CITY OF PORTLAND
BUREAU OF FIRE & POLICE
DISABILITY & RETIREMENT

BOARD MEETING

November 14, 2023

FPDR BOARD OF TRUSTEES MATERIALS
November 14, 2023
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Note: There are no handouts for Information Items 2 and 7 of the agenda

This meeting will be held virtually

City of Portland Bureau of Fire and Police Disability and Retirement
Agenda for Regular Meeting – Board of Trustees
Tuesday, November 14, 2023 – 1:00 p.m.

Please note, City Hall is closed to the public due to remodeling of Council Chambers to accommodate the new City Council structure. Under Portland City Code and state law, the Board of Trustees is holding this meeting electronically. All members of the board are attending remotely. The meeting is available to the public on the City's eGov PDX channel on YouTube, 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 – September 26, 2023 Meeting

INTRODUCTION OF VISITORS

PUBLIC COMMENT PERIOD

Public comments will be heard by electronic communication (internet connection or telephone). 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_Kyo3EmSaT2iV9_Iws27Iiw
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 November 14, 2023 electronic board meeting is Monday, November 13, 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 November 9, 2023.***

ACTION ITEMS

- There are no action items for this meeting.

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	Auditor's Annual Report Presented by Moss Adams
	2	Equal To or Better Than (ETOB) test follow-up discussion from May 23, 2023 meeting
	3	Definition of "Spouse" follow-up discussion from January 23, 2023 meeting
	4	2023 Legislative Update
	5	2024 Board Proposed Meeting Schedule
	6	FPDR Summary of Expenditures
	7	FPDR Updates
	8	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

This was a hybrid meeting with the option to attend in-person or remotely via a Zoom webinar platform.

Date and Time: September 26, 2023, at 1:18 p.m.; The meeting was in recess from 3:21 to 3:30 p.m.; Meeting adjourned at 3:54 p.m.

Board Members Present:

Catherine MacLeod (Citizen Trustee); Tom Kramer (Citizen Trustee); Christopher Kulp (Police Trustee); Kyle MacLowry (Fire Trustee)

Also Present:

Sam Hutchison (FPDR Director); Kimberly Mitchell (FPDR Claims Manager); Stacy Jones (FPDR Deputy Director/Finance Manager); Julie Crisp (FPDR Business Systems Analyst); Julie Hall (FPDR Legal Assistant); Franco A. Lucchin (Sr. Deputy City Attorney); Lorne Dauenhauer (Outside Legal Counsel); Kevin Machiz (Community Member); Del Stevens (Retired Fire Member); OpenSignal PDX

Motions Made and Approved:

- Motion by Trustee MacLowry that was seconded by Trustee Kramer and unanimously passed (3-0) to approve the July 25, 2023 minutes.

A text file produced through the closed captioning process for the live broadcast of this board meeting is attached and should be considered a verbatim transcript.

Fire and Police Disability and Retirement

By___________________________________

Sam Hutchison

FPDR Director

CLOSED CAPTIONING FILE

[Captioner on standby]

Director Hutchison: Thank you. Okay. Here we go. So, Christopher Kulp is having technical issues. He's on a city police computer which is having fits trying to get into the network stuff we're doing right now, so he's working to do that and will join us when he can. We don't have any votes today, so we can move through with everything. So, I'll turn it over to you, Catherine. Do you want to go ahead and start?

Trustee MacLeod: Okay. Well, welcome to the September 26th meeting of the Board of the Fire and Police Disability and Retirement plan. I think we start with introduction of our newest trustee, Mr. Thomas Kramer. I don't know if that means Tom that you're introducing yourself.

Trustee Kramer: Thank you, Catherine. I'm glad to be here and I don't want to waste anyone's time by saying more. Sorry, I was warned to toggle on and forgot that I was given that warning. All I said was that I'm glad to be here and I won't waste anyone's time further.

Trustee MacLeod: All right. Thank you. Welcome aboard, we're very, very glad to have you with us, and with luck we'll fill that center seat as well in the near future. So, we look forward to that.

Director Hutchison: Fingers crossed.

Trustee MacLeod: Our first and perhaps only real action item for this meeting is for us to approve the minutes from the July 25th meeting. I guess I don't know the protocol for this, if Trustee Kulp is not able to hear us, and Trustee Kramer was not officially part of that, I don't know if he's appropriate to approve the minutes.

Director Hutchison: You've got a quorum to vote, and you need three positives to say yes. If not, we can just delay the approval to next meeting.

Trustee MacLowry: I'll make a motion to approve the meeting minutes.

Trustee MacLeod: Perfect. Do we have a second?

Trustee Kramer: I'm willing to second. I attended that meeting even though I wasn't a trustee at the time of the meeting.

Trustee MacLeod: We'll take that. All those in favor of approving the minutes as written? Aye.

Trustee MacLowry: Aye

Trustee Kramer: Aye

Trustee MacLeod: All right, so they are officially approved. Thank you very much. Next up is introduction of visitors. And I will ask not being the one sitting in the room, if there's any visitors that want to introduce themselves.

[Attendees introducing themselves off mic]

Director Hutchison: And me, Sam.

Trustee MacLeod: Are there any visitors on the phone that need to be introduced?

Director Hutchison: No.

Trustee MacLeod: All right then. Thank you, I'm glad everyone is here. Next up is public comment period, and I understand that Mr. Stevens would like to make some comments.

Director Hutchison: Del, you're up.

PUBLIC COMMENT PEROID – DEL STEVENS

Del Stevens: Good afternoon. I was anticipating maybe going into some of the inequity issues today, but there's not going to be an opportunity because of the shortness of time. I did, however, make a summary of the issues I thought were important, if I could read that into the record.

Julie Hall: Of course.

Del Stevens: Thank you. Okay. Today's September 26th, 2023. It's the FPDR pension board meeting. Good afternoon. I want to thank you for giving me the opportunity to speak at the FPDR board meeting today. I was not sure how long I would be given to speak, so I have made a summary of the issues that I feel are germane to the way our disability process is handled. I will try to explain how we have arrived at the place we now find ourselves, and what should be done now. We are the only city in the state of Oregon which does not have a disability pension as part of their employee benefits. I come before you today because our firefighters and police officers that become disabled while performing their duties are not receiving the full benefits they are entitled to. However, before I speak to these compelling issues, I would like to share a brief profile of my own experience for the city of Portland.

I was hired as a firefighter on December 20, 1968. I served in a variety of positions over my career with the Portland fire bureau. These included Fire Inspector, Fire Lieutenant, Fire and Arson Investigator, Station Captain, Battalion Chief, Chief, and finally, after working 35 years and having two operations on my back, I received a disability pension in June of 2002. During this time, I was not only pleased to serve the needs of our city but was also active in union activities with local 43 of the International Association of Firefighters. As part of my other duties, I served a term as one of the trustees on the pension board during a very challenging time. We undertook the challenging and lengthy process of creating an entirely new pension structure that would hopefully match or exceed those provided by the Oregon Public Employees Retirement System, known as PERS. We hired a recommended actuary by the name of Bob McCrory to lead us in the year-long process of creating a new pension in 1989. This was a very long and involved effort, but finally resulted in a tier two plan that was endorsed by both the fire and police unions, as well as by mayor Bud Clark. In fact, the firefighters and police officers then working were given the opportunity to accept the new plan or stay with the old plan. Some who had been injured while doing their job previously chose to stay with the old plan. That plan provided for 60% of a firefighter's pay as a disability pension. For those who chose the new plan, they found that a line of duty injury that was career-ending would result in a 2% per year worked with a number of years, maxing out at 30 would be counted. And this would all be based on a member's rank at the time of leaving. Many of us felt this was a benefit that would provide financial security for the rest of our lives. We never expected that PERS would negotiate with the Internal Revenue Service as a result of the Hauser case in 2006 and end up with a tax-protected disability pension.

The issue before us today is that our firefighters and police officers who do the same exact kind of work and suffer a career-ending injury deserve the same benefit. There are many justifications for this. The existing Oregon Administrative Rules of our state are very explicit in its rule that all firefighters and police officers in the State of Oregon shall have a service pension and a disability pension. This law is current, and there are no exceptions made. The City of Portland is not in compliance with the existing state law that all other public fire and police agencies in our state are in conformity with. There are also provisions in our US Constitution that specify equal pay for equal work. There's nothing equal about one group of public employees who have suffered a career-ending disability not paying a federal and state income tax on their pension, while another group in the same profession with disabling injuries also must pay taxes on their pension. This is discriminatory and that is something our country is very careful to avoid. It is even more flagrant when both groups of employees work for the same employer. Another issue that the voters approved, the new pension plan overwhelmingly, in 1990, and it became part of the city charter. What was passed by the voters in our city should not be changed or revised with going back to the voters. When the director of FPDR removed the words "disability pension" from the city charter, he exceeded his authority. The city, in the values it endorses as part of its strategic plans, and there's been several over the years, among other values, one of the prominent values is we are committed to equity and integrity in all areas of our operation. If this is something they truly believe in, they need to bring this issue back before the voters at the next election. The fire and police unions need to be consulted on this issue, as well as the citizens. This benefit is very important to all of our firefighters and police officers, especially the disabled ones who go off duty, and also of course their families. It is time to do the right thing. Those were just the issues that I wanted to make sure would be considered and covered. I understand you have a busy agenda, and you don't want to get into a lot of specific issues. But please, in your capacity to make sure that the process is fair and equitable, don't let this issue keep going. Our members are suffering. We have people out there who have lost their houses. There are homeless people all around, and now is the time to step up and do the right thing. There's no cost involved to the city by giving us the same benefit that PERS has as far as a nontaxable disability pension. If you'd like to ask me questions, I'll be glad to answer that, or we can meet at another time.

Julie Hall: Thank you for your comments, Mr. Stevens. We're going need to move on to the next public commenter.

Del Stevens: I'm sorry, I couldn't understand that.

Julie Hall: Thank you, Del. We have another public commenter, so we're going to need to move on. I appreciate your time today.

Del Stevens: Thank you for giving me the opportunity to speak.

Julie Hall: Thank you.

Trustee MacLeod: May I ask, can you leave a copy of those comments with us so we can have those and review those?

Julie Hall: Catherine, I'll scan those in for you today.

Trustee MacLeod: I appreciate that. Thank you.

Del Stevens: Thank you for your concern.

Trustee MacLeod: Mr. Stevens is the only public commenter I have on my agenda.

Julie Hall: We do have another public commenter today, it's Kevin Machiz. Would you like to come up?

Trustee MacLeod: Welcome Mr. Machiz.

PUBLIC COMMENT PERIOD CONTINUED– KEVIN MACHIZ

Kevin Machiz: Thank you, I'm Kevin Machiz. I'm here today to extend an olive branch. Turning to the next slide, the charter gives the board the authority to grant - looks like we lost the slides. The charter gives the board the authority to grant COLAs up to a 2% cap. Actual inflation has exceeded 2% recently. Several current and former trustees have commented they would want to grant higher COLAs in response to actual inflation exceeding 2% if they had the authority to do so. At the March 15, 2022 board meeting there was discussion about changing the charter to lift the cap. It was even brought up that asking for a measure involving increased taxpayer costs would make this unlikely to succeed. Next slide, hopefully we'll get it up.

I believe there is a way to successfully lift the 2% cap on COLAs if that's still something you want to do for your members. I am proposing two concurrent policy changes. First replace the charter's 2% cap on COLAs with actual CPI inflation, turning to slide three here.

So first, to replace the charter's 2% cap on COLAs with actual CPI inflation, condition on exceeding a specified funding ratio. Second, to adopt a comprehensive actuarial funding policy. By moving these two policy changes forward concurrently, the board would have the ability to give COLAs they seem to want, and the long-term cost to taxpayers would go down. In other words, everyone can get what they most want. Next slide.

If we could skip ahead to slide five, please. Here on slide five what we're going to see is about one-third of all states have implemented similar ties between COLAs and funding. Why have so many states done this? First, these provisions don't ask whether benefits are too generous or not generous enough. The FPDR board wrestles with that question every year, when this topic comes up, and it has gotten the board nowhere regarding that cap. Instead, these provisions ask a much more productive question, which is, what benefit increase can we afford? Second, the policies align everyone's incentives towards funding as quickly as practical.

So, this is slide six. This slide summarizes an example change in funding policy to address a specific concern that Trustee Kulp raised at a prior board meeting. Trustee Kulp asked what increase in property tax would be necessary over a 30-year period under two example funding policies and I responded it would be between 2% and 9%. Trustee Kulp felt that was too high and so this example funding policy is responsive to Trustee Kulp. In this example, there is no increase in cost to taxpayers over a 30-year period. Over the life of the plan, this alternative is expected to reduce costs by $2.5 billion. What I'm proposing is that just a fraction of these cost savings can be dedicated to lifting the cap on COLAs. Thank you.

Trustee MacLeod: Thank you. Before you leave, did I hear you correctly that with no additional cost to taxpayers we're going to find money to prefund the plan?

Kevin Machiz: Over a 30-year period, that's correct. Under the example funding policy shown on the screen here.

Trustee MacLeod: Over a 30-year period. Okay. So, timing of taxpayer contributions would be changed, accelerated, but over the 30-year period you're saying they would be not increased.

Kevin Machiz: That's correct.

Trustee MacLeod: Thank you. Was there a time for any discussion of this? Did any of the other trustees have questions at this time, or do you want to take this up at another meeting?

Trustee MacLowry: I have no questions at this time. Thank you.

Trustee MacLeod: Okay. Thank you very much for your comments. If you can leave these, well I know we've got it in the agenda where we're trying to add these topics to future meetings, so we'll take that under advisement. Thank you very much. Sam, it looks like we're on to information items, because there are no other action items for this meeting.

Director Hutchison: We're going to start with the State of FPDR presentation. I'm trying to get the documents to share correctly on the zoom meeting. Catherine, do you have a copy of the paper?

Trustee MacLeod: I do, thank you.

<u>INFORMATION ITEM NO. ONE – STATE OF FPDR PRESENTATION</u>

Director Hutchison: We'll go ahead and get started here with the state of FPDR. So, we're here to present today the annual state of FPDR for the fiscal year July 2022 through June 2023. The goal of this presentation is to provide you and the audience with an overview of what's happened in FPDR and with the fund over the past year as well as showing how various activities and actions have impacted the fund. Presenting with me today is Kim Mitchell, our Claims Manager and Stacy Jones, our Financial Manager/Deputy Director. So, as we present, I urge you to ask questions about what you hear or see.

So, we'll slide on here to number two to discuss what happened last year. So, recovery from covid, we've had fewer covid claims, but we also had to educate members that we are transitioning away from the covid presumption rule, and that created some confusion over time. So, we had to spend time helping people understand that and how it changed, how those covid claims are being managed and decided. We also had to focus on claims needing attention and focus on presumption claims, so those claims were stressed at the time we had so many covid claims that we now had time to get back and start looking at those and catching up with how we should be handling those claims and preparing for an increased number of presumption claims. We also started the hybrid work schedule, returning to the office half-time. We created the 2023-2028 strategic plan. As far as I can go back in history, this is the first strategic plan FPDR has ever had. It's designed to guide us for the next five years and prepare for additional time after that, and we'll review the plan with you during our January board meeting. We had the 2023 state legislative session, so I constantly monitor and pour through all the bills to see which one of those bills will have any direct or indirect impact on FPDR and our members. So, we had two bills that impacted the board, and two bills that impacted FPDR, and we'll review those bills during our November meeting.

We returned to in-person widow visits, something that we pride ourselves on. We meet with each widow if possible if they’re in the local area. We do take some trips outside the Portland metro area to meet with them. They find it invaluable to talk with a person to explain what their benefits are going to be, how they're going to be paid, and what they can expect from FPDR. In the disability area, we completed a process and improvement for digital claim workflow. When we started covid and were thrown out to do the work from home, we had to quickly pick up a digital claim process and so we wanted to come back in and evaluate it and see how we could further improve on it. We hired and trained a new disability analyst.

On page 3, for pension and finance we issued an actuarial RFP and selected Milliman as the FPDR actuarial firm for the next five years. We had to do some rearrangement in our finance team because we had a retirement of a long tenured lead financial analyst who had 25 plus years of service with FPDR, and she was fantastic at her job, took a lot of knowledge with her, we did the best we could to prepare and extract as much knowledge as we could from her before she left. We then promoted a financial analyst into her position from within the bureau, and we had to replace that financial analyst with another financial analyst, so she's our new analyst there. So, we're training everybody up to get them up to speed in those new positions for them. We also added Moda as an insurance withholding option for members. We have a benefit, there is a federal tax law that allows people to take a deduction on their taxes if we pay their medical premium when they retire, up to $3,000. But we have to have an agreement with medical providers to allow us to pay the premium for the member, and Moda finally, due to all the fantastic work with Beth, our Pension Benefit Coordinator, got them on board. So now we have a lot of retirees on Moda, and we can now pay their premium and they can get that tax credit.

So, for technology, we implemented new banking software, the old one had reached its end of life and they were not renewing it. And we upgraded all our computers and laptops, not a glamorous thing to do for the tech side, but it definitely helped us. We had seven, 8-year-old laptops and it made everybody's work smoother.

