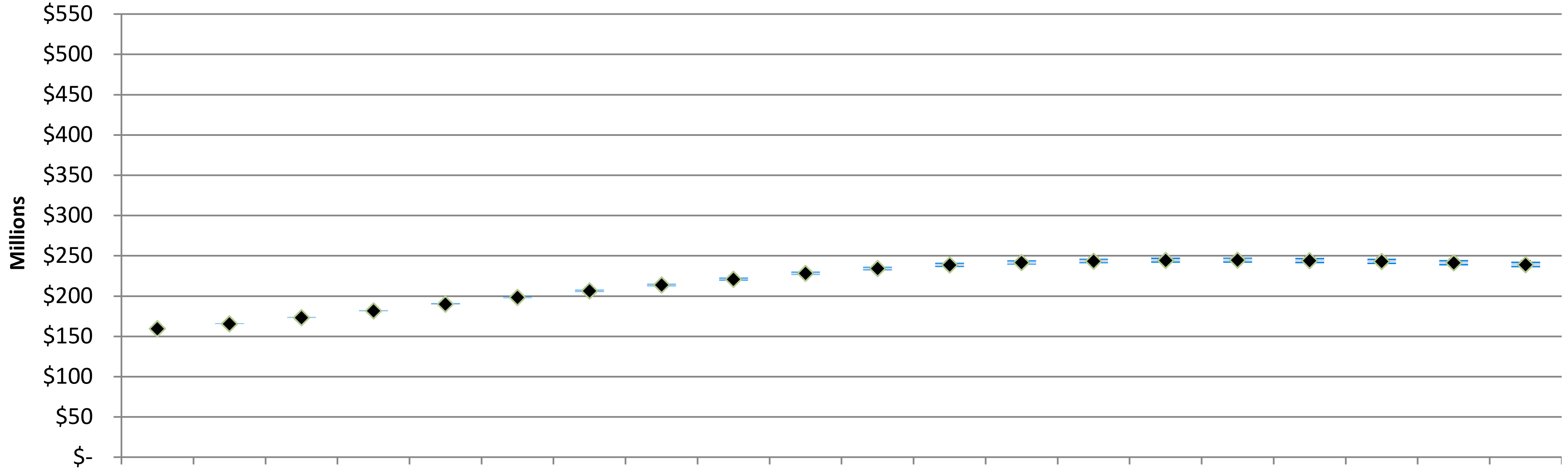
- Results are shown as a probability distribution, rather than a single amount
  - The distribution is based on a stochastic simulation using 10,000 economic scenarios
    - Scenarios were developed by Milliman's national team of credentialed investment professionals that specialize in capital market models
- In the charts, the dots represent median outcomes
- We graphically display results from the 5th to 95th percentiles, so ten percent of model outcomes fall outside of the depicted range

Sources of Levy Volatility Not Modeled

- The levy adequacy analysis model depicts volatility associated with inflation, RMV changes and Oregon PERS investment returns, but does not include all potential sources of volatility
- Other potential sources of volatility not modeled include
  - Potential correlated effects of market conditions on levels of tax compression and/or levels of tax delinquency
  - Effects of Oregon property tax law changes and/or new levies
  - Demographic experience different from assumption (e.g., retirement, retiree life expectancy)
  - Growth in FPDR workforce or change in workforce composition
  - Changes to Oregon PERS assumptions and methodology for setting employer contribution rates
  - Future FPDR Two COLAs (determined by FPDR Board) different from assumption

Total Requirements
Pay-As-You-Go Costs Subcomponent

- Relatively predictable; increasing until essentially all FPDR Two actives are retired; FPDR Three disability and inflation-linked values of future FPDR Two benefits add volatility in later years

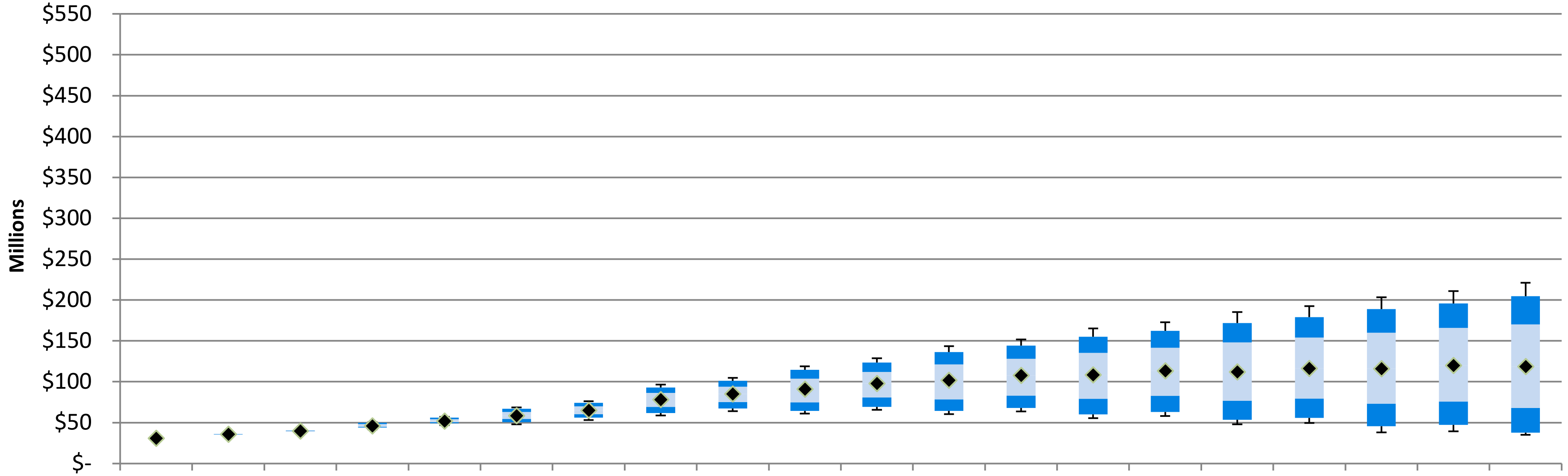


FY Ending 6/30		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
5th	–	159.7	165.9	174.0	182.5	191.2	199.7	208.1	215.7	223.4	230.8	237.2	242.0	245.2	247.4	248.5	248.8	248.3	247.4	245.9	243.8
10th		159.7	165.9	173.9	182.4	191.0	199.4	207.8	215.3	222.9	230.3	236.5	241.2	244.5	246.6	247.6	247.9	247.4	246.4	244.8	242.7
25th		159.7	165.8	173.7	182.1	190.6	198.9	207.2	214.6	222.1	229.3	235.4	240.0	243.1	245.1	246.1	246.3	245.8	244.8	243.1	241.1
50th	●	159.7	165.7	173.5	181.8	190.2	198.4	206.5	213.8	221.1	228.2	234.2	238.6	241.7	243.5	244.5	244.6	244.1	243.0	241.3	239.2
75th		159.7	165.6	173.3	181.5	189.8	197.9	205.9	213.0	220.2	227.2	233.0	237.3	240.2	242.1	242.9	243.0	242.4	241.3	239.6	237.4
90th		159.7	165.5	173.1	181.2	189.4	197.4	205.3	212.3	219.4	226.2	231.9	236.1	238.9	240.7	241.5	241.5	240.8	239.7	238.0	235.8
95th	–	159.7	165.5	173.0	181.0	189.2	197.1	204.9	211.9	218.9	225.6	231.3	235.5	238.2	239.9	240.7	240.6	240.0	238.8	237.1	234.9

Includes administrative & operating expenses and short-term disability and medical costs

Total Requirements
Pre-Funded Costs Subcomponent

- Increases as the portion of payroll that is FPDR Three grows; more variable than pay-as-you-go costs since OPSRP contribution rates are linked to variable OPERS investment results

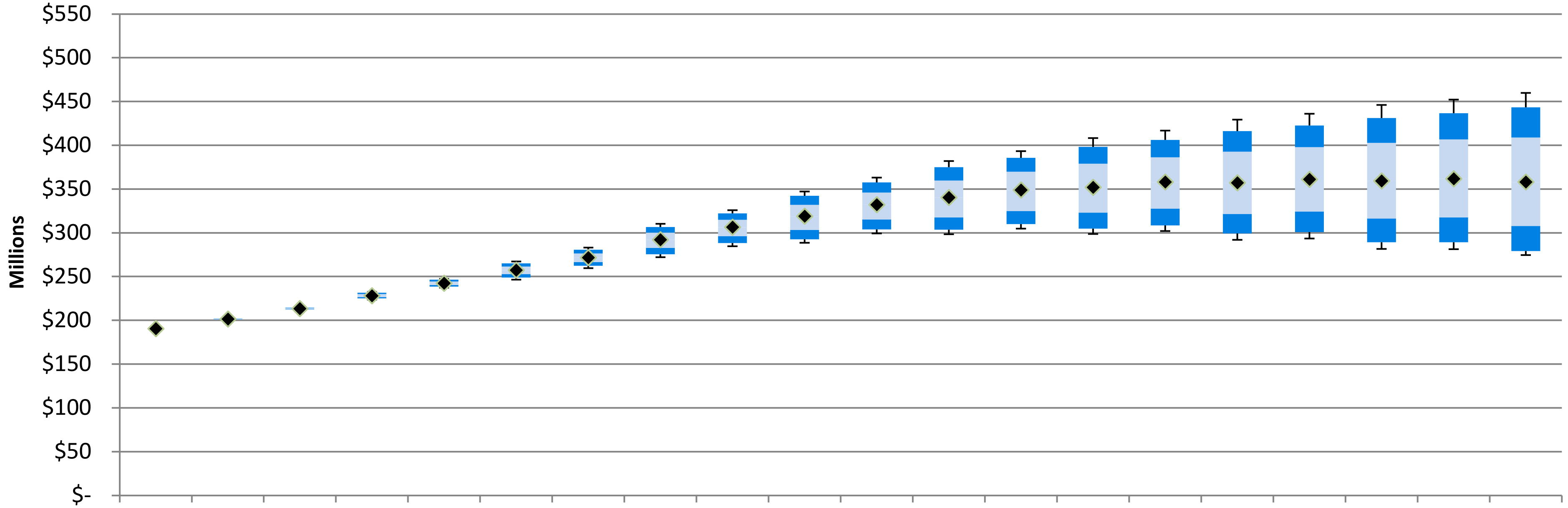


FY Ending 6/30		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
5th	–	30.7	36.0	40.7	50.4	56.9	68.7	76.3	96.4	104.8	118.9	128.6	143.4	151.8	165.3	172.6	185.2	192.5	203.4	210.9	221.1
10th		30.7	35.9	40.5	49.8	56.2	66.8	74.3	93.0	101.2	114.4	123.3	136.4	144.3	155.1	162.3	171.9	178.9	188.9	195.7	204.6
25th		30.7	35.7	40.2	48.2	54.2	63.1	70.0	86.4	93.9	103.8	111.9	121.1	128.2	135.4	141.7	148.2	153.9	159.9	166.0	170.2
50th	•	30.7	35.6	39.8	46.0	51.9	58.5	64.9	78.3	85.1	90.8	98.0	101.6	107.6	108.4	113.3	112.1	116.3	115.8	120.0	118.4
75th		30.7	35.5	39.4	45.0	50.5	54.6	60.4	69.3	75.2	74.8	80.6	78.4	82.9	79.1	82.6	76.7	79.5	73.1	75.9	68.0
90th		30.7	35.3	39.1	43.8	49.1	50.6	56.1	61.7	67.1	64.2	69.3	64.2	67.8	60.2	63.0	53.6	55.7	45.4	47.3	37.8
95th	–	30.7	35.2	38.9	41.5	46.8	47.9	53.0	58.7	63.9	61.1	65.7	60.2	63.6	55.5	57.9	47.8	49.7	37.9	39.3	35.1

Excludes administrative & operating expenses and short-term disability and medical costs

Total Requirements

- This is the combination of the two subcomponents (pay-as-you-go costs; pre-funded costs)
- All amounts are shown on a non-inflation adjusted basis



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5th	–	190.4	201.9	214.7	232.4	247.5	267.2	283.0	310.2	326.0	347.2	363.0	381.9	393.4	408.4	416.9	429.3	436.0	446.2	452.2	459.9
10th		190.4	201.8	214.4	231.7	246.5	265.1	280.8	306.7	322.3	342.4	357.5	374.9	385.7	398.0	406.2	416.1	422.5	431.3	436.7	443.3
25th		190.4	201.5	213.9	229.9	244.5	261.5	276.5	300.1	315.0	332.0	346.1	359.7	369.8	379.1	386.3	392.7	397.8	402.8	406.7	408.9
50th	•	190.4	201.3	213.3	228.0	242.3	257.1	271.6	291.9	306.2	318.9	332.0	340.1	348.9	351.8	357.8	356.9	360.9	359.0	361.5	357.8
75th		190.4	201.1	212.8	226.6	240.5	252.8	266.8	282.9	296.3	303.2	315.2	317.5	325.0	322.9	327.6	321.7	324.2	316.5	317.6	307.9
90th		190.4	200.8	212.2	225.1	238.6	248.8	262.3	275.6	288.2	292.7	303.9	303.6	310.1	304.7	308.6	299.4	300.9	289.2	289.4	279.2
95th	–	190.4	200.7	212.0	223.6	237.2	246.4	259.5	272.2	284.6	288.7	299.3	298.4	304.7	298.6	301.9	292.1	293.5	281.5	281.2	274.6

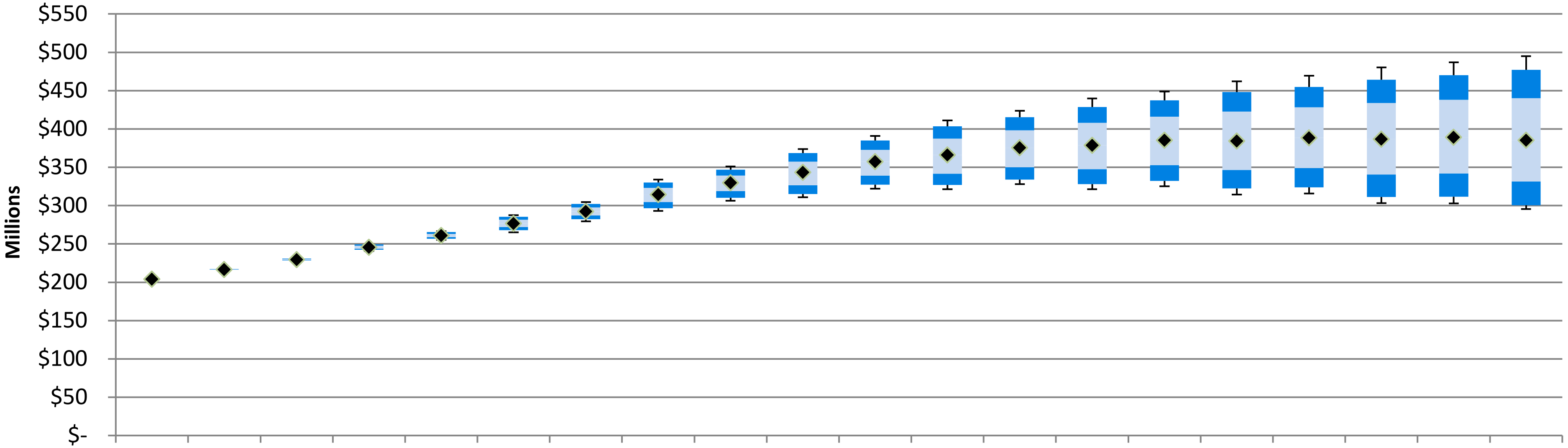
Includes administrative & operating expenses and short-term disability and medical costs

Development of Final Levy in Dollars

- The Total Requirements shown on the prior slides are the estimate of the funds needed for the operation of FPDR, including PERS contributions for FPDR Three members
- Several adjustments are made to the Total Requirements amount to develop a ***Final Levy*** for Board and Council review
  - Decrease to account for other revenue sources
  - Increase to reflect the effects of discounts and delinquencies
  - Increase to reflect the effects of tax compression on some properties
- Based on communications with the City Economist and FPDR, the net effects of these three adjustments for years after fiscal 2022-2023 is estimated as a 7.2%-7.7% increase
  - Details are in the Appendix

Final Levy in Dollars

- This shows the estimated Final Levy request as a dollar amount
- All amounts are shown on a non-inflation adjusted basis



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5th	–	204.1	217.4	231.2	250.2	266.5	287.6	304.7	334.0	351.0	373.8	390.8	411.2	423.6	439.7	448.9	462.2	469.4	480.4	486.8	495.1
10th		204.1	217.2	230.9	249.4	265.4	285.5	302.3	330.2	347.0	368.7	384.9	403.6	415.2	428.6	437.4	448.0	454.9	464.3	470.1	477.3
25th		204.1	217.0	230.3	247.6	263.2	281.5	297.7	323.1	339.1	357.4	372.6	387.3	398.1	408.1	415.9	422.8	428.3	433.7	437.9	440.3
50th	●	204.1	216.7	229.7	245.5	260.8	276.8	292.4	314.3	329.6	343.3	357.4	366.2	375.6	378.7	385.2	384.3	388.5	386.6	389.2	385.2
75th		204.1	216.5	229.1	243.9	258.9	272.2	287.2	304.6	319.0	326.5	339.3	341.8	350.0	347.7	352.7	346.4	349.0	340.8	341.9	331.5
90th		204.1	216.2	228.5	242.3	256.9	267.9	282.4	296.7	310.3	315.1	327.2	326.8	333.8	328.1	332.2	322.3	324.0	311.3	311.5	300.6
95th	–	204.1	216.1	228.2	240.7	255.4	265.3	279.4	293.1	306.5	310.8	322.2	321.3	328.1	321.5	325.1	314.5	316.0	303.1	302.8	295.6

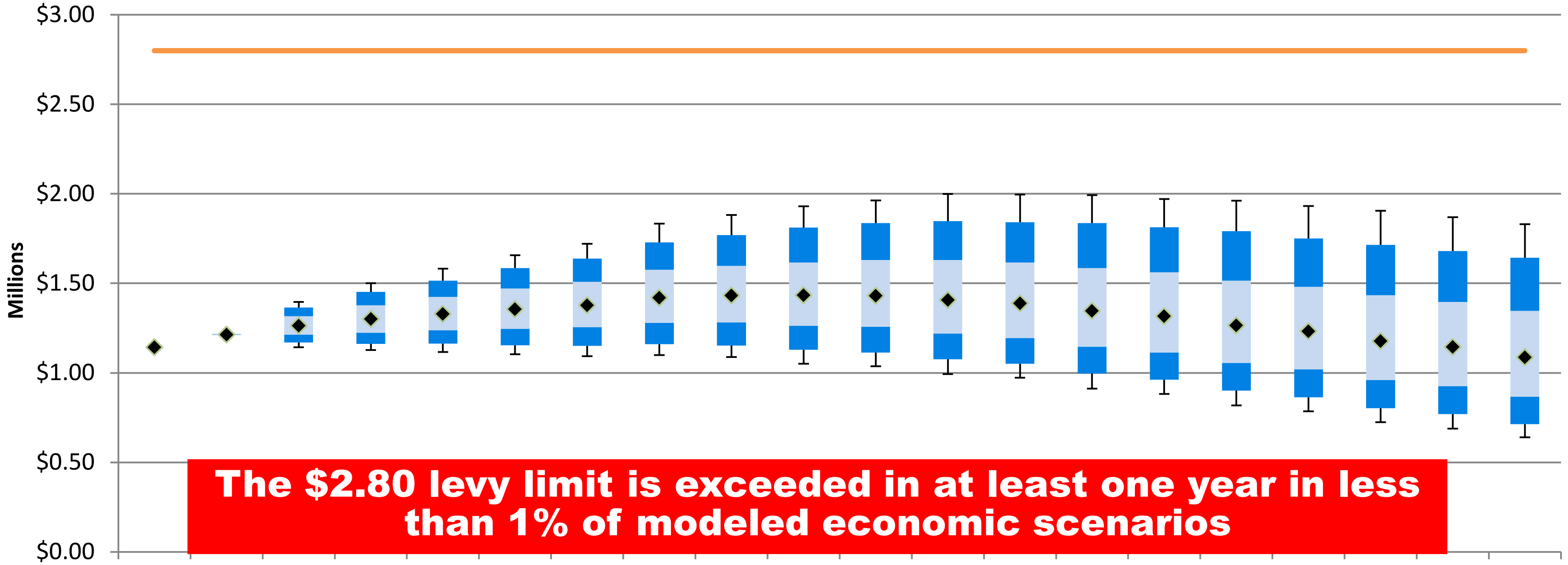
Includes administrative & operating expenses and short-term disability and medical costs

Development of Final Levy as a RMV Rate

- The Final Levy in dollars shown on the prior slide is converted into a Final Levy as a RMV Rate
- That rate is then compared to the limit in the City Charter of $2.80 per $1,000 of RMV
- Future RMV levels vary significantly by scenario in the model
- In the two years since prior modeling, overall RMV grew 12% cumulatively
  - RMV growth was greater than the prior model's median assumed cumulative two-year growth of 4%

Final Levy as a RMV Rate

- This shows the estimated Final Levy request as a rate per $1,000 of RMV; the City Charter limits the levy to $2.80



FY Ending 6/30		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
5th	–	$ 1.14	$ 1.22	$ 1.40	$ 1.50	$ 1.58	$ 1.66	$ 1.72	$ 1.83	$ 1.88	$ 1.93	$ 1.96	$ 2.00	$ 2.00	$ 1.99	$ 1.97	$ 1.96	$ 1.93	$ 1.90	$ 1.87	$ 1.83
10th		$ 1.14	$ 1.22	$ 1.36	$ 1.45	$ 1.51	$ 1.59	$ 1.64	$ 1.73	$ 1.77	$ 1.81	$ 1.84	$ 1.85	$ 1.84	$ 1.84	$ 1.81	$ 1.79	$ 1.75	$ 1.71	$ 1.68	$ 1.64
25th		$ 1.14	$ 1.22	$ 1.32	$ 1.38	$ 1.42	$ 1.47	$ 1.51	$ 1.58	$ 1.60	$ 1.62	$ 1.63	$ 1.63	$ 1.62	$ 1.58	$ 1.56	$ 1.52	$ 1.48	$ 1.43	$ 1.40	$ 1.35
50th	•	$ 1.14	$ 1.21	$ 1.26	$ 1.30	$ 1.33	$ 1.36	$ 1.38	$ 1.42	$ 1.43	$ 1.43	$ 1.43	$ 1.41	$ 1.39	$ 1.35	$ 1.32	$ 1.26	$ 1.23	$ 1.18	$ 1.15	$ 1.09
75th		$ 1.14	$ 1.21	$ 1.21	$ 1.22	$ 1.24	$ 1.25	$ 1.26	$ 1.28	$ 1.28	$ 1.26	$ 1.26	$ 1.22	$ 1.19	$ 1.15	$ 1.11	$ 1.06	$ 1.02	$ 0.96	$ 0.93	$ 0.87
90th		$ 1.14	$ 1.21	$ 1.17	$ 1.16	$ 1.16	$ 1.15	$ 1.15	$ 1.16	$ 1.15	$ 1.13	$ 1.11	$ 1.08	$ 1.05	$ 1.00	$ 0.96	$ 0.90	$ 0.86	$ 0.80	$ 0.77	$ 0.71
95th	–	$ 1.14	$ 1.21	$ 1.14	$ 1.13	$ 1.12	$ 1.10	$ 1.09	$ 1.10	$ 1.09	$ 1.05	$ 1.04	$ 0.99	$ 0.97	$ 0.91	$ 0.88	$ 0.82	$ 0.78	$ 0.72	$ 0.69	$ 0.64

Includes administrative & operating expenses and short-term disability and medical costs

Certification

This presentation summarizes key results of an actuarial valuation as of June 30, 2022 and stochastic levy adequacy analysis for the fiscal years 2023 to 2042 of the Fire & Police Disability & Retirement Fund (“FPDR” or “the Fund”) sponsored by the City of Portland. For complete actuarial valuation results, including cautions regarding the limitations of use of valuation calculations, please refer to our formal Actuarial Valuation Report as of June 30, 2022 (“the Valuation Report”) published in January 2023. The Valuation Report, including all supporting information regarding data, assumptions, methods and provisions, is incorporated by reference into this presentation.

