

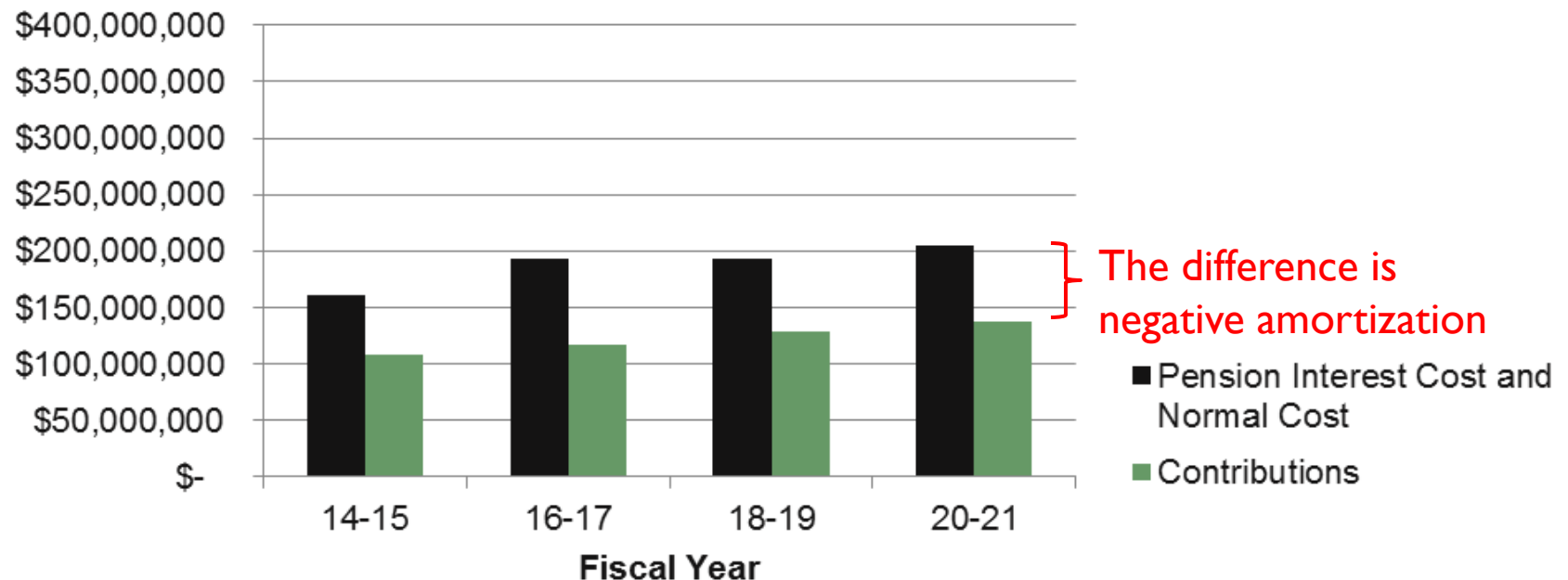
Portland FPDR Funding Policy

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Actual Basis vs. Cash Basis

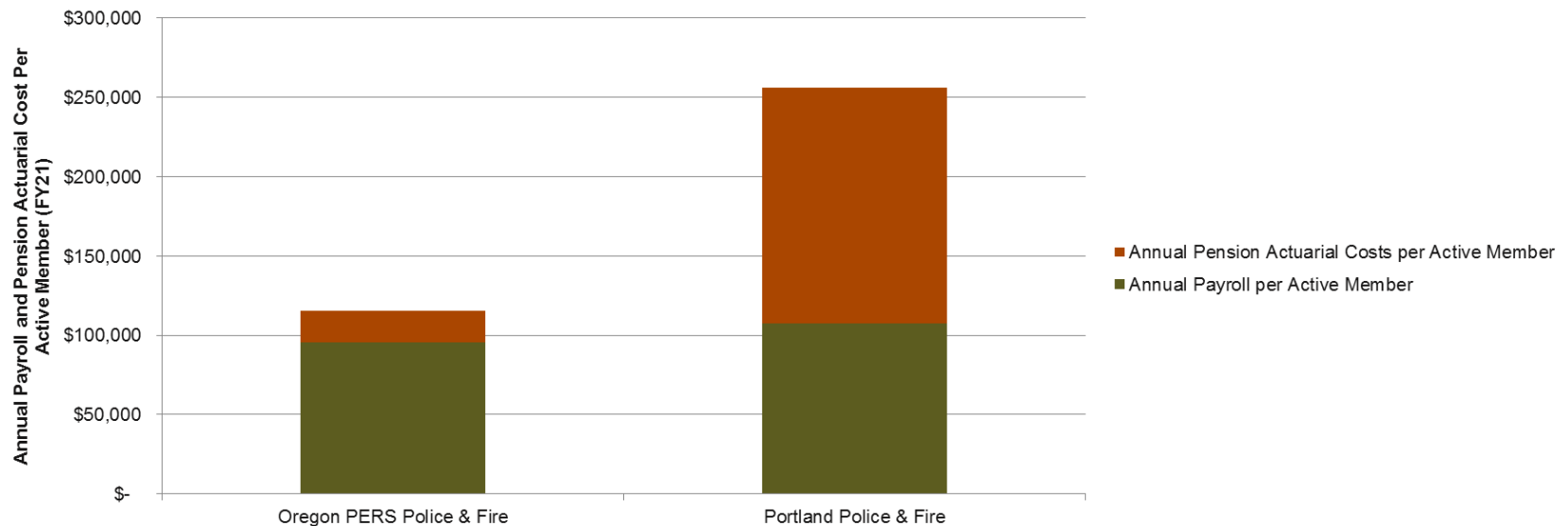
- ▶ **Negative amortization:** When contributions