So, onto slide four, what's happening this fiscal year 2023-2024. We have our first contract with the city of Portland Professional Workers Union, they were just unionized a few months ago. They do not have a contract yet, they're in the process of negotiating that. Half of the FPDR staff are now part of this union when they were non-union before. So, once we have a labor agreement signed, we'll evaluate how it may impact FPDR operations. We're expecting there will be, how we pay people, what we pay them over time, etc. so we'll have to evaluate how that impacts our operation. And then we will review the agreement with the board in a future meeting once we have that information determined with you. We're going to begin executing our strategic plan. We're going to monitor the change to city organizational structure to assess its impact on FPDR, which at this point appears to be very light, very minimal. And we will review that quickly later today because I’d sent you some stuff on it and we'll walk through that a little bit. We're going to monitor the 2024 state legislative session, this is a short session of just a few months. I'm not expecting any PERS or workers' compensation-related bills. This is going to be public safety, drugs, alcohol issues and addiction issues, homelessness, so it's going to be some of the big items like that that are going to be on their radar. I expect there will be in the 2025 long session, there will be some bills coming in, and I’m going to propose one and we'll talk more about that later, next year. We're going to update the board handbook, the last one was updated in 2019. I thought we'd better get that caught up. Nothing big to change, it just needs to be cleaned up. And we're going to be continuing to review our continuity of operations plan, how we respond in a major disaster and how we can keep our services going to our members when there's big things happening to or in the city.

Also, what's happening further in 2023, we're on slide five, disability and we recently lost one of our managed care organizations. They're closing. And we're going to be in the process of figuring out how we manage without that organization, what we should do, and Kim will talk more about that later. That will take some time. We're going to complete the onboarding and training of the new disability analyst, because we have a new analyst and changes from covid, and presumptions we're shuffling claim loads around.

Pension and finance, we have two 27 pay dates in December and June, so that always creates a lot of movement in retirements. We're going to update our retirement education materials on the website, that's part of our strategic plan. And because of the change in city government, this next budget of the 2024-2025, which that work starts almost immediately, is that there's going to be a unique city budget. It's going to fund, half will fund the present form of government, the other half will fund the future form of government, and it's going to be an interesting budget cycle. Stacy may have more on that later when that comes in, but that could put a lot of pressure on us as we go through our budget.

And lastly, technology, we're on slide number six. Another glamorous thing we do for technology, they're replacing a lot of servers, so on the back end if the servers aren't replaced correctly, our database could go down and we could lose access and not be able to service our members, and we have other software and hardware improvements driven by the bureau of technology services. Again, they're not glamorous, but if they aren't done right and we're not on top of it, it could be crippling to the bureau.

On chart number seven, or page seven, is an organizational chart. I don't know if many people have seen this here, we don't have names on it, but it shows you our two teams. The business operations, which is really our finance and pension team that Stacy oversees, and you can see the position for the financial analyst there. And then we have the other team, this is our disability management area, and Kim is the manager over that. You can see all the positions in blue, including even one for the disability accountant, are dedicated to providing disability benefits. The disability accountant doesn't manage claims but does make sure all the checks get out the door for disability. They're over in the finance area because we're dealing with checks, but she works closely with the disability side to keep it going. You'll see we have the police liaison and fire liaison. We pay half their salary, but they are members of the police and fire bureaus. Slide number eight.

This is the program overview. So, programs are the services that we offer to our members, and they're linked to our and the city's budgets and performance measures. And so, it's a different look into what we do. So, we're not looking at people, but at the services we offer. So obviously we offer pension benefits, we offer sworn PERS contributions, that's not actually offered directly to our members, but we're the ones that make sure their contributions are made to PERS. It comes out of our budget and not out of police and fire's budget. We have the disability and death benefits that come out. The fourth box is admin support, that's not a program, but we put them on there anyway because the service they offer allows the three programs on the left-hand side to function. Oftentimes some of these people are the first line of contact for our members and surviving spouses, and they provide invaluable support. They keep us going through all different aspects of what happens in the bureau.

I'll jump over here to slide nine. We talked about performance measures briefly when we talked about programs. The key performance measures, each city bureau also has several key performance measures that best represent the outcomes of the bureau's core service delivery or programs. Performance measures are used to evaluate performance obviously but set city policy and inform the city budget. There are several types of performance measures you'll see, and they capture impacts of the program, there's workload measures, output measures, outcome measures, and efficiency measures. So, the following five slides will cover the FPDR key performance measures that we have. We're moving pretty fast, any questions so far? Anything you've gone over?

I'm going to do slide number nine, the first key performance measure. This is percent of workforce on disability. The trend here shows a slight decline in the workforce on disability as of a specific date, which we always choose June 30th to be specific, the end of the fiscal year. The trend has been leveling off, so we're about 3.2-3.5%. We don't expect it to vary much from that range going forward. It's not our intent to drive it down. So why is this slide important? Well, you can see back about 10 years ago we were up about 4.6%. If we took this back 20 years ago, it would have been 7-9% of the forces would have been on disability at the end of June. So, what's happened in those last 20 years? Because of the 2007 charter change, they transitioned the disability decision making from the board to the bureau, actually to the director. There's a lot of reasons why that happened, but they wanted to be consistent and straightforward in what they were doing. So, our predecessor, she worked closely with Kim and some of the other people to develop claim investigation management techniques that were improved and better able to stay on top of the claims, better able to help people return to work, and monitored the medical services they were receiving. We had the bureaus, both police and fire commit to transitional duty, which is where if they can bring somebody back for a temporary period of time doing light work with the intention that they'll eventually go back to work full-time, we will fund 75% of the wages they pay. So, they would be paid from the bureau, but we'll refund the bureau 75% of the wages. So that partnership has really encouraged the bureaus to get people back to work. And we have a strong work ethic with our members. They don't like being on claim and not working. So, you put all this together we've gotten a good result on that performance measure.

Stacy Jones: All right. I'm going to pick up from here. As Sam mentioned I'm Stacy Jones, and I manage the pension program and FPDR finances. I'm going to pick up from here. Our next key performance measure shows, it's not really a measure of performance, it's a key data point we're tracking, which shows the number of FPDR 2 retirements from active service each year. So, you'll see the total number of retirements on the left axis, and then you can see in each bar the police retirements are of course in blue, and the fire retirements are in red, I can never resist. So just for the benefit of Trustee Kramer, FPDR 2 members are those members hired before 2007 in the active workforce, and so when they retire, they're FPDR 2 retirees and we pay their pension benefits directly. So, at this point all of our new retirees are FPDR 2 members. You can see that, hurray, we had a more or less normal retirement year last year in fiscal year 2022-2023 after some very unusual highs and lows in the previous three fiscal years, that I'm sure everyone on the board remembers, except for Trustee Kramer, who wasn't here. Fiscal year 2021 was the highest retirement year ever in FPDR history. And then it sandwiched right between two of the lowest retirement years ever. So, it was kind of nice to be back to normal last year. So, on a strictly actuarial basis, we would have projected 13 fire retirements and 31 police retirements, so it was a bit higher than that. But we always budget for a bit more, and we actually budgeted for 61 retirements last year, and it came in lower than that at 53. So that is what retirements looked like last year. If we move on to the next slide, as those FPDR 2 members retire, what happens? They get replaced with newly hired FPDR 3 members. And again, FPDR 3 members are those who are hired 2007 and later, and they're covered by PERS for their pensions, not by FPDR. However, we do provide their disability plan, so they're not enrolled in workers' comp, just like the FPDR 1 and 2 members. And we're funding – the FPDR fund and hence the FPDR property tax levy – is the funding source for their PERS contributions. So, you can now see the FPDR 3 members are now making up a slight majority of the city's sworn workforce, it's been climbing and climbing. It's a little bit more at police, it's 52% at fire, and 59% of police, so it is a majority of both bureaus now. Fire employees tend to work longer, so the fire workforce tends to turn over a bit more slowly.

If we move on to the next slide, slide 12 my favorite chart, which all the trustees are used to, but again, I keep calling you out, Trustee Kramer, for the benefit of Trustee Kramer. So, we pay virtually all of our costs with our dedicated property tax levy, which is separate from the city's general government levy. But the city charter caps that levy at $2.80 per $1,000 of real market value, always remembering that's totally different from assessed value, which is what you actually pay your property taxes based on. But what this chart shows is where the FPDR tax rate has been over the last five years, and where it is projected to be over the next 20 years, in relation to that cap, and the cap is depicted as a red line across the top. So, the blue line shows, and I've got to make sure I get my colors right on the screen. The blue line shows the actual rate for the last five years. You'll notice that dip down to $1.11 last year, and that happened because we were using up some excess fund balance that we had built up during the pandemic. And so essentially, we returned some of that money to the taxpayers by dropping our tax levy a bit. The I guess is it brown line, for the next five years is the city economist projection of what the rate will be for the next five years. That's as far out as you're going to get an economist to go. As he's looking with the best sense of what's going to happen with real market values, and then we of course also do a five-year projection of our spending. Now beyond that, we turn the projections over to the actuaries, and so these next two lines, which oh, boy, the bottom line which I don't know what color that is either, I should have written these down. The top line is green and the bottom line I guess is brown. The bottom line shows what an actuarial analysis and projection predicts the tax rate will be at the medium probability, out of thousands of scenarios that the actuaries throw at this, predicts the rate will be at medium probability. And the top line shows what they predict it will be at the 95th percentile probability, which you can kind of think of as a worst-case scenario. They've peeled off the worst 5% of cases, but the 95th percentile. So, the bottom line, as has been the case for many years now, is that the levy is not projected to be anywhere near the red line, not even in our moment of peak expense in the 2030s. And that peak expense moment will happen when the entire workforce is FPDR 3, so we are prefunding an entire generation of employees' pensions, and we have a full contingent of living FPDR 2 retirees. So, we're simultaneously funding an entire generation of direct pay-as-you go retirees. So, we'll be fully funding two generations of employee pensions simultaneously. After that moment mortality in the FPDR population will start to make costs go down, and then future taxpayers will reap those benefits.

So, moving on to the last slide on some bureau-wide metrics. These are two different measures of administrative spending of the plan over the last 10 years. So, the gold line shows administrative spending as a percent of total plan spending, and the purple bars show administrative spending per plan participant. So, both of those are really common measures for tracking administrative spending in really any kind of benefit plan. So, I would like to show both to the board, but I prefer the administrative spending per participant as a better measure, because the number of plan participants is relatively stable, at least compared to the operating budget, which is increasing very rapidly, much more rapidly than inflation as we fund those two generations of retirees simultaneously, and as we continue to phase into that funding. So, we are having a lot of growth in the denominator of the gold line and the purple bar is a little more stable. The administrative spending is pretty small. It was $2.9 million last fiscal year, and it was $2.6 million the year before. So small changes can make large percentage swings. But we did spend a little more on administration last year, about $300,000 more, and that was because of personnel and vendor payments. So, in personnel, we had a 5% COLA for all city employees, or all FPDR employees I should say, which is the maximum COLA permitted in the city labor agreements. We filled our new disability analyst position partway through the year, and we had a large vacation leave payout for that beloved lead financial analyst as she left. So, personnel, higher spending than usual last year. And then for vendor payments, it was a planned valuation and tax levy analysis year, which meant we spent more on actuarial services, we also hired a firm to help us with our strategic plan and we spent a little bit more on administrative costs in the disability program. It was a really normal fluctuation, and then higher personnel costs are what led to that uptick last year. And with that, I'm going to turn and talk about the pension program starting on the next slide, which I manage. So please interrupt me and ask questions so that I am not listening to myself drone on and on. You can ask me anything you want. There's got to be something, I'm sure there is stuff.

So, pivoting now from those kinds of broader bureau-wide measures, let's talk about the pension program and then I'll kick it over to Kim and she'll talk about the disability program. Some of these slides I show you every year, just so everyone can have a grasp of where we are in this transition from a pay-as-you-go plan to a prefunded plan. So, this chart shows the number of people who received a direct pension benefit, FPDR pension benefit from us at any point in the fiscal year. Those are pay-as-you-go pension benefits, and that could be retirees, surviving spouses, divorced spouses. The total number of pension beneficiaries are in the bolded totals at the top of the bars, and then the percent who are FPDR 1 are in purple in the bar chart and the percent who are FPDR 2 are in tan. So, the FPDR 1 members are those folks who were already retired or on long-term disability in 1990, and the FPDR 2 members are the folks who retired after 1990. So, our retiree population is a mix of FPDR 1 and 2, and our active population is a mix of FPDR 2 and FPDR 3. Yes?

Trustee Kramer: I'm sorry, may I go back over something I think I heard you say? Let's imagine we have a retired member for whom a portion of the pension is being paid to an alternate payee pursuant to a divorce order. Are they counted as two participants or one?

Stacy Jones: No, they're counted as two, because this is a head count. That's a good question, because normally when you're counting these things for auditors and such, it's just one pension benefit, but this is a head count. Great question. So, you can see in this slide that ongoing transition from a retiree population that was a mix of FPDR 1 and 2 to one that is mostly FPDR 2. At the start 10 years ago, a third of our retiree population were FPDR 1 members, and now it's only about one-eighth. That does translate into more expense for us, because the FPDR 2 pension benefit is more generous than the FPDR 1 pension benefit. And then in addition, most of those remaining FPDR 1 pension beneficiaries are surviving spouses, and the surviving spouse benefit is also smaller than the member benefit. So, we are having increasing expenses in that pension population, in that retiree population. And then if we go to the next slide, we are also having increasing expenses in our active population. This shows all of our actively working police and fire members. It shows the total number of members who are actively working as of June 30 each year. So, this is a little different, the previous slide shows everybody that we paid over the course of the whole year, this is a head count on June 30th. And then it shows the percent now who are FPDR 2 versus FPDR 3 in the bars, because the active population is that mix of 2 and 3, so the FPDR 2 are still in tan, but now the FPDR 3 are purple instead of the FPDR 1. But the first thing I want to talk about, and we've talked about this every year for the last several years, is that the first thing I think should jump out at you from this chart is the decline in the size of the sworn workforce that you can really see during the pandemic and fiscal year 2021. And that is on top of an earlier decline that you can't fully see in this graph that really started in fiscal year 2012-2013, you can see the tail end of it. And then that subsequent decline during the pandemic and fiscal year 2021 and then you can see that staffing just hasn't yet recovered. And it's been essentially flat, and that staffing problem as always is pretty much at police. So that problem persists, and it is holding down our PERS contribution costs, as I keep saying, once they get staffed up, we're going to see a big increase in PERS costs. That's how it's impacting us, but it's obviously impacting lots of other things that we care about at the city. Here again you can see that ongoing transition from FPDR 2 to FPDR 3. Ten years ago, only a quarter of the active workforce was FPDR 3, and as we've talked about earlier, now over half of the active workforce are FPDR 3. So that transition, again, means more costs for us, because active FPDR 2s don't cost us a dime, at least not in the pension program. They cost us a lot of money when they retire. But active FPDR 3s only cost us money while they're working, because we are prefunding their pension benefits with PERS. So, as we have more and more FPDR 3s, we have to pay more and more PERS contributions.

If we look at the next slide, let's talk about money, my favorite topic. So, this slide shows how much money we've been spending on all these people. This has all the pension expenses for the last 10 years. The total, no that's not true, the total is not in bold at the top. The PERS contributions expenses for the active FPDR 3 members are in purple, with that dollar amount above the purple bars. And then the costs for direct pension benefit payments to FPDR 1 and 2s are in the tan bars. So, you can definitely see the growth in the PERS contributions that I was just talking about as more and more of the sworn workforce becomes FPDR 3. So that's a trend we saw on all the earlier slides. But it's not just growth in the workforce that's making those contributions go up, it's also wage growth. Which there is sort of structural wage growth as cost-of-living adjustments happen, and then there is wage growth that is happening as this population filters through the organization at police and fire, as they move through the step increases, as they promote into higher paying job classifications, as they get specialty premiums, all of those things. And then in addition to that, the PERS rates go up every two years, or at least that's been the case ever since I joined the workforce. So, all of those things are contributing to escalating PERS costs. But you could also see the PERS contribution costs are still dwarfed by our direct pension payments to the FPDR 1 and 2 retirees, and that will be the case for many more years to come.

So, the average annual growth in all of these costs over the last 10 years is 5.2%, and costs grew 5.5% in 2022-2023. So that is pretty much in line with the trend that we've seen since we started phasing in the prefunded plan for the FPDR 3s. So again, the theme is 2022-2023 returning, things returning to normal. And if 5% average annual growth seems high, remember, we're very deliberately and intentionally funding two generations of retirees simultaneously in order to save money for future generations of taxpayers. But to do that, we have to double up on expenses for this current generation of taxpayers. So that is why costs are growing so rapidly. This is all being done on purpose as part of the 2006 charter reform. All right, any questions about the pension program overall before I want to spend a few slides on a particular issue in the pension program that I wanted to share with the board? But any questions on pension program in general?

Trustee Kramer: I'm afraid you covered this on an earlier slide, but it's only starting to make sense to me now, Stacy. The maximum expense point I think you said will be when essentially all of our tier 2 retirees are in pay status, and our workforce is almost exclusively tier 3 people for whom we're prefunding. And if you told us sort of when roughly we think we'll hit that peak, I missed it. Would you go back to that?