In preparing this presentation, we relied, without audit, on information (some oral and some in writing) supplied by Fund and City of Portland staff. This information includes, but is not limited to, Fund benefit provisions as defined by City Charter, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the Fund have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Fund and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the Fund. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

A valuation report is only an estimate of the Fund’s financial condition as of a single date. It can neither predict the Fund’s future condition nor guarantee future financial soundness. Actuarial valuations do no affect the ultimate cost of Fund benefits, only the timing of Fund contributions or cost recognition. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. Likewise an actuarial projection, even if stochastic, is still determined by underlying assumptions. If different assumptions are used projection results may differ significantly. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements summarized in this presentation due to such factors as the following: Fund experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in Fund benefit provisions or applicable law.

Certification

Future actuarial measurements may differ significantly from the current measurements summarized in this presentation due to such factors as the following: Fund experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in Fund benefit provisions or applicable law.

This presentation includes identification and analysis of various risks relevant to the operation and funding of the FPDR program. Some of these risks were illustrated quantitatively through stochastic modeling, while others were identified without numerical illustration in this document. Our analysis was performed based on the methods, assumptions, and inputs described in this document. We recommend that FPDR continues to periodically perform further risk assessments in the future to take into account changing conditions in the underlying basis.

Milliman's work is prepared solely for the internal business use of the City of Portland and FPDR.

Milliman does not intend to benefit or create a legal duty to any third-party recipient of its work product. No third-party recipient of Milliman's work product should rely upon it. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct* and *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Appendix

Appendix
Actuarial Basis

Data

We have based our calculation of the liabilities on the data supplied by the FPDR and summarized in the data exhibits of the Valuation Report.

Assets as of June 30, 2022, were based on values provided by FPDR and the City of Portland and are detailed in the Valuation Report.

Methods / Policies

Actuarial Cost Method: Entry age normal, as described in the Valuation Report.

Provisions

Provisions valued are as detailed in the Valuation Report and reflect benefit provisions in effect as of June 30, 2022.

FPDR Two COLA: The Valuation Report was prepared assuming future COLAs for FPDR Two are a blended rate. The blended rate is determined by applying a 2.00% COLA for service prior to October 8, 2013 and a 1.75% COLA for service thereafter.

Appendix
Actuarial Basis

Assumptions for Valuation Calculations

As described in the Valuation Report.

Assumptions for Levy Adequacy Analysis

As described in the Valuation Report except where modified by the deviations and additions noted in this Appendix.

Real Market Value (RMV) of real estate subject to property taxes: $178.5 billion as of the beginning of 2022 as reported by the City and FPDR. It is our understanding that amount served as the basis for calculations for property tax bills sent in October 2022 to fund FPDR for the fiscal year running from July 1, 2022 to June 30, 2023 (FYE 2023). No reduction is made to RMV in the model for any estimate of urban renewal excess per our understanding (from consultation with TSCC) that RMVs are determined as inclusive of urban renewal excess value. As a result, we understand that the RMV amount without any reduction for urban renewal excess is an appropriate determination basis for evaluating the $2.80 levy limit.

Increase in RMV: Based on consultation with the City's economist, projected with 0.0% growth in the first year of our model, a median of 2.0% in the second year and a 4.0% geometric average annual compounded growth thereafter. Growth patterns vary in our stochastic model with the exception of the first year.

Administrative & Operating Expenses: A component of the Total Requirements, based on consultation with FPDR this is modeled as $4.85 million in the first year of our model and in subsequent years is assumed to increase with CPI, which varies in our stochastic model.

Short-Term Disability & Disability-Related Medical Costs: A component of the Total Requirements, based on consultation with FPDR staff this is modeled as $4.96 million in the first year of our model and in subsequent years it is assumed to increase with CPI plus 0.4%, with CPI varying in our stochastic model.

Appendix
Actuarial Basis

Assumptions for Levy Adequacy Analysis (continued)

IAP Contribution to OPERS for FPDR Three members: A component of the Total Requirements, assumed to be 9% of FPDR Three payroll throughout the payment period.

OPSRP Contribution to OPERS for FPDR Three members: A component of the Total Requirements. This will vary based on future investment experience of the OPERS program. It is assumed in this model that the current OPERS assumptions and rate calculation methods will remain consistent throughout the projection period. Detailed information on those methods can be found in the December 31, 2021 System-Wide Actuarial Valuation Report for Oregon PERS.

Overtime effect on FPDR Three base payroll subject to OPERS contributions: Throughout the projection it is assumed that overtime pay subject to OPERS contributions will be 19.5% of base FPDR Three payroll.

Adjustments to Total Requirements to Estimate Final Levy: Three adjustments are made as detailed below. For years after FYE2025 of our model, the net combined adjustment is to increase Total Requirements by 7.7%.

Other sources of revenue: Multiply by 0.985 (equal to one hundred percent minus 1.5 percent)

Adjustment for property tax discounts and delinquencies: Multiply by 1.04167 (equal to one divided by one minus 4.0 percent)

Adjustment for estimated effects of tax compression: Based on information provided by FPDR and the City's economist, multiply by the following factors:

FYE2023 – 1.04493 (equal to one divided by one minus 4.3 percent)

FYE2024 and later – 1.04932 (equal to one divided by one minus 4.7 percent)

Appendix
Actuarial Basis

Assumptions for Levy Adequacy Analysis (continued)

CPI: Varies in our stochastic model. Average geometric annual compounded growth of 2.40%.

Oregon PERS Investment Returns: Return for calendar year 2022 is assumed to be -0.70%, based on results published by Oregon State Treasury through November 30, 2022. Returns for 2023 and beyond vary in our stochastic model. Average geometric annual compounded growth for the post-2022 period is approximately 7.3%.

COLA increases: For FPDR One members, COLA increases are assumed to be equal to the projected wage growth in a given year and are assumed to remain level in years where projected wage growth is negative.

For FPDR Two retirement-related benefits, the baseline levy modeling assumes annual COLA increases a blend of 2.00% (for service prior to October 8, 2013) and 1.75% (for service after that date).

For FPDR Three, retirement-related benefits, COLA increases are assumed to be applied according to current rules for the OPERS program ("full PERS").

Wage growth: Varies in our stochastic model. Each year's projected wage growth is equal to projected CPI plus 1.00%.

New entrants and system pay growth: No new members are assumed to be eligible for FPDR One or FPDR Two benefits; all new entrants are assumed to become members under the FPDR Three/OPSRP benefit formula. Payroll for FPDR Three new entrant members is expected to grow such that overall system pay would grow at 3.25% if inflation was 2.25%, consistent with the valuation assumption.

Appendix
Rate Projection Basis

Assumptions for Levy Adequacy Analysis (continued)

Capital Market Model

For each 20-year projection, we ran 10,000 stochastic scenarios for RMV, inflation and Oregon PERS asset class rates of return. The scenarios were calibrated to represent Milliman's capital market assumptions in terms of expected average real returns, the expected year-to-year volatility of the returns, and the expected correlation between the returns of different asset classes. The correlation of RMV to investment returns was developed based on an analysis of recent actual experience. Annual rates of return for each of the asset classes and inflation are generated from a multivariate lognormal probability distribution. Rates of return are independent from year to year.

The variable return model includes 10,000 projected scenarios for possible future year-by-year system investment returns and levels of inflation. In developing that model, per Actuarial Standards of Practice we disclose reliance upon a Milliman colleague who is a credentialed actuary and also a credentialed investment professional with expertise in preparing capital outlook modeling. We reviewed overall model results for reasonability while, as part of his work, our investment professional colleague reviewed the investment projections for internal consistency.

For this purpose, we considered the Oregon PERS Fund to be allocated among the model's asset classes as shown on the following slide. This allocation is based on input provided by Meketa (OIC's primary consultant) and reflects proposed changes to the OIC's target allocation for the Oregon PERS fund discussed in the November 2022 OIC meeting.

Appendix

Rate Projection Basis

Assumptions for Levy Adequacy Analysis (continued)

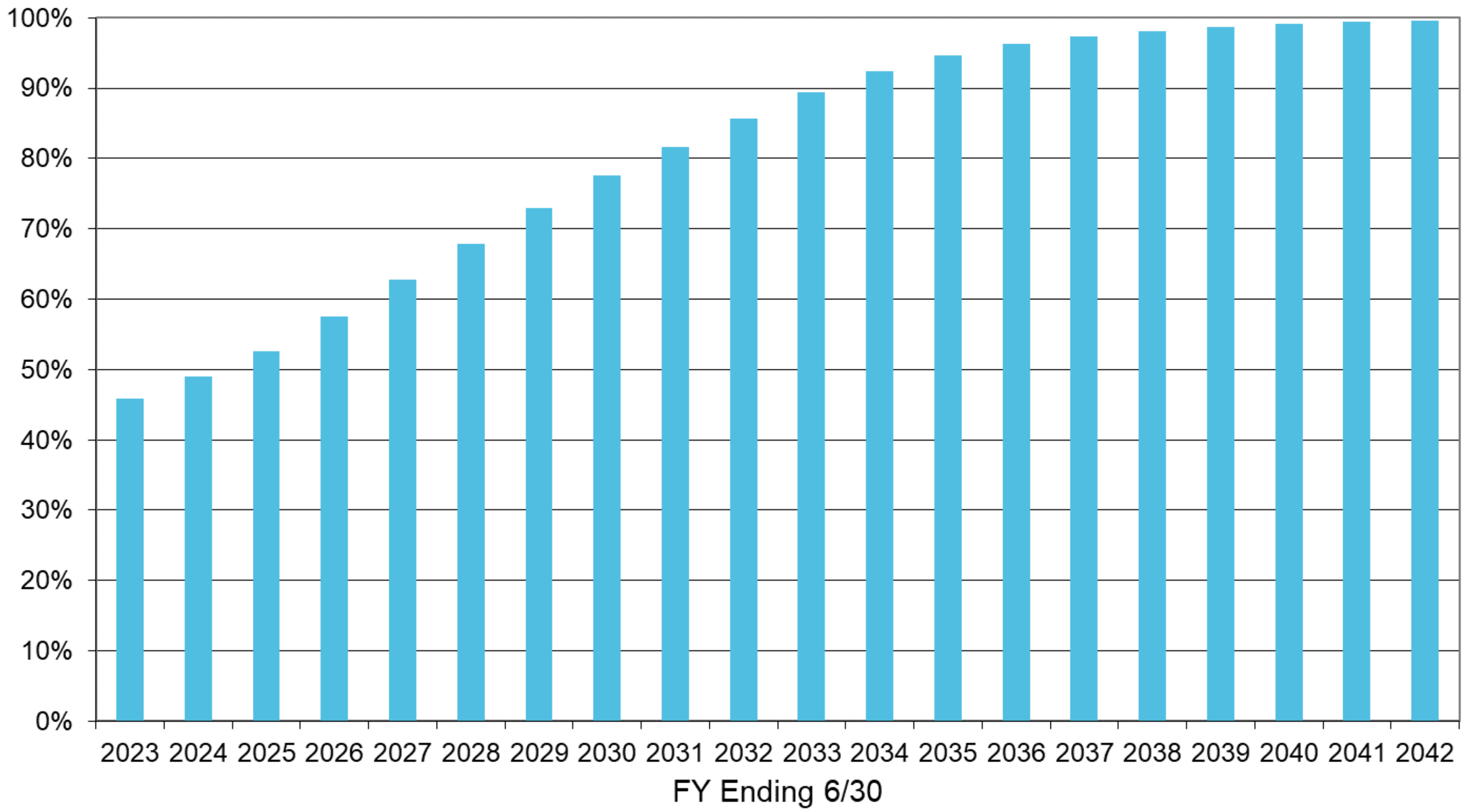
Capital Market Model for Oregon PERS Contribution Rate Projection

Reflects Milliman's capital market assumptions as of July 1, 2022.

	Annual Arithmetic Mean	20-Year Annualized Geometric Mean	Annual Standard Deviation	Policy Allocation
Global Equity	8.59%	7.13%	17.75%	25.000%
Private Equity	12.93%	8.88%	30.00%	25.500%
Real Estate	6.99%	5.75%	16.23%	12.250%
US Core Fixed Income	4.23%	4.16%	3.91%	27.500%
Hedge Fund – Macro	5.17%	4.76%	7.57%	5.625%
Hedge Fund – Equity Hedge	7.18%	6.36%	11.84%	0.625%
Hedge Fund – Multistrategy	6.56%	6.13%	8.99%	1.250%
Infrastructure	7.44%	6.08%	17.07%	1.500%
Master Limited Partnerships	8.94%	5.56%	26.94%	0.750%
US Inflation (CPI-U)	2.40%	2.40%	1.25%	**N/A**
Fund Total (reflecting asset class correlations)	**8.06%**	**7.35%***	**12.65%**	**100.00%**

* The model's 20-year annualized geometric median is 7.33%.

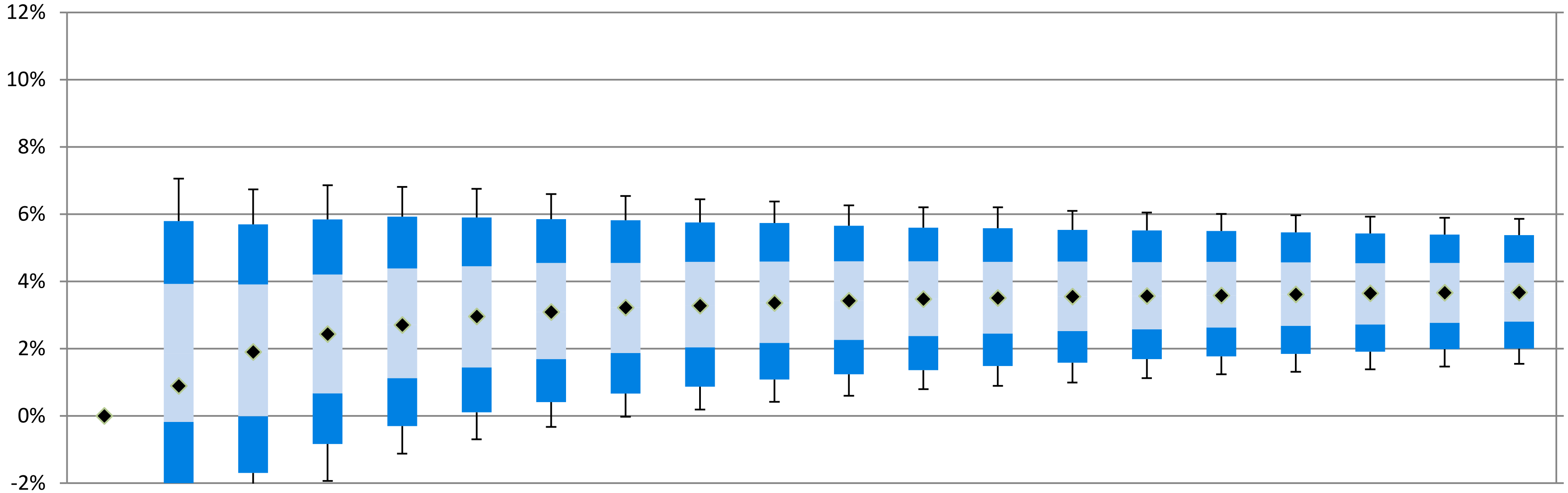
Appendix
Proportion of Active Payroll that is FPDR Three



FY Ending 6/30	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
FPDR Three Pay as % of Total	46%	49%	53%	58%	63%	68%	73%	78%	82%	86%	89%	92%	95%	96%	97%	98%	99%	99%	99%	100%

Appendix

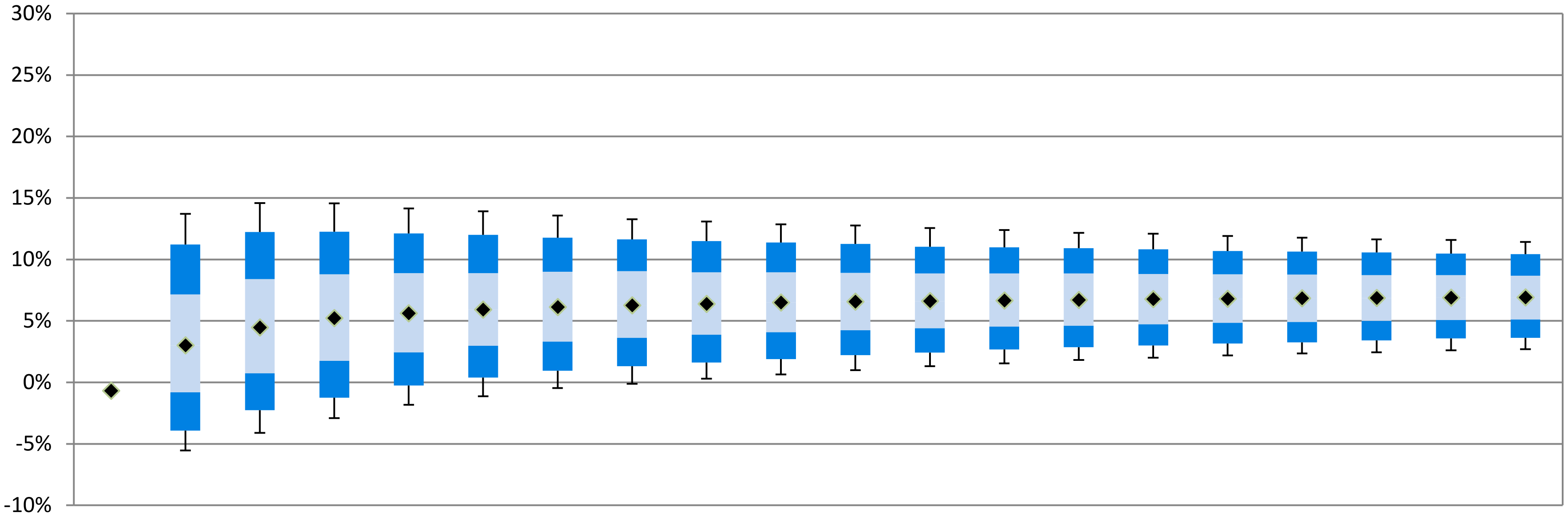
Cumulative Annualized Geometric Growth in RMV



CY Ending 12/31		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
95th	–	0.0%	6.1%	6.7%	6.9%	6.8%	6.8%	6.6%	6.5%	6.4%	6.4%	6.3%	6.2%	6.2%	6.1%	6.0%	6.0%	6.0%	5.9%	5.9%	5.9%
90th		0.0%	4.8%	5.7%	5.8%	5.9%	5.9%	5.9%	5.8%	5.8%	5.7%	5.7%	5.6%	5.6%	5.5%	5.5%	5.5%	5.5%	5.4%	5.4%	5.4%
75th		0.0%	3.0%	3.9%	4.2%	4.4%	4.5%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.5%	4.6%	4.6%
50th	•	0.0%	0.9%	1.9%	2.4%	2.7%	3.0%	3.1%	3.2%	3.3%	3.4%	3.4%	3.5%	3.5%	3.6%	3.6%	3.6%	3.6%	3.7%	3.7%	3.7%
25th		0.0%	-1.1%	0.0%	0.7%	1.1%	1.4%	1.7%	1.9%	2.0%	2.2%	2.3%	2.4%	2.5%	2.5%	2.6%	2.6%	2.7%	2.7%	2.8%	2.8%
10th		0.0%	-2.9%	-1.7%	-0.8%	-0.3%	0.1%	0.4%	0.7%	0.9%	1.1%	1.2%	1.4%	1.5%	1.6%	1.7%	1.8%	1.8%	1.9%	2.0%	2.0%
5th	–	0.0%	-4.0%	-2.7%	-1.9%	-1.1%	-0.7%	-0.3%	0.0%	0.2%	0.4%	0.6%	0.8%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%

Appendix

Cumulative Annualized Geometric Investment Return on Oregon PERS Fund



CY Ending 12/31		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
95th	–	-0.7%	13.7%	14.6%	14.6%	14.1%	13.9%	13.6%	13.3%	13.1%	12.8%	12.8%	12.5%	12.4%	12.2%	12.1%	11.9%	11.8%	11.6%	11.6%	11.4%
90th		-0.7%	11.2%	12.2%	12.3%	12.1%	12.0%	11.8%	11.6%	11.5%	11.4%	11.3%	11.0%	11.0%	10.9%	10.8%	10.7%	10.6%	10.6%	10.5%	10.4%
75th		-0.7%	7.2%	8.4%	8.8%	8.9%	8.9%	9.0%	9.0%	9.0%	8.9%	8.9%	8.9%	8.9%	8.9%	8.8%	8.8%	8.8%	8.7%	8.7%	8.7%
50th	•	-0.7%	3.0%	4.4%	5.2%	5.6%	5.9%	6.1%	6.2%	6.4%	6.5%	6.6%	6.6%	6.7%	6.7%	6.8%	6.8%	6.8%	6.9%	6.9%	6.9%
25th		-0.7%	-0.8%	0.7%	1.7%	2.5%	3.0%	3.3%	3.6%	3.9%	4.1%	4.3%	4.4%	4.6%	4.6%	4.7%	4.9%	4.9%	5.0%	5.1%	5.1%
10th		-0.7%	-3.9%	-2.3%	-1.3%	-0.3%	0.4%	0.9%	1.3%	1.6%	1.9%	2.2%	2.4%	2.7%	2.9%	3.0%	3.2%	3.3%	3.4%	3.6%	3.6%
5th	–	-0.7%	-5.5%	-4.1%	-2.9%	-1.8%	-1.1%	-0.4%	-0.1%	0.3%	0.7%	1.0%	1.3%	1.6%	1.8%	2.0%	2.2%	2.4%	2.5%	2.6%	2.7%

Retirement System Risks

- FPDR, like all defined benefit plans, is subject to various risks that will affect future plan liabilities, including:
  - **Demographic risks**: the potential that mortality experience, retirement behavior, or other demographic experience for the plan population will be different than expected
  - **Contribution risk**: the potential that actual future contributions will be materially different than expected, or that significant changes occur to sources of funding. For FPDR benefits, material changes in the property tax structure or the City's Real Market Value would be an example of contribution risk.
- The results of an actuarial valuation are based on one set of reasonable assumptions, but it is almost certain that future experience will not exactly match the assumptions
- Further discussion of plan risks and historical information regarding plan experience are shown in our actuarial valuation

CITY OF PORTLAND FIRE & POLICE DISABILITY & RETIREMENT (FPDR) FUND

Pension Actuarial Valuation Report as of June 30, 2022

Prepared by:

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

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Principal and Consulting Actuary

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January 12, 2023

Stacy Jones
FPDR Financial Manager
Bureau of Fire & Police Disability & Retirement

Dear Stacy,

As part of our engagement with the Bureau of Fire & Police Disability & Retirement and the City of Portland, we performed an actuarial valuation of the Fire & Police Disability & Retirement Fund ("FPDR" or "the System") sponsored by the City as of June 30, 2022. Our findings are set forth in this actuarial valuation report. This report reflects the benefit provisions in effect as of June 30, 2022.