are insufficient to cover Interest Cost and Normal Cost

FPDR One and Two



OR vs. Portland Costs Per Active Member

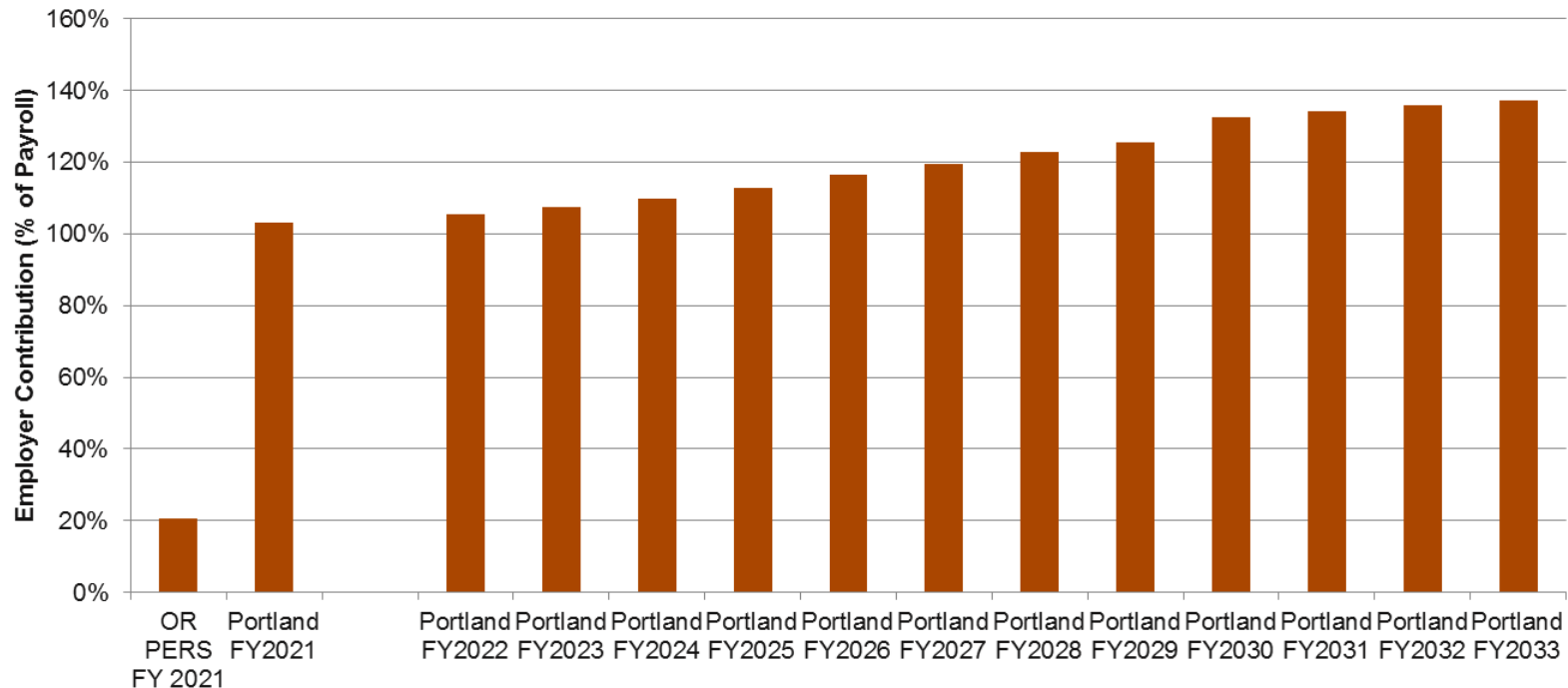
OR vs. Portland Police & Fire Annual Payroll and Pension Costs (Actuarial)