Stacy Jones: Yeah, definitely. That's also a good question, I don't think I did mention that. So right now, we think that will be in the late 2030s, maybe even the early 2040s. Earlier we thought that would be, up until very recently, we thought that would happen sooner, more like the mid-2030s. But this slow hiring that's happening is pushing that date out a bit, it looks like, as our actuaries keep updating their projections. So now for non-inflation adjusted dollars, we think our high point would be in 2041 for the levy, but that's non-inflation adjusted dollars. On an inflation adjusted basis it would be in the late 2030s. Another great question. Any others before I move on?

So, I wanted to highlight an issue this year for the board if we can move to the next slide. In addition to the usual data points and program parameters we talk about each year, I want to talk about a particular service that we provide at FPDR that the citizen trustees may not even know we do this. I'm sure Trustees MacLowry and Kulp know we do. And it's a service area we've been struggling with for the last couple of years, so I wanted to share data around it, because it's also a service area that's changed a lot over the last several years. That service area is pension estimates. So, what is a pension estimate? I guess that's kind of self-explanatory, but a member, an actively working member calls us up, calls Beth our Pension Coordinator and requests an estimate of their pension, of what their future pension would be for a particular potential retirement date or particular potential retirement scenario with a certain amount of on-call pay or with a promotion, or whatever they're thinking of. They usually ask for two to four retirement dates or scenarios in one request. So, when we say we prepared one estimate, we usually actually prepared two to four estimates and gave them to the member as one set, but we track it as one set.

So, two things have really changed with pension estimates over the last five to ten years: volume and complexity. This first slide shows volume. So, you can see that over the last several years, our annual average pension estimates prepared is 332, and in the years before that, we were averaging about 227, so that's about a 46% increase in volume. And that data isn't even fully capturing the demand for pension estimates because there was a period, a couple of periods during the pandemic when we actually restricted estimates. And folks who wanted estimates that were really far out, we said we can't do them right now. And we didn't even track those folks that we turned away. So, if you were tracking demand for estimates, it would be even several of these bars would be even higher than they are now in recent years. So that is the increase in volume.

If we flip to the next slide, we can see that the second thing that has really changed is estimate complexity. And I just kind of struggled with a good way to explain this, but it's almost laughable to compare a pre-2010 estimate to an estimate from today. If I could open them both for you I would.

Really a lot of different things have happened at the city. The first thing is the lookback period, and some of you have lived through this. Before 2008, it was just 26 pay dates. Now it could be a lot of different things, and it can be a blend of different things. I won't dig into all of this, and I can update you at some future point, but it's the result of charter changes, and grievance processes and legal settlements and all kinds of things. So just calculating the lookback period has become really much more complicated. The types of premium pays offered at both bureaus have doubled.

Trustee MacLowry: Quick question. I would be under the assumption the majority of people are requesting estimates are going to be requesting them for 27th payroll period, is that not a good assumption?

Stacy Jones: No, it's not. I'd have to go back and look, but I would guess that about a third of them are not for 27 pay dates. Particularly at police, where we get a lot of estimate requests for folks who are considering taking another job, or just considering leaving, and they're not as concerned with retiring during a 27-payday month.

Trustee MacLowry: So those dates may be more randomly chosen than trying to target a specific 27 payroll?

Stacy Jones: Yes. And we do a lot of 26 versus 27 pay dates., what's the difference kind of estimates.

Trustee MacLowry: Thanks.

Stacy Jones: And of course, the non-reps are blended, so they have a blending formula which is even worse. So, the number of premium pay types have doubled. I just listed them all here. The 14 new types of premium pays that have been created since 2010. We've had an explosion at police, this is entirely at police, this third bullet point, in two types of pay that I won't go into all the details, but they have to be calculated through a very painful manual process, just because of the way they're configured in the city's payroll system. They were, work out of class pre-2010, it was very rare, and now it's exceedingly common. It's still rare at the fire bureau. And then we are seeing really frequent contract changes for PFFA, PPA and PPCOA to both the old premium pays and the new premium pays in terms of things like the percentage will change, like the education premium will go up by 1% every year for several years, or longevity pay will go up every year for several years, or you'll be able to qualify for it at a different time, or a premium will go away and come back. It's just a little more complicated. And it's also more common to have multiple effective dates in a single fiscal year for pay changes. It used to be that pay changes pretty much always happened on July 1st. Now we have pay dates that are effective on January 1st, July 1st, all kinds of dates in between. And the final thing is I just think, and this is a good thing, that members are more sophisticated, and they now ask for more dates and scenarios, and there's nothing wrong with that. There's nothing wrong with any of this. It's just trying to explain that in addition to the volume, they've also just become a lot more complicated.

So, what is the consequence of all of this? If we flip to the next slide, let's talk about processing time. So really, the consequence of all of this has been increased processing time. And for those of you who are unfamiliar, this is a box and whisker chart. The boxes show processing time for the middle 50% of estimates, and the whiskers show processing time for the upper and lower 25%, and the dots are outliers in statistic speak, I can explain it if you want, but we only have data in this format back to fiscal year 2014-2015, which is why I've only shown it back that far. You can see there's definitely some up and down year to year, but on the whole, you can see there are longer and thicker outlier tails, you can see there is an increase in average processing time over the last four years, and average processing time is marked by an x in the boxes. And you can see a more significant increase in that average processing time last year, and I think that's the added impact of a new finance team as we were talking about earlier. Because it is the financial analysts who spend the most time on these estimates. Our pension coordinator is also involved. So just to put some numbers around that, in fiscal year 2014-2015, our average processing time for an estimate was six business days, and the range was 0-24 days. So, no estimate took more than 24 business days, and the median was six days. Last year, I thought this is so interesting, the median was still six business days. Kind of blew my mind. I made three different people look at it. But the average was 26 days, and the range was now zero to 182 days. So we have just a much bigger spread and variability in how long it's taking us to get to these estimates, and that I think is because we have had to institute a prioritization system, where we are prioritizing folks who are thinking about retiring sooner, who have job offers, who are seeing a financial planner, anybody who needs their estimate right away, and pushing other people into, we have a three-tiered system now. So those folks in the third priority queue, they could wait several months. If they're just like, I just want to see what my pension will be in 2032, great. We'll get to that when we get to it, and it could sit there for several months is what's happening. If we flip to the next slide, this is a different way to look at processing time, just to ask what - go ahead.

Trustee MacLowry: Another question. So, when someone requests an estimate, are they given that information in what category they're in so they can have a good idea what amount of time to wait?

Stacy Jones: Yes.

Trustee MacLowry: This has come up several times in the membership.

Stacy Jones: Yeah. I'm glad, I imagine it has. I'm glad we're talking about it. The pension coordinator always tells them what queue they're in. Priority one, two, or three, and we even have, it's not going to be secret if I say it here, a priority zero which is, this is on fire and we need to do it today. But she tries to give them a sense of how long that will be, but honestly that third priority queue is very hard for her to judge. She says, it will probably be a couple months. Well, as you saw somebody waited 182 days, that's a lot more than a couple months. I know that was just one person, but she does try to give them a time estimate, as well as telling them the priority queue they're in, yes.

Trustee MacLowry: Thank you.

Stacy Jones: For the most part, members have been so patient and understanding, and I'm just floored at how grateful this community is and kind and understanding and reasonable about services. And our pension coordinator always has the authority to elevate someone to a higher priority level if she thinks that that is warranted. So, if someone is really frustrated, if someone has been waiting a long time, we have moved people around for that reason. We've tried to manage this as best we can. But a different way to look at processing time is to ask what percent of estimates are completed like within a particular time frame, and that's how we used to track estimate timeliness. We used to ask how many were complete within one week of requests. So, we have data in that format going back a pretty long ways, so I threw it up here for you to look at as well. It does tell a similar story, you can see we had a drop-off in processing speed in the last five years, kind of our worst moment was in fiscal year 2018-2019, which is where only 47% got processed within one week, and that was even when we had our amazing lead financial analyst who had been doing this for 25 years. But, yes, you can see that drop-off as we get into the complexity, and the volume increase.

So, let's look at the next slide, because of course there's more to estimates than processing speed. Members like to get their estimates as quickly as possible, but they probably care even more if they're accurate. And on that front, we have maintained an exceptionally high accuracy rate. This chart shows the percent of estimates that were within 1% of the final retirement calculation for estimates that were prepared within 12 months of retirement. Once we're beyond 12 months there are too many variables, it would be impossible to be that accurate. We have COLAs that are tied to inflation, and if you can show somebody who can predict inflation that accurately, gamble on that person. But so the estimate accuracy has not fallen off at all. It's arguably even improved in the last several years, but it's very close to 100%. It's processing time that has really fallen down, and we have very high standards around pension estimates. They're prepared very carefully, and they're reviewed by a second, the other analyst who did not prepare it, or by me before they go out. So, it's not to say we've never made a mistake, because we do, but we have a lot of high-quality controls for that.

So, to sum up. Over the last several years estimate volume has grown by about 50%. Over the last several years estimates have become increasingly complex and time consuming. And then in addition to those long-term structural changes, we've had retirements, promotions, new hires on our finance team that are causing hopefully some short-term loss in productivity, just this year while we get new folks trained up. So, all of those factors have caused processing times to increase. But we've been able to maintain really high accuracy levels. So, what did we do while this happened? We didn't do nothing. The increase in volume was happening really as I came into this job, and it happened pretty suddenly, so we were able to respond very purposefully to that. So how we responded was we attempted to automate more of this process. Before I guess it would be 2016-2017, all estimates were prepared entirely in Excel, which you know, younger folks call doing it by hand. And we have now automated maybe 40% of the estimate process, and I won't go into all of the details of how we did that, there was a feeling at the time that we pushed that as far as it could go. It's not as easy to program as you might think. There are over a thousand different pay permutations at police and fire, even programming the lookback broke our programmers, our programmers could not figure out how to program the lookbacks, and I thought that would be easy. So, we feel that we could take another run at it now, but anyway, we did automate the process and we cut our average processing time from five hours per estimate to three hours, but there's a ton of variability around that. Some take an hour; some take a whole day. So that was a big improvement, and I think if we had only been dealing with the volume increase or only been dealing with a complexity increase, that automation would have worked to maintain where we were. But given the double whammy, it didn't do enough.

But that is what we did so far, we've also implemented these prioritization plans to make sure the members who need these estimates are getting them as quickly as they can. And it may or may not be helpful for the Board to also know what Oregon PERS does with estimates. They provide, at least free of charge, four total estimates in the member's entire career. You can ask for two, you can't ask for estimates until you're within two years of retirement eligibility, and you can ask for two dates in each of those two years. They have a provision that you can pay for more estimates, but when I was talking to our PERS contact they said that is only time available, and they don't have any time available. So, sounds like it's not very often used. They don't do scenarios or multiple dates or anything like that. So, that is what PERS does. All of that said, we are a much smaller and simpler system than PERS, and we should be able to provide better and more personalized service than PERS. On the other hand, it's not uncommon for us to provide upwards of 50 estimates for a member before they retire. We provide unlimited estimates right now. And so that's where we are.

So, I will be considering what, if anything, to do about this issue this year in consultation with Sam, and there are four options, and this is an information sharing, not a problem-solving session. But the options are obviously more technology, to try to make this more efficient, which may not be possible or cost effective, but we haven't explored if we can go further with this; more staff to handle the additional workload; restrictions that would reduce the workload, a la PERS, hopefully not that far; or doing nothing and saying, this is okay. So, I would really appreciate the opinion of the trustees on this. You don't have to share that with me now. You can if you want, or you can share it later. Because I would like to know to what extent the Board views the current situation as a problem, and if you do view it as a problem, which approach makes the most sense to you, understanding that you don't know the details of our operations and if you see any other approaches we're not considering and to the active duty trustees, the extent to which you're hearing about this from your members as a real service issue, the extent to which you're hearing about this. The members have been so polite and understanding with us, but I have a lot of curiosity about what they really think about having to wait sometimes months for these estimates. So that is an issue that I particularly wanted to highlight for the Board this year.

Trustee Kramer: Stacy, is there any correlation in our prioritization of requests with frequency of requests?

Stacy Jones: So, we have not entered that into the prioritization system, but we have talked about it. Saying, hey, if you've had three estimates already this year, maybe you go into the bottom queue. And in fact, the two financial analysts who prepare most of these estimates have pushed for that, and that could be something that we could look at. The only way that we have brought this in is if somebody calls in asking for an estimate and they've never asked for an estimate, or it's been years since they've asked for an estimate, our pension coordinator tries to put them in the top queue. This is somebody who's asking for a service that they're not asking for very often.

Trustee MacLeod: I'm interested in Trustee MacLowry' s thoughts, if any, on feedback he's hearing about time delays or any concerns he might have, or suspect others would have about cutting back the service.

Trustee MacLowry: At first blush, don't hold me to any of this, I may not be in favor of any restrictions, obviously. Though I personally have never asked for an estimate.

Stacy Jones: You could be in the top priority.

Trustee MacLowry: I'm waiting. It seems to me, again, just initially, that the solution would be technology. I don't know what that would entail, that's a long-term solution, potentially, that automation is the way that would be the easiest from my perspective, not knowing all the ins and outs and details involved in this. If it turns out that it is cost prohibitive, I guess there's a lot of information to be figured out, so, I'm speaking off the cuff. My initial thought when you were speaking was, why don't we have somebody else available to do some of the work? But that is in this day and age, it would seem to me automation would be a better solution, again, not knowing all the details. So, Trustee MacLeod, I'm not sure that helps, but it is of concern to some of the membership that I've spoken to. Very recently someone I know who has been waiting for a couple months, and just doesn't know what's going on. That was the genesis of my question for, are they told when they ask what queue they're in? And I'll go back to this member and see what information I can get from them. But it's something that I don't think people should be able to necessarily ask infinite number of times, but there are a lot of things, for the member, a lot of different things are happening with their lives, whether its job related, family related, they may need multiple times coming back to try to find out what's best for their own personal situation. So that flexibility is definitely a benefit and it's appreciated.

Trustee MacLeod: Thank you, that is actually the feedback I was looking for. So, it is a value to the members that you hear express that they've got, that they have at least in the past been able to ask for repetitive illustrations or projections, and those have been pretty promptly delivered in the past. That's important to them to have that.

Trustee MacLowry: It is important, and it's been noticed over the past few years that it's taking longer than it used to.

Trustee MacLeod: Yes, and I think Stacy has done a great job of explaining why that's the case. I guess I have a follow-up question. They are very complicated calculations, and she's just gone through a list that I'm sure is not an exhaustive one of the kinds of things that make it more tedious, and the challenges that obviously people begin to rely on and make decisions about their future based on estimates they've received, so they want to make sure they're doing them correctly. And some of those things are very difficult to automate. So, I'm curious, Stacy, do you feel like you've gone through the rough process for providing these estimates and have the majority of what you think could be automated completed at this point, or do you feel you're just kind of in the middle of the process and there's more that reasonably could be done without sacrificing accuracy?

Stacy Jones: It is a little hard for me to answer the question right now because I'm not a programmer. When I came into this position and we took our first run at automation, which was probably 2017, I would say, is when we did this, and I was floored by the difficulty of programming some things that I thought should be very programmable. I felt like anything I can do in Excel they can program, and then we couldn't. The professional programmers we have on contract could not program the lookback period. And we just, after them trying to do that for six months, just gave up and moved on to the next thing. And now the analysts literally type in, part of the problem is the way the look back period is broken up too, it's different for every member, or it can be. Literally infinite variations. And so, there are problems like that. So, our business systems analyst at the time, who is different from the business systems analyst we have now, and the programming staff we were working with then, felt strongly we had gone as far as we could back in 2017. That said, we have different people now, and 2017 feels like a long time ago in technology terms, and maybe there is more we can do. I am also a little concerned about the cost, although like Trustee MacLowry said it makes more sense to spend money once on a piece of technology than hire a staff person that we have to pay for forever. But yeah, again, I'm not wanting the Board to necessarily make a decision right now, because we don't have that kind of information. Just to take the temperature of the Board on how concerned are we about this as a service and is there a desire to spend a little money on it, I guess one way or another, in bringing estimate processing times back closer to where they were before, whether that be with staff or with technology.

Trustee MacLeod: I think the information that Trustee MacLowry provided in terms of feedback of members, that is a service they value, they've noticed the delay. The feedback you provided, we took a serious crack at automating what we could, but there were roadblocks, and we might have hit the limit. That was explored kind of to its fullest at the time. So right now, it sounds like you're just bringing us information, and that's good. But it does sound like something that needs to get a little bit of direction, either more staffing or maybe another crack at some automation of a few more steps in the process if possible. And maybe some readjustment in terms of feedback to members to say that because of things such as the 27 pay periods and the variety of pay periods, and premium pay and all the other factors that have made it more complicated, that just some efforts at outreach to adjust expectations a little bit, so that they know to expect longer timelines and they can adjust their planning accordingly to give you more time if that's needed.

Stacy Jones: Thank you, that's very helpful feedback from both of you, and helpful to think about as we go back and formulate a plan to try to tackle this problem in some way, shape, or form. We may come back to the Board with some options for doing that, and I also may follow up privately with Trustee MacLowry and Trustee Kulp to talk to you a little bit more in detail about how different scenarios, and I'll follow up with the liaisons too, to see how different scenarios might play out with the membership. I think that would be useful as well.