FPDR is effectively funded on a pay-as-you-go basis via a property tax levy, with the directive to use pay-as-you-go funding coming from the governing City Charter. The results contained in this report are not intended to be used to determine plan contributions for pre-funding the benefits and this report does not constitute a funding valuation. Instead, this report provides information on recent experience and projected future benefits of the plan and will provide the basis for later financial reporting and levy adequacy analysis.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by City Charter, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

This valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions or cost recognition. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The FPDR Board has the final decision regarding the appropriateness of the assumptions and cost methods used in this report and reviewed and accepted them in its September 2020 Board meeting related to the 2020 experience study. Updates since that study were reviewed with FPDR staff in December 2022.

Milliman's work is prepared solely for the use and benefit of FPDR and the City of Portland.

Milliman does not intend to benefit or create a legal duty to any third-party recipient of this report. No third-party recipient of Milliman's work product should rely upon this report. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct* and *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary

Gary C. Deeth, ASA, EA, MAAA
Consulting Actuary

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Table of Contents

Section I – Summary of the Findings

Summary of the Findings

Milliman has prepared this report for the City of Portland and its Fire & Police Disability & Retirement Fund ("FPDR" or "the Plan") to:

- Estimate the Plan's actuarial liabilities as of June 30, 2022 for FPDR and the City of Portland,
- Provide a multi-year estimate of projected benefit payments from the Plan, and
- Provide the basis for later financial reporting results and levy adequacy analysis requested by FPDR, which will build from these June 30, 2022 valuation results.

Summary of Principal Results

The following table summarizes the primary results of the valuation which are discussed further below.

	June 30, 2020	June 30, 2022
Discount Rate	2.21%	3.54%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Accrued Liability (AAL)	$ 4,456,071,006	$ 3,864,950,099
Assets	18,638,401	27,684,607
Unfunded Actuarial Accrued Liability (UAAL)	4,437,432,605	3,837,265,492
Projected Base Pay for Next Year	165,958,162	169,755,064
Normal Cost	106,741,759	66,551,670

FPDR is essentially funded on a pay-as-you-go basis via a property tax levy. The actuarial liabilities contained in this report are not used as a basis for pre-funding the plan, but do provide a measure of the present value of the financial obligation associated with the program. The actuarial liabilities are calculated from a projection of benefit payments. The projection reflects the current provisions, assumptions, and demographic information documented in this report. The stream of projected future benefit payments is converted to a net present value as of the valuation date based on the valuation discount rate, which is 3.54% for the current valuation. The total net present value is then assigned to past, present, and future service according to the actuarial cost method. The portion assigned to the past is called the **actuarial accrued liability (AAL)**[1], while the portion assigned to the current year is referred to as the **normal cost**.

The results from this valuation will also be used to assist the City and FPDR in completing disclosures for financial reporting **measurement dates** as of June 30, 2023 and June 30, 2024 under **GASB 67** (which governs plan financial reporting) and **GASB 68** (which governs the City's reporting). Results calculated as of the June 30, 2022 **valuation date** in this report will be recalculated as of these later dates using standard actuarial roll-forward techniques. GASB 67 and GASB 68 permit the use of a valuation date that is up to 24 months prior to the measurement date. Actuarial valuations are conducted each even-numbered year, and results from that valuation will be used to develop the fiscal year-end financial reporting for measurement dates 12 and 24 months subsequent to the valuation date. Following this procedure and generally accepted financial reporting practices for governmental entities, the results from this report will be used to develop GASB 67 and 68 results for the fiscal years ending in 2023 and 2024. However, the actual fiscal year-ending 2023 and 2024 results are not included in this report, as the measurements must be adjusted to reflect experience (including bond market information to identify the appropriate discount rate and audited fund asset

[1] *Bolded terms from the Executive Summary are defined in the report glossary.*

levels) through the relevant dates. These results will be provided separately according to the relevant financial reporting timeframe.

The discount rate used to determine a net present value changed from 2.21% for the previous valuation as of June 30, 2020 to 3.54% for the current valuation as of June 30, 2022, which had the effect of significantly decreasing the measured plan liabilities. The discount rate of 3.54% is the same rate used by FPDR in plan financial reporting as of June 30, 2022 and was selected to be consistent with the rate selection basis required under GASB 67. Because of the primarily unfunded nature of the FPDR plan, the discount rate under GASB 67 is set equal to a municipal bond rate or index selected by FPDR that represents yields for 20-year tax-exempt general obligation municipal bonds.

In this valuation, there are two categories of plan assets considered for FPDR: a $750,000 Reserve Fund established by the governing City Charter, and the FPDR Fund, which held $26,934,607 in trust for pension benefits as of June 30, 2022. Assets are reported by FPDR and are measured on a fair market value basis. We understand these funds are invested in short-term fixed income securities, in a similar manner to the general assets of the City of Portland. Both funds are included as assets in this valuation based upon consultation with FPDR, the City of Portland, and the City's external auditor.

The City of Portland also provides an "indirect subsidy" retiree healthcare benefit for FPDR members via allowing access to the medical plans offered to active FPDR members. We understand the indirect (or implicit) subsidy for these benefits is valued in a separate actuarial valuation conducted by another actuary.

In addition to the indirect subsidy noted above, FPDR also provides a benefit that reimburses medical expenses associated with service-connected injuries and illness. In consultation with FPDR and the City's external auditor, it was decided that beginning with the June 30, 2012 valuation the liability for post-retirement disability-related expenses could be estimated by applying a fixed percentage load to the pension liabilities. This percentage load was 0.65% for the previous valuation. We reviewed this assumption as part of the current valuation and have maintained the 0.65% load assumption based on recent observed experience over the prior six years and expectations regarding future experience.

Plan Provisions

Since the previous valuation, there have been no changes to the plan provisions that had a material effect on the valuation liabilities.

Assumptions and Methods

Most demographic and economic assumptions used in this valuation are based on an experience study presented to the FPDR Board on September 22, 2020, which also formed the basis for the assumptions used in the June 30, 2020 valuation.

The following assumptions were updated in the current valuation, in keeping with the procedures adopted by the FPDR Board with the 2020 experience study, and were reviewed with FPDR staff in December 2022:

- The discount rate used for the valuation is selected to be consistent with the discount rate used for GASB financial reporting at the valuation date. The GASB standards require the use of a municipal bond rate or index for a plan such as FPDR, which led to the current valuation's discount rate of 3.54%. This is an increase of 133 basis points from the prior valuation, and the discount rate change decreased the Actuarial Accrued Liability (AAL) as of the valuation date by $826 million.

- The mortality assumptions used for all members and beneficiaries have been selected to be consistent with the same assumptions used by the Oregon Public Employees Retirement System

(OPERS) for police and fire members and beneficiaries in the most recently published OPERS valuation. The OPERS assumptions are used because the much larger size of the OPERS system generates more statistically credible mortality experience for Oregon public safety personnel than would result from examining FPDR experience in isolation. Updating this assumption increased AAL by $16 million in the current valuation.

- The “27 pay period” load applied to final average pay for retirement benefits was increased from 2.5% to 2.9% to reflect recent and expected future experience. Updating this assumption increased AAL by $5 million in the current valuation.

These changes are discussed more fully in the appendices to this report, and their effects on measured liabilities are shown in Section II of this report. All actuarial assumptions, methods, and plan provisions valued are summarized in the appendices of this report.

Section II – Valuation Results

Valuation Results

Calculation of the Unfunded Actuarial Accrued Liability (UAAL)

The development of the Unfunded Actuarial Accrued Liability is shown in the table below.

Benefit Obligations and UAAL	June 30, 2020	June 30, 2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
1 Discount Rate	2.21%	3.54%
2 Total Present Value of Benefits (includes future accruals)	$ 5,357,692,279	$ 4,340,310,753
3 Actuarial Accrued Liability		
a. Retirees	2,425,483,329	2,284,098,659
b. Pre-retirement disableds	63,973,229	53,399,049
c. Surviving spouses and alternate payees	174,087,758	157,979,985
d. Inactive participants with deferred benefits	53,851,610	71,167,486
e. Active employees	1,738,675,080	1,298,304,920
f. **Total**	**4,456,071,006**	**3,864,950,099**
4 Present value of future normal costs *(2.-3.f.)*	901,621,273	475,360,654
5 Projected next year's base pay	165,958,162	169,755,064
6 Normal cost	106,741,759	66,551,670
7 Assets	18,638,401	27,684,607
8 Unfunded Actuarial Accrued Liability (UAAL) *(3.f. -7.)*	4,437,432,605	3,837,265,492

Projected Benefit Payments

The table below shows the projected benefit payments assuming no new entrants and all valuation assumptions are realized. The payment projections shown include the effect of assumed future service and salary increases for current actives, as well as the assumed load for disability-related medical expenses in retirement. The amounts shown do not include any projected benefit payments to members and their survivor beneficiaries from the Oregon Public Employees Retirement System (OPERS) in which FPDR Three members also participate. The amounts shown also do not include any employer contributions to OPERS for service by FPDR Three members. For comparison, the actual benefit payments during the 2021-2022 fiscal year on this basis were approximately $148.1 million.

Fiscal Year	Projected Benefit Payments
2022-2023	$ 149,850,000
2023-2024	155,426,000
2024-2025	162,776,000
2025-2026	170,659,000
2026-2027	178,690,000
2027-2028	186,477,000
2028-2029	194,151,000
2029-2030	200,952,000
2030-2031	207,851,000
2031-2032	214,454,000
2032-2033	219,958,000
2033-2034	223,913,000
2034-2035	226,448,000
2035-2036	227,886,000
2036-2037	228,346,000
2037-2038	228,003,000
2038-2039	226,963,000
2039-2040	225,402,000
2040-2041	223,239,000
2041-2042	220,619,000
2042-2043	217,634,000
2043-2044	214,206,000
2044-2045	210,431,000
2045-2046	206,309,000
2046-2047	201,925,000
2047-2048	197,321,000
2048-2049	192,454,000
2049-2050	187,444,000
2050-2051	182,256,000
2051-2052	176,871,000

Actuarial Liabilities by Tier

	June 30, 2022						
	FPDR One Police	FPDR One Fire	FPDR Two Police	FPDR Two Fire	FPDR Three Police	FPDR Three Fire	Total
Total Present Value of Benefits							
Active	-	-	$ 948,816,364	$ 798,753,615	$ 14,194,106	$ 11,901,489	**$ 1,773,665,574**
Inactive	$ 72,459,181	$ 56,802,302	1,563,353,078	874,030,618	-	-	**2,566,645,179**
Total	72,459,181	56,802,302	2,512,169,442	1,672,784,233	14,194,106	11,901,489	**4,340,310,753**
Actuarial Accrued Liability							
Active	-	-	730,745,015	564,018,155	1,925,641	1,616,109	**1,298,304,920**
Inactive	72,459,181	56,802,302	1,563,353,078	874,030,618	-	-	**2,566,645,179**
Total	72,459,181	56,802,302	2,294,098,093	1,438,048,773	1,925,641	1,616,109	**3,864,950,099**
Normal Cost	-	-	36,307,616	28,977,062	692,074	574,918	**66,551,670**
Projected next year's base pay	-	-	49,094,099	42,707,703	43,842,091	34,111,171	**169,755,064**
Normal Cost as % of base pay	N/A	N/A	74.0%	67.8%	1.6%	1.7%	**39.2%**

Analysis of Gains and Losses

The table below shows Actuarial Accrued Liability (AAL) as of the previous valuation date of June 30, 2020, the expected AAL at the current valuation date if all assumptions were met with no changes to benefit provisions or assumptions, and the actual AAL calculated in this valuation before reflecting any changes to benefit provisions or assumptions. As detailed in the table, actual experience compared to assumption since the last valuation led to a $90 million demographic experience loss, or increase in liability, compared to the expected liability. The main reason for this loss was salary increases being higher than expected.

Actuarial Accrued Liability Gain/(Loss) Analysis

	Actuarial Accrued Liability
June 30, 2020 AAL	$ 4,456,071,006
Expected June 30, 2022 AAL before changes	4,580,087,365
Actual June 30, 2022 AAL before changes	4,669,877,617
Gain/(Loss)	(89,790,252)
Gain/(Loss) as % of expected AAL	-2.0%
Sources of Gain/(Loss)	
Salary experience	(63,923,004)
FPDR One COLA experience	(3,576,539)
FPDR Two COLA experience	(460,515)
Oregon residency experience	1,846,589
Arbitrator decision	(1,897,147)
Retiree mortality experience	(2,070,688)
New actives	(120,575)
New alternate payee benefit reversions	(1,209,568)
New retiree spouses	(4,076,647)
Total	(75,488,094)
Remaining Gain/(Loss) from other sources	(14,302,158)
Remaining Gain/(Loss) as % of expected AAL	-0.3%

Effect of Assumption, Method, and Plan Changes

The table below shows the changes in plan AAL and Normal Cost that occurred as a result of updating the valuation assumptions, as discussed in Appendix C of this report.

Effect of Assumption, Method, and Plan Changes		
	Actuarial Accrued Liability (AAL)	Normal Cost
June 30, 2020 Valuation	$ 4,456,071,006	$ 106,741,759
June 30, 2022 before changes	4,669,877,617	97,050,608
Plan provision changes	N/A	N/A
Assumption/method changes		
Discount rate assumption	(825,833,574)	(30,984,500)
Mortality assumption	16,013,948	259,326
Load to final pay for 27 pay periods	4,892,106	226,236
Total change	(804,927,518)	(30,498,938)
June 30, 2022 Final Valuation Results	3,864,950,099	66,551,670

Section III – Plan Assets

Plan Assets

The FPDR Board of Trustees administers both the FPDR Fund and a Reserve Fund.

The FPDR Fund is invested primarily in cash and short-term investments. As of June 30, 2022, the Fund had a total of $26,934,607 in net assets considered held in trust for pension benefits.

The Reserve Fund is authorized under provisions of Chapter 5 (Section 5-104) of the City of Portland's Charter; and its purpose is to provide a reserve from which advances can be made to the FPDR Fund in the event the Fund is depleted to the extent that it cannot meet its current obligations. Under provisions of the City Charter, the Reserve Fund maximum is established at $750,000 and is fully funded as of June 30, 2022.

Based on input from FPDR, the City of Portland, and its external auditor, we understand both the FPDR Fund held in trust for pension benefits and the Reserve Fund are considered to meet GASB requirements of plan assets for financial reporting, and thus are used for plan actuarial valuation purposes.

The amounts shown below for both the current and prior valuation date are provided to us by FPDR and the City of Portland and are reported on a fair market value basis.

Asset Summary			
Valuation Date	FPDR Fund - Held in Trust for Pension	Reserve Fund	Total Pension Assets
June 30, 2020	$17,888,401	$750,000	$18,638,401
June 30, 2022	$26,934,607	$750,000	$27,684,607

Appendix A

Participant Data

Statistics for FPDR Participants as of June 30, 2022

	FPDR One		FPDR Two		FPDR Three		Total		Grand
	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Total
Actives									
Headcount	0	0	357	341	402	322	759	663	1,422
Average Age	N/A	N/A	48.9	48.5	36.7	39.2	42.5	44.0	43.2
Average Service	N/A	N/A	21.5	20.9	7.2	8.9	13.9	15.0	14.5
Average Salary*	N/A	N/A	$125,243	$125,243	$109,060	$105,935	$122,632	$115,866	$119,477
Current Retiree & Beneficiaries**									
Headcount	149	132	1,044	601	0	0	1,193	733	1,926
Average Age	82.9	85.3	67.6	70.2	N/A	N/A	69.5	72.9	70.8
Average Monthly Benefit	$3,976	$3,839	$6,243	$6,981	N/A	N/A	$5,960	$6,415	$6,133
Current Disabled Members									
Headcount	0	2	18	3	0	0	18	5	23
Average Age	N/A	64.0	54.1	55.3	N/A	N/A	54.1	58.8	55.1
Average Monthly Benefit	N/A	$5,408	$4,785	$2,909	N/A	N/A	$4,785	$3,909	$4,595
Inactive Deferred Members									
Headcount	0	0	68	15	0	0	68	15	83
Average Age	N/A	N/A	48.3	47.0	N/A	N/A	48.3	47.0	48.0
Average Monthly Benefit	N/A	N/A	$2,986	$2,965	N/A	N/A	$2,986	$2,965	$2,982

* *Average Salary is projected 2022-2023 basic annualized earnings.*

** *Headcount does not include 125 Alternate Payees receiving benefits via a Domestic Relations Order. The average monthly benefit for that group is $1,722.*

Distribution of FPDR Two Active Participants as of June 30, 2022

FPDR Two Police

	Years of Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30**	**Total**
0-20	0	0	0	0	0	0	0	**0**
20-24	0	0	0	0	0	0	0	**0**
25-29	0	0	0	0	0	0	0	**0**
30-34	0	0	0	0	0	0	0	**0**
35-39	0	0	0	4	0	0	0	**4**
40-44	0	0	0	44	20	0	0	**64**
45-49	0	0	0	32	84	12	0	**128**
50-54	0	0	0	21	77	24	0	**122**
55-59	0	0	0	5	20	7	1	**33**
60-64	0	0	0	1	2	2	0	**5**
65-69	0	0	0	0	0	0	1	**1**
70-74	0	0	0	0	0	0	0	**0**
75+	0	0	0	0	0	0	0	**0**
Total	**0**	**0**	**0**	**107**	**203**	**45**	**2**	**357**

FPDR Two Fire

	Years of Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30**	**Total**
0-20	0	0	0	0	0	0	0	**0**
20-24	0	0	0	0	0	0	0	**0**
25-29	0	0	0	0	0	0	0	**0**
30-34	0	0	0	0	0	0	0	**0**
35-39	0	0	0	8	0	0	0	**8**
40-44	0	1	0	47	19	0	0	**67**
45-49	0	0	0	60	64	8	0	**132**
50-54	0	0	0	23	45	22	0	**90**
55-59	0	0	0	7	15	12	4	**38**
60-64	0	0	0	0	2	1	3	**6**
65-69	0	0	0	0	0	0	0	**0**
70-74	0	0	0	0	0	0	0	**0**
75+	0	0	0	0	0	0	0	**0**
Total	**0**	**1**	**0**	**145**	**145**	**43**	**7**	**341**

FPDR Two Total

	Years of Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30**	**Total**
0-20	0	0	0	0	0	0	0	**0**
20-24	0	0	0	0	0	0	0	**0**
25-29	0	0	0	0	0	0	0	**0**
30-34	0	0	0	0	0	0	0	**0**
35-39	0	0	0	12	0	0	0	**12**
40-44	0	1	0	91	39	0	0	**131**
45-49	0	0	0	92	148	20	0	**260**
50-54	0	0	0	44	122	46	0	**212**
55-59	0	0	0	12	35	19	5	**71**
60-64	0	0	0	1	4	3	3	**11**
65-69	0	0	0	0	0	0	1	**1**
70-74	0	0	0	0	0	0	0	**0**
75+	0	0	0	0	0	0	0	**0**
Total	**0**	**1**	**0**	**252**	**348**	**88**	**9**	**698**

Distribution of FPDR Three Active Participants as of June 30, 2022

FPDR Three Police

	Years of Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30**	**Total**
0-20	0	0	0	0	0	0	0	**0**
20-24	5	0	0	0	0	0	0	**5**
25-29	58	2	0	0	0	0	0	**60**
30-34	59	26	8	0	0	0	0	**93**
35-39	38	28	42	6	0	0	0	**114**
40-44	17	16	35	10	0	0	0	**78**
45-49	5	5	19	4	0	0	0	**33**
50-54	3	2	8	2	0	0	0	**15**
55-59	1	0	3	0	0	0	0	**4**
60-64	0	0	0	0	0	0	0	**0**
65-69	0	0	0	0	0	0	0	**0**
70-74	0	0	0	0	0	0	0	**0**
75+	0	0	0	0	0	0	0	**0**
Total	**186**	**79**	**115**	**22**	**0**	**0**	**0**	**402**

FPDR Three Fire

	Years of Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30**	**Total**
0-20	0	0	0	0	0	0	0	**0**
20-24	3	0	0	0	0	0	0	**3**
25-29	16	8	0	0	0	0	0	**24**
30-34	22	22	6	0	0	0	0	**50**
35-39	20	27	35	3	0	0	0	**85**
40-44	13	12	57	10	0	0	0	**92**
45-49	3	13	30	4	0	0	0	**50**
50-54	0	0	14	1	0	0	0	**15**
55-59	0	0	3	0	0	0	0	**3**
60-64	0	0	0	0	0	0	0	**0**
65-69	0	0	0	0	0	0	0	**0**
70-74	0	0	0	0	0	0	0	**0**
75+	0	0	0	0	0	0	0	**0**
Total	**77**	**82**	**145**	**18**	**0**	**0**	**0**	**322**

FPDR Three Total

	Years of Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30**	**Total**
0-20	0	0	0	0	0	0	0	**0**
20-24	8	0	0	0	0	0	0	**8**
25-29	74	10	0	0	0	0	0	**84**
30-34	81	48	14	0	0	0	0	**143**
35-39	58	55	77	9	0	0	0	**199**
40-44	30	28	92	20	0	0	0	**170**
45-49	8	18	49	8	0	0	0	**83**
50-54	3	2	22	3	0	0	0	**30**
55-59	1	0	6	0	0	0	0	**7**
60-64	0	0	0	0	0	0	0	**0**
65-69	0	0	0	0	0	0	0	**0**
70-74	0	0	0	0	0	0	0	**0**
75+	0	0	0	0	0	0	0	**0**
Total	**263**	**161**	**260**	**40**	**0**	**0**	**0**	**724**

