From:	Kevin Machiz
To:	Hutchison, Sam
Subject:	FPDR Board Written Public Comment for April 4
Date:	Wednesday, March 29, 2023 8:19:11 PM

Director Hutchison,

I am submitting this written public comment in reference to the April 4, 2023 Board Materials, specifically a memo from staff to the FPDR Board of Trustees regarding an actuarial services contract with Milliman under Action Item 2. The memo's description of the contract's purpose is inconsistent with Actuarial Standard of Practice No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* ("ASOP No. 4"), which was adopted by the Actuarial Standards Board in December 2021 and became effective February 15, 2023. ASOP No. 4 states that the actuary should "calculate and disclose a reasonable actuarially determined contribution."

This memo states that the purpose of the contract shall include assessing "the adequacy of the capped FPDR tax levy to fully fund FPDR plan benefits over 20 year periods in concert with the biennial plan valuation." The memo goes on to claim that "FPDR's status as a pay-as-you-go plan means that FPDR does *not* require" actuarial services that would include calculating "a required annual contribution to maintain the funded level of the plan and/or develop a strategy and recommendation to pay down any unfunded liability."

FPDR's Levy Adequacy Analysis and any potential accompanying formal report document on the same subject would meet the definition of a funding valuation under ASOP No. 4. ASOP No. 4 defines a funding valuation as "a measurement of pension obligations or projection of cash flows performed by the actuary intended to be used by the principal to determine plan contributions or to evaluate the adequacy of specified contribution levels to support benefit provisions." The Annual Comprehensive Financial Report of the City of Portland further confirms reliance on this analysis:

> The current levy is $1.20 per $1,000 of taxable real market value. This dedicated property tax levy has been sufficient in all years to meet required annual benefit payments, and its adequacy to make future payments is tested regularly. The most recent levy adequacy analysis, completed as of June 30, 2020 by the FPDR Plan's independent actuary, again confirmed the ability of the tax levy to fully cover future benefits and plan expenses when due under a wide range of most likely scenarios.

ASOP No. 4 directs that "when performing a funding valuation, except where the actuarially determined contribution is based on a prescribed assumption or method set by law, the actuary should also calculate and disclose a reasonable actuarially determined contribution."

ASOP No. 4 defines an actuarially determined contribution as "a potential payment to the plan as determined by the actuary using a contribution allocation procedure. It may or may not be the amount actually paid by the plan sponsor or other contributing entity."

In conclusion, I hope the FPDR Board of Trustees sees the inherent value of transparency as the Actuarial Standards Board did in adopting this newly effective Actuarial Standard of Practice.

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Opinion’s expressed herein reflect only the author’s

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