Trustee MacLeod: I have one last question. I'm curious what level of service Oregon PERS provides, if they have a limit on the number of illustrations that can be requested there and what turnaround times may be for something like that, because you obviously have different tier members in FPDR so I'm wondering if this is, it's obviously an issue because more and more the tier 2 people are approaching retirement, so there's going to continue to be a wave of that, but I'm curious just by comparison does PERS offer a comparable service or substantially less-frequent and less timely?

Stacy Jones: So I did mention earlier, and it's on the PERS website so they publish it as well, but I also talked with my PERS contact, they only allow members, and remembering that PERS has hundreds of thousands of members, they're much bigger and more complicated than we are and they have hundreds of employers as well, but they only allow members to ask for pension estimates if they're within two years of retirement eligibility or already retirement eligible, and they allow for them to ask for two estimates a year if they are within two years of retirement eligibility, and those can only be two dates. They don't do multiple dates and they don't do scenarios and they also don't, I didn't mention this, but they don't do estimates to anywhere near the accuracy that we have. That would be impossible for them because they have hundreds of employers. They can't understand the pay structure of all of their employers the way we can understand the pay structure of the police and fire bureaus.

Trustee MacLeod: I'd forgotten you had mentioned that earlier. Thank you.

Stacy Jones: Thank you for the feedback and for your patience as I went over that issue, and now I want to turn it over to Kim to talk about the disability program.

Kim Mitchell: Thank you Stacy and thank you trustees. I'm looking forward to sharing some information with you about the disability program and what's been going on this past fiscal year. We started the fiscal year off with our transition from covid claims. For Trustee Kramer, we'll see in some slides later in the presentation, for two years from fiscal 2021 and 2022, we had a record setting number of claims that we administered, disability claims, and we continue the transition from that era of claims administration this fiscal year. So that change was a transition from administering those claims under a temporary rule, which was created for covid claims during the presumption, I mean, during the pandemic, and it shifted the standard under which our analysts evaluate the claims, which is tied to our typical injury and illness claims standards. So, I won't get into the legalities of all of that, but it was just a shift and that's something that we had to work on as we transitioned from looking at and analyzing the claims under a presumption versus our standards for claims evaluation.

And so what we also worked on was coding changes, and we'll talking about coding and the impact on slides later, but we also wanted to change our coding and that's how we capture the types of injuries and illnesses that we report, and we worked on changing that to reflect also the change in status from covid claims being processed under the pandemic to claims being processed under the existing standards, and those standards are the way we evaluate any injury or illness claim that is filed. So that was something we started working on. And then the bigger thing was staffing. We hired and trained a new disability analyst, and that training is still going on, and it's going well in terms of her work. She's assigned to the fire bureau. And so, we are going to continue that training, but that training was really important to our redistribution of claims. Prior to you working with us02222 Trustee Kramer, we went to the board for permission to approve the budget for hiring a disability analyst. We had a history of claims being assigned to our analyst that were larger than industry standard for best practice outcomes. In other words, they had more claims than they needed to handle. So, what we wanted to do was hire an additional analyst so we could redistribute the claims among the analysts. What this meant for us is that we could assign the claims to the analyst at the right level. So, if the claim was less complex, we would assign it to a disability analyst and the senior analyst would handle the more complex claims, and we'll talk about more about the kind of complex claims later. So, it permitted me to assign claims at the right level.

It also promoted speedier processing of our less complex claims. The disability analyst would get these claims in, maybe it was a simple strain or sprain, and they could get it processed right away versus having it take more time if someone was handling a larger caseload. The other thing it allowed us to do is look at the assignment of occupational disability claims and we have several of them. But some of them were a little easier to manage, we've been handling them for years now. We understand the dynamics of them. So, the redistribution of claims allowed me to assign some of the occupational disability claims to our disability analyst, again in an effort to assign the claim at the right level and also reduce the burden on the senior analysts who are handling other complex occupational disability claims, and we'll go through those. And the other thing that the redistribution of claims has allowed me to do, and the addition of the analyst, was to have a team approach. We administer the claims for the fire and police bureau, so we now have two analysts, a senior and a junior analyst assigned to police and one to fire and that's resulted in better customer service and quicker response times to inquiries that our members have about claims. So that's been a big help for us to be able to do that, have that team approach, especially if one of the analysts is out for some reason, we have someone to step in and answer any questions or move things along. So that's been really helpful.

So, the redistribution of claims has really helped our senior analysts. As I said, they were handling a large number of claims. So, they are now administering, and we're still transitioning, but the numbers are lower, and we'll see that in slides as well, but they are administering claims at a number that produces the best outcomes for claims decision making and services to our members, which is really important to us, and allows them to focus on the medically complex, legal, and confidential claims. And the complex claims, I'll talk about it now. The occupational disability claims are our cancer claims. We have cancer presumptives and a list of cancers that have to be analyzed more critically. We have heart and lung claims, heart attack and other heart-related claims, lung claims, we have stress claims. We introduced, or they introduced in 2019 the post-traumatic stress and acute stress disorder claim, and the statute was created to kind of carve them out. We administer other mental health claims, which means claims with other diagnoses, but the PTSD and acute stress disorder were carved out and required a higher standard for FPDR in order to deny a claim. So those claims required a lot more time for them to look at and administer and decide on. So having that redistribution has helped with that model as well.

It also allowed us to continue our existing model. We have one senior analyst who is assigned to the post-retirement desk, well, it's post-retirement, monthly benefit disabilities, and non-service claims. And those aren't claims we report on every year, they are existing claims. Typically, what you'll see in the slides that are coming are the new claims that we receive each year. Those are the ones that everybody wants to analyze and look at in terms of the cause of injury and things like that, but we have existing claims, and these claims are members who have had a claim with FPDR that was approved before they retired and they come back to us and say, we need to reopen that claim. "I have more problems, I need more treatment", or whatever associated with that claim. So that claim is reopened and administered on that desk. So, the redistribution was really important to us to level out the claim numbers, to make sure we can assign claims at the right level, promote speedier claims processing for our members, and provide overall better service. So that was really important and something that we worked on where we're well into that and have a little more training to do. The disability analyst is going to be assigned some of the post-retirement claims, and these are claims that are a little less complex. We have established what our treatment obligations are and are providing routine care to those members that are retired, so she will be handling some of those as well, both of our disability analysts, which is going to be helpful.

So, the other thing we focus on is training, and because we do have the complex claims, the stress and mental health claims, heart, and lung claims, and then we have catastrophic injury claims, we want to do training, and the training supports our ongoing commitment to understanding the treatment our members receive as we work with them to navigate their claims. So, one of the things that we did this year is we hired a psychologist to come in and do some training on PTSD, post-traumatic stress claims and acute stress disorder claims. This was really important, prior to the new rule being implemented. These claims were, we had claims received but not in the volume that we do now, but they weren't looked at under the new statute, of course, they were looked at under 5-306 of the charter. But because we have gotten more of those claims, we wanted to make sure that we had additional training to aid in our understanding of those claims that provide our roles in treatment. We have counselors and psychologist and psychiatrists and, how do they treat members, what are their different approaches to treatment to promote recovery? We wanted to better understand that so that when we're looking at records, we have some ways to gauge a member's progression in treatment and work towards recovery. So, we did that, that was one of the things we enjoyed as well, learning. And then the other, we participate in medical training on knee injuries, shoulder, and back injuries. And when we talk about the types of injuries our members suffer, you'll see why that was important, because they suffer knee injuries and shoulder and back injuries. So, what training does for us is affords us the ability to learn about new medical treatment available for those conditions, changes in diagnostics and things that are going on in the treatment of those claims and so participating in that kind of training really helps us as we navigate those claims.

Now we'll begin to look at our numbers. And on this slide, we have this broken down by fire and police bureau. And so, we're looking at injury cause, the body parts injured and where they were injured. So, I'm going to just catch up on this really quick here. So with fire, we see that injury cause, and what we like to do is take the top five in number of claims filed in these categories, and we have a coding category of about 63 different ways to categorize a claim by cause, and it allows us to capture the different ways the members describe the injuries. But what we do each year is we look at the top five, and the top five this year are here on this donut chart, I guess it's not a chart, but we'll move on here. And we have 18% of the injury claims were filed for pandemic, and these were, we call it pandemic because it was administered under the period of the pandemic and with the causation of standards and that tied to it. So, we code it that way to capture those claims, and we have 18.4% of the top five were tied to the pandemic. And we see another 15.34% were caused by lifting injuries and for firefighters, they're always lifting, they're lifting patients at the scene of fires and they're lifting patients stuck in different locations in their homes, and so lots of lifting injuries are experienced by our members. We have 14% of the injuries of the top five occurring from overexertion, and this can occur at the scene of a call or in a variety of situations, sometimes training. We have a coding for communicable disease exposure, and that's almost 8% of the top five claims filed, and these were a combination of covid claims not tied to the presumption or pandemic after the expiration of the pandemic and the new rules, which was September 27th, I think, of 2022. So, we changed the coding, as I mentioned earlier, and they are now grouped with communicable diseases, and that can include pneumonia and other viral claims that are filed. And then last, we have a little over 7% which are slip and trip, no fall injuries. And these occur at the scene in these locations where they're firefighting, the hoses, slippery grounds, and things like that account for those slip and trip type injuries that we see.

So then when we look at body parts, this 25% of the top five are body systems is how that was coded. And this mostly captures illness and occupational disability type claims, combination of covid, heart, cancer, stress claims that impact the whole-body system, not just a specific part. We have about 12% of the claims that are injuries to the back, and we talked about that earlier. We have about 11% to multiple body parts and that can mean, I strained my back and my shoulder, my knee and my ankle, and we have that. We have almost 11% of injuries to shoulders, and again those are lifting, moving, twisting equipment, people, different things that cause those injuries, and then injuries to their knees at about 8%. So, when we talked about the training that we participated in, it's because these are the types of injuries our members are having. We want to stay up on the types of treatment that's available to them. So, we look at the injuries for our firefighters, 48% of their injuries occur at the scene of a fire or call. That's not a surprise given the work that they do. They do have injuries at the precinct or station, 31% of the top five occurred there, followed by 7% that we categorize at none, which is something I'm looking at changing. None is because they're illness claims so they're not tied to a specific location. Injuries that occur at multiple locations, and those are categories that can also be a combination of illness and exposure claims where they've done work at multiple locations or at least that's what they're claiming. So, we categorized it that way. And then tied for last are injuries occurred at multiple locations and at the training site, so we know there are times when our firefighters are injured there. Any questions about that before I move on?

So next we'll look at police, there's are a little different. But we see here that injury cause, so we have about 16% of the injuries were caused by assault, by human altercation, not uncommon. Our members are pursuing and apprehending suspects and they have altercations, and those injuries are occurring there. We have miscellaneous accidents, and these are where members report a variety of knee, ankle, strain, and other injuries that occur at work. We have almost 13% of our police injuries are in motor vehicle accidents; some of them are accidental, some intentional unfortunately. And we have almost 8% of claims filed that were tied to the pandemic, and then the other almost 6% were falls at the same level and sometimes these are injuries that occur during pursuit of suspect, during training or other things where the falls are occurring. So, when we look at the body parts, the multiple body parts are not a surprise given that a lot of their injuries occur because of assault. They will injure a back and a shoulder or multiple body parts during altercations. Body systems again are mostly the occupational disabilities or illness type claims. And then we see that the knee injuries make up about almost 10% of the claims filed. And the last, we have fingers at about 8% and hand injuries at about 2%. Interestingly enough, these hand and finger injuries can be the most complex and can be career enders for police, especially if they can't carry a gun or apprehend a suspect. While small in number they can be pretty catastrophic for our police officers.

So, when we look at the injuries by location, no surprise, almost 47% of how we present that occur at the scene of a call. We have other injuries, almost 18%, well 17%, that occur at the training sites, this is during DPSST training and other trainings where they're staging altercations and things like that in preparation for the real-life activities that they have to do. We see that almost 12% occur in vehicles. And we have another almost 12% that occur at the precinct and the stations, and they do some of the trainings at training sites and some at the precincts and stations. And the last part, almost 7% is none, and those again are more tied to illness type of claims.

So next, we're going to look at number of claims filed per fiscal year. So, we have the line graph on the top that will show kind of our history here, especially over the past few years where we've received the number of claims received and you see the fiscal year ending 2021, we had 536 claims that we administered, and these are new claims, not the existing post-retirement and other claims that we process. And then in fiscal year ending 2022 we administered 584 claims, a real spike from the averages that we have. What we see this year is that we received 320 new claims, and this is more in line with what we've typically seen in the past, even though it's slightly less, and this may be in part because we have fewer active members and then we also, I think, are transitioning just from that covid era, so these numbers are just lower. So, what we have in the bar graph, we have the fire in red, police in blue, and we see for this year, 191 fire claims, 129 police claims.

Trustee Kramer: Can I ask a very basic question? It's probably more of a Stacy question than a Kim question. Of our active members, roughly what percentage are police and what percentage are fire?

Stacy Jones: Let me pull that up for you, but there are definitely more police than fire. I'm trying to remember the breakdown. I think that police is 40% larger than fire or something like that. I'll pull the numbers up for you right now. We're just finishing the audit so that will be easy to do.

Trustee Kramer: What I was looking at was, it looks like around 2018 and 2019, there were more fire bureau claims than police claims, and should we be paying, is that something that's remarkable to us? Or it seems to be a trend.

Kim Mitchell: Yeah.

Director Hutchison: I'll jump in here real quick. The 2020/2021 and 2021/2022, the spikes there are all due to covid and that's why fire was more exposed to covid. So those two years it's not surprising that their numbers went significantly higher than police. So, I see what you're saying, but if you take out those two years, this year matches with everything, it doesn't stand out. But that's covid and fire is more exposed to covid than were police.

Kim Mitchell: Just across the bottom is the numbers of active members as of this fiscal year. What date do we use?

Stacy Jones: That's as of June 30. Let me get you the breakdown, I'll have it here in a sec.

Kim Mitchell: All right, so we'll move on. One of the things that is always of interest is our approval and denial rates. And what we have here in the bar graph in gold for the fiscal year 2023 shows that 83% of the claims were approved; 10% were denied. We had 3.44% of the claims that were incomplete and what this means is that a member filed a DILD, a claim injury report, to advise us of an injury but they didn't complete the application process, they didn't treat, and those claims are classified as incomplete after a period of time. 2.19% of the claims were pended, and these are claims that haven't been decided yet. They're still being analyzed to make a decision. And then 1.25% of the claims were withdrawn, this just means that the member submitted both a disability in the line of duty claim report and the medical report, so it's what we call a complete application of benefits, you can't do one without the other, and for whatever reason they've decided to withdraw it and usually it's tied to the fact that their doctor said this isn't caused by work, and so they withdraw it on their own.

So, what we have here on the right is just the breakdown by numbers. We have 320 claims filed this year, we see that 266 were approved and it gives you the actual numbers. When we look at this at the bottom, we see the time period of 10 years, the number of claims approved, denied, and incomplete, etc. And we recognize that for this fiscal year we've had a higher number of claims denied. I took a look at that. I wanted to look at the numbers to see what was driving that, and it wasn't covid claims, I wasn't sure if that would be a driver of that number. We received a variety of injuries and illness claims, occupational disability claims, heart specifically, and some covid claims that were determined not to be related to work. We don't often see that high of a number, but more surprising to me was just the variety. It wasn't all covid or all heart. They were across the board in terms of the types of claims that are filed. One thing that I want to assure and state because I think it's important, is we want to make the right decision for our membership. We are not here to deny claims, and I think our past percentages will show that. Our denial numbers compared to the state system are far less, but it is because we want to make sure that if we're denying a claim that it is the right decision and based on the information that we received during the investigation of our claim. And we also have a vetting process; the analysts will let us know their position after reviewing all the medical records and the claim records. I also take a review of that to look and see - have we left anything out, are there any other considerations that we need to make? And then Sam takes a final review of it. So, we take these denials seriously, they're not issued arbitrarily. The fact that the numbers are high is an odd year in terms of that number of claims being denied. Any questions?

Director Hutchison: SAIF, who's the largest workers' compensation carrier, their denial rate is 13% to 15% just to give you a standing, and that is fairly standard. There are other workers' compensation carriers in the state and they're all in that range, so we are much less. And we approve more because we know our members, we know what job they do, and we understand what it is. So that's why you see less denials than you do with some of the larger carriers that are doing it under the workers' compensation system.

Stacy Jones: Kim, maybe before we move on I'll circle back to the question of the active workforce. So, of those 1,429 active members, 665 as of June 30 were fire, and 764 were police. So, the difference is not as large as I was remembering. Police is so understaffed right now, they have so many vacant positions, the difference would be larger if they were staffed up. So that means of this sworn workforce 46.5% are fire and 53.5% are police. So not as much of a difference as I was thinking. Fire is still overrepresented just in terms of numbers in those disability claims, but if that answers that question.

Trustee MacLowry: A quick question for you Kim, just for my own knowledge. So, if an analyst goes down the road of denying a claim, there's a protocol for that that then channels through you and Sam before it's officially denied. Is that correct?