Distribution of All Active Participants as of June 30, 2022

Police Total

Age	Years of Service 0-4	5-9	10-14	15-19	20-24	25-29	30	Total
0-20	0	0	0	0	0	0	0	0
20-24	5	0	0	0	0	0	0	5
25-29	58	2	0	0	0	0	0	60
30-34	59	26	8	0	0	0	0	93
35-39	38	28	42	10	0	0	0	118
40-44	17	16	35	54	20	0	0	142
45-49	5	5	19	36	84	12	0	161
50-54	3	2	8	23	77	24	0	137
55-59	1	0	3	5	20	7	1	37
60-64	0	0	0	1	2	2	0	5
65-69	0	0	0	0	0	0	1	1
70-74	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0
Total	186	79	115	129	203	45	2	759

Fire Total

Age	Years of Service 0-4	5-9	10-14	15-19	20-24	25-29	30	Total
0-20	0	0	0	0	0	0	0	0
20-24	3	0	0	0	0	0	0	3
25-29	16	8	0	0	0	0	0	24
30-34	22	22	6	0	0	0	0	50
35-39	20	27	35	11	0	0	0	93
40-44	13	13	57	57	19	0	0	159
45-49	3	13	30	64	64	8	0	182
50-54	0	0	14	24	45	22	0	105
55-59	0	0	3	7	15	12	4	41
60-64	0	0	0	0	2	1	3	6
65-69	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0
Total	77	83	145	163	145	43	7	663

Grand Total

Age	Years of Service 0-4	5-9	10-14	15-19	20-24	25-29	30	Total
0-20	0	0	0	0	0	0	0	0
20-24	8	0	0	0	0	0	0	8
25-29	74	10	0	0	0	0	0	84
30-34	81	48	14	0	0	0	0	143
35-39	58	55	77	21	0	0	0	211
40-44	30	29	92	111	39	0	0	301
45-49	8	18	49	100	148	20	0	343
50-54	3	2	22	47	122	46	0	242
55-59	1	0	6	12	35	19	5	78
60-64	0	0	0	1	4	3	3	11
65-69	0	0	0	0	0	0	1	1
70-74	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0
Total	263	162	260	292	348	88	9	1,422

Distribution of Current Retirees and Beneficiaries as of June 30, 2022

	FPDR One				FPDR Two			
	Police		Fire		Police		Fire	
Age	Count	Total Monthly Benefit	Count	Total Monthly Benefit	Count	Total Monthly Benefit	Count	Total Monthly Benefit
<40	0	-	0	-	2	3,154	0	-
40-44	0	-	0	-	1	4,408	0	-
45-49	0	-	0	-	0	-	0	-
50-54	1	2,122	0	-	88	693,074	7	56,835
55-59	0	-	0	-	141	937,682	41	349,200
60-64	1	2,332	1	1,623	154	1,063,707	87	695,139
65-69	6	26,005	5	18,115	183	1,190,741	182	1,344,132
70-74	19	77,896	10	42,903	220	1,242,693	122	803,097
75-79	30	131,342	18	69,010	167	926,021	81	476,401
80-84	25	79,434	17	69,548	68	355,435	53	305,759
85-89	26	101,265	35	127,462	17	84,410	23	139,306
90-94	30	129,610	30	110,018	2	10,095	5	25,548
95+	11	42,384	16	68,075	1	6,533	0	-
Total	**149**	**592,390**	**132**	**$506,754**	**1,044**	**$6,517,953**	**601**	**$4,195,416**

*Headcount does not include 125 Alternate Payees receiving benefits via a Domestic Relations Order (DRO).
Total monthly benefits for that group was $215,300

Distribution of Disabled Participants as of June 30, 2022

	FPDR One				FPDR Two			
	Police		Fire		Police		Fire	
Age	Count	Total Monthly Benefit	Count	Total Monthly Benefit	Count	Total Monthly Benefit	Count	Total Monthly Benefit
<40	0	-	0	-	0	-	0	-
40-44	0	-	0	-	0	-	1	2,111
45-49	0	-	0	-	1	2,412	0	-
50-54	0	-	0	-	9	38,298	0	-
55-59	0	-	0	-	7	40,417	0	-
60-64	0	-	2	10,816	1	5,004	2	6,617
65-69	0	-	0	-	0	-	0	-
70-74	0	-	0	-	0	-	0	-
75-79	0	-	0	-	0	-	0	-
80-84	0	-	0	-	0	-	0	-
85-89	0	-	0	-	0	-	0	-
90-94	0	-	0	-	0	-	0	-
95+	0	-	0	-	0	-	0	-
Total	**0**	**$0**	**2**	**$10,816**	**18**	**$86,131**	**3**	**$8,728**

Distribution of Inactive Deferred Participants as of June 30, 2022

	FPDR One				FPDR Two			
	Police		Fire		Police		Fire	
Age	Count	Total Monthly Benefit	Count	Total Monthly Benefit	Count	Total Monthly Benefit	Count	Total Monthly Benefit
<40	0	-	0	-	1	4,623	0	-
40-44	0	-	0	-	9	20,889	6	14,876
45-49	0	-	0	-	29	83,171	6	21,292
50-54	0	-	0	-	28	93,064	3	8,304
55-59	0	-	0	-	1	1,306	0	-
60-64	0	-	0	-	0	-	0	-
65-69	0	-	0	-	0	-	0	-
70-74	0	-	0	-	0	-	0	-
75-79	0	-	0	-	0	-	0	-
80-84	0	-	0	-	0	-	0	-
85-89	0	-	0	-	0	-	0	-
90-94	0	-	0	-	0	-	0	-
95+	0	-	0	-	0	-	0	-
Total	**0**	**-**	**0**	**-**	**68**	**$203,052**	**15**	**$44,472**

Appendix B

Actuarial Cost Method and Policies

Actuarial Cost Method and Policies

Actuarial cost method: Liabilities shown in this report are computed using the Individual Entry Age Normal cost method allocated as a level percent of projected pay from the date of entry to projected exit age. Under this method, the total Actuarial Present Value of Benefits is allocated over the service for each active member from their date of entry into the Plan until their assumed date of exit from the Plan, as a level percent of the compensation they are projected to receive over the same time period.

The amount allocated to the year following the valuation date is referred to as the Normal Cost, and is calculated individually for each active member. It is calculated by dividing the total Actuarial Present Value of Projected Benefits at entry age by the Actuarial Present Value of Projected Payroll at entry age to determine a Normal Cost rate, and by multiplying that rate by the member's projected compensation for the year following the valuation date. The Normal Cost equals $0 for non-active members. The sum of the individual Normal Costs is the Normal Cost for the Plan.

The amount allocated to service completed prior to the valuation date is referred to as the Accrued Liability, and is calculated individually for each active member. It is calculated by multiplying the same Normal Cost rate described above by the member's Actuarial Present Value of Projected Payroll measured as of the valuation date based on their projected future service and compensation, and by subtracting that amount from the member's Actuarial Present Value of Benefits measured as of the valuation date. The Accrued Liability is equal to the Actuarial Present Value of Benefits for non-active members. The sum of the individual Accrued Liabilities is the Accrued Liability for the Plan.

Actuarial Value of Assets: Assets are provided by FPDR and the City of Portland and are reported on a fair market value basis. The considered assets have two components: the FPDR Fund and the Reserve Fund.

Census data: To prepare this report Milliman has used and relied on participant data supplied by FPDR and summarized in the valuation report in Appendix A. FPDR is responsible for ensuring that such participant data provides an accurate description of all persons who are participants under the terms of the plan or otherwise entitled to benefits as of June 30, 2022, that is sufficiently comprehensive and accurate for the purposes of this report. Although we have reviewed the data in accordance with Actuarial Standards of Practice No. 23, we have not verified or audited any of the data or information provided. Assumptions and estimates were made for any incomplete or missing data in consultation with FPDR.

Funding policy: Currently, the plan's benefits are effectively funded on a pay-as-you-go basis. FPDR funds on a cash basis as benefits are paid. The only assets that have been segregated and restricted to provide plan benefits are the amounts noted in the assets section of this report.

The valuation is based on the premise that the plan is ongoing and that the pay-as-you-go funding mechanism specified in City Charter continues.

Appendix C

Actuarial Assumptions

Actuarial Assumptions

The following assumptions were used in valuing the liabilities and benefits under the plan. The underlying basis for each assumption was reviewed and adopted in conjunction with an experience study presented to the FPDR Board in September 2020. The assumption selection process and rationale is described in detail in that study.

Discount Rate

3.54% per annum. This rate was selected by the City of Portland via a reference to a bond rate or index as of June 30, 2022 for high-quality tax-exempt 20-year general obligation municipal bonds, as described in GASB No. 67. The results of this valuation will also be used to develop liabilities at June 30, 2023 and June 30, 2024 using standard roll-forward techniques. The discount rates used for that purpose will be determined based upon relevant municipal bond rate information at the applicable measurement date.

Inflation

2.25% per annum

Real Wage Growth

1.00% per annum

Payroll Growth

3.25% per annum (combination of above two factors)

Total Salary Increase

Total salary increases for individual active members are shown in the following table. These rates include the impact of overall payroll growth in additional to individual merit and longevity increases. For the year immediately following the valuation date, these rates are adjusted to replace the assumed impact of overall payroll growth with actual base pay increases effective July 1 following the valuation date, as reported to us by FPDR.

Completed Years Since Sworn Date	Fire	Police
0	21.75%	9.75%
1-4	10.00	9.00
5-7	3.25	5.00
8-13	3.25	4.00
14	6.25	6.75
15-18	3.25	4.00
19	6.25	6.75
20-23	3.25	4.00
24	6.25	6.75
25+	3.25	4.00

Mortality

Mortality rates are based on the rates for Police & Fire members in the December 31, 2021 valuation of Oregon PERS. Future improvement in life expectancies is assumed via a generational projection of mortality improvement as described below. For active members, 50% of deaths are assumed to be service related, and 50% are assumed to be non-service related.

Male Retiree	Pub-2010 Healthy Public Safety Retiree Male, generational projection with unisex Social Security data scale, no set back
Female Retiree	Pub-2010 Healthy Public Safety Retiree Female, generational projection with unisex Social Security data scale, set back 12 months
Male Beneficiary	Pub-2010 Healthy General Employees Retiree Male, generational projection with unisex Social Security data scale, set back 12 months
Female Beneficiary	Pub-2010 Healthy General Employees Retiree Female, generational projection with unisex Social Security data scale, no set back
Male Active	Pub-2010 Healthy Public Safety Employee Male, generational projection with unisex Social Security data scale, no set back
Female Active	Pub-2010 Healthy Public Safety Employee Female, generational projection with unisex Social Security data scale, set back 12 months
Disabled Male Retiree	Pub-2010 Disabled Retiree Male, blended 50% Public Safety / 50% Non-Safety, generational projection with unisex Social Security data scale, no set back
Disabled Female Retiree	Pub-2010 Disabled Retiree Female, blended 50% Public Safety / 50% Non-Safety, generational projection with unisex Social Security data scale, no set back

Withdrawal

Rates of withdrawal from causes other than death, disability, and retirement are shown in the following select and ultimate table:

Years of Service	Fire	Police
0	10.00%	15.00%
1	1.00	7.50
2+	0.75	1.25

Disability Incidence

Rates of disability are assumed to follow 70% of the 1985 Disability Study Class 1 rates. 90% of disabilities are assumed to be service related, while the other 10% are assumed to be non-service related. Sample rates are shown below:

Age	Rate Per Year
30	0.0448%
35	0.0686%
40	0.1106%
45	0.1813%
50	0.3136%
55	0.5915%

Retirement

Active members are assumed to retire at the rates shown below. Vested terminated members are assumed to retire at the earliest age they would have been eligible to retire had they remained in active employment., i.e., the earlier of a) age 55 or b) age 50 with 25 Years of Service.

	Fire		Police	
Age	Under 25 Years of Service	25+ Years of Service	Under 25 Years of Service	25+ Years of Service
50-54		25%		45%
55	10%	25	30%	45
56	10	25	15	45
57-58	25	25	15	45
59-64	25	25	30	45
65+	100	100	100	100

Percentage Married

Active and vested terminated members are assumed to be married with 70% probability. Actual marital status is used for retirees.

Age Difference of Spouses

For active and vested terminated members, spouses of male members are assumed to be 3 years younger and spouses of female members are assumed to be 3 years older than the member. Actual spouse ages are used for retirees.

Load to Final Pay for 27 Pay Periods

The valuation includes a load of 2.9% in the calculation of Final Pay for retirement benefits. This is based on the assumption that 75% of members retiring from active status will do so in certain months that enable the inclusion of 27 biweekly pay periods during the one-year averaging period, rather than the usual 26.

Form of Payment for Future Retirees from Active or Vested Terminated Status

Active and vested terminated members are assumed to select the following forms of payment at the rates shown below:

Benefit Formula Elected	Percent Electing
2.8%	80%
2.6%	20%

Taken in combination with the percentage married assumption:

- 30% of active and vested terminated members are assumed to be unmarried and to select the 2.8% benefit formula at retirement,
- 50% are assumed to be married and to select the 2.8% benefit formula, and
- 20% are assumed to be married and to select the 2.6% benefit formula.

Form of Payment for Future Retirees from Disability Status

FPDR One: Marital status at Disability Retirement Age is assumed to be the same as currently reported. Married participants are valued including a survivor benefit percentage as specified in City Charter based on the age difference between a member and spouse.

FPDR Two: Currently disabled members reported as non-married are assumed to elect the 2.8% benefit formula. Those reported as married are assumed to have a 71.4% (five-sevenths) likelihood of selecting the 2.8% benefit formula and a 28.6% (two-sevenths) likelihood of selecting the 2.6% benefit formula.

Future Cost of Living Increases for Retiree Benefits

FPDR One: 3.25% per annum, representing the assumed annual increase in pay for a First Class Officer or Firefighter

FPDR Two: Blended average using 2.00% per annum for service before October 8, 2013 and 1.75% per annum for service after that date, based on recent COLA experience and guidance from the FPDR Board

Employment of Disabled Members

Disabled members are assumed not to return to active service. One-third of those disabled are assumed to become gainfully employed with earnings equal to 20% of their base pay prior to disability.

Oregon Residency Post-Retirement

For purposes of determining eligibility for tax offset benefits, 70% of active and vested terminated members are assumed to reside in Oregon for retirement. For current retirees, actual current tax offset benefit status is assumed to continue throughout retirement.

Disability Retirement Age

FPDR One:	Age 64
FPDR Two:	Age 55
FPDR Three:	Age 60

FPDR One and Two members currently receiving disability benefits prior to their Disability Retirement Age are assumed to be credited with 30 years of service for the calculation of their benefit at Disability Retirement Age.

Offset for OPSRP Benefits

Benefits payable to FPDR Three members upon disability or pre-retirement death are offset by benefits paid from the OPSRP program. For valuation purposes, we have assumed OPSRP benefits offset FPDR benefits as follows:

FPDR Three Disability Benefits: OPSRP pre-retirement disability benefits are assumed to replace 0% of final salary. This assumption was employed at FPDR's request in recognition that eligibility for disability benefits under OPSRP is more limited than under FPDR. This assumption will be reviewed as experience emerges. After age 60, the OPSRP benefit is assumed to exceed the benefit provided by the FPDR program.

FPDR Three Death Benefits: OPSRP benefits are assumed to begin at age 50. At that time, they are assumed to be equal to 50% of the benefit calculated using a 1.8% multiplier, times Years of Service, times Final Salary, times an OPSRP early retirement reduction factor of 0.35. OPSRP benefits are assumed to increase at 1.25% per year.

Liability Load for Disability-Related Medical Expense Reimbursements

To estimate the projected future costs attributable to disability-related medical reimbursement payments occurring after retirement, projected pension payments are increased by 0.65%.

Changes since Prior Valuation

The discount rate was updated from 2.21% to 3.54%.

The unisex Social Security data scale used to project generational mortality improvements for healthy and disabled members and beneficiaries was updated based on the rates for Police & Fire members and beneficiaries in the December 31, 2021 valuation of Oregon PERS.

The 27 pay period load applied to final average pay for retirement benefits was increased from 2.5% to 2.9%.

Appendix D

Plan Provisions

Plan Provisions

Plan Eligibility

Prior to January 1, 2013, a sworn employee of the Bureau of Fire or Bureau of Police became a Member of the Fund at the time of permanent appointment. Effective January 1, 2013, a new sworn employee will become a Member of the Fund after completing six months of service.

FPDR One: Retired on or before January 1, 1990. Includes benefits provided by the Supplementary Retirement Program. (At the current valuation date, 6 surviving FPDR members continue to receive Supplementary benefits.)

FPDR Two: Not FPDR One, and permanently appointed as sworn employees of the Bureau of Fire or Bureau of Police prior to January 1, 2007.

FPDR Three: All other employees of the Bureau of Fire and Bureau of Police first sworn on or after January 1, 2007. FPDR Three members are also enrolled in the Oregon Public Service Retirement Plan (OPSRP), and OPSRP benefits are not payable from this Fund.

Member Contributions

No Member contributions are required after July 1, 1990. Prior to that date, Member contributions of 7% of First Class Pay were required; accumulated Member contributions prior to July 1, 1990 remain in the Fund.

Normal Retirement – FPDR Two and FPDR Three

Eligibility – A Member is eligible for retirement upon attaining the age of 50 and earning 25 or more Years of Service, or upon reaching age 55 with no service requirement.

Benefit – FPDR Two – The annual retirement benefit is a percentage of the Member's Final Pay for each Year of Service up to 30 years. The percentage is based on the Member's choice of a survivor benefit when the Member applies for a retirement benefit, according to the table below:

Percentage of Benefit Continuing to Surviving Spouse or Minor Children	Percentage of Final Pay Per Year of Service
100%	2.2%
75%	2.4%
50%	2.6%
25% or no survivors	2.8%

Benefit – FPDR Three – None.

Benefit Form – The benefit begins at retirement and continues for the Member's life, with the selected percentage continuing to the Member's surviving spouse or minor children after the Member's death.

Cost of Living Increases – FPDR One

Benefits for FPDR One retirees will increase annually in line with increases with the Base Pay of a First Class Officer or Firefighter as appropriate. The increase is not subject to the 2.00 percent cap currently in place for FPDR Two cost of living increases. Benefits provided by the Supplementary Retirement Program do not receive cost of living increases.

Cost of Living Increases – FPDR Two and FPDR Three

Future benefits will be increased at the discretion of the Board of Trustees up to the current Oregon PERS statutory maximum of 2.00 percent per year.

- In 2016, 2017, and 2018, the Board selected a blended COLA, calculated as 2.00% for benefits related to service through October 8, 2013 and 1.25% for benefits related to service after that date.
- In 2019, the Board selected a COLA equal to the maximum of 2.00%.
- In 2020the Board selected a blended COLA, calculated as 2.00% for benefits related to service through October 8, 2013 and 1.75% for benefits related to service after that date.
- In 2021 and 2022, the Board selected a COLA equal to the maximum of 2.00%.

Service-Connected or Occupational Disability Benefit

Eligibility – A Member is eligible for a service disability benefit upon sustaining an injury or illness in the performance of duty that prevents the Member from engaging in the duties of a firefighter or police officer.

A Member is eligible for an occupational disability benefit if the Member is unable to perform the duties of a firefighter or police officer due to certain illnesses or injuries as specified in City Charter.

Benefit – FPDR One – The benefit payable prior to Disability Retirement Date for a FPDR One member is 60% of the Base Pay of a First Class Officer or Firefighter, as appropriate. Upon reaching Disability Retirement Age, the member will receive his or her maximum earned pension.

Benefit – FPDR Two – During the first year of disability, the benefit is 75% of the Member's Base Pay, reduced by 50% of any wages earned in other employment while disabled.

If the Member is capable of Substantial Gainful Employment, then after one year of disability and after the Member becomes Medically Stationary, but before four years of disability have elapsed, the Member's benefit will change to 50% of Base Pay minus 25% of wages earned in other employment.

Under any circumstances, a minimum benefit of 25% of Base Pay for member's position at disability will continue as long as the disability continues.

At Disability Retirement Age the above benefits stop; the Member is then entitled to a retirement benefit computed using his Base Pay and Years of Service at his Disability Retirement Age.

Benefit – FPDR Three – The same as the benefit for FPDR Two, but offset by any disability benefits received from OPSRP.

Benefit Form – The disability benefit begins at disability and continues until the Member's recovery, death, or Disability Retirement Age, whichever occurs first. Disability benefits will be increased in step with the Base Pay of the position held by the Member at disability.

The retirement benefit begins at Disability Retirement Age and continues for the Member's life, with the selected percentage (or for FPDR One, determined percentage) continuing to the Member's surviving spouse or minor children after the Member's death.

Retirement benefits payable after Disability Retirement Age will be increased in the same manner as Normal Retirement Benefits.

Nonservice-Connected Disability Benefit

Eligibility – A Member is eligible for a nonservice disability benefit if the Member has ten Years of Service and sustains an injury or illness other than in the performance of duty that prevents the Member from engaging in duties as a firefighter or police officer.

Benefit – FPDR One – The benefit payable prior to Disability Retirement Date for a FPDR One member is the maximum earned pension, but not less than 20% of the salary of a First Class Officer or Firefighter, as appropriate. Upon reaching Disability Retirement Age, the member will receive his or her maximum earned pension.

Benefit – FPDR Two – The benefit is 50% of the Member's Base Pay, reduced by 50% of any wages earned in other employment while disabled.

At Disability Retirement Age the above benefits stop; the Member is then entitled to a retirement benefit computed using his Base Pay and Years of Service at his Disability Retirement Age.

Benefit – FPDR Three – The same as the benefit for FPDR Two, but offset by any disability benefits received from OPSRP.

Benefit Form – The disability benefit begins at disability and continues until the Member's recovery, death, or Disability Retirement Age, whichever occurs first. Disability benefits will be increased in step with the Base Pay of the position held by the Member at disability.

The retirement benefit begins at Disability Retirement Age and continues for the Member's life, with the selected percentage continuing to the Member's surviving spouse or minor children after the Member's death.

Retirement benefits payable after Disability Retirement Age will be increased in the same manner as Normal Retirement benefits.

Preretirement Service-Connected or Occupational Death Benefit

Eligibility – A Member's surviving spouse or dependent minor children are eligible for a service death benefit if the Member dies as a result of an injury or illness sustained in the performance of duty.

A Member's surviving spouse or dependent minor children are eligible for an occupational death benefit if the Member dies as a result of certain illnesses or injuries as specified in City Charter.

Benefit – FPDR Two – Prior to the date the Member would have reached the earliest retirement age, the surviving spouse or dependent minor children will receive an annual benefit equal to 75% of the Member’s Base Pay.

After the date the Member would have reached the Member's earliest retirement age, the surviving spouse or dependent minor children will receive an annual benefit equal to 50% of the Member's Final Pay.