- ▶ City Council controls salary costs (green)
- ▶ City Charter controls pension costs (red)
 - ▶ Normal Cost is the annual cost of benefits earned in the current year
 - ▶ Interest Cost is the annual interest rate times the unfunded liability
 - ▶ Portland Police & Fire pensions are the most costly in the country

OR vs. Portland Cash Costs

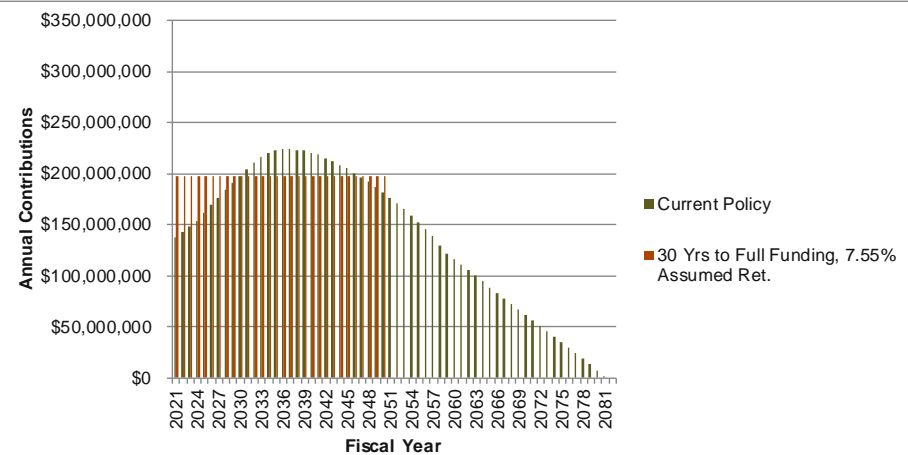
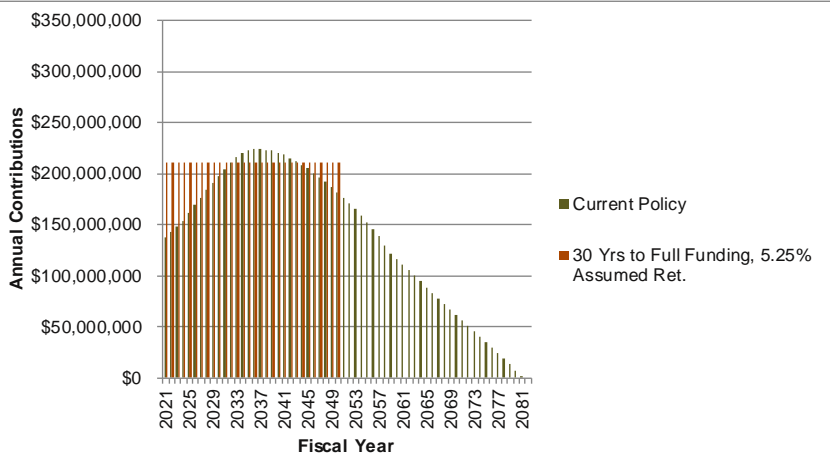
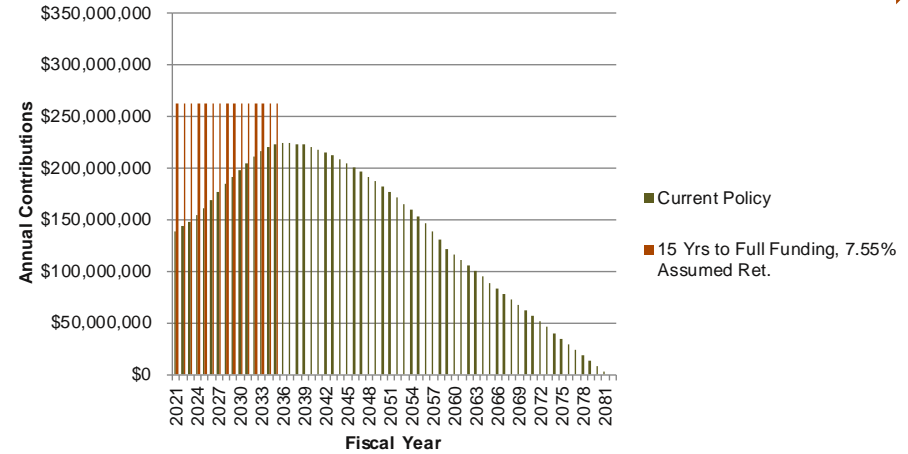
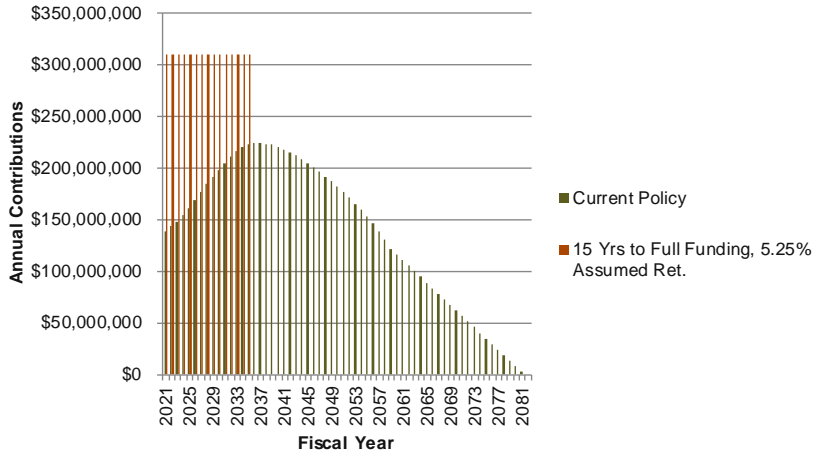
Employer Contribution (Expected Case)



- ▶ **Portland's system is the most costly in the country**
 - ▶ This conclusion is consistent whether you analyze the actuarial valuation or projections of cash contributions

Current Policy (Green) vs. Illustrative Alternatives (Red)

Increase Assumed Return



Increase Time to Full Funding

Summary of Illustrative Alternative Policies

▶ Current Funding 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.

▶ Alternative Funding Policy: 15 years to full funding

- ▶ Cumulative contributions are higher by about half over the next 15 years in order to eliminate all subsequent contributions
- ▶ Eliminates about half of cumulative costs over the life of the plan

▶ Alternative Funding Policy: 30 years to full funding

- ▶ Cumulative contributions are higher by just 1% to 8% over the next 30 years in order to eliminate all subsequent contributions
- ▶ Eliminates about one quarter to one third of cumulative costs over the life of the plan

For Consideration

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