Kim Mitchell: Correct.

Director Hutchison: All denials have to have my signature on them. Technically, all claim decisions have to have my signature on them, but I delegate claim approvals back to people, but all denials go through that process and I see them.

Trustee MacLowry: So, an accepted claim may just be accepted initially by the analyst?

Kim Mitchell: Yes.

Trustee MacLowry: But the denial has multiple sets of eyes.

Director Hutchison: We have Franco Lucchin, our attorney here. He's often involved in those claims and will help us understand some of the legalities of the interpretation of the information and at any point in this process, all three of us, Kim, myself, or Franco have said, no, a denial doesn't stand, and we'll turn it back.

Trustee MacLowry: Okay.

Kim Mitchell: So, the next slide, we'll look at days to claim decision by fiscal year. We like to show this each year as well. We have a ten-year history, and we see that for fiscal year 2023, 190 of the 320 claims were approved within 30 days. That means the claim has been received, evaluated, and decided within 30 days. That's over 50% of the claims filed this year, which is very good. And we see that we have 60, here in blue, that were decided within 31 to 60 days. Ideally, we are making a decision within 60 days, that's an administrative rule standard and we try to meet that at all possible costs because our members want to know that their claim is approved or not. We'll talk about some factors that can extend that time for us as we look at the other numbers. We have 18 claims that were decided in 61 to 90 days, and then we have 24 claims that were decided in over 90 days. And I would like to talk about that because we have experienced what has been an industry-wide challenge in making decisions on the more complex claims because of covid and changes in staffing across the medical industry, community industry, healthcare industry, that's a better accurate term. We have found it's very difficult to get records, to get medical records, and that is kind of the basics of information we need to evaluate a claim. We've had challenges with it. I've been in meetings with other self-insured employers. They're having the same issue. A lot of the hospitals and recordkeeping companies have farmed out to third-party administrators or third-party providers, and they have no clue about the urgency and our need for those records. So that's been a huge driver in our delay in making decisions on some of our complex claims. The other is that our claims have gotten more complex, we're talking about cancers and heart claims and stress and mental health claims and finding providers who can help us analyze the claims, help us look at these records. We're not medical people. We rely on medical specialties to help us make these decisions and we get that information to them and ask questions appropriate to help us make a decision. And so, finding those specialty physicians has been really hard. We've had a challenge finding psychologists and psychiatrists to evaluate mental health claims and in the broader occupational setting, people don't see cancer claims very often, so it's hard to get oncologists and other specialists to do those exams for us. So that has taken time too.

Sometimes the other reasons may be that we take more time than we might to get a member statement if they're not available because we want all of the information, we need to make a claim decision, so that can impact that. So, there are just a number of factors that we're trying to work on. We've been strategizing, how do we get records from OHSU and some of these folks quicker and who can we contact? But it has been a big challenge for us, and it has resulted in a delay in making a claims decision. But one of the things that we do, we have an administrative rule that says we want to give the members notice that it's taking longer than the 60 days preferred to make a claims decision, so in addition to informing the member over the phone and talking to them about that, we send a letter saying this is going to take longer than we anticipated and we issue that at 60 and at 90 days if we are still, if we still haven't decided the claim. So, we try to keep our members informed of what the status is, and they are usually right on board with us in terms of understanding that we're having trouble getting records and things like that. We will seek their assistance, when need be, and say your doctor, this doctor has these records, will you help us out. Sometimes they get on the phone and say, they need the records, so we've solicited help from the membership when need be. I'm laying this out to you because we don't like to have a claim decided after 60 days and certainly not after 90, but these are some of the factors and issues that we come up against. Any questions on that? Okay.

Next, we'll talk about total disability cost by fiscal year, slide 31. This slide represents all costs, and we'll see that this is down from the peak in 2021 where we had $7.28 million in disability costs, much of that was tied to disability benefits associated with the pandemic. While the claims were in shorter duration, there was just that volume. We saw that hike in the numbers of claims filed over that year and fiscal year ending 2022 as well. We've had a slight increase from 2022 to 2023 in disability costs, and we'll see a breakdown of that later. Some of that has to do with higher wage earners being on disability and we'll talk about that. But just a slight increase and more in line what we see over the past 10 years with the exception of our spike in 2013-2014, our disability costs are about the same total of our disability costs. So, this next slide is a breakdown, and this is a breakdown of again, a 10-year period, and we have our medical payments represented in gold and then our time loss payments, disability payments in gold – purple for medical costs and gold for time loss, and when we look at the medical costs, fiscal year ending 2021 and 2022, we see that we've had a decline in the last few years in medical treatment. That is, let me look at this. So, they're the lowest over the last ten years, and I just wanted to look at my notes for some of the cause of this. I did look at all of the information. The decrease in medical costs over the past couple of years has been due to the covid claims which require little, if any, medical treatment. The reduction in the number of claims filed has also resulted in the reduction in medical treatment, of course, and then use of our Managed Care Organizations, which we'll talk about in a few minutes, which is where we use their precertification to ensure that the treatment that our members receive is medically reasonable and necessary and appropriate, so those things impact our medical costs. And then our time loss here we see is still steady over the past couple of years. I think for the past fiscal year we have a lower number of claims, but we have had higher wage earners on disability and those higher wage earners and claims of longer duration result in more disability payout.

Next, we'll look at time loss components by fiscal year, and we've got a few lines here. We have the blue line, which represents our biweekly disability benefits, and these are benefits paid to our active members on a claim. And then we have the rust, I guess I would call that rust line, which is our wage subsidy that we reimburse to the bureau. This is our transitional duty return-to-work program dollars that are reimbursed back to the bureaus for placing our members in a transitional duty assignment. And then we have the green line with triangles and those are members on monthly disability benefits. So, the increase in biweekly disability benefits, again, is a result of claims of higher wage earners and claims of longer duration. We talked about that. The green line is disability benefits paid to members, and these are members who are unable to return to police or fire employment because of their injury or illness and so they are paid a monthly disability benefit until they retire or their status change. The monthly disability ceases when they reach retirement age and is often the cause of that drop that you'll see. There's been a steady decline over the past ten years as that number continues to drop. When we look at the transitional duty return to work dollars and the wage subsidy pay back to the bureaus, we see that this utilization has gone down since the fiscal year ending 2020. For the last couple of years, it's been primarily because of covid. Covid claims and the time loss associated have been short duration, so the challenge is to get somebody into a light duty assignment for two weeks or less, they're just not going to do it. It's not cost-effective to do that. So, we see that utilization of the transitional duty has taken a little dive, but what we hope as we move further and further away from covid-era processing is that we'll get more people in the transitional duty programs. We do work closely with our liaisons to find placement in the bureaus, and it is happening, but we'd like to see greater utilization and there's always a plug for that when we're handling the individual claims and working with the bureau and liaisons to see if we can get members placed in those programs. They're beneficial.

So, this last slide is our medical savings by fiscal year. Something that we're probably going to be working on, but it's a bar graph, and what we have are the medical bills, and these are the bills as they come in at $3.44 million, and what we have in gold is the total paid. And then what we have in this kind of pink, which represents our savings, and that $1.31 million, this is something that I want to break down better for you next time. But that $1.31 million represents the savings as a result of the statutory reduction we take. That is our use of the Oregon workers' comp fee schedule to reduce the billed amount to a fee schedule. But we do get additional savings, and that as a result of the split that we've arranged with Managed Health Northwest, one of the MCOs that we work with, and what they did is they said to pay for your MCO fee for services that they do, we're going to split the savings we've negotiated with the doctors, which was a nice split, and this year, it was about $57,000. It's not represented here; I'll make sure we have that breakdown for you next time. But we also have additional savings that come when we have members who treat outside of a Managed Care Organization, and these typically are rural or members who have to treat out of state for some reason. Maybe they had a recurrence, or they were just out of state for some reason and needed care and so for those, we do some additional, we do some negotiating. Our claims technician will reach out to the providers and say, hey, this is Oregon, we have fee schedules, we know you're not subject to it, but we'd like to negotiate with you to try to see if we can get some savings and we have about $23,000 in additional savings due to negotiations so I'll make sure to break that down in a way that you can easily see it next time. With that, that concludes my presentation. Any questions?

Trustee MacLowry: I have a quick question. Just a little bit ago you mentioned Managed Healthcare Northwest, Caremark, I'm just curious those what this board's responsibilities are going to be in regard to the search for replacing that organization?

Kim Mitchell: Thank you for mentioning that.

Director Hutchison: Why don't we wrap this up and I'll jump into that. Unless Tom or Catherine has any questions. You're on mute.

Trustee MacLeod: I had just one Kim. You on the slide preceding this one, you showed the number of monthly member claims continuing to kind of go down over the years and in the earlier years it made sense as you were ramping up the return-to-work benefits that would be going down. But then it kind of plateaued there right before the COVID years there but I was wondering if you have any insight why that continued to decrease.

Kim Mitchell: You know, it could be several factors. We've got fewer members on claims this year. So that well, and that doesn't impact the actual monthly. I think the biggest driver of that is members who are reaching disability retirement age. They're no longer eligible for the monthly benefit. Because we haven't had like deaths or other things and we haven't had anyone who was on a monthly benefit who miraculously recovered, so I think the largest driver of that decline is transitioning to retirement.

Trustee MacLeod: That makes sense, because on the earlier slides, I know the approved claims, the percentage of approved claims has fluctuated up and down, but has been in the upper 80s, low 90s, for the most part. It's been a little lower this year. But with people continuing to go down, approved claims, that would kind of explain why the monthly would be dropping here consistently. But it seemed that's been going up and down and the average has been higher. So, I think maybe if people are getting off of the monthly benefit here and transitioning into retirement, that could explain seeing that.

Stacy Jones: I could confirm that since I approve that payment batch every month. The monthly disability, the folks who are on long-term disability, it's actually a very small population. And only every now and then do we add a new person from the short-term biweekly to the long-term. That happens pretty rarely, maybe once a year, once every other year. So now, that population, they're going away as they reach retirement, mandatory retirement and move on to the retirement rolls.

Trustee MacLeod: Thank you.

Director Hutchison: Just a quick wrap-up on this. Normally what we do with State of FPDR is I ask the Chiefs, Chief Lovell and Chief Gillespie, if they want to come and speak, and unfortunately, they were unable to attend, and I also extended invitations to the union presidents and all three of them didn't show up. Last year they did, a lot of turmoil is going on, so I understand why. We're going to –

Trustee Kramer: I'm sorry. May I beg your and the group's indulgence and take a short break?

Director Hutchison: Certainly.

[AT 3:21 P.M. THE BOARD RECESSED FOR A SHORT BREAK. THE MEETING RESUMED AT 3:30 P.M.]

Director Hutchison: Let's start where Kim ended up and jump ahead. On my list of things to do is talk about the MCO, MHN and what the issues are and what we're going to do about it.

Kim Mitchell: Yes, we recently received notice from one of the Managed Care Organizations that we've contracted with since 2010 advising that they're closing their doors. They're a part of the Legacy system and financial troubles have just resulted in them saying they're not profitable the way they would like to be. I won't go into all the details, that's for them to explain, but they are closing their doors. So, what we currently have are two remaining MCOs. We contracted with MHN Caremark Comp, the ones that are closing their doors December 1st. Fortunately, we recently contracted with Providence MCO and with Kaiser On-the-Job, so we still have two managed care organizations that remains, but they don't necessarily fill the gap left by MHN. We're in the early stages of figuring out what we're going to do for the loss of the managed care network. We did send an advisory to the members to advise them that Caremark is closing, and we also let them know we want them to stay with, for those who are enrolled with our Caremark MCO, to stay with their providers for now until we know what we're going to do in transition. Our hope is they will stay with the providers and what we're looking at in the interim are some credentialing processes that most MCOs have, which means they can stay with the provider and be credentialed in to, say, Providence or Kaiser if someone were to choose that, and they also have some come along provisions, which is also like credentialing. So, we're looking at, how do we stabilize the members directly impacted by this, and we're also looking at options for adding another MCO. There's currently only three now in the state, and one of them that we're talking to is Majoris. They have quite an extensive panel as well, and we still have a lot of work to do so they can understand what our plan entails, what the MCO services would be for FPDR specifically. But we are still in the early stages of all this and trying to evaluate first and foremost how we can maintain the continuity of our members enrolled with Managed Care Northwest while we look at replacements.

Director Hutchison: I want to thank Kim, she's been on the phone a lot with Providence trying to figure out what Providence can do and how we can coordinate with them, can we credential some of the doctors that people are using. So, she's worked there. She's also talked with City Risk, who manages the city workers' compensation program, they have the same issue for all the other employees so we're trying to coordinate between what are they doing and we're recommending doing. So, we've got quite a few options. I think our first priority is taking care of the people that are now enrolled continuing to use their physicians going forward until we have this solved. New people that have new claims go to the two MCOs we have, because we had up until less than a year ago we had only two. We had decades where we had two, so that was a boon to get a third one, and sheer luck on our part that we got the third one, so we're back to two. Our goal is we'd like to talk with Majoris. We have learned they are extremely expensive, so we have to take a look, can we do things differently. But Kim has been on the phone trying to get contacts and working with Providence to see what they can do. Sometimes all of the MCOs have their review panels, is the patient getting the treatment from the doctor, they have panels to do that. We're going to lose that with MHN at this point and Providence is saying they may be willing to help us out with that, have their doctors look over a certain treatment, and this is a high priority for us, and Kim is spending a lot of time trying to work things out with parties on that.

Kim Mitchell: Any questions?

INFORMATION ITEM NO. TWO – ADMINISTRATIVE RULES PROCESS FROM THE BOARD OF TRUSTEES. THIS AGEND ITEM WILL BE PRESENTED AT A FUTURE MEETING

Director Hutchison: Got a couple of other things still left on the agenda. One of them was the administrative rule process. I'll give you a quick hint at the rules we were looking to add which is adding Physician Assistants, Nurse Practitioners, and Naturopaths into the attending physician list that we use for FPDR so we can match what workers' compensation does with those medical providers. However, we're going to push those rules off simply because of the MCO situation, because as the MCOs help us work with these providers and give us networks with those providers. Our goal is to get those rules to you no later than our March meeting. If we can do it before then to get to the point where we're comfortable with the MCO, we'll bring them back to you, and you do have in your packet a process for doing rulemaking. We'll review that at that time. So –

Trustee MacLowry: Sam, real quickly, can you reiterate the things you're wanting to add? You said naturopaths and two other things.

Director Hutchison: Physician Assistants, Nurse Practitioners, and Naturopaths, because they just passed a statute here clarifying some of that stuff in the State workers' comp. Our intent is to match workers' comp. So, speaking of MCOs and providers, they're confused as to why FPDR does something different than workers' comp, so we think it's about time we catch up just so the providers and MCOs are working from the same direction as workers' compensation is in the state.

INFORMATION ITEM NO. THREE – IMPACT OF THE PROPOSED NEW CITY OF PORTLAND FORM OF GOVERNMENT ON FPDR

Director Hutchison: So, the next one is the impact of the proposed new City of Portland form of government. I'll go over that real quickly with you. The impact directly to FPDR is minimal. One thing they did was approve some extensive changes to the charter overall which created a new Commissioner, new city council. The city council now is five people who have administrative policy making and executive type jobs, so this is going to go more in the separation of government to where the new one will be 12 people representing three from four districts. They will have a legislative, but they will not have any executive or direct oversight of the operations of the city. That was a big change. And changing how they vote to a ranked choice voting and there was one other thing. I can't remember, sorry. But anyway, so I want to talk about what's the structure of the government is going to look like. So, on this page here, you'll see on the left. City council as I talked about will be 12 members, they will be policy only. Auditor, no change there. And the mayor will not be part of city council, they will only vote if there's a tie. They won't vote at any other time. They will sort the connection between them, and the mayor technically will oversee the operations of the city, but they made in the new charter a City Administrator position with the intent that that position does most of the oversight of what happens in the bureaus. And if you take a look over here, that's where you see the City Administrator.

You then have the next column, the five Deputy City Administrators, again the City Administrator can't handle 30 city reports coming up to them, so they've broken them out into different parts on here. So, you do have a community safety one, which is police, fire, emergency communications, and emergency management. At some point we've been lumped into there just because we serve police and fire, but we moved out of that because we do not directly impact the public. We do not offer emergency services to the public. We do not oversee any emergency investment in the public. It made no sense for us to be under that umbrella. So here we are at the budget and finance area, there wasn't a super good place to go. I made the advocacy that we should go straight to the city administrator, but they said no, you have to find a different area. The advantage of budget and finance, we have some synergy because, with Stacy here, there's a lot of complexity in our finances, in our budget, even though it was board approved, a budget still has to go through the city budget process, and when we issue the tax anticipation notes we have to work closely with the finance area to issue those notes, so we have a pretty good tie-in with the finance area. And also, they know our system, especially from the finance side, very well, the best outside of our bureau. So, this is very helpful to us. They also act as sort of a firewall, to where somebody says, gee, let's see if we can use the FPDR fund to help pay for something. And they say no you can't, because this is how the fund is designed, this is what you can do. So that was the best place to put us. They have city operations, which some people are thinking going to there, no. Because I think we have a better synergy there and to be honest with you, I didn't want the risk being put next to HR, because HR was having some opinions about how we should do things and they said we're offering benefits so they should have control but sorry, no. So, I wanted to make sure at finance is at the best place. The other two areas are Community Economic Development and Public Works. It's interesting why Arts is in Public Works. Arts and Parks have a very big tie-in together, so they do a lot of joint work.