Benefit – FPDR Three – The same as the benefit for FPDR Two, but offset by any death benefits received from OPSRP.

Benefit Form – The death benefit begins when the Member dies and continues until the Member's beneficiaries cease to be eligible, which occurs at death for benefits paid to a surviving spouse and at age 18 for benefits paid to minor children.

Death benefits will be increased in the same manner as Normal Retirement benefits.

Preretirement Nonservice Death Benefit

Eligibility – A Member's surviving spouse or dependent minor children are eligible for a nonservice death benefit if a Member has earned one or more Years of Service and dies as a result of an injury or illness not sustained in the performance of duty.

Benefit – FPDR Two – If the Member has earned fewer than five Years of Service, the Member's beneficiaries will receive a refund of the Member's contributions accumulated to July 1, 1990.

If the Member has earned five or more Years of Service, the surviving spouse or dependent minor children will receive a benefit equal to 50% of the Member's retirement pension earned to the date of death, assuming an accrual rate of 2.6% of Final Pay for each Year of Service.

Benefit – FPDR Three – The same as the benefit for FPDR Two, but offset by any death benefits received from OPSRP.

Benefit Form – If the Member had five or more Years of Service, the death benefit to the surviving spouse begins when the spouse reaches age 55 and continues until the death of the surviving spouse.

If the Member had five or more Years of Service, a death benefit is payable to the dependent minor children if there is no surviving spouse or if the spouse is under age 55; the benefit to the dependent minor children begins when the Member dies and continues until the child is no longer a minor.

Death benefits will be increased in the same manner as Normal Retirement benefits.

Vested Termination Benefit

Eligibility – A Member is eligible for a vested termination benefit after earning five years of service.

Benefit – FPDR Two – If the Member terminates after earning five or more Years of Service, the termination benefit is the Member's retirement pension earned to the date of termination payable at the age the Member would have been eligible for retirement had he or she continued employment.

Benefit – FPDR Three – None.

Benefit Form – If the Member had earned five or more Years of Service at termination, the benefit begins when the Member would first have been eligible for retirement and continues for the Member's life, with the selected percentage continuing to the Member's surviving spouse or minor children after the Member's death.

Benefits will be subject to cost of living increases in the same manner as Normal Retirement benefits.

Oregon State Income Tax Adjustment

For Members hired prior to July 14, 1995, benefits will be eligible for an adjustment to compensate the Member for state income taxes paid. Senate Bill 822, enacted in 2013, limits eligibility for these adjustments to individuals residing in Oregon for tax purposes. There are two adjustment formulas and the Member or beneficiary will receive the greater of the two adjustments if eligible for both formulas.

<u>SB 656 Increase:</u> The amount of the adjustment is determined by the Member's Years of Service at termination, in accordance with the table below.

Years of Service	Adjustment
10 – 19	1.0%
20 – 24	2.5%
25 and over	4.0%

$$\textbf{HB 3349 Increase} \left(\frac{1}{1 - \text{maximum Oregon personal income tax rate (limited to 9\%)}} - 1 \right) \times \frac{\text{Service prior to October 1, 1991}}{\text{All Service}}$$

Supplemental Retirement Benefits

A specified group of FPDR One retirees receive additional monthly supplemental benefits provided by special ordinance. These benefits do not receive a COLA.

Disability-Related Medical Expenses

FPDR reimburses reasonable medical and hospital expenses arising from a service-connected or occupational injury or illness. The Fund Administrator may limit reimbursement to particular medical and hospital service providers with which it has made fee arrangements and may join in the purchase of services and administration of claims for other employees of the City of Portland.

<u>For Members retired on or before January 1, 2007:</u>

For FPDR One/Two Members, reimbursement is for expenses incurred:

a) While serving as an active Member,

b) While disability benefits continue, and

c) While the retirement benefits are paid, assuming the member receives disability benefits through Disability Retirement Age

<u>For Members retiring after January 1, 2007:</u>

Reimbursement for expenses incurred at any time, regardless of whether the Member continued to receive disability benefits through Disability Retirement Age (FPDR One or FPDR Two) or Oregon PERS Normal Retirement Age (FPDR Three) or retired with a retirement benefit under Section 5-304 (FPDR Two) or under Oregon PERS (FPDR Three).

Changes since Prior Valuation

None that had a material effect on liabilities.

Definitions

Base Pay

A Member's Base Pay is the base pay in the Member's position, including premium pay, but excluding overtime and excluding any payments for unused vacation or sick leave, limited by Internal Revenue Code 401(a)(17).

Disability Retirement Age

FPDR One: Age 64

FPDR Two: A Member's Disability Retirement Age is the earlier of Social Security normal retirement age and the age at which the Member has earned 30 Years of Service.

FPDR Three: Normal Retirement Age under Oregon PERS.

Final Pay

A Member's Final Pay is the Member's highest Base Pay during any one of the three consecutive one-year periods preceding the month in which the Member retires, dies, becomes disabled, or terminates employment. For this purpose, a one-year period is defined to include 365 days of pay (366 in a leap year).

If the Member's benefit is deferred due to disability or employment covered by the Oregon Public Employees' Retirement System (OPERS), the Member's Final Pay will be increased during the deferral period with increases in the Base Pay of the Member's position at termination if the termination occurred prior to 2013.

Medically Stationary

A disabled Member is judged to be Medically Stationary when the Member's prognosis is clear and the Member's medical condition has stabilized and is unlikely to change.

Spouse

A Member's spouse must have been designated by marriage, or by a registered same-sex domestic partnership certified by June 26, 2013, for at least twelve months.

Substantial Gainful Activity

A disabled Member is capable of Substantial Gainful Activity if the FPDR Director determines that the Member is capable of being employed with earnings of at least one-third of the Member's Base Pay.

Year of Service

A Member will be credited with one twelfth of a Year of Service for each completed month of active employment as a City firefighter or police officer. (Maximum of 30 years)

In addition, a FPDR Two disabled Member will earn a portion of a Year of Service for each year during which the Member receives disability benefits. The portion of a Year of Service earned will equal the Member's disability pension during the year divided by 75% of current base pay for position held at disablement (the maximum disability benefit).

Excluded Benefits

The benefits described below were excluded from the valuation. We do not believe valuing these benefits would materially change the results of this valuation.

Preretirement Nonservice Death Benefit

A lump sum funeral benefit equal to 50% of one month of First Class Pay will be paid to the beneficiaries of Members who die while active, disabled, or retired.

Minimum Total Payments for Normal Retirement, Disability, Death, and Termination Benefits

The total of all payments to the Member and the Member's survivors will at least equal the Member's contributions accumulated to July 1, 1990.

Funeral Benefits

Upon the death of an active or retired FPDR One Member, the Board shall pay a sum not to exceed $200 to be used for funeral expenses. A lump sum funeral benefit equal to 50% of one month of First Class Pay will be paid to the beneficiaries of FPDR Two and FPDR Three Members who die while active, disabled, or retired.

Appendix E

Risk Disclosure

Risk Disclosure

The purpose of this appendix is to identify, assess, and provide illustrations of risks that are significant to FPDR, and in some cases to FPDR members.

The results of any actuarial valuation are based on one set of assumptions. Although we believe the current assumptions for FPDR provide a reasonable estimate of future expectations, it is almost certain that future experience will differ from the assumptions to some extent. It is therefore important to consider the potential impacts of these potential differences between assumptions and experience when making decisions that may affect the future financial health of the Plan, or of the Plan's members.

Actuarial Standard of Practice No. 51 (ASOP 51) addresses these issues by providing actuaries with guidance for assessing and disclosing the risk associated with measuring pension liabilities and the determination of pension plan contributions. Specifically, it directs the actuary to:

- Identify risks that may be significant to the plan.
- Assess the risks identified as significant to the plan. The assessment does not need to include numerical calculations.
- Disclose plan maturity measures and historical information that are significant to understanding the plan's risks.

ASOP 51 states that if in the actuary's professional judgment, a more detailed assessment would be significantly beneficial in helping the individuals responsible for the plan to understand the risks identified by the actuary, then the actuary should recommend that such an assessment be performed.

This Section uses the framework of ASOP 51 to communicate important information about significant risks to the FDPR, the Plan's maturity, and relevant historical data.

Identification of Risks

There are a number of factors that affect future valuation results. To the extent actual experience for these factors varies from the assumptions, this will likely cause either increases or decreases in the Plan's future projected benefit payments. Examples of factors that can have a significant impact on valuation results are:

- Individual member salary variation, as this will impact the size of benefits members receive
- Cost of living adjustments that differ from the level assumed in the valuation, as this affects the size of retiree benefits.
- Any changes in benefit amounts or other plan provisions resulting from Charter changes, negotiations, and judicial or arbitration decisions.
- Mortality, as this will impact how long retirees receive benefits
- Individual member retirement decisions, as this will impact how long retirees receive benefits, and the size of retiree benefits
- Termination (members leaving active employment for reasons other than death, disability or service retirement), as this will impact the size of benefits for those members
- While not directly affecting results shown in this valuation, changes to Portland property tax structure and variations in Real Market Value (RMV) amounts can affect the pay-as-you-go funding for these benefits.

Demographic Experience

There are many assumptions made in an actuarial valuation. For these assumptions, differences between actual and assumed experience will result in actuarial gains and losses. The body of this report provides a look at the impact in the past two years of actual experience deviating from assumed.

Historical Information

The remainder of this section contains historical information relevant to FPDR.

Plan Headcount

The table below shows changes in member headcount since the June 30, 2012 valuation. During this time, the percentage of the active population that are FPDR Three members increased from 22% (361 ÷ 1,615) to 51% (724 ÷ 1,422).

	Active Members				
Valuation Date	FPDR Two	FPDR Three	Total	Inactive Deferred Members	Current Retired, Disabled & Beneficiary Members
June 30, 2012	1,254	361	1,615	65	1,848
June 30, 2014	1,173	388	1,561	76	1,830
June 30, 2016	1,055	462	1,517	87	1,851
June 30, 2018	932	600	1,532	79	1,893
June 30, 2020	849	695	1,544	67	1,905
June 30, 2022	698	724	1,422	83	1,949

Benefit Payments and Real Market Value

The table below lists total annual FPDR benefit payments since the 2013-2014 fiscal year, along with Real Market Value (RMV) for each fiscal year, as provided to us by the City and FPDR. We understand the actual levy rate per $1,000 of RMV calculated by the City reflects more than FPDR benefit payments shown below, including contributions for OPSRP benefits provided to FPDR Three members, as well as adjustments for discounts and delinquencies and the effects of tax compression. The table below is only meant to illustrate the relative change in the specific FPDR benefit payments compared to the RMV.

From the 2013-2014 fiscal year to the 2021-2022 fiscal year, FPDR benefit payments increased approximately 37%. During that same time, RMV increased approximately 105%.

Fiscal year	FPDR Benefit Payments*	Real Market Value *(rounded to nearest $1M)*
2013 - 2014	$108,003,419	$81,494,000,000
2014 - 2015	110,900,284	92,618,000,000
2015 - 2016	114,001,126	102,628,000,000
2016 - 2017	120,351,973	120,786,000,000
2017 - 2018	125,666,995	137,483,000,000
2018 - 2019	130,733,191	149,692,000,000
2019 - 2020	135,411,347	152,774,000,000
2020 - 2021	144,738,509	159,018,000,000
2021 - 2022	148,086,359	166,899,000,000
2022 - 2023	TBD	178,529,000,000

**As shown in GASB financial reporting*

Appendix F

Glossary

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual actuarial cost of the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Funded Ratio. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Measurement Date. The date as of which the Actuarial Accrued Liability (called the Total Pension Liability) is determined under GASB 67 and 68. Under GASB 67, the Measurement Date is required to be the plan's fiscal year-end, but the liability can be recalculated based on a Valuation Date up to 24 months earlier.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Statement No. 67 of the Governmental Accounting Standards Board (GASB 67). The accounting standard that sets financial reporting standards for defined benefit pension plans.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard that governs a state or local governmental employer's pension accounting.

Unfunded Actuarial Accrued Liability. The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Valuation Date. The date as of which the actuarial valuation is performed.

FPDR Recommended Budget

July 1, 2023 – June 30, 2024 (FYE24)

January 23, 2022

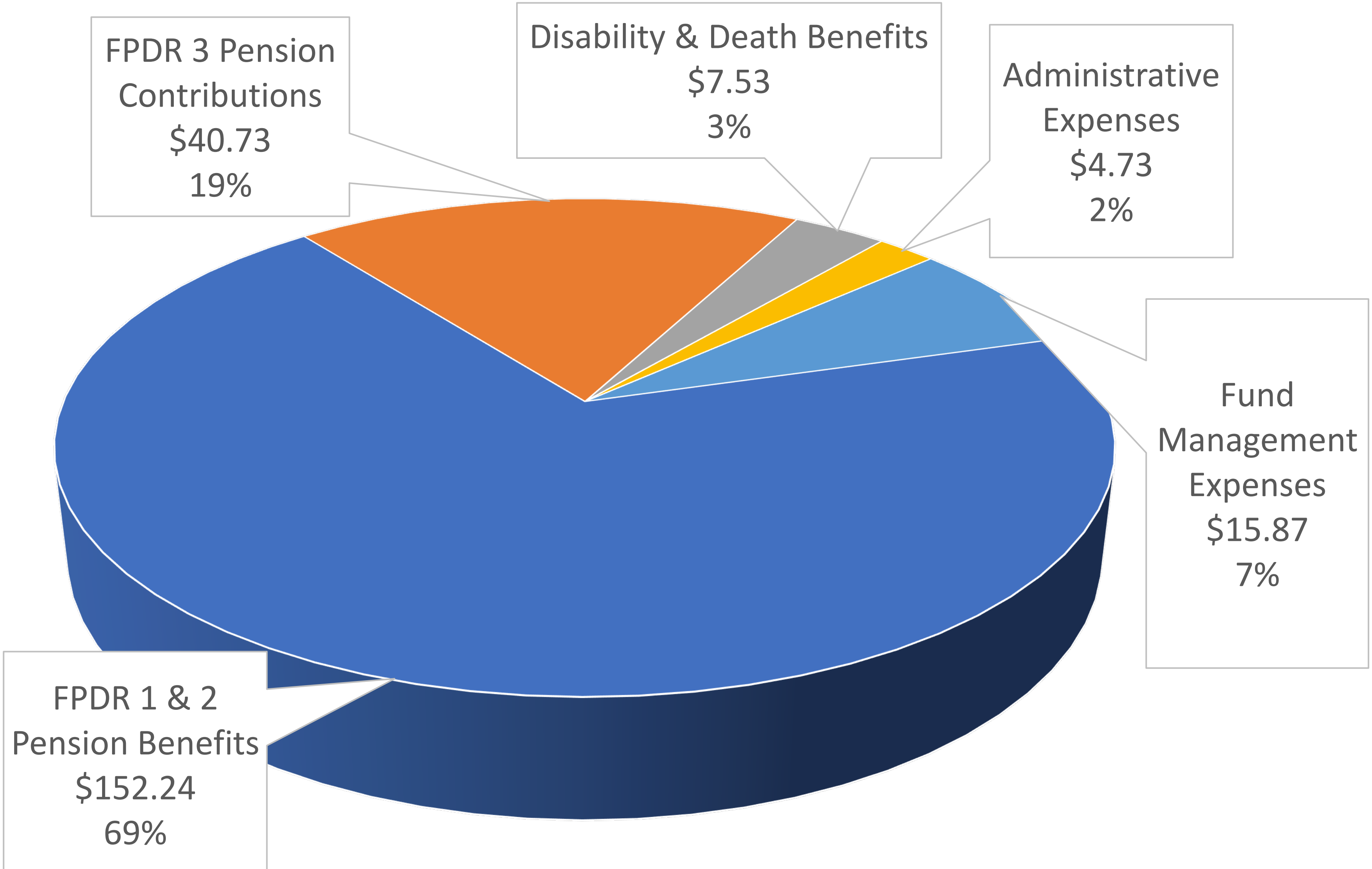
FY 2023-24 Budget
Compared to FY 2022-23 Projection & FY 2021-22 Actuals

$ Millions	FYE22 Actuals	FYE23 Adopted Budget	FYE 23 Current Projection	FYE24 Recommended Budget	Change: FYE23 Projection to FYE24 Budget
Resources					
Property Taxes	$194.15	$183.49	$182.58	$193.70	6.09%
Tax Anticipation Notes	38.54	45.00	28.00	38.00	35.71%
Miscellaneous	0.79	1.18	1.36	2.43	78.75%
Cash Transfers	-	0.75	-	0.75	
Beginning Fund Balance	14.47	25.23	29.97	24.21	-19.23%
Total Resources	**$247.95**	**$255.65**	**$241.91**	**$259.09**	**7.10%**
Requirements					
FPDR 1 & 2 Pensions	$141.66	$150.60	$145.86	$152.24	4.37%
FPDR 3 PERS Contributions	26.81	33.07	31.96	40.73	27.44%
Disability & Death Benefits	6.43	7.60	6.89	7.53	9.32%
Administration & Delivery	4.31	4.52	4.51	4.73	4.81%
Fund-Level Requirements	38.83	59.85	28.49	53.87	89.08%
Ending Fund Balance	29.91	-	24.21	-	N/A
Total Requirements	**247.95**	**255.65**	**241.91**	**259.09**	**7.10%**
Total Net of TANs	**$209.41**	**$210.65**	**$ 213.91**	**$ 221.09**	**3.36%**
Benefit & Admin Expenses	**$179.21**	**$195.80**	**$189.21**	**$205.22**	**8.46%**

Forecast Summary

Five-Year Forecast Summary ($ Millions)									
	FYE23 Actuals	FYE23 Adopted Budget	FYE23 Projection	FYE24 Recomm. Budget	FYE25 Forecast	FYE26 Forecast	FYE27 Forecast	FYE28 Forecast	FYE23 Project-FYE28 Change
Resources									
Property Taxes	$194.15	$183.49	$182.58	$193.70	$222.69	$239.80	$257.28	$277.33	51.90%
Tax Anticipation Notes	38.54	45.00	28.00	38.00	42.00	46.00	50.00	54.00	92.86%
Miscellaneous	0.79	1.18	1.36	2.43	3.43	3.68	3.97	4.23	211.58%
Cash Transfers	-	0.75	-	0.75	0.75	0.75	0.75	0.75	N/A
Beginning Fund Balance	14.47	25.23	29.97	24.21	14.00	16.00	17.00	18.00	-39.95%
Total Resources	**$ 247.95**	**$ 255.65**	**$ 241.91**	**$259.09**	**$ 282.87**	**$ 306.23**	**$ 329.00**	**$ 354.31**	**46.46%**
Requirements									
Retirement Benefits	$168.47	$183.67	$177.82	$192.97	$209.51	$227.18	$244.24	$263.96	48.45%
Disability & Death Benefits	6.43	7.60	6.89	7.53	7.96	8.21	8.54	8.80	27.76%
Administration	4.31	4.52	4.51	4.73	5.00	5.30	5.55	5.74	27.35%
Fund-Level Requirements	38.83	59.85	28.49	53.87	60.40	65.53	70.67	75.81	166.12%
Ending Fund Balance	29.91	-	24.21	-	-	-	-	-	N/A
Total Requirements	**$ 247.95**	**$ 255.65**	**$ 241.91**	**$ 259.09**	**$ 282.87**	**$ 306.23**	**$ 329.00**	**$ 354.31**	**46.46%**
Total Net of TANs	**$209.41**	**$ 210.65**	**$ 213.91**	**$ 221.09**	**$ 240.87**	**$ 260.23**	**$ 279.00**	**$ 300.31**	**40.39%**
Change as a %				**3.4%**	**8.9%**	**8.0%**	**7.2%**	**7.6%**	**7.0%**

FYE24 Expense Overview ($ Millions)



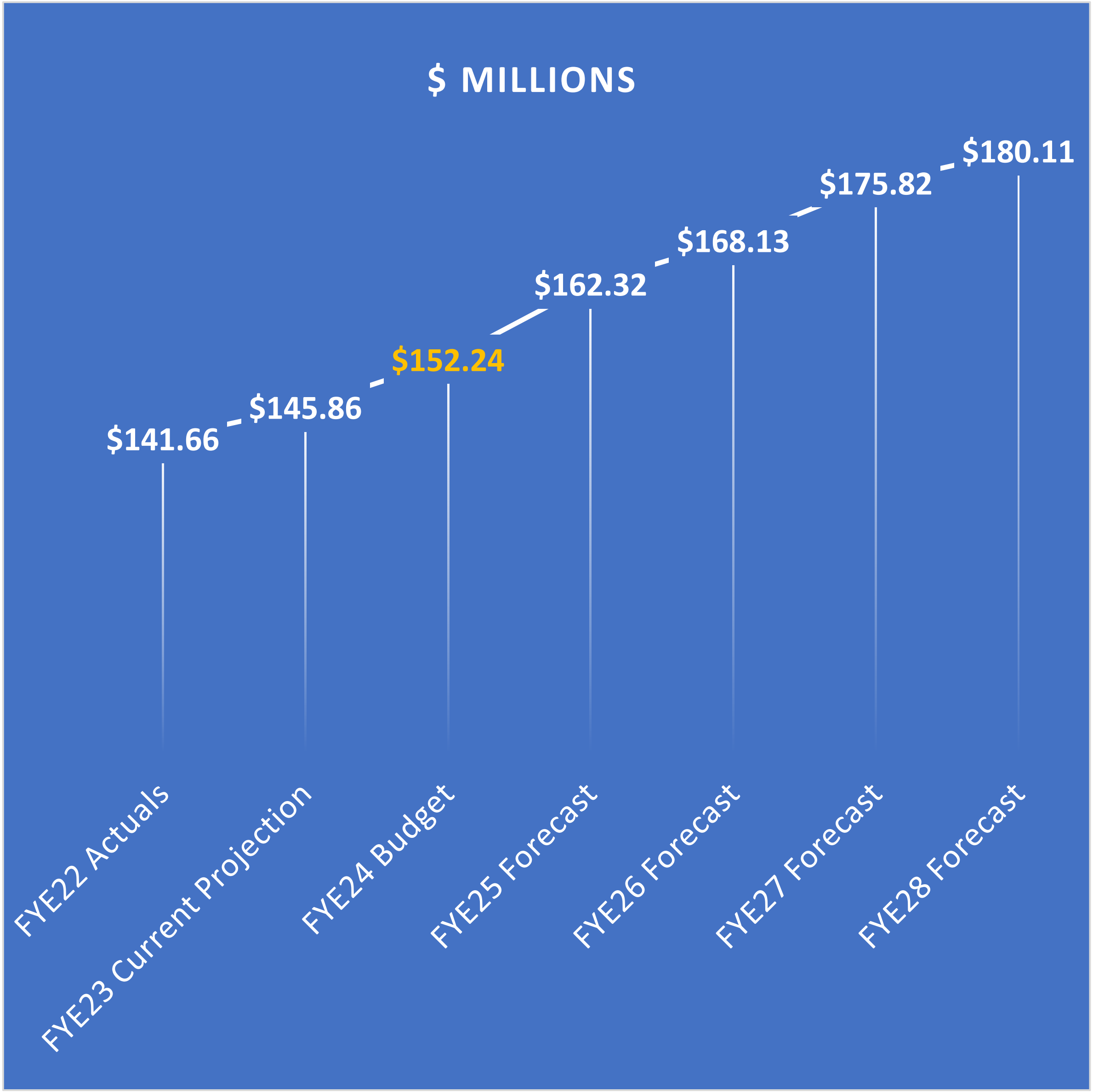
Major Assumptions: Expenditures

Inflation Assumptions						
	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
Wages	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
Medical	3.80%	3.60%	3.60%	3.50%	3.50%	3.50%
PERS Contribution Rates						
Tier 1 & Tier 2*	28.35%	29.60%	29.60%	34.60%	34.60%	39.60%
OPSRP General*	24.36%	26.12%	26.12%	31.12%	31.12%	36.12%
OPSRP Public Safety*	31.72%	33.91%	33.91%	38.91%	38.91%	43.91%
External Materials & Services	3.75%	3.00%	2.60%	2.60%	2.50%	2.50%
Internal Materials & Services	3.75%	2.80%	2.50%	2.40%	2.40%	2.40%
*Includes 9% Individual Account Program "pick up" for OPSRP Public Safety and 6% for Tier I/II/OPSRP General						

Other Assumptions							
	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
FPDR 2 Service Retirements	23	59	73	61	63	63	61
Deaths, Members & Beneficiaries	70	59	59	60	61	62	63
Pension COLAs							
FPDR 1, Fire	5.00%	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
FPDR 1, Police	5.00%	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
FPDR 2, Average Among Members	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Percent of Sworn Workforce, FPDR 3	50.9%	55.6%	63.2%	67.3%	71.6%	75.8%	79.8%
Hiring Projections							
New Active Fire Members*	36	27	56	24	23	26	26
New Active Police Members*	44	62	93	67	50	47	45

*Newly sworn employees do not become FPDR members until they have completed six months of service

Benefits: FPDR One And Two Pension Payments

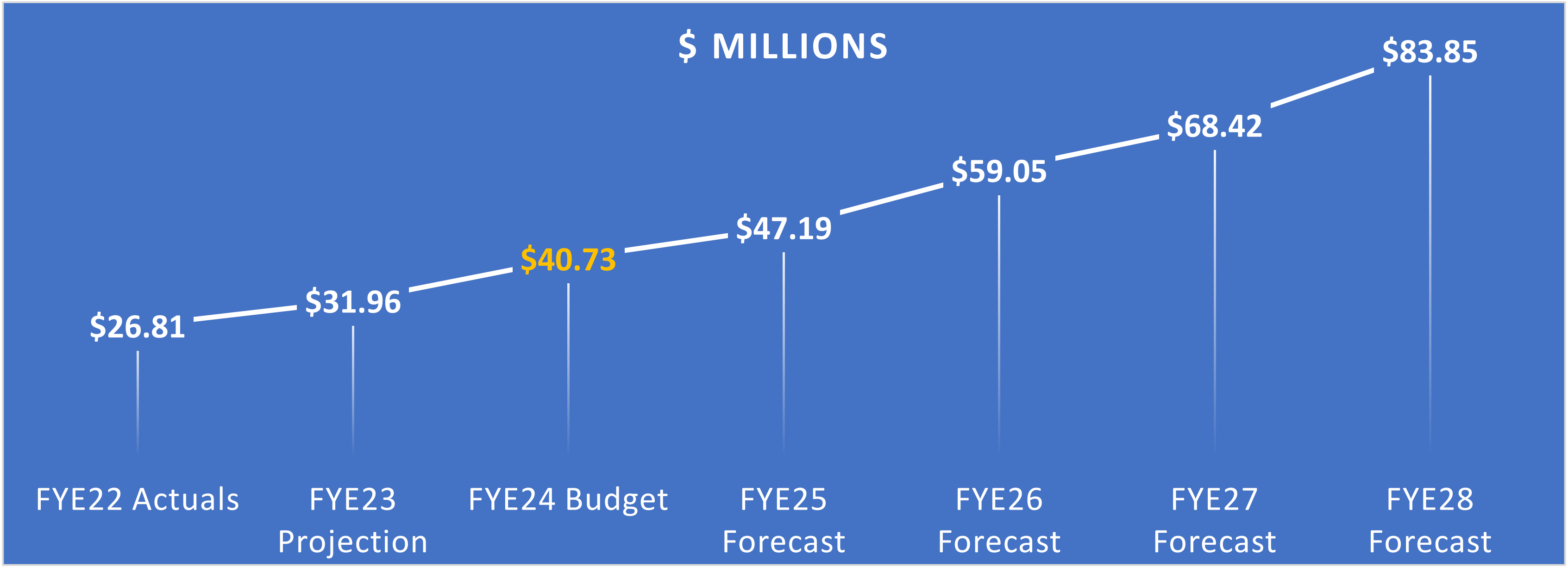


⬆ 4.4% for budget year

- FPDR Two: ⬆ 4.9%
- FPDR One: ⬇ 1.0%

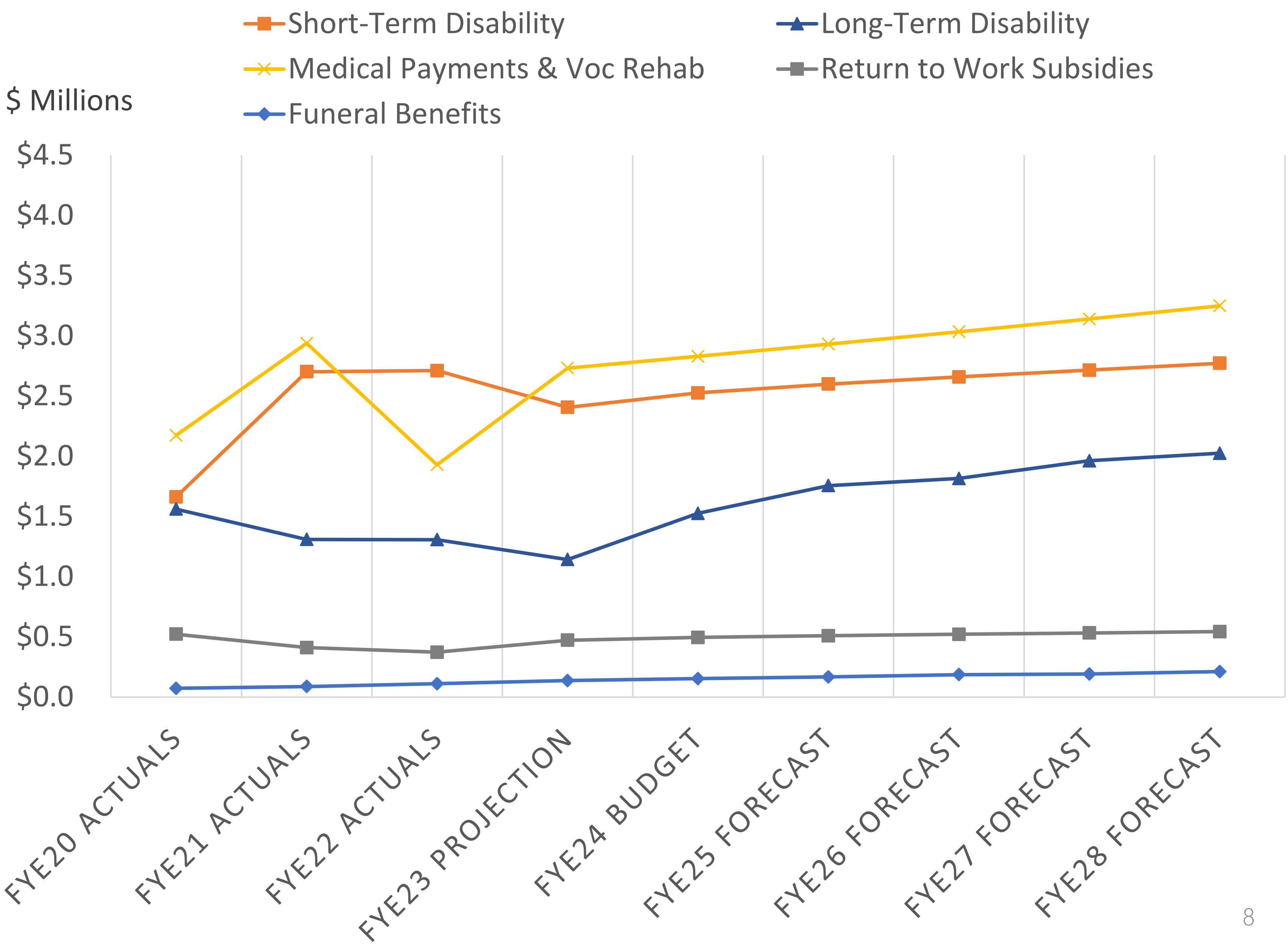
- Growth primarily due to wage increases for active employees (5% - 7%)
  - Higher final salaries for new FPDR Two retirees, higher COLAs for existing FPDR One retirees
- However, growth is slower than usual for second straight year
  - Pension population essentially steady since FYE21
  - Deaths remain higher than usual, offsetting retirements

Benefits: PERS Contributions

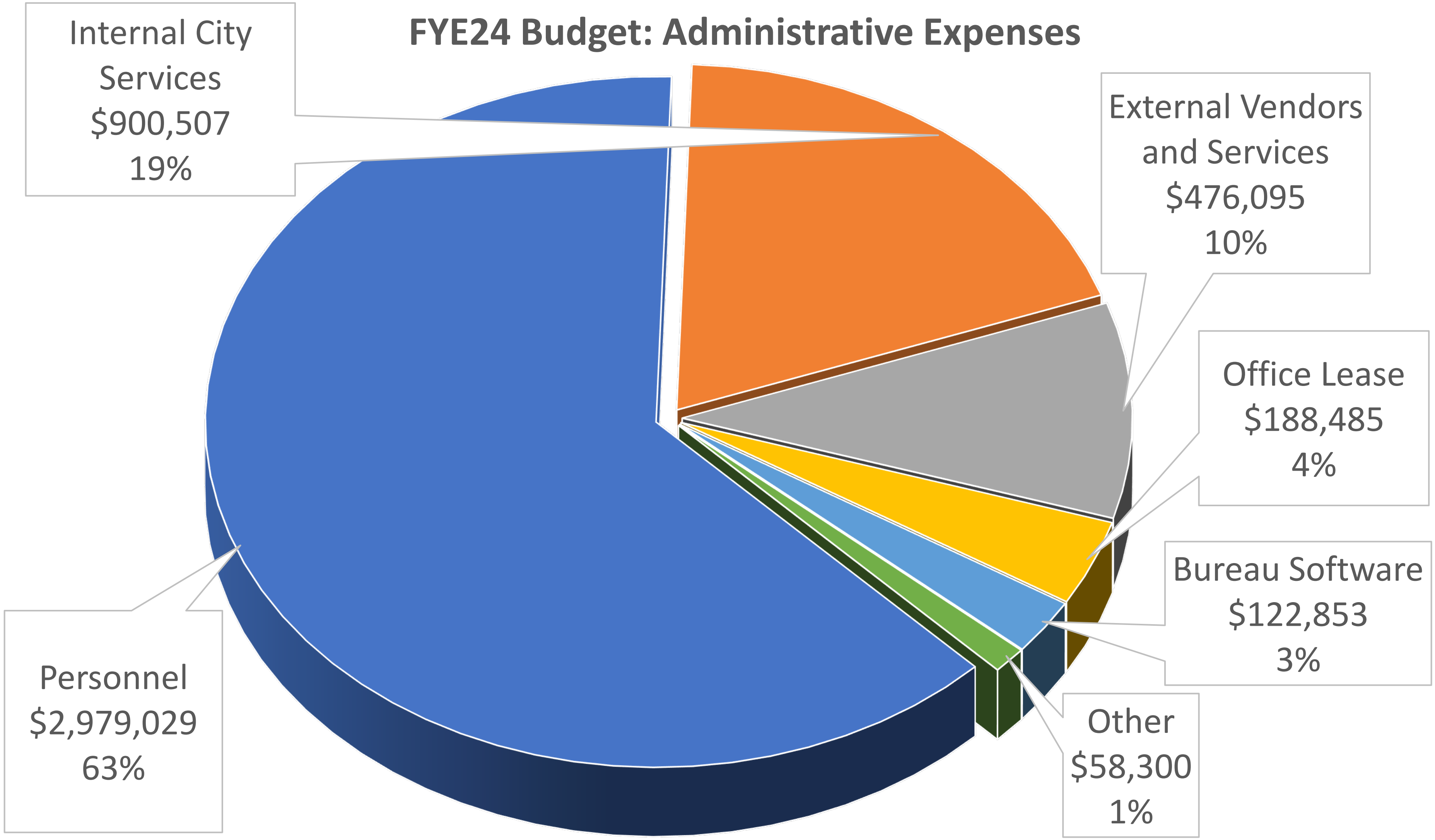


PERS Contributions Growth Factors							
	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
FPDR Three Members	**724**	**803**	**972**	**1,043**	**1,116**	**1,189**	**1,260**
OPSRP Public Safety Contribution Rate	22.72%	22.72%	24.91%	24.91%	29.91%	29.91%	34.91%
IAP Contribution Rate	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Total PERS Contribution Rate	**31.72%**	**31.72%**	**33.91%**	**33.91%**	**38.91%**	**38.91%**	**43.91%**
Wage COLAs	5.00%	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
Real Wage Growth	3.90%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
Total Wage Growth	**8.90%**	**9.60%**	**9.60%**	**7.50%**	**6.90%**	**6.70%**	**6.70%**

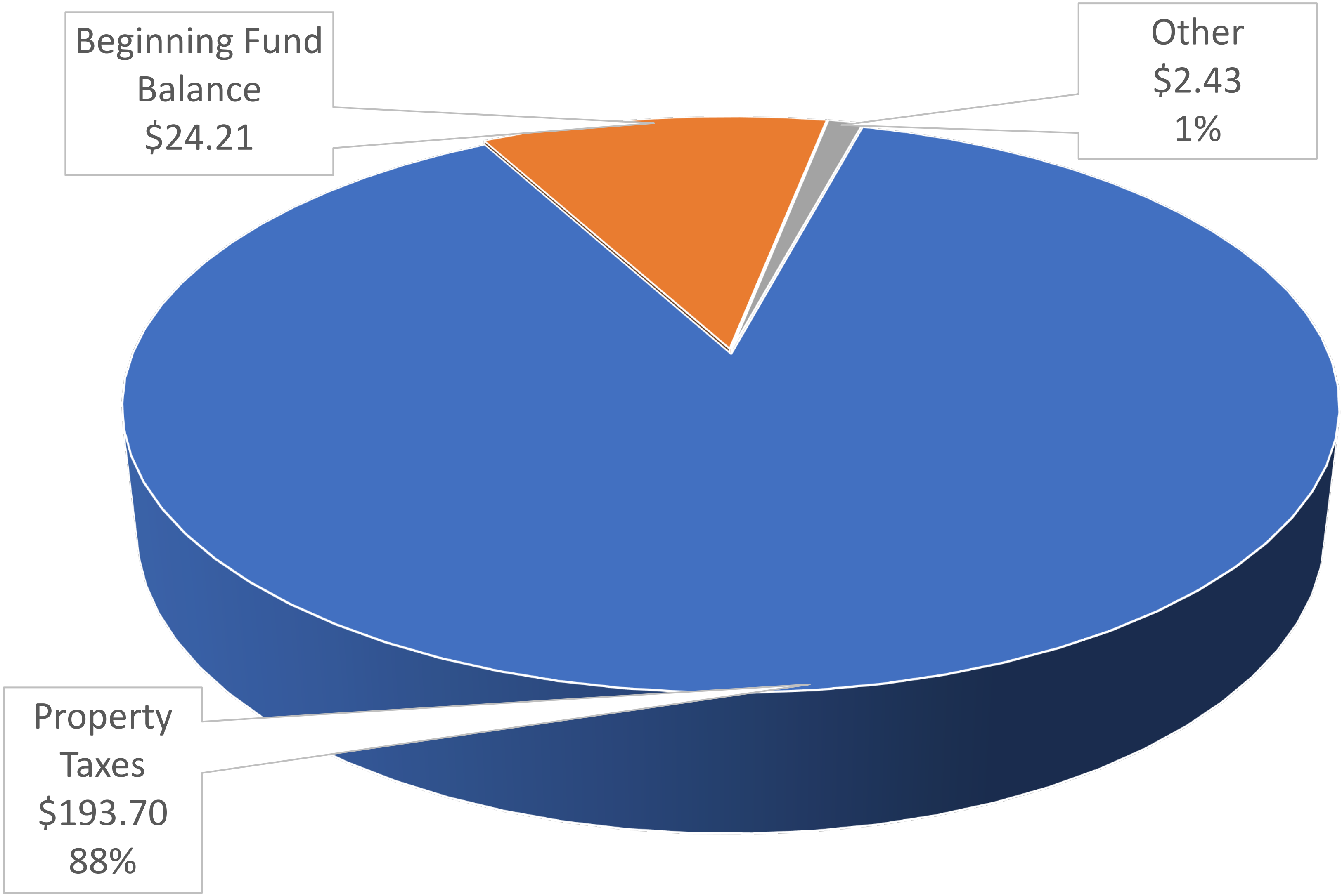
Benefits: Disability



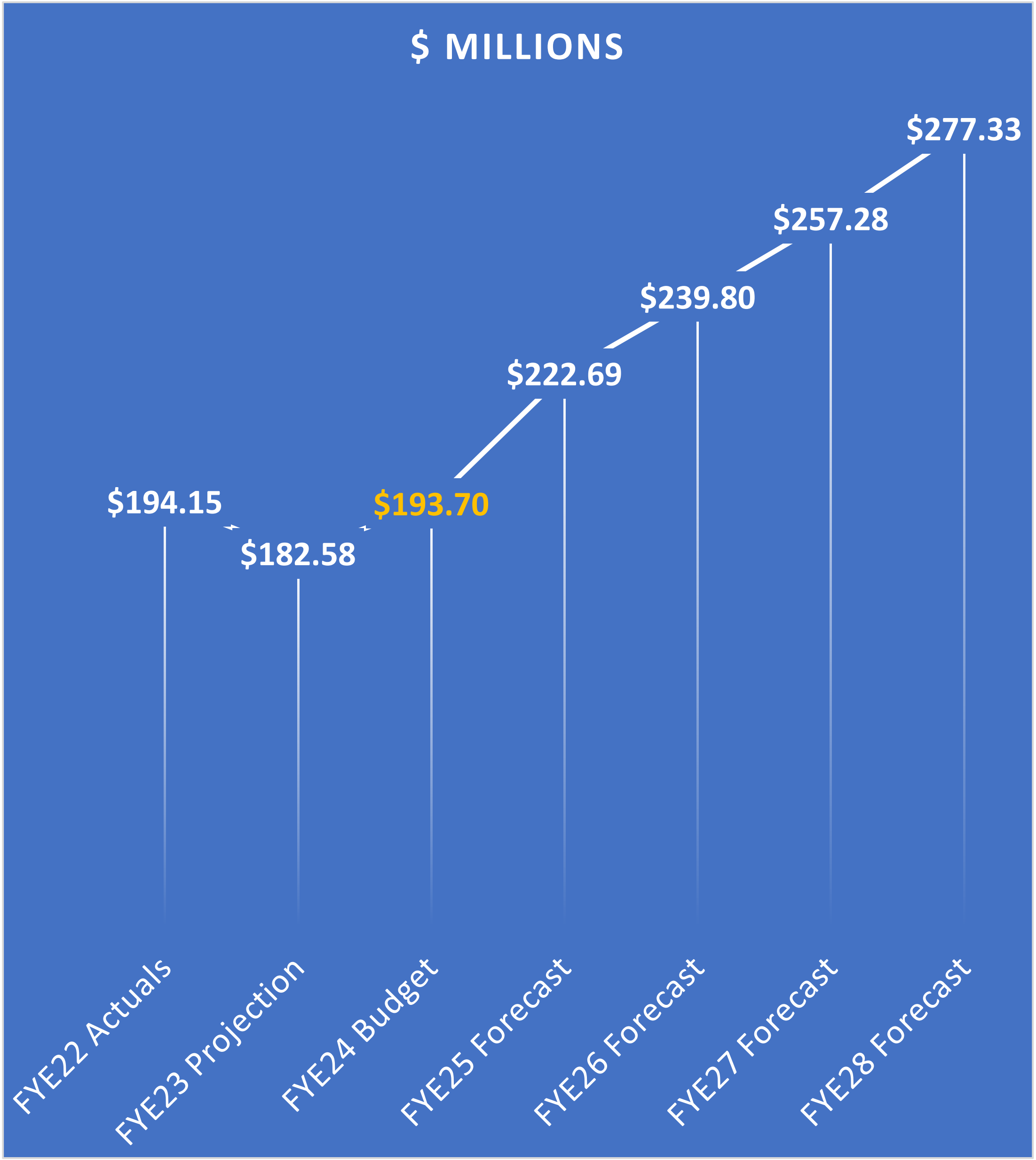
Administration: Operating the Plan



FYE24 Revenue Overview ($ Millions)



Property Tax Revenues



Property taxes each year = Expense requirements - Beginning fund balance - Other revenues

6.1% for budget year

- Less than total expenditure growth of 7.1%
- FYE24 tax tevenue need still less than FYE22

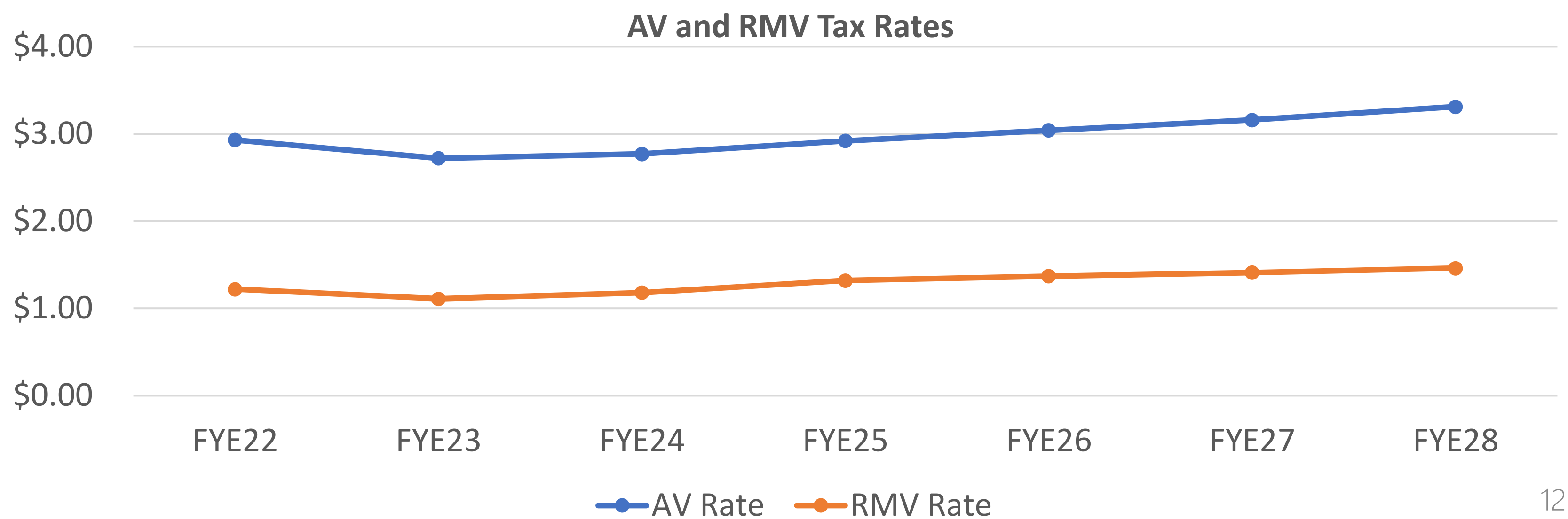
Fund balance remains higher than usual, despite attempts to spend down