So, this is the organization structure, how it impacts FPDR for the people doing work, from Stacy to Kim on down. It doesn't impact them on what they do. Now, we may do more discussions when we flesh out what this budget and finance team is, how there may be different interactions, but for the most part, we're not changing. The only thing that changes is per the charter, the mayor hired and fired the director. Now it's the city administrator who hires and fires the director. So that was the only part of the charter that was changed that impacted FPDR and I may have a boss which is more of a micromanager, which I'll have to deal with that. But other than that, I think this leaves us pretty intact to how we operate, the benefits that we offer, so we shouldn't see any impact to how we offer services and what services we offer. If there is any impact, I hope it's for the positive. And there's a little side thing here, if you look you'll see a special box on that down under community, and that economic development Prospect Portland Commission, I advocated for an FPDR board to have a box there. They're grumbling at me for wanting to make that change because it is a unique board. I don't know if you got the email that said it was two advisory boards. I don't know if you got that, Kyle. Did you not get that? I forwarded it to Tom after the fact, there was a memo or email went out to all advisory board members and sometimes FPDR gets included in that because of the hundreds of advisory boards and commissions in the city, only two are not advisory. Two are policy setting. One is FPDR. The other is Prosper Portland. So that's why I wanted us called out as a little different, because I report to you and not to city council. So, you have more control over FPDR than city council has. So that's why, anyway, I don't know if I put that box in. I'll grouse if they don't, but we'll go from there.

INFORMATION ITEM NO. 5 – FPDR UPDATES

Director Hutchison: A couple of more things here, just a status of the new board chair, we mentioned that. We're not having any success in our search. I'm working with the mayor's office because this is the mayor's designee is technically what this position is. The volunteers for boards in the city are tapped out. They put a lot of commissions out there, especially a lot with the change in government. It's just, you know, the mayor and everybody has asked all their friends to do those and they just don't have any options left. So, we actually posted this as a job on the city job board, just to see if another avenue, we posted it on LinkedIn for that. No responses after about three weeks there and I'm asking the other bureau directors, do you have some place that I can knock on some doors to see or other organizations that have it? We've never had this issue before. But I think a lot of it has to do with the fact that the mayor's tapped all of the possible candidates for the other commissions that are there. So, we'll keep working on that. The next one is, I'm going to threaten the mayor and he's going to have to show up.

Trustee MacLowry: Well, that's what it says in the charter, the mayor or his or her designee.

Director Hutchison: That's fair, but he elects not to do it.

Trustee MacLowry: Isn't it that their responsibility, it says in the charter, the mayor or their designee.

Director Hutchison: He doesn't have to attend if he doesn't want to. That's the issue that we have. I've talked with the office about it. That's on my list to come back and say, the mayor's got to do something about it, and push it. But this is unique. We have not had this issue before where we've had months and months of it with no end in sight.

Trustee Kramer: And sorry, did I interrupt you?

Director Hutchison: No, go ahead.

Trustee Kramer: I want to combine this with what you just told us and if this was answered in the materials, I missed it. Under the new city government structure, will the mayor still have authority to appoint the chair and the public members?

Director Hutchison: The mayor will still be a part of the board or will designate their own designee. So that did not change. And the citizen trustees must still be approved by city council, so none of that changed. The only thing that changed is who can hire and fire me.

INFORMATION ITEM NO. 6 – FUTURE MEETING AGENDA ITEMS

Director Hutchison: And one last thing, the last one here - the agenda topics, pull that one up. This is the last thing, just to confirm what we have for the agenda topics. This all this works on the documents that we've shared in the past. There we go. So, at this point, we have scheduled, you guys can tell me if you want to change this at all because this is your agenda. So, the only action agenda that we have for the 28th is the FPDR Administrative Rule changes. We're going to cross that off because we're going to delay that until we get the MCO situation done. We'll be reviewing the annual auditor's report because FPDR by charter is required to have an annual financial audit, which is very unique across the city. The city has to have their own, but we're the only bureau that has to have their specific one. You wanted to talk about the equal to or better than test for a follow-up discussion on that, how you wanted to resolve or what next steps you wanted to do. We talked about definition of spouse at a January board meeting where we had a member who was concerned about the definition of spouse and what would happen to it. I think, basically the concern is that the Supreme Court will come in and change the definition of "spouse," same-sex marriage, same-sex spouse situations, so we'll talk about that. And then we'll talk about the legislative updates, there are two bills that impact the board directly, you all, and two impact FPDR so we'll walk you through those, they're not huge impacts on you, just sets up more expectations of what you do and how the meetings are run. And so in January, at this point, we have to adopt the 2024-2025 budget.

Information items that you had said you wanted to see. We'll review the strategic plan and then you wanted a follow up on the ASOP number 4 presentation by Lorne to give you more legal information to verify what that was, I think a few meetings ago there was some discussion on that. In March, we have the annual adjustment review for FPDR 2, the COLA discussion there and it becomes effective July 1 but sometimes it takes two meetings to resolve that, so we start in March and if we need to, we finish in May. Other future meeting topics here that the board didn't set any particular time for are forming a committee to review the FPDR 2 pension plan. Another was to discuss soliciting a study to compare the FPDR disability program to Oregon workers' comp. When we feel it's ready, the impact of unionization on FPDR so as soon as we have the agreement in, and we can analyze that. We'll do the board handbook in the future and part of the board handbook we'll talk a little bit about trustee training. Stuff like that, so that's what we have. If you want to send emails to me or add or change any of these, let me know because this is a fluid document based on feedback that you've given me. If you have any thoughts for right now or anything else to add for November or potentially January? In January, we can put off until the November, but the November one, we're going to start prepping for that one pretty quickly.

Trustee MacLowry: If we have a little bit of time on either one of those, November or January?

Director Hutchison: I'm saying for the November meeting, we have the list that I have here, we're going to strike administrative rules, but the information items, if you don't have any changes there because we're going to start putting materials together and information together to present those items. January, we've got plenty of time to change, and March. January, you just have some things that are what you said you wanted to talk to. The action items for January and March are fixed, the information items we can change. Or if you want to add another action item, you can.

Trustee MacLowry: I'd be potentially interested in informational item. I had never heard of until today the issue that Del Stevens brought up about the taxable pension versus nontaxable pension. I overheard earlier during the break a little discussion about it. If we could perhaps get more information and background, that would be helpful for me to understand it better. If that happens in November or down the road, that's something that would be of interest.

Director Hutchison: That's a complex topic, November is too soon to bring that one up. I'll tentatively pencil that in for January. I may get back to you, all of you, to clarify the exact topic, how you want it addressed.

Trustee MacLowry: Thank you.

Director Hutchison: And one thing that we were talking about -

Trustee MacLeod: I agree, I think that would be a good topic to try to get in in the next couple of meetings.

Director Hutchison: Again, we can't get that done in November, we'll look to January for that one. We were talking about that during the break too is to compare PERS, what they do for disability retirement and retirement for what we do for retirement. I think you'll understand the two systems better and how one works the other, and it's hard to compare the way they're set up, they're a little bit of apples and pumpkins a little bit and so we'll do it, and we'll get a hypothetical and run it through both of them and we'll see what we come up with as far as numbers and payments.

Trustee MacLowry: Okay.

Trustee MacLeod: Otherwise, it looks like a good agenda to me, and as you said, Sam, that if someone thinks of something else they'd like to have slotted in to email and let you know.

Director Hutchison: Yeah, let me know and we'll put it in. And again, with the exception of November, it's not really set in stone. We can move stuff around except the action items, those can't move because they're time sensitive.

Trustee MacLeod: Okay. Very good. And is that the end of the information items for today?

Director Hutchison: I hope so. I'm closing my book, so it is, done.

Trustee MacLeod: It's been a very long, but I think productive meeting. Thank you for the really good annual reports on the plans, the state of the plan and what's been going on over the past 12 months. I think it's really helpful to look back and see the things that have changed and the things that haven't changed and what the trends have been. I really appreciate the staff effort for that. Anything else any of the trustees want to bring up or are we good to adjourn? All right. Hearing nothing else, then I'll adjourn the meeting. Thank you very much.

Trustee MacLowry: Thank you.

Director Hutchison: Thank you, everybody.

FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

<u>There are no Action Items for this meeting</u>

FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

Information Item No. 1

Auditor’s Annual Report Presented by Moss Adams

Report of the Independent Auditors and Financial Statements

FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

PORTLAND FIRE AND POLICE DISABILITY AND RETIREMENT FUNDS

TRUST FUNDS OF THE CITY OF PORTLAND, OREGON

FIREFIGHTER

CITY OF POR

ORE.

PORTLAND POLICE

OFFICER

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City of Portland, Oregon

Fire and Police Disability

and Retirement Funds

Trust Funds of the City of Portland, Oregon

June 30, 2023

Administration Offices

Harrison Square Building

1800 SW 1st Avenue, Suite 250

Portland, Oregon 97201

Fund Administrator

Samuel Hutchison

Finance Staff

Stacy Jones

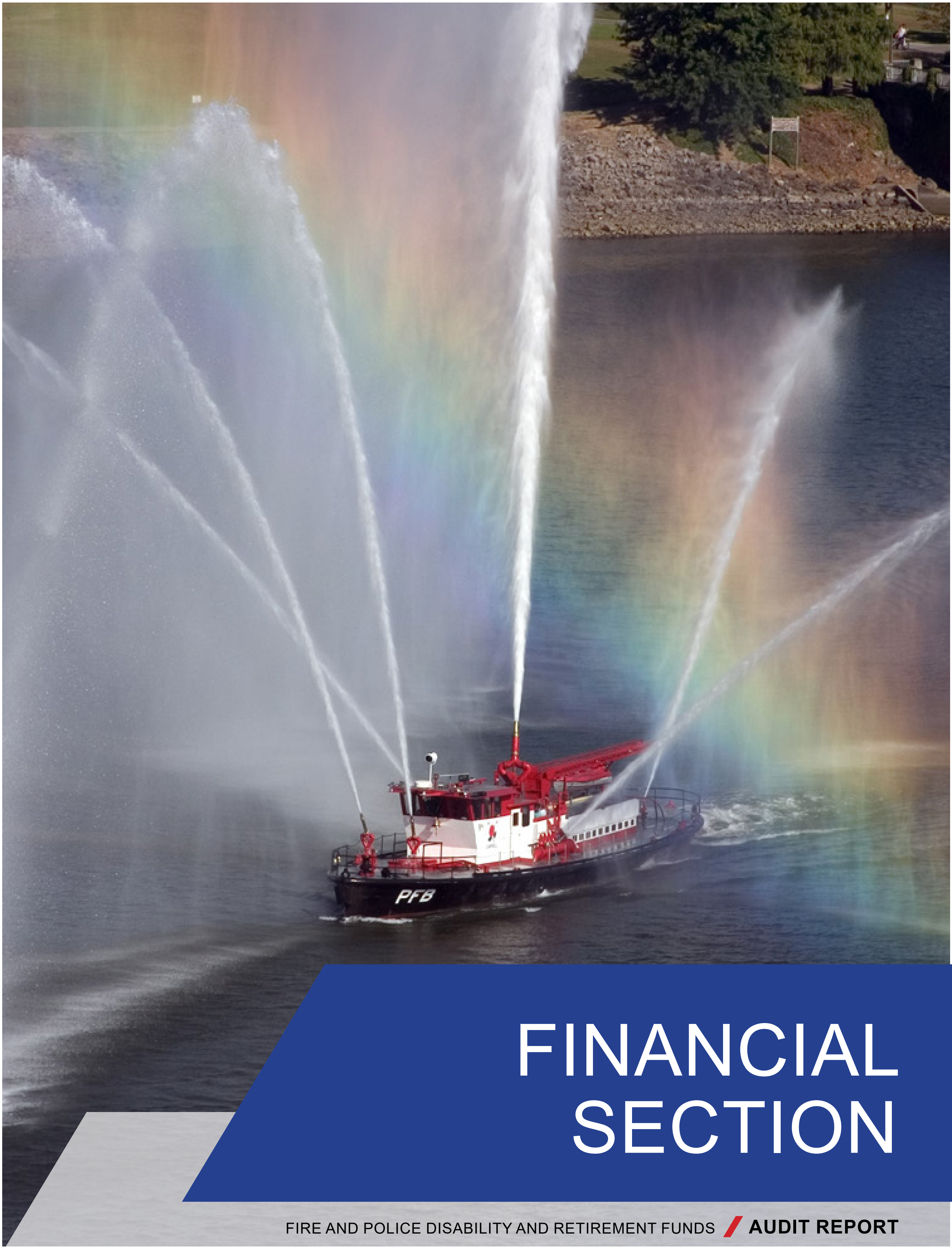
Asha Bellduboset

Mika Obara

Svetlana Vitruk

Cynthia Carlile (Bureau of Revenue and Financial Services)

Jared Longoria (Bureau of Revenue and Financial Services)



FINANCIAL SECTION

FIREFIGHTER
CITY OF POR
ORE.
PORTLAND POLICE
OFFICER

MOSSADAMS

Report of Independent Auditors

The Board of Trustees
City of Portland, Oregon, Fire and Police
Disability and Retirement Fund and Reserve Fund

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying statement of plan net position and the related statement of changes in plan net position of the City of Portland, Oregon, Fire and Police Disability and Retirement Fund and the City of Portland, Oregon, Fire and Police Disability and Retirement Reserve Fund (the "Funds"), component units of the City of Portland, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Funds and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Funds' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Funds' basic financial statements. The budgetary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the supplementary data as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023 on our consideration of the Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
October 26, 2023

Management's Discussion and Analysis

As management of the City of Portland, Oregon's Fire and Police Disability and Retirement Fund (FPDR Fund) and Fire and Police Disability and Retirement Reserve Fund (Reserve Fund), collectively referred to as the Funds, we offer readers this narrative overview and analysis of the financial activities of the Funds for the fiscal year ended June 30, 2023. For more detailed information regarding the Funds' financial activities, the reader should also review the actual financial statements, including the notes and supplementary schedules.

Financial Highlights

- An independent actuary conducts biannual valuations of FPDR's obligations. The most recent valuation was completed with data as of June 30, 2022; rolling that valuation forward to June 30, 2023 yields a total pension liability (the actuarial present value of the plan's projected benefit payments that are attributed to past periods of member service) of $3.9 billion.
- The FPDR Fund is financed on a pay-as-you-go basis. The Portland City Charter provides for annual employer contributions that equal current year benefits and administrative expenses. Employer contributions are primarily financed by a dedicated property tax levy, which provided $185.2 million of the $186.0 million in total contributions. Other employer contributions derive from a surcharge collected when fire or police services are provided to external organizations, subrogation on disability claims, and miscellaneous revenue.
- The imposed FPDR property tax levy for the fiscal year ended June 30, 2023 was $1.11 per $1,000 of real market value (RMV) within the City of Portland. By Charter the levy may not exceed $2.80 per $1,000 of RMV. Portland property owners make tax payments on assessed value (AV) rather than RMV; the FPDR levy was $2.73 per $1,000 of AV for the fiscal year ended June 30, 2023.
- Since governmental accounting standards do not allow future dedicated tax revenues to be reflected in the Funds' financial statements, the Plan's net position reflects only current assets, primarily cash on hand. Net position was $24.3 million on June 30, 2023, an decrease from the June 30, 2022 net position of $27.7 million.
- FPDR Fund assets were $31.1 million on June 30, 2023, $14.0 million less than June 30, 2022. The decline is primarily the result of a timing issue: since July 1, 2023 was a Saturday, July 1 pension payments in the amount of $12.3 million were instead paid on June 30, thus reducing the Fund's cash at the close of the fiscal year.
- As a result of the same timing issue, FPDR Fund liabilities fell by $10.0 million as compared with the prior year. Typically the July 1 pension payments are booked as an accounts payable item on June 30, since pension payments are made in arrears. Since this year the payment had already been made, a liability for June pension benefits did not need to be recorded as usual on June 30, 2023. In addition, the total for outstanding checks issued but not cashed was significantly lower on June 30, 2023 than it was on June 30, 2022.
- Benefit payments from the FPDR Fund include both direct payments to FPDR Plan beneficiaries and contributions to the prefunded Oregon Public Employees Retirement System (PERS) Plan for sworn employees hired after 2006. Total benefit payments grew to $185.6 million, an increase of 6.4%, or $11.2 million. FPDR pension and disability payments to retirees, disabled members, and their beneficiaries totaled $153.9 million of this amount, 4.0% more than the prior year. This reflects 2022 pension cost-of-living-adjustments ranging from 2% to 7%, as well as growth in the retiree population with new retirements outnumbering deaths. While still much smaller than FPDR Plan benefit payments, PERS contributions increased more rapidly, growing 14.5% from the prior year to reach $30.7 million in the fiscal year ended June 30, 2023. This is in line with growth in the PERS-covered workforce, as new hires are added, and sworn wage increases in 2022.