- Projected beginning fund balance for FYE24: $24.2 M
- Beginning fund balance this year, FYE23: $30.0 M
- Target: $14 – 20 M

Property Tax Levy
Major Assumptions and Projections

PROPERTY TAX LEVY ASSUMPTIONS							
	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
Real Market Value (RMV) Growth	5.0%	7.0%	0.0%	2.0%	4.0%	4.0%	4.0%
Assessed Value (AV) Growth	5.5%	4.5%	4.1%	9.0%	3.1%	3.1%	3.1%
Compression	-4.8%	-4.3%	-4.7%	-4.7%	-4.7%	-4.7%	-4.7%
Discounts/Delinquencies	-3.7%	-4.4%	-4.3%	-4.1%	-4.0%	-4.0%	-4.0%

PROPERTY TAX LEVY PROJECTIONS							
	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
CY Taxes Required (Millions)	$187.4	181.3	$191.6	$220.4	$237.2	$254.5	$274.3
Assessed Value (AV) Tax Rate	$2.92	$2.72	$2.77	$2.92	$3.04	$3.16	$3.31
Real Market Value (RMV) Tax Rate	$1.22	$1.11	$1.18	$1.32	$1.37	$1.41	$1.46



Risks & Contingency

TWO 27 PAY DATE MONTHS IN FYE24

- Years with two 27 pay date months average 50% more retirements than years with just one
- Budgeted accordingly, for 73 retirements in FYE24
- If there are more than 73 retirements in FYE24, or if retirements are weighted more to December 2023 than June 2024, FYE24 pension budget could be too low

ACCELERATED HIRING PLANS AT POLICE AND FIRE BUREAUS

- For first time in many years, Fire hopes to stage additional training academies and hire at double their usual levels for the next 18 months
- Police's goal is to hire 200+ officers by end of calendar year 2024
- FPDR has budgeted for some but not all of this aspirational hiring

FIRE FIGHTERS ASSOCIATION CONTRACT EXPIRES JUNE 2023

- Forecast includes wage increases of 5% on July 1, 2023 and CPI growth in outyears
- Other salary increases would result in higher benefit and PERS contribution expenses
- Schedule reductions would increase PERS contribution expenses (more staff or OT)
- Bonuses result in higher final pay for one year of retirees, could incentivize retirements

Risks & Contingency

COVID

- COVID continues to cause occasional short-term spikes in FPDR disability costs and sworn overtime (which increases PERS contributions expenses)
- FYE24 budget assumes these COVID-related costs are about 50% less than in FYE22
- On the revenue side, post-pandemic remote work has reduced the value of commercial office properties, which may increase property tax delinquencies and/or depress real market value and assessed value growth in the tax base more than anticipated

FUND CONTINGENCY

- How do we manage these risks?
- Primarily with fund contingency, which is recommended at our usual level of 7% of operating expenses ($14 M in FYE24). Sufficient to cover everything below:
    - 20 unbudgeted retirements in December 2023
    - Additional 3% in unbudgeted salary increases in PFFA contract
    - Additional 3% in property tax delinquency and/or compression losses
    - Additional 45 unbudgeted hires at Police (25) and Fire (20)
    - Additional $2 M in COVID-related expenses
- Short-term borrowing from other City funds or capital markets are also options

Key Budget Take Aways

INFLATION CONTINUES TO BE A KEY EXPENSE DRIVER

Second year of 5% wage COLAs for sworn employees is single largest source of budget growth for FYE24

Cost for goods and services (particularly professional services) has grown significantly

City Economist believes inflation will temper within the next one to two years

COVID HAS LOOSENED ITS GRIP BUT THE LONG-TERM EFFECTS MAY LINGER

Shift to remote work may reduce or stall growth in commercial office property values, which may impact property tax collections

Less severe but ongoing COVID outbreaks may prevent disability costs and overtime-related PERS contributions from returning to pre-pandemic levels

CONTINUED EXCESS FUND BALANCE AND SLOW SWORN HIRING ARE SOFTENING TAX INCREASES

$24.2 M projected beginning fund balance for FYE24

Less than $30.0 M for FYE23, but still higher than usual

Police has been unable to hire at projected rates

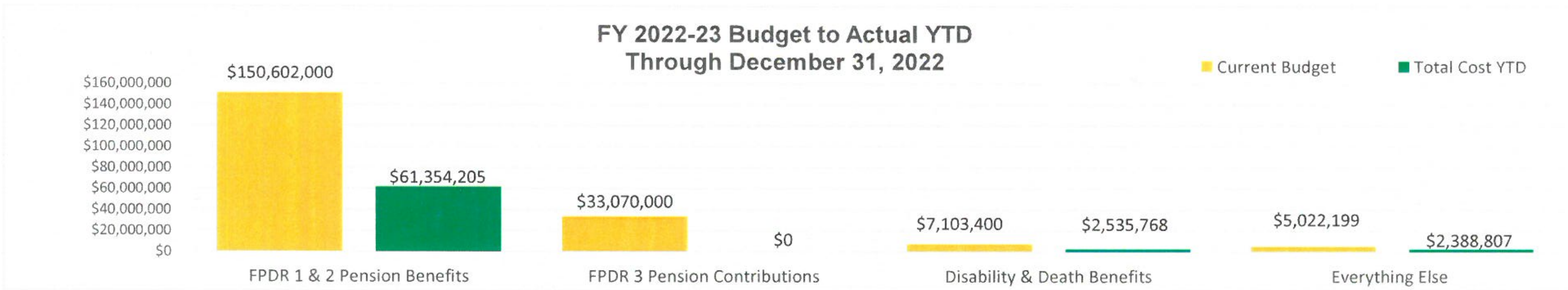
Combination of excess fund balance and lower PERS contributions reduces tax need in FYE24

Questions?

Changes?

Future Technical Adjustments

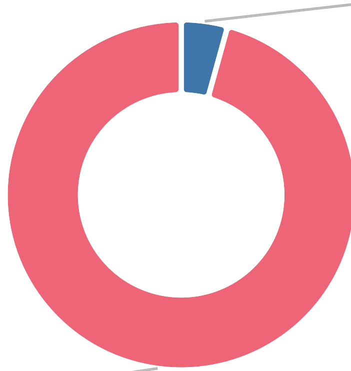
Motion to Adopt

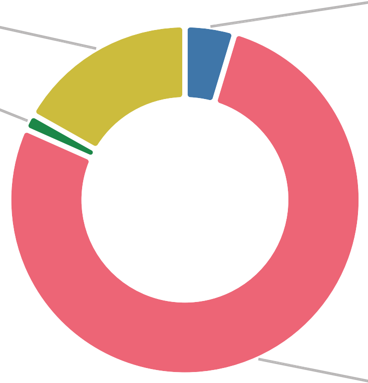


FY 2022-23 Budget to Actual YTD by Month

Mid Level Classification	Detail Classification	Original Budget	July	August	September	October	November	December	YTD Total
Revenues	Beginning fund balance	$25,229,006	$0	$0	$0	$0	$0	$0	$0
	Taxes	$183,485,461	-$1,067,906	$371,844	$459,979	$29,173	$62,588,278	$106,316,562	$168,697,931
	Bond and note proceeds	$45,000,000	$28,000,000	$0	$0	$0	$0	$0	$28,000,000
	Miscellaneous Sources	$789,100	$1,003	$50,381	$107,207	$19,998	$26,887	$214,310	$419,787
	Interfund Cash Transfer Revenues	$750,000	$0	$0	$0	$0	$0	$0	$0
	Interagency Revenues	$393,900	$631	$644	$1,287	$0	$644	$644	$3,849
Revenues Total		**$255,647,467**	**$26,933,728**	**$422,869**	**$568,474**	**$49,171**	**$62,615,809**	**$106,531,516**	**$197,121,566**
Personnel	Personnel	$2,889,429	$223,478	$255,433	$237,382	$217,953	$281,153	$203,305	$1,418,703
Personnel Total		**$2,889,429**	**$223,478**	**$255,433**	**$237,382**	**$217,953**	**$281,153**	**$203,305**	**$1,418,703**
Ext. Mat. & Svcs.	Other External Materials & Services	$805,599	$38,469	$49,464	$80,423	$64,065,920	-$63,899,123	$59,801	$394,954
	FPDR 1 & 2 Pension Benefits	$150,602,000	$12,566	$12,143,557	$24,524,115	$57,979	$12,298,980	$12,317,008	$61,354,205
	Disability & Death Benefits	$7,103,400	$12,010	$508,094	$505,888	$441,401	$477,549	$590,825	$2,535,768
Ext. Mat. & Svcs. Total		**$158,510,999**	**$63,045**	**$12,701,116**	**$25,110,426**	**$64,565,299**	**-$51,122,594**	**$12,967,634**	**$64,284,926**
Int. Mat. & Svcs.	Other Internal Materials & Services	$794,570	$84,672	$61,921	$234,912	$50,856	$60,877	$53,313	$546,550
	FPDR 3 Pension Contributions	$33,070,000	$0	$0	$0	$0	$0	$0	$0
	Return to Work/Light Duty	$497,600	$0	$0	$0	$0	$0	$0	$0
Int. Mat. & Svcs. Total		**$34,362,170**	**$84,672**	**$61,921**	**$234,912**	**$50,856**	**$60,877**	**$53,313**	**$546,550**
Capital Outlay	Capital Outlay	$35,001	$0	$3,380	$0	$9,230	$10,270	$5,720	$28,600
Capital Outlay Total		**$35,001**	**$0**	**$3,380**	**$0**	**$9,230**	**$10,270**	**$5,720**	**$28,600**
Fund Expenses	Contingency	$13,494,412	$0	$0	$0	$0		$0	$0
	Debt Retirement	$45,434,207	$25,000	$3,356	$0	$20,756	$0	$0	$49,112
	Interfund Cash Transfer Expenses	$921,249	$13,309	$13,309	$13,309	$13,309	$19,075	$13,309	$85,620
Fund Expenses Total		**$59,849,868**	**$38,309**	**$16,665**	**$13,309**	**$34,065**	**$19,075**	**$13,309**	**$134,732**

Samuel Hutchison, Director

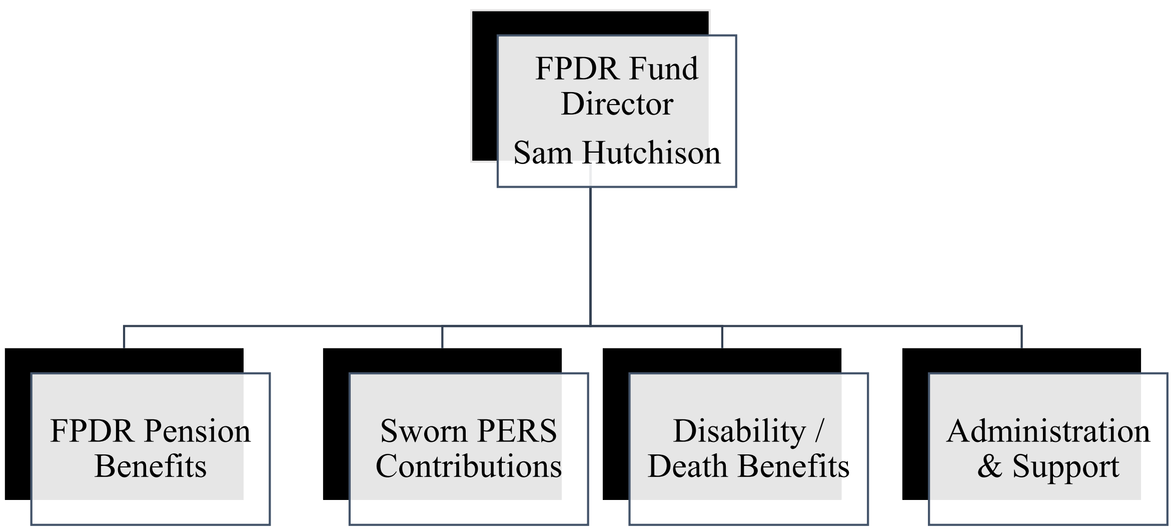




Bureau Overview

Requirements	Revised FY 2022-23	Requested Total FY 2023-24	Change from Prior Year	Percent Change
Operating	$257,112,467	$260,531,850	$3,419,383	1%
Capital	$35,000	$55,093	$20,093	57%
Total	**$257,147,467**	**$260,586,943**	**$3,439,476**	**1%**
Authorized Positions	18.00	18.00	—	—%

Bureau of Fire & Police Retirement & Disability



Bureau Summary

Bureau Mission

The mission of the Bureau of Fire & Police Disability & Retirement is to deliver peace of mind to our fire and police members and their survivors by providing disability and retirement benefits in a timely, compassionate, and fiscally responsible manner.

Bureau Overview

The Bureau of Fire & Police Disability & Retirement (FPDR) consists of four programs: two retirement programs—FPDR Pension Benefits and Sworn PERS Contributions—plus the Disability and Death Benefits program and the Administration and Support program. FPDR serves plan members in three distinct tiers: FPDR One members are those who were retired or on long-term disability before January 1, 1990; FPDR Two members are those who were working or hired between December 31, 1989 and December 31, 2006; and FPDR Three members are those who were hired after December 31, 2006. The FPDR Plan provides pension and disability benefits for FPDR One and Two members, but only disability benefits for FPDR Three members. In addition, the FPDR Fund finances contributions to the Oregon Public Employees Retirement System (PERS) for FPDR Three members, who are enrolled in the pre-funded PERS Plan for pension benefits. FPDR benefits and administrative expenses are funded by a dedicated FPDR property tax levy, separate from the City's general government levy. The FPDR levy is capped at $2.80 per $1,000 of real market value by City Charter.

FPDR Pension Benefits

The FPDR Pension Benefits program pays direct monthly pension benefits to FPDR One and Two members, and their survivors and alternate payees (former spouses). The program also provides pension estimates, retirement counseling, and retirement workshops for FPDR Two members who are still working. The Pension Benefits program represents 77.1% of total bureau requirements for FY 2023-24. As of January 1, 2023 there was a total of 2,100 people currently receiving pension benefits: 279 FPDR One beneficiaries and 1,821 FPDR Two beneficiaries. The FY 2023-24 Requested Budget for FPDR Pension Benefits is $152.4 million, including $164,051 in direct program delivery costs. This is an increase of $1.7 million or 1.1% over the FY 2022-23 Revised Budget. However, As FPDR expects to underspend the FY 2022-23 Pension Benefits program budget by nearly $5.0 million, growth from projected spending is higher at 4.4%. Over the last year, an unusually large number of deaths have offset new retirements, and the number of pension beneficiaries has remained essentially flat.

FPDR Disability and Death Benefits

The Disability and Death Benefits program oversees an approved substitute workers' compensation program for the City's sworn employees, as well as a disability program for non-work injuries and illnesses. Thus, the program administers both service-connected and nonservice disability claims and disability benefits, including wage replacement for lost time from work, medical care expenses, vocational rehabilitation, and funeral benefits. The Disability and Death Benefits program represents 4.6% of total bureau requirements for FY 2023-24. The

Requested Budget for this program is the same as the FY 2022-23 Revised Budget at $9.0 million. Disability expenses have been $1.0 to $2.5 million higher than typical over the last two fiscal years, primarily due to COVID infections and exposures requiring quarantine in the sworn workforce. These costs are expected to temper in FY 2023-24. The program budget includes $1.5 million in costs related directly to program delivery.

Sworn PERS Contributions

The Sworn PERS Contributions program manages reimbursements to Portland Fire & Rescue and the Portland Police Bureau for PERS contributions made on behalf of FPDR Three members. The Sworn PERS Contributions program represents a growing proportion of total bureau requirements, 16.8% for FY 2023-24. Program expenditures are budgeted at $40.7 million for FY 2023-24, an increase of $7.7 million or 23.2% over the FY 2022-23 Revised Budget. Growth is due to a biannual increase in the contribution rate, from 31.72% to 33.91%; the rising proportion of the sworn workforce hired after 2006; a second 5.0% wage cost-of-living adjustment (COLA) for all sworn employees on July 1, 2023; and the movement of this younger group of employees through the police officer and fire fighter pay steps, as well as their increasing promotion rates and specialty pay rates as they spread through the ranks. This program will experience exponential expenditure growth until all or nearly all active sworn employees are FPDR Three members, projected to occur in the mid-2030s. At that point, cost increases will be limited to growth in wages and PERS contribution rates. FPDR Three members are projected to be 63% of the workforce in FY 2023-24.

Administration and Support

The Administration and Support program includes the costs of operating the bureau and administering the benefits described above. The program is comprised of office management and frontline member service; executive leadership; and financial, legal, and technology business systems support. The Administration and Support budget represents 1.5% of total bureau requirements for FY 2023-24. Bureau expenditures in the Administration and Support program for FY 2023-24 are budgeted at $3.1 million. Despite a second 5% wage COLA for FPDR staff on July 1, 2023 and inflationary increases for other goods and services needed to operate the bureau, cost growth for FY 2023-24 is minimal at $49,454 or 1.7%, as compared to the FY 2022-23 Revised Budget. The transition to hybrid in-person/remote work allowed FPDR to move into a smaller office space, reducing bureau office lease expenses by roughly $50,000 annually.

Base Budget Adjustments

FPDR has not made significant realignments or adjustments to its baseline budget for FY 2023-24. In FY 2022-23, during the fall 2022 budget monitoring process (BMP), FPDR added a new full-time Analyst I position to the Disability and Death Benefits program.

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Requested No DP FY 2023-24	Requested Total FY 2023-24
Resources					
External Revenues					
Taxes	168,308,393	194,147,020	183,485,461	193,701,162	193,701,162
Charges for Services	23	30	0	0	0
Bond & Note	31,658,596	38,542,500	45,000,000	38,000,000	38,000,000
Miscellaneous	584,229	469,055	789,100	1,980,800	1,980,800
External Revenues Total	200,551,242	233,158,605	229,274,561	233,681,962	233,681,962
Internal Revenues					
Fund Transfers - Revenue	0	0	1,500,000	1,500,000	1,500,000
Interagency Revenue	420,096	324,343	393,900	445,500	445,500
Internal Revenues Total	420,096	324,343	1,893,900	1,945,500	1,945,500
Beginning Fund Balance	17,840,202	15,217,675	25,979,006	24,959,481	24,959,481
Resources Total	**218,811,540**	**248,700,624**	**257,147,467**	**260,586,943**	**260,586,943**
Requirements					
Bureau Expenditures					
Personnel Services	2,447,178	2,607,578	2,946,333	2,979,029	2,979,029
External Materials and Services	145,030,606	148,555,724	158,510,999	160,060,955	160,060,955
Internal Materials and Services	24,183,324	28,006,617	34,362,170	42,125,307	42,125,307
Capital Outlay	0	39,780	35,001	55,093	55,093
Bureau Expenditures Total	171,661,108	179,209,700	195,854,503	205,220,384	205,220,384
Fund Expenditures					
Debt Service	31,791,605	38,689,771	45,434,207	38,978,478	38,978,478
Contingency	0	0	13,437,508	14,000,000	14,000,000
Fund Transfers - Expense	141,151	136,693	1,671,249	1,638,081	1,638,081
Fund Expenditures Total	31,932,756	38,826,464	60,542,964	54,616,559	54,616,559
Ending Fund Balance	15,217,675	30,723,348	750,000	750,000	750,000
Requirements Total	**218,811,540**	**248,759,512**	**257,147,467**	**260,586,943**	**260,586,943**
Programs					
Administration & Support	2,324,218	2,615,735	3,001,888	3,051,341	3,051,341
Disability and Death Benefits	8,817,637	7,970,546	9,021,044	9,033,553	9,033,553
FPDR Pension Benefits	137,493,316	141,810,930	150,761,571	152,405,490	152,405,490
Sworn PERS Contributions	23,079,937	26,812,489	33,070,000	40,730,000	40,730,000
Total Programs	**171,661,108**	**179,209,700**	**195,854,503**	**205,220,384**	**205,220,384**

Class	Title	Salary Range Min	Salary Range Max	Revised FY 2022-23 No.	Revised FY 2022-23 Amount	Requested No DP FY 2023-24 No.	Requested No DP FY 2023-24 Amount	Requested Total FY 2023-24 No.	Requested Total FY 2023-24 Amount
30000063	Accountant II	54,912	89,107	1.00	84,864	1.00	84,864	1.00	84,864
30003003	Administrative Specialist II	48,277	107,325	1.00	99,237	1.00	99,237	1.00	99,237
30003006	Analyst I	53,290	118,437	3.00	242,422	3.00	270,874	3.00	270,874
30003007	Analyst II	63,336	126,311	3.00	318,740	3.00	318,740	3.00	318,740
30003012	Business Systems Analyst III	100,422	148,315	1.00	116,230	1.00	120,231	1.00	120,231
30000066	Claims Technician	45,885	78,384	1.00	74,651	1.00	74,651	1.00	74,651
30000065	Claims Technician, Assistant	35,610	66,153	1.00	63,003	1.00	63,003	1.00	63,003
30003034	Deputy Director I	91,728	182,549	1.00	130,425	1.00	130,425	1.00	130,425
30003037	Director I	111,696	227,584	1.00	179,192	1.00	179,192	1.00	179,192
30003055	Financial Analyst II	63,336	126,311	1.00	102,315	1.00	102,315	1.00	102,315
30003056	Financial Analyst III	69,805	151,438	1.00	104,499	1.00	104,499	1.00	104,499
30003077	Legal Assistant	53,290	118,437	1.00	67,496	1.00	67,496	1.00	67,496
30003081	Manager I	80,205	168,219	1.00	140,358	1.00	140,358	1.00	140,358
30000013	Office Support Specialist III	44,512	76,025	1.00	54,528	1.00	62,593	1.00	62,593
	Total Full-Time Positions			18.00	1,777,960	18.00	1,818,478	18.00	1,818,478
	Grand Total			**18.00**	**1,777,960**	**18.00**	**1,818,478**	**18.00**	**1,818,478**

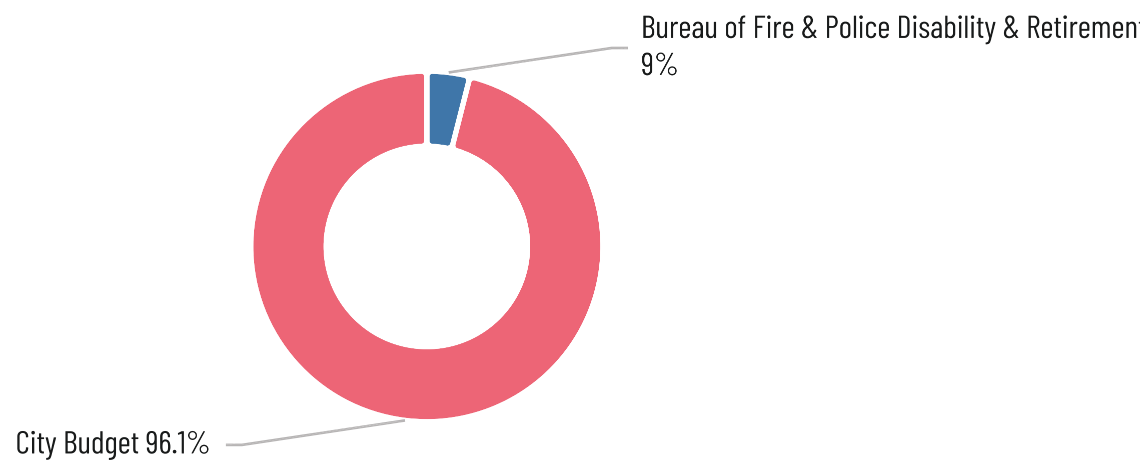
Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

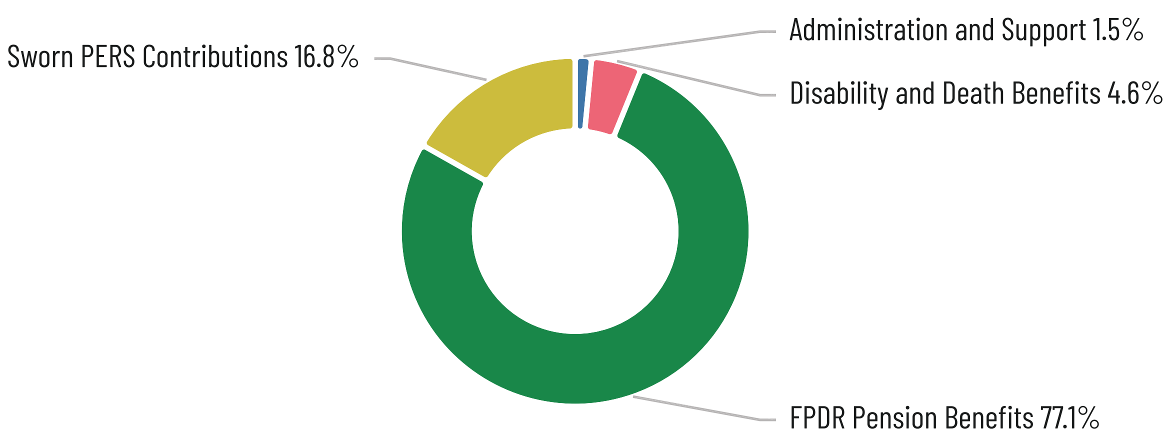
Rene Gonzalez, Commissioner-in-Charge

Samuel Hutchison, Director

Percent of City Budget Graph



Bureau Programs



Bureau Overview

Requirements	Revised FY 2022-23	Requested with DP FY 2023-24	Change from Prior Year	Percent Change
Operating	$257,112,467	$260,531,850	$$3,419,383	$1%
Capital	$35,000	$55,093	$20,093	57%
Total	**$257,147,467**	**$260,586,943**	**$$3,439,476**	**1%**
Authorized Positions	18.00	18.00	—	—%

Administration & Support

Program Description & Goals

This program provides the general administrative and support services that the bureau requires to fulfill its mission. Services are provided by 8.0 FTE and include executive-level guidance, financial analysis and planning, human resource and payroll services, information technology support, legal services, basic member service, and office management for the bureau as a whole. The purpose of the program is to maximize efficiencies and outcomes for the bureau's pension and disability benefit programs. Despite a second 5% wage COLA for FPDR staff and inflationary increases for other goods and services needed to operate the bureau, administrative spending is projected to grow by just 1.7% in FY 2023-24 as compared with the FY 2022-23 Revised Budget. This is primarily because of office lease savings following the bureau's move into a smaller space. The personnel budget for FY 2023-24 includes a 5% wage cost-of-living adjustment (COLA) for all staff, merit pay increases for nonrepresented employees of up to 3%, and a 5% step pay increase for a represented employee. (The other four represented employees are already at the top of their pay scales). The budget also reflects 3.6% anticipated growth in health benefit costs for all employees and 5.8% increases in spending on administrative materials and services (both external and internal). Capital spending is limited to programming and other improvements to FPDR's custom database, and is just 1.8% of the administrative operating budget. The FY 2023-24 capital budget is $55,093, more than the $35,001 included for capital in the FY 2022-23 Revised Budget. This is to allow for potential programming improvements to the disability payment processing function in FY 2023-04.

FPDR strives to keep administrative costs low. Administration and Support spending has hovered between 1% and 2% of bureau expenditures in recent years, a trend expected to continue for the foreseeable future. Administrative costs are expected to decline for FY 2023-24 to an estimated $1,020 per participant, from $1,090 in FY 2021-22. This is partly because of slow growth in administrative costs for FY 2023-24, and partly because the number of FPDR members is expected to grow in FY 2023-24 as Police and Fire hire more active employees.

Performance	Actuals FY 2020-21	Actuals FY 2021-22	Target FY 2022-23
Administrative spending per participant	$679	$758	$770
Percent of pension recipients who are paperless	39%	39%	43%
Administrative cost as a percentage of bureau budget	1.35%	1.43%	1.45%
FPDR tax levy rate (per $1,000 of Real Market Value)	$1.15	$1.26	$1.15

Equity Impacts

The Administration & Support program provides administrative and support services for the pension and disability programs. Those programs in turn serve only sworn employees and retirees and their family members, whose composition is not controlled by FPDR. As a result, the equity impacts of this program are largely internal and therefore limited.

Changes to Program

Although no changes are planned for the Administration and Support program in FY 2023-24, FPDR made one significant change in FY 2022-23. FPDR downsized and relocated its physical office on July 25, 2022. The move was made possible by the transition to hybrid in-person/remote work schedules for FPDR staff and will result in lease savings of about $50,000 per year.

Program Budget

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Requested Base FY 2023-24	Requested with DP FY 2023-24
Requirements					
Bureau Expenditures					
Personnel Services	1,208,968	1,290,863	1,632,418	1,583,841	1,583,841
External Materials and Services	422,253	463,279	539,899	516,339	516,339
Internal Materials and Services	692,997	821,812	794,570	896,068	896,068
Capital Outlay	0	39,780	35,001	55,093	55,093
Bureau Expenditures Total	2,324,218	2,615,735	3,001,888	3,051,341	3,051,341
Fund Expenditures					
Debt Service	31,791,605	38,689,771	45,434,207	38,978,478	38,978,478
Contingency	0	0	13,437,508	14,000,000	14,000,000
Fund Transfers - Expense	141,151	136,693	1,671,249	1,638,081	1,638,081
Fund Expenditures Total	31,932,756	38,826,464	60,542,964	54,616,559	54,616,559
Requirements Total	**34,256,975**	**41,442,199**	**63,544,852**	**57,667,900**	**57,667,900**

FTE	8.00	0.00	9.00	9.00	9.00

Disability and Death Benefits

Program Description & Goals

The purpose of this program is to provide service disability benefits, in lieu of workers' compensation benefits, for sworn City employees, as well as nonservice disability benefits for those with at least five years of service. The program provides disability benefits for all three tiers of FPDR members, as well as funeral benefits and benefits for surviving spouses and minor children when a member dies before retirement. The 9.0 FTE assigned to this program adjudicate disability claims, administer and pay medical and vocational rehabilitation benefits, and approve wage replacement payments to members who cannot work and wage subsidy payments to the Police and Fire bureaus while members are on disability-related modified duty. The program also approves benefit payments to survivors when sworn employees die before retirement, and provides funeral benefit payments to member's families or estates upon their death. The goals of the Disability and Death Benefits program are to make disability claim decisions quickly and in compliance with the City Charter, to help sworn employees return to work whenever possible, to manage claims for the benefit of disabled members while demonstrating stewardship of public funds, and to make disability payments accurately and on time.

Performance	Actuals FY 2020-21	Actuals FY 2021-22	Target FY 2022-23
Percentage of disability claims decisions in 60 days	89%	90%	89%
Number of disability claims filed	536	583	388
Number of long-term disability recipients	27	25	27
Number of medical bills	3,129	2,833	3,221
Number of members on short-term disability	402	407	296
Percentage of workforce on disability at June 30	3%	4%	3%

Equity Impacts

The disability and death program serves only sworn employees and retirees, whose composition is based on the hiring of the Fire and Police Bureaus. As this program is internal facing and serves only City employees, public facing equity impacts are minimal.

Changes to Program

Although no changes are planned for the Disability & Death Benefits program in FY 2023-24, a staffing change was made as part of the fall 2022 budget monitoring process (BMP). The FPDR Board of Trustees and City Council approved the addition of one full time Analyst I to help manage a significantly increased claim workload. FPDR received 583 disability claims in FY 2021-22 and 536 claims in FY 2020-21, far more than the annual average of 330 in the preceding decade. The increase in claim volume is related both to the COVID pandemic and to Oregon statutory changes that lowered the standard to qualify for service-connected benefits for stress, anxiety, and heart and lung illnesses.

Program Budget

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Requested Base FY 2023-24	Requested with DP FY 2023-24
Requirements					
Bureau Expenditures					
Personnel Services	1,093,351	1,166,534	1,154,344	1,231,137	1,231,137
External Materials and Services	7,313,895	6,431,696	7,369,100	7,307,616	7,307,616
Internal Materials and Services	410,391	372,316	497,600	494,800	494,800
Bureau Expenditures Total	8,817,637	7,970,546	9,021,044	9,033,553	9,033,553
Requirements Total	**8,817,637**	**7,970,546**	**9,021,044**	**9,033,553**	**9,033,553**

FTE	8.00	0.00	8.00	8.00	8.00

Pension Benefits

Program Description & Goals

This program administers the FPDR pension program for sworn retirees hired before January 1, 2007 (FPDR One and FPDR Two members). The purpose of this program is to pay retirement benefits to sworn Police and Fire employees and their survivors, an important component of overall compensation, and to provide FPDR retirement information and guidance during employees' working careers. The program provides monthly pension payroll services for 2,100 members, surviving spouses and minor children, and alternate payees (former spouses). This includes calculation of pension benefits at retirement, federal and Oregon income tax withholding and reporting, insurance premium and child support withholding and payment, calculation of annual cost-of-living adjustments (COLAs), eligibility screening for and calculation of an additional pension benefit to offset Oregon tax liability for some members, and monitoring to ensure payments stop when beneficiaries die. Finally, this program provides pre-retirement education and services, including quarterly retirement workshops, retirement education videos and written materials, and pension estimate calculations for hundreds of active employees each year. Just 1.0 FTE is fully dedicated to the Pension Benefits program, although employees in the Administration & Support program provide executive, financial, legal and information technology support for pension services. In addition to paying all beneficiaries accurately, on time, and in compliance with the City Charter and state and federal laws, this program strives to provide active duty members with useful retirement counseling and accurate pension estimates.

Performance	Actuals FY 2020-21	Actuals FY 2021-22	Target FY 2022-23
Median days to prepare a pension estimate	5	6	5
Percentage of members whose final pay was 99% or more of last estimate	99%	100%	98%
Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	75%	80%	78%
Number of FPDR 1 and 2 pension recipients	2,129	2,124	2,178
Number of FPDR 2 retirements from active service	99	23	60
Number of pension estimates	281	336	305
Number of pre-retirement workshop participants	0	52	107

Equity Impacts

The FPDR pension program serves only sworn employees and retirees, whose composition is based on the hiring of the Fire and Police Bureaus, and their surviving family members. As a result, equity impacts are limited.

Changes to Program

As pandemic restrictions eased, FPDR returned to offering in-person retirement workshops and retirement appointments in FY 2022-23, although members may still retire virtually if they choose. In the previous two fiscal years these services were provided exclusively on virtual platforms such as Zoom, Skype, Teams, and FaceTime.

Program Budget

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Requested Base FY 2023-24	Requested with DP FY 2023-24
Requirements					
Bureau Expenditures					
Personnel Services	144,859	150,180	159,571	164,051	164,051
External Materials and Services	137,294,457	141,660,750	150,602,000	152,237,000	152,237,000
Internal Materials and Services	0	0	0	4,439	4,439
Bureau Expenditures Total	137,493,316	141,810,930	150,761,571	152,405,490	152,405,490
Requirements Total	**137,493,316**	**141,810,930**	**150,761,571**	**152,405,490**	**152,405,490**

FTE	1.00	0.00	1.00	1.00	1.00

Sworn PERS Contributions

Program Description & Goals

This program reimburses the Police and Fire Bureaus for the contributions they make to the Oregon Public Employees Retirement System (PERS) on behalf of sworn employees hired after 2006 (FPDR Three members), who are enrolled in PERS for their pension benefits. No FTE are dedicated entirely to this program. The financial analysts assigned to the Administration & Support program verify FPDR Three employees and PERS contribution expenses, and send reimbursement to the Police and Fire bureaus through the City's accounting system. Expenses are determined by the number of active FPDR Three employees, their pay, and PERS contribution rates. The number of employees for whom FPDR makes contributions is expected to increase to roughly 930 by the end of FY 2023-24, an 8.9% expansion over FY 2022-23, and 23.0% more than two years ago. The FPDR Three population will continue to grow until the mid-2030s, when it is estimated the entire sworn workforce will be comprised of those hired in 2007 or later. The program's primary goal is to verify all contributions, so reimbursements are accurate, and to remit payment to the Police and Fire Bureaus in a timely manner.

Performance	Actuals FY 2020-21	Actuals FY 2021-22	Target FY 2022-23
Number of active employees in FPDR 3	723	724	855
Percent of workforce who are FPDR 3	50%	51%	58%

Equity Impacts

This program does not have equity impacts as it functions internally to reimburse the Police and Fire Bureaus for PERS costs.

Changes to Program

There have been no changes to program operations and none are planned for the future. However, this is FPDR's fastest growing program in terms of expense. Sworn PERS contributions increase as more PERS-covered employees are hired, advance through the police officer and fire fighter pay steps, and are promoted or assigned specialty pays as they gain seniority at the Police and Fire Bureaus. In addition, PERS contribution rates typically increase every other year, and sworn employees generally receive wage cost-of-living adjustments (COLAs) each year. For FY 2023-24, the contribution rate for the PERS tier in which most FPDR Three members participate will increase from 31.72% to 33.91% and all employees will receive a 5% wage COLA (in addition to any step, promotional, or premium pay increases).

Program Budget

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Requested Base FY 2023-24	Requested with DP FY 2023-24
Requirements					
Bureau Expenditures					
Internal Materials and Services	23,079,937	26,812,489	33,070,000	40,730,000	40,730,000
Bureau Expenditures Total	23,079,937	26,812,489	33,070,000	40,730,000	40,730,000
Requirements Total	**23,079,937**	**26,812,489**	**33,070,000**	**40,730,000**	**40,730,000**

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Base Budget FY 2023-24	Requested FY 2023-24
Resources					
External Revenues					
Taxes	168,308,393	194,147,020	183,485,461	193,701,162	193,701,162
Charges for Services	23	30	0	0	0
Bond & Note	31,658,596	38,542,500	45,000,000	38,000,000	38,000,000
Miscellaneous	584,229	469,055	789,100	1,980,800	1,980,800
External Revenues Total	**200,551,242**	**233,158,605**	**229,274,561**	**233,681,962**	**233,681,962**
Internal Revenues					
Fund Transfers - Revenue	0	0	750,000	750,000	750,000
Interagency Revenue	420,096	324,343	393,900	445,500	445,500
Internal Revenues Total	**420,096**	**324,343**	**1,143,900**	**1,195,500**	**1,195,500**
Beginning Fund Balance	17,090,202	14,467,675	25,229,006	24,209,481	24,209,481
Resources Total	**218,061,540**	**247,950,624**	**255,647,467**	**259,086,943**	**259,086,943**
Requirements					
Bureau Expenditures					
Personnel Services	2,447,178	2,607,578	2,946,333	2,979,029	2,979,029
External Materials and Services	145,030,606	148,555,724	158,510,999	160,060,955	160,060,955
Internal Materials and Services	24,183,324	28,006,617	34,362,170	42,125,307	42,125,307
Capital Outlay	0	39,780	35,001	55,093	55,093
Bureau Expenditures Total	**171,661,108**	**179,209,700**	**195,854,503**	**205,220,384**	**205,220,384**
Fund Expenditures					
Debt Service	31,791,605	38,689,771	45,434,207	38,978,478	38,978,478
Contingency	0	0	13,437,508	14,000,000	14,000,000
Fund Transfers - Expense	141,151	136,693	921,249	888,081	888,081
Fund Expenditures Total	**31,932,756**	**38,826,464**	**59,792,964**	**53,866,559**	**53,866,559**
Ending Fund Balance	14,467,675	29,973,348	0	0	0
Requirements Total	**218,061,540**	**248,009,512**	**255,647,467**	**259,086,943**	**259,086,943**

Fund Overview

Chapter 5 of the Portland City Charter establishes the Fire & Police Disability & Retirement (FPDR) Fund for the sworn employees of Portland Fire & Rescue and the Portland Police Bureau, their surviving spouses, and their dependent minor children. The purpose of the fund is to finance the pension and disability expenses of the City's sworn workforce. Direct, pay-as-you-go pension payments are made from the fund to retirees hired before January 1, 2007, who are enrolled in the FPDR pension plan. The FPDR Fund also pays contributions to the Oregon Public Employees Retirement System (PERS) to pre-fund the pensions of active employees hired January 1, 2007 and later, who are enrolled in the PERS pension plan. Direct, pay-as-you-go disability benefit and medical payments are also made from the fund to all FPDR members with at least six months of service and a qualifying illness or injury. Finally, the administrative costs of governing the FPDR Plan and operating the FPDR Bureau are born by the fund. The FPDR Fund is supported primarily through a dedicated property tax levy originally authorized by the voters in 1948. The levy is a rate-based levy, providing a maximum rate of $2.80 per $1,000 of real market value (RMV).

Managing Agency Bureau of Fire & Police Disability & Retirement

Significant Changes from Prior Year

Net of tax anticipation notes—which artificially inflate the size of the fund because the notes are issued and repaid in the same fiscal year—total fund requirements for FY 2023-24 are $221.1 million. This is an increase of $10.4 million or 5.0% from the FY 2022-23 Revised Budget, and is nearly identical to the growth rate in the prior year. FPDR costs will increase above and beyond inflation for the next 10 to 15 years as the fund bears the cost of financing two generations of retirees simultaneously: pay-as-you-go FPDR pension benefits for FPDR One and Two members during retirement, and prefunded contributions to PERS for FPDR Three members during their working lives. FPDR One and Two members were hired before January 1, 2007; FPDR Three members were hired on or after that date.

The fund is expected to close FY 2022-23 with an ending fund balance of $24.2 million, the second year in a row with fund balance exceeding historically typical levels. The excess fund balance is partly due to slower than anticipated hiring at the Police Bureau (and thus reduced PERS contributions), and partly due to larger fund contingency levels that were established during the first two years of the COVID pandemic. These funds will be returned to the taxpayers in FY 2023-24 through slower growth in the FPDR tax levy than would otherwise have been the case. Target ending fund balance is between $14 million and $20 million.

The fund has shouldered higher disability costs than usual throughout the COVID pandemic, but these costs are expected to temper in FY 2023-24. The FPDR Board of Trustees adopted emergency administrative rules in 2020 to simplify disability benefit qualification for those who were infected with or exposed to COVID. FPDR received 536 disability claims in FY 2020-21 and 583 in FY 2021-22, as compared with 300 to 400 claims per year in the decade before. As a result, FPDR disability expenses were $1.0 to $2.0 M higher than usual in each of those years. In FY 2023-24 and beyond, FPDR expects disability costs to drop from pandemic highs, but has budgeted for disability benefits to remain roughly 50% higher than pre-pandemic levels to accommodate continued occasional COVID spikes.

After a record-breaking number of sworn retirements in FY 2020-21, retirements have realigned with actuarial projections and known retirement patterns. A total of 52 employees have retired since July 1, 2021, as compared with 99 between July 1, 2020 and June 30, 2021. Over the last 18 months the population of pension beneficiaries has remained essentially flat, as fewer active employees retired and the plan experienced historically high mortality rates. Approximately 15% to 20% more retirees and surviving spouses passed away in the last two years than was forecast based on previous actuarial experience.

For FY 2023-24 and beyond, the fund budget assumes that mortality levels return to the rate assumed in the plan valuation and that retirement levels continue their return to usual patterns based on age and service years, as well as the timing of advantageous 27 pay date months. (These are months when the period for calculating final pay includes 27, rather than the usual 26, pay dates.) As there will be two 27 pay date months in FY 2023-24, FPDR anticipates 65 to 75 retirements next year.

Fire & Police Disability & Retirement Reserve Fund

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Base Budget FY 2023-24	Requested FY 2023-24
Resources					
Internal Revenues					
Fund Transfers - Revenue	0	0	750,000	750,000	750,000
Internal Revenues Total	**0**	**0**	**750,000**	**750,000**	**750,000**
Beginning Fund Balance	750,000	750,000	750,000	750,000	750,000
Resources Total	**750,000**	**750,000**	**1,500,000**	**1,500,000**	**1,500,000**
Requirements					
Fund Expenditures					
Fund Transfers - Expense	0	0	750,000	750,000	750,000
Fund Expenditures Total	**0**	**0**	**750,000**	**750,000**	**750,000**
Ending Fund Balance	750,000	750,000	750,000	750,000	750,000
Requirements Total	**750,000**	**750,000**	**1,500,000**	**1,500,000**	**1,500,000**

Fund Overview

The Fire & Police Disability & Retirement (FPDR) Reserve Fund was established by City Charter and must have a beginning and ending fund balance of $750,000 each year. During the fiscal year the fund may be used in the event the FPDR Fund becomes depleted to the extent that current obligations cannot be met. Interest earnings for the Reserve Fund are booked directly to the FPDR Fund.

Managing Agency Bureau of Fire & Police Disability & Retirement