Financial Statements and Analysis

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

The FPDR Fund is financed on a pay-as-you-go basis. Each year's benefits and expenses are paid from employer contributions derived almost entirely from a dedicated property tax levy assessed each year. No assets are accumulated and invested to fund benefit payments in future years. Although the City Charter provides FPDR with dedicated property tax levy authority of up to $2.80 per $1,000 of RMV, the Oregon state constitution caps each property's general government taxes at $10 per $1,000 of RMV. After reaching this point all levies, including the FPDR levy, are subject to compression to fit under the $10 limit. For this reason, it is unlikely that FPDR could collect the full $2.80 per $1,000 of RMV on each property. However, it appears increasingly unlikely this will ever be necessary. The RMV levy rate for the fiscal year ended June 30, 2023 was $1.11, down from $1.20 in fiscal year ended June 30, 2022 and well below the $2.80 cap.

Sworn members of the Fire and Police Bureaus hired after 2006 are enrolled in the prefunded Oregon PERS pension plan. The FPDR Fund pays the employee and employer portions of PERS contributions for these members, as well as an additional 3% contribution to each member's Individual Account Program at PERS. The FPDR Plan itself provides only disability, funeral and pre-retirement death benefits to these members. Members of the FPDR plan sworn prior to 2007 are covered by the FPDR plan for their retirement benefits, pre- and post-retirement death benefits, disability benefits, and funeral benefits. Funding both PERS contributions for members hired since 2006 and current benefits to retirees hired before 2007 (and their survivors) under FPDR's pay-as-you-go pension plan – simultaneous payments for two generations of employees – creates upward pressure on FPDR's tax levy. The levy is expected to peak in the late 2030s or early 2040s, when most members hired before 2007 will be retired and receiving FPDR pension payments, and all of the active workforce will be enrolled in PERS with FPDR pre-funding their PERS pensions through contributions to the PERS Plan.

The FPDR Plan's net pension liability is $3.8 billion for the fiscal year ended June 30, 2023, an increase of $86.5 million from June 30, 2022. The plan liability grew despite an increase in the discount rate used to calculate the net present value of that liability, the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index (Bond Buyer Index). The index value rose from 3.54% on June 30, 2022 to 3.65% on June 30, 2023. Since the FPDR Plan has no investment assets, a single risk-free rate is used for discounting in accordance with the requirements of Governmental Accounting Standards Board Statement Nos. 67 and 68. The higher pension liability on June 30, 2023 can be attributed primarily to the fact that it is a roll forward of the 2022 plan valuation, whereas the June 30, 2022 liability figure is a roll forward of the 2020 plan valuation. The 2022 valuation recognized updated demographic experience and forward-looking assumptions, including higher recent wage growth for active members, greater future improvements in participant longevity than previously projected, and a higher percent of members retiring in financially advantageous "27 pay date months," among other factors.

Financial Statements and Analysis, continued

Because of the FPDR plan's pay-as-you-go funding basis, the net pension liability does not reflect the value of dedicated future revenues from the property tax levy. Management assesses the plan's long-term financial condition in part by projecting the future availability of revenues from this tax, which is the source of employer contributions under the Charter. The most recent levy adequacy analysis, completed by an independent actuary in connection with the actuarial valuation of the Plan, was as of June 30, 2022. At baseline assumptions, property tax revenues are expected to be sufficient to cover future benefit payments and fund expenses for the life of the plan. Under a wide range of simulated economic scenarios in the foreseeable future, the analysis projects less than a 1% probability of the FPDR Fund levy reaching the maximum $2.80 per $1,000 of RMV in any year through 2041. After removing the bottom 5% and top 5% of outlier outcomes, the 2022 levy analysis forecasts an FPDR tax levy rate between $0.64 and $2.00 per $1,000 of RMV for 2024 through 2041. At the median (50th percentile) probability, the analysis predicts the FPDR tax rate will peak at $1.43 per $1,000 of RMV in 2031 - 2033. The previous 2020 analysis estimated a similar probability of reaching the FPDR levy cap, and a slightly higher peak FPDR tax rate at the median probability ($1.46). The tax levy analyses encompass all facts, decisions and conditions pertaining to the FPDR plan known at the time each analysis was completed.

The FPDR Reserve Fund provides a reserve in case the FPDR Fund cannot meet its current obligations. At June 30, 2023 the Reserve Fund had a $750,000 net position and generated no income or expenses. Interest earned on the Reserve Fund balance is credited directly to the FPDR Fund. The following statements present the combined totals of the FPDR Fund and Reserve Fund.

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

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

The following schedule compares total plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the fiscal years ended June 30, 2023 and 2022:

Summary of Net Position
For Years as Stated

	2023	2022	Change
ASSETS			
Cash and investments (held by City Treasurer)	$ 23,399,653	$ 39,560,775	$ (16,161,122)
Receivables	6,759,079	5,337,040	1,422,039
FPDR share of City OPEB asset	35,508	24,079	11,429
Capital assets, net	885,196	131,555	753,641
Total assets	31,079,436	45,053,449	(13,974,013)
Deferred outflows of resources (City PERS pension)	1,184,483	1,335,532	(151,049)
Deferred outflows of resources	1,184,483	1,335,532	(151,049)
LIABILITIES			
Accounts payable	654,822	12,484,958	(11,830,136)
FPDR share of City PERS pension liability	2,573,021	1,975,746	597,275
Other liabilities	3,959,073	2,744,476	1,214,597
Total liabilities	7,186,916	17,205,180	(10,018,264)
Deferred inflows of resources (City PERS pension)	808,338	1,499,196	(690,858)
Deferred inflows of resources	808,338	1,499,196	(690,858)
NET POSITION			
Total net position	$ 24,268,665	$ 27,684,605	$ (3,415,940)

Financial Statements and Analysis, continued

The Funds' net position declined slightly between June 30, 2022 and June 30, 2023, declining from $27.7 million to $24.3 million. Total assets fell by $14.0 million, or 31.0%, while total liabilities also dropped, but by a smaller $10.0 million. As mentioned above under Financial Highlights, most of the decline in both assets and liabilities was simply caused by a timing issue related to the payment of June pension benefits on June 30 in 2023 and July 1 in 2022. However, the remainder of the downturn in assets was a planned $3.9 million reduction in cash balance, partially offset by an increase in receivables and capital assets. FPDR management generally targets an ending fund balance of $15 to $20 million, an amount sufficient to cover unforeseen expenses and mitigate typical risks for a pension plan of FPDR's size, without retaining excess taxpayer dollars unnecessarily. However, management chose to increase fund contingency during the COVID pandemic in response to various financial risks associated with the pandemic, including the possibility that more front line public safety workers could retire than expected; that disability costs could soar as COVID infections, exposures, and vaccine side effects impacted the sworn workforce; and that property tax delinquencies could grow in the uncertain economic environment. As only some of these risks materialized in a financially significant way, FPDR fund balance had grown beyond target levels by June 30, 2022. FPDR is now using the additional cash to offset the FPDR property tax levy in 2022 and 2023, and perhaps beyond. FPDR booked $1.4 million more in receivables for the fiscal year ended June 30, 2023. This was principally due to a $778,684 higher property tax receivable and $406,077 more in interest receivable on FPDR's cash balance in the City Treasury pool, as interest rates remained higher than in the prior fiscal year. A $753,641 increase in capital assets is offset by a related increase in liabilities. FPDR entered into a noncancelable building lease for its administrative offices in July 2022. A right-of-use asset and lease liability were recognized in August 2022 in the amount of $957,213. After depreciation during the year, the June 30, 2023 value of the right-of-use asset was $783,174 and the lease's remaining liability was $811,556. (Differences in the timing of depreciation and lease payments account for the $28,382 difference.)

Other than the reduction in benefits payable for June pension payments and the new lease liability, the most significant changes to liabilities on June 30, 2023 were for compensated absences and FPDR's share of the City's PERS pension liability. FPDR's June 30 liability for PERS contributions on the leave balances of PERS-covered sworn employees, as well as FPDR's own employees, escalated by $450,079, or 24.1%. The City of Portland recently increased leave accrual rates for all employees. The unfunded liability of the Oregon PERS system was higher on June 30, 2023 than June 30, 2022. The additional liability was shared out among PERS employers, including the City of Portland, and in turn among City funds, including the FPDR Fund. As a consequence, the FPDR Fund's share of the City of Portland's PERS liability increased by $597,275, or 30.2%.

The following schedule displays changes in employer contributions, benefit payments, administrative expenses and plan net position during the fiscal years ended June 30, 2023 and 2022.

	2023	2022	Increase (Decrease)
Employer contributions: property taxes	$ 185,229,236	$ 194,183,766	$ (8,954,530)
Employer contributions: other	796,458	324,670	471,788
Net investment earnings/(loss)	1,189,657	(1,371,551)	2,561,208
Total Additions	187,215,351	193,136,885	(5,921,534)
Benefit payments	185,553,546	174,400,174	11,153,372
Operating and administrative expenses	5,077,745	4,343,833	733,912
Total Deductions	190,631,291	178,744,007	11,887,284
Net Increase / (Decrease)	(3,415,940)	14,392,878	(17,808,818)
Beginning Net Position	27,684,605	13,291,727	14,392,878
Ending Net Position	$ 24,268,665	$ 27,684,605	$ (3,415,940)

Additions to plan net position include property tax revenues, other employer contributions, and investment income (loss). The primary funding source for the FPDR Fund is employer contributions derived from the dedicated property tax. The FPDR Board determines the tax revenue required in any given year by approving the annual budget and subtracting other anticipated revenues and existing fund balance. This amount is then forwarded to the City Economist, who calculates the tax levy amount and resulting levy rate after factoring in delinquencies, discounts and compression losses. Property tax revenues totaled $185.2 million in the fiscal year ended June 30, 2023, a $9.0 million or 4.6% decrease from the prior year. As discussed above, FPDR management and the FPDR Board of Trustees decided to use excess fund balance from prior years to reduce the FPDR property tax levy for the fiscal year ending June 30, 2023.

Employer contributions derived from sources other than property taxes are a very small proportion of total employer contributions. They include pension and disability overhead charges collected from third parties who contract for police and fire services, subrogation revenue recovered from third parties at fault for member disability claims, overpayment recoveries, and other minor miscellaneous revenues. Collection of disability overpayments increased for the fiscal year ended June 30, 2023, following a moratorium on some recovery efforts during the COVID pandemic. (Benefit payments begin automatically upon receipt of a complete service-connected disability claim; if a claim is subsequently denied benefits must be repaid.) In addition, a large pension overpayment of $210,513 was discovered and recorded as deferred revenue in the fiscal year ended June 30, 2023, when a member's death went unreported by the member's family and FPDR's death audit service for several years. FPDR is in the process of making repayment arrangements with the member's family. Investment income on FPDR Fund balance was $1.2 million for the fiscal year ended June 30, 2023, after a temporary downturn in the City Treasury pool left FPDR with a net investment loss on June 30, 2022. The Federal Reserve continued to raise interest rates aggressively throughout the fiscal year ended June 30, 2023. In addition, fund balance was unusually high through April 2023 because of delays in PERS billings from the Police and Fire Bureaus.

The largest deduction to the plan's net position each year is obviously benefit payments. For the fiscal year ended June 30, 2023, total benefit payments amounted to $185.6 million, an increase of $11.2 million or 6.4% from the previous year. FPDR benefits generally grow by 5% to 7% each year, as more members sworn before 2007 retire (increasing direct FPDR pension payments) and new sworn employees are hired to replace them (increasing pre-funded PERS contributions made by the FPDR Fund for members hired after 2006, which are also classified as benefit payments).

Financial Statements and Analysis, continued

Operating and administrative expenses grew 16.9%, or $733,912, as compared with the year before. The single largest increase was for interest payments on the tax anticipation notes (TANs) FPDR issues each year to maintain a positive cash flow between the start of the fiscal year on July 1 and the receipt of most property tax revenue in mid-November. The July 2022 TAN issue carried an interest rate of 1.89%, nearly ten times higher than the interest rate for the July 2021 TAN issue (0.21%). Consequently, TAN interest payments were $307,462 more for the fiscal year ended June 30, 2023, although FPDR borrowed $10.5 million less. The second major contributor to higher administrative costs was additional vendor payments. FPDR paid $116,088 more for disability claim investigation expenses, such as independent medical examinations and medical records, as claim complexity increased in the wake of new statutory stress and anxiety presumptions. As always in odd-numbered years – when the biannual plan valuation and tax levy analysis are completed – actuarial costs were also higher. Payments to FPDR's independent actuarial service were $65,450 more than in the fiscal year ended June 30, 2022. Finally, FPDR leadership contracted with a professional services firm for $65,000 to conduct extensive stakeholder and employee interviews and to help the bureau formulate a five-year strategic plan. Office lease savings for the fiscal year ended June 30, 2023, in the form of both a less expensive ongoing lease and a one-time five-month rental abatement in the first year of the new lease, were fully offset by technology-related moving costs.

COVID Pandemic Recovery

The pandemic and associated disruptions had only minor impacts to the FPDR Fund and FPDR operations and are no longer causing noticeable effects. The chief financial impacts to FPDR came in the form of the largest retirement year in FPDR history, when 99 members left active service in the midst of the pandemic and civil protests during the fiscal year ended June 30, 2021, and two years of record-breaking disability claim volume in the fiscal years ended June 30, 2021 and June 30, 2022. The FPDR Board of Trustees approved emergency administrative rules to make qualifying for service-connected benefits simpler for COVID cases, and more than 500 disability claims were received in each of those two years as the City's sworn workforce missed work time due to COVID exposures, infections, and vaccine side effects. Short-term wage replacement benefits for disability were $2.7 million in each of those two fiscal years, as compared with about $1.5 million annually before. However, growth in pension costs from the influx of new retirees in the fiscal year ended June 30, 2021 was unfortunately tempered by a slightly higher beneficiary death rate than usual in the following two fiscal years. The pandemic also created significant financial uncertainty for FPDR management, particularly with respect to retirement levels, disability expenses, and tax levy delinquencies and compression. In consequence the FPDR Board of Trustees authorized conservative budgets and an increase in fund contingency for several years. Most of these additional funds proved to be unnecessary and fell to fund balance. The excess resources are being used to reduce the FPDR tax levy for several years, as previously discussed. Retirement levels and disability claim volume have returned to normal levels in the fiscal year ended June 30, 2023, and the emergency administrative rules for COVID disability claims have expired. Finally, the FPDR office and FPDR employees are now operating as the bureau and City of Portland intend to do business for the long term, post-pandemic. Most employees are working half-time in the office and half-time remotely; business processes are primarily electronic and paperless; and customer service is available to members in person, on the phone, and through virtual platforms.

Capital Asset and Long-Term Debt Activity

FPDR has two intangible capital assets. The first is a right-of-use asset for a noncancelable building lease. The lease expires on December 31, 2027. As of June 30, 2023 the value of the lease asset was $783,174. FPDR also owns a software asset, a database to issue all participant-related payments, track member and beneficiary information, create pension estimates, and manage disability claims. The database had a net book value of $95,521 on June 30, 2023.

Financial Statements and Analysis, continued

The Funds had no long-term debt activity in the fiscal year ended June 30, 2023, other than FPDR's prorated share of payments on pension obligation bonds issued by the City in 1999 to reduce the City's liability with PERS.

Requests for Information

This financial report is designed to provide a general overview of the Funds' finances for interested readers. All currently known facts, decisions and conditions that will have a significant effect on the Funds' future financial position or operations have been discussed above. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to fpdr@portlandoregon.gov or Finance and Pension Manager, Fire and Police Disability and Retirement Fund, 1800 SW First Ave., Suite 250, Portland, OR 97201.

Fire and Police Disability and Retirement Funds
Statement of Plan Net Position
June 30, 2023

	FPDR Fund	Reserve Fund	Total
Assets			
Cash and investments held by City Treasurer	$ 22,649,653	$ 750,000	$ 23,399,653
Property taxes (contributions) receivable	5,730,287	-	5,730,287
Interest receivable	571,920	-	571,920
Accounts receivable, net	5,622	-	5,622
Overpayment recoveries receivable	435,776	-	435,776
Prepaid expense	15,474	-	15,474
Capital assets			
Software	1,071,878	-	1,071,878
ROU asset - buildings	957,213	-	957,213
Construction in progress	6,500	-	6,500
Accumulated depreciation and amortization	(1,150,395)	-	(1,150,395)
Net OPEB asset	35,508	-	35,508
Total assets	30,329,436	750,000	31,079,436
Deferred outflows of resources			
Deferred outflows - pensions	1,132,053	-	1,132,053
Deferred outflows - OPEB	52,430	-	52,430
Total deferred outflows	1,184,483	-	1,184,483
Liabilities			
Accounts payable	654,822	-	654,822
Compensated absences	2,315,754	-	2,315,754
Bonds payable	58,286	-	58,286
Interest payable	312,553	-	312,553
FPDR share of City PERS pension liability	2,573,021	-	2,573,021
Other liabilities	240,000	-	240,000
Lease payable	811,556		811,556
FPDR share of City OPEB liability	220,924	-	220,924
Total liabilities	7,186,916	-	7,186,916
Deferred inflows of resources			
Deferred inflows - pensions	770,098	-	770,098
Deferred inflows - OPEB	38,240	-	38,240
Total deferred inflows	808,338	-	808,338
Net Position			
Restricted for pensions	23,518,665	750,000	24,268,665
Total net position	$ 23,518,665	$ 750,000	$ 24,268,665

See accompanying notes to financial statements.

Fire and Police Disability and Retirement Funds
Statement of Changes in Plan Net Position
For the Year Ended June 30, 2023

	FPDR Fund	Reserve Fund	Total
Additions			
Contributions - funded by property taxes	$ 185,229,236	$ -	$ 185,229,236
Other contributions	796,458	-	796,458
Total employer contributions	186,025,694	-	186,025,694
Net investment earnings/(loss)	1,189,657	-	1,189,657
Total additions	187,215,351	-	187,215,351
Deductions			
Disability, retirement and medical benefits	185,553,546	-	185,553,546
Operating and administrative expenses	5,077,745	-	5,077,745
Total deductions	190,631,291	-	190,631,291
Change in net position	(3,415,940)	-	(3,415,940)
Net position - beginning	26,934,605	750,000	27,684,605
Net position - ending	$ 23,518,665	$ 750,000	$ 24,268,665

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Fire and Police Disability and Retirement Reserve Fund (the Reserve Fund), a Trust Fund of the City of Portland, Oregon, is authorized under the provisions of Chapter 5, Section 5-104 of the Charter of the City. The purpose of the Reserve Fund is to provide a reserve from which advances can be made to the FPDR Fund in the event the latter fund is depleted to the extent it cannot meet its current obligations. The Reserve Fund maximum is established at $750,000 by the Charter and was fully funded at June 30, 2023.

The Bureau of Fire and Police Disability and Retirement, which administers the FPDR Funds, is a blended component unit of the City of Portland. A blended component unit, although a legally separate entity, is in substance part of the City's operations. The City is considered to be financially accountable for the FPDR Funds.

The FPDR Funds are reported as pension trust funds (fiduciary funds) in the Annual Comprehensive Financial Report of the City of Portland, Oregon, as required by accounting principles generally accepted in the United States of America (U.S. GAAP).

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Capital assets - FPDR classifies assets with an estimated useful life in excess of one year as capital assets. The FPDR Fund has two intangible capital assets. One is a database used to process participant-related payments and to track member and beneficiary information. The database is stated at cost, and depreciation is calculated on a straight-line basis over ten years (the estimated useful life of the software). The other is a right-of-use ("ROU") asset for a building lease, whose recognition is new for the current fiscal year due to the implementation of GASB Statement No. 87 (Statement 87): Leases.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases - Leases are recognized in accordance with Statement 87. FPDR has one lease it holds as a lessee for its office space. A lessee is required to recognize a lease payable and an intangible ROU lease asset. A lease payable is recognized at the net present value of future lease payments, and is adjusted over time by interest and payments. Future lease payments are discounted using the City of Portland's estimated incremental borrowing rate. Future lease payments include fixed payments, variable payments based on an index or rate, and any reasonably certain residual guarantees. The ROU asset is initially recorded at the amount of the lease liability, plus prepayments, less any lease incentives received prior to lease commencement, and is subsequently amortized over the life of the lease in amounts equal to the annual payments.

Deferred outflows and inflows related to leases and any respective ROU assets are reported in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources.

The FPDR Fund has chosen not to implement Statement 87 for the budgetary basis of accounting. For both the budgetary basis of accounting and for leases that do not meet the criteria for valuation under Statement 87, the Fund will report inflows of cash for lessor leases and outflows of cash for lessee leases.

Public Employees Retirement System (PERS) liability – All of the employees that provide services for the FPDR Fund are employees of the City of Portland and therefore are participants in PERS. Contributions to PERS are made by the City and have historically been made based on the annual required contribution. Such contributions are proportionally allocated to the FPDR Fund and charged to expense as funded. In conformance with GASB Statement No. 68 (Statement 68): Accounting and Financial Reporting for Pensions, the City has recognized a PERS liability for the fiscal year ended June 30, 2023; FPDR's share of this liability and related deferred inflows and outflows are reflected in FPDR's ending plan net position.

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

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION

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

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

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

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

Participation and benefits - As of June 30, 2023, membership data related to the Plan was as follows:

	FPDR One	FPDR Two	FPDR Three	Total
Retirees, beneficiaries and participants with disabilities currently receiving pension or long-term disability benefits	261	1,715	-	1,976
Vested beneficiaries not yet in pay status				
Surviving spouses not yet eligible	-	-	-	-
Terminated employees	-	83	-	83
	-	83	-	83
Active members on short-term disability	-	16	11	27
Active members:				
Vested	-	631	-	631
Non-vested	-	-	-	-
Not in FPDR pension plan	-	-	798	798
Total active members	-	631	798	1,429

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

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

FPDR One, the original tier, and FPDR Two, created in 1990, are part of a single-employer, defined-benefit plan administered by the FPDR Board of Trustees. Active members (those not already retired or on long-term disability) enrolled in the Plan on July 1, 1990 were required to make an election as to whether they wished to fall under the provisions of the Plan as constituted prior to July 1, 1990 (FPDR One) or become subject to the new Plan provisions after June 30, 1990 (FPDR Two). FPDR One and FPDR Two are both closed to new entrants; FPDR Two closed to new entrants on January 1, 2007. As of June 30, 2023, there were 261 FPDR One members and 2,346 FPDR Two members and beneficiaries, as well as 83 former FPDR Two employees who are vested, but not yet receiving a pension benefit.

On November 7, 2006, voters in the City of Portland passed a measure that changed the retirement plan for new police officers and firefighters. Members hired after 2006 are FPDR Three members and enrolled in the Oregon Public Employees Retirement System (PERS), predominantly in the Oregon Public Service Retirement Plan (OPSRP) tier, for retirement benefits. New employees do not become members of PERS for six months unless they were previously members of PERS. The Bureaus of Police and Fire pay the employee and employer portions of PERS contributions, but are then reimbursed by the FPDR Fund through the interagency billing process; therefore, the dedicated FPDR tax levy funds FPDR Three PERS contributions as well as the FPDR Plan. FPDR Three PERS contributions are included in disability, retirement and medical benefits on FPDR's *Statement of Changes in Plan Net Position.* More information about the City's PERS liability can be found in the City's annual financial statements. FPDR Three members are covered by the FPDR Plan for disability, funeral and preretirement death benefits. As of June 30, 2023, there were 798 FPDR Three members. This does not include retired FPDR Three members, who remain eligible only for disability benefits (medical costs) arising from service or occupational claims approved before their retirement, and a one-time funeral benefit upon their death. Active FPDR Three members are covered for disability and preretirement death benefits.

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

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

FPDR One retirement benefits are provided upon termination of employment on or after attaining age 50 (with 25 or more years of service) or 55 (with 20 years or more of service). Retirement benefits are paid to members at 2% of current top-step pay for a police officer or firefighter for each year of active service (up to 60%). Therefore, FPDR One members receive post-retirement benefit increases equal to increases in current top-step police officer or firefighter pay. FPDR One retirement benefits are increased, as necessary, on July 1 of each year. If increases in police officer or firefighter pay occur after July 1 in any given year, FPDR One beneficiaries receive the corresponding increase to their benefit on the following July 1, unless the mid-year increase was made retroactive to the prior July 1. FPDR One Fire pension benefits were increased by 5.0% on July 1, 2022 and 6.26% on July 1, 2023. FPDR One Police pension benefits were increased by 7.0% on July 1, 2022 and 5.0% on July 1, 2023. High-ranking FPDR One participants also receive a supplemental retirement benefit; these benefits are paid from the FPDR Fund but are authorized by a City ordinance and are not part of the FPDR Plan. The supplemental benefit payments totaled $53,835 to four retirees for the fiscal year ending June 30, 2023.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

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

The City Charter allows the FPDR Board to grant postretirement benefit adjustments to FPDR Two members. The timing and amount of adjustments are at the Board's discretion, with the limitation that the percentage change in any one year may not exceed the highest percentage change granted to PERS police and fire retirees for the same period (currently 2%). For both July 1, 2022 and July 1, 2023, the Board awarded the maximum adjustment, 2%, to all FPDR Two participants.

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

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

Contributions - Under the Charter, annual employer contributions to the FPDR Plan are made in the amount of projected current year benefit payments and administrative expenses only. Annual employer contributions to PERS for FPDR Three members are a percentage of current year wages for those members. Employer contributions to both the FPDR Plan and PERS for FPDR Three members are funded by a special property tax levy, which cannot exceed two and eight-tenths mills on each dollar valuation ($2.80 per $1,000 of real market value) not exempt from such levy. In the event that funding is less than the required payments to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the FPDR property tax levy in the succeeding year. For the year ended June 30, 2023, the actual imposed levy rate per $1,000 of real market value under the special property tax levy was $1.11, and the total revenue received from the levy (which is most of the City's employer contribution) was $185.2 million.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

The FPDR Board periodically assesses the future availability of property tax revenues by ordering projections and simulations in connection with the actuarial valuation of the Plan. The most recent assessment was as of June 30, 2022. The analysis found that, under a wide range of simulated economic scenarios over the next 20 years, the future FPDR Fund levy would remain under $2.80 per $1,000 of real market value. The levy exceeded the $2.80 threshold in at least one year in fewer than 1% of modeled scenarios. This is similar to the results of the prior analysis as of June 30, 2020. Growth in real market values in the City's tax base over the last decade has made it unlikely the FPDR levy will ever be insufficient to fund benefits and expenses. The June 30, 2022 analysis extends through FY 2041-42. In non-inflation adjusted dollars plan costs are projected to peak in FY 2040-41, two years later than in the prior analysis.

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

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

Funding status - The following table shows the Funds' total pension liability and net pension liability for the FPDR Plan, as measured by the most recent biennial actuarial valuation, prepared by independent actuaries as of June 30, 2022 and rolled forward to June 30, 2023. These figures do not include the pension liability for FPDR Three members, who are covered by the PERS Plan. Similar information for PERS can be found in the City's annual financial statements.

	As of June 30, 2023
Total pension liability	$ 3,855,620,427
Less plan net position	24,268,665
Net pension liability	$ 3,831,351,762
Plan net position as a percentage of total pension liability	0.63%

The ratio of the net pension liability to covered payroll is 2.388%. Covered payroll was $160.4 million for the fiscal year ended June 30, 2023. The plan net position is the net position of the FPDR Fund and the Reserve Fund, reported at approximate fair value. Employer contributions to the FPDR Plan for the year ended June 30, 2023 were $154.2 million. Employer contributions to the FPDR Fund were $31.8 million higher, but the $30.9 million used for PERS contributions for FPDR Three members, as well as a $0.88 million reduction in PERS contribution liability for FPDR Three member leave accruals, are excluded here. These expenses are for the PERS Plan rather than the FPDR Plan, and are not part of the benefit payments shown in the Schedule of Changes in Net Pension Liability and Related Ratios for the FPDR Plan.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

The net pension liability, as calculated in accordance with GASB Statement 67 (Statement 67): Financial Reporting for Pension Plans, increased by $86.5 million between June 30, 2022 and June 30, 2023 despite an increase in the discount rate – the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index (Bond Buyer Index) – from 3.54% on June 30, 2022 to 3.65% on June 30, 2023. This reflects the effect of ongoing benefit accruals, along with the recognition of updated demographic experience and forward-looking assumptions that were incorporated in the 2022 plan valuation. These included higher recent wage growth for active members, increased participant longevity, a larger proportion of members retiring in financially advantageous “27 pay date months,” and other factors. The June 30, 2022 net pension liability estimate was a roll forward of the 2020 plan valuation, which was based on older data and assumptions.

Significant assumptions used to prepare the June 30, 2022 actuarial valuation and the June 30, 2023 roll forward are listed below. These assumptions were applied to all periods included in the measurement.

Discount rate	3.65%
Long-term expected rate of return, net of investment expense	N/A
Municipal bond rate	3.65%
Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study date	June 30, 2019
Inflation	2.25%
Projected salary increases, including inflation	3.25%
Post-retirement benefit increases	
FPDR One	3.25%
FPDR Two	Blend 2.00%/1.75%
Mortality	
Pub-2010 tables, generationally projected using Unisex Social Security Data Scale.	
Healthy Retirees: Healthy Public Safety Retiree, set back 0 months for males and 12 months for females.	
Beneficiaries: Healthy General Employees Retiree, set back 12 months for males and 0 months for females.	
Disabled retirees: Disabled Retiree, blended 50% Public Safety/50% Non-Safety, no set backs.	
Active members: Healthy Public Safety Employee, set back 0 months for males and 12 months for females.	
Actuarial cost method	Entry Age Normal

Many assumptions used in the actuarial valuation are based on an experience study of the FPDR Plan completed with data from July 1, 2014 – June 30, 2019. Both the June 30, 2020 and June 30, 2022 valuations reflect assumptions based on the June 30, 2019 plan experience study, which can be found at this link, under Reports: https://www.portland.gov/fpdr/budget-reports.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

The projected salary increases above are for members who have reached the top pay step of their job classification, which occurs after no more than five years in the Fire Bureau and no more than eight years in the Police Bureau. Those who have not reached the final pay step of their position have projected annual salary increases ranging up to 21.75%, as detailed in the actuarial valuation report. Pre-retirement withdrawal rates are projected separately for the Fire and Police Bureaus. For police officers, 15% are projected to withdraw in the first year of employment and 7.5% in the second year, as compared with 10% in the first year and 1% in the second year for firefighters. It is projected that 25% of Fire members and 45% of Police members retire between ages 50 and 55, and that all members retire by age 65. Different retirement rates are assumed for those with less than 25 years of service who are eligible to retire based on age. It is expected that 75% of members will retire in a “27 pay date month,” when the final pay used to calculate pensions includes 27 pay periods rather than the usual 26. The valuations assume that 80% of retirees choose the lowest survivor benefit option and that 70% of retirees will have a surviving spouse at death. For purposes of determining eligibility for the additional pension benefit provided in ORS to those subject to Oregon income tax, it is projected that 70% of beneficiaries live in Oregon. Medical expenses for disability claims approved before member retirement are calculated as a liability load: 0.65% of projected pension payments.

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

The following table illustrates the net pension liability’s sensitivity to the discount rate assumption. If a 4.65% discount rate had been used instead of 3.65%, the net pension liability as of June 30, 2023 would have been $3,357.1 million, or 12%, lower. If a 2.65% discount rate had been used, the net pension liability as of June 30, 2023 would have been $4,420.0 million, or 15%, higher.

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Total pension liability	$ 4,444,277,315	$ 3,855,620,427	$ 3,381,408,110
Less plan net position	24,268,665	24,268,665	24,268,665
Net pension liability	$ 4,420,008,650	$ 3,831,351,762	$ 3,357,139,445

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

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

Other assets - In addition to cash and short-term investments, the FPDR Fund's assets include receivables, two capital assets, and an OPEB asset. The Fund's largest receivable is property taxes due but not received at the close of the fiscal year. For the fiscal year ended June 30, 2023, contributions receivable from property taxes are $5.7 million. The City OPEB asset has been valued in accordance with GASB Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. FPDR's prorated share of that amount is $35,508. FPDR's capital assets include a software database with a net value of $95,521 and related construction -in-progress with a net value of $6,500 on June 30, 2023. Capital improvements to the database are depreciated over 10 years. Also included in capital assets is a right-of-use asset for a building lease entered into by FPDR in July 2022. The lease asset was recognized as an addition in August 2022 in the amount of $957,213. During the year, $174,309 of amortization was recognized on the lease asset, leaving an ending asset balance of $783,174 on June 30, 2023. Further discussion regarding the lease agreement can be found below under Other liabilities.

Other liabilities – The FPDR Fund's most significant liabilities as of June 30, 2023 are PERS contributions on leave time accrued by FPDR Three members and FPDR's share of the City of Portland's OPEB and PERS liability.

The FPDR Fund is responsible for contributions to the PERS Plan on behalf of FPDR Three members (sworn employees hired after 2006) at rates set by the PERS Board. In addition, the FPDR Fund contributes 9% of each FPDR Three member's total wages to that employee's Individual Account Program (IAP) at PERS. FPDR has booked $2.3 million in estimated compensated absence liability as of June 30, 2023, most of which is liability for future PERS and IAP contributions on leave earned but not yet taken by FPDR Three members.

GASB Statements 68 and 75 were used to value the City's PERS and OPEB liability. As of June 30, 2023, FPDR's prorated share of these liabilities is $2.6 million and $0.2 million respectively. In the fiscal year ended June 30, 2000, the City issued pension obligation bonds and deposited the proceeds, which were in excess of the City's annual required contribution, with the PERS plan. In compliance with Statement 68, these excess contributions reduce the City's proportional share of the PERS liability.

FPDR is also liable for its share of pension obligation bonds issued by the City of Portland in 1999 to finance its estimated unfunded accrued actuarial liability (UAAL) with PERS and to pay costs related to the financing of the UAAL, including capitalized interest and costs of issuance. Total bonds issued were $300.8 million. The interest rate on the $39.68 million of fixed rate 1999 Series C bonds was 7.93% on June 30, 2023. The debt is allocated to the FPDR Fund (for FPDR employees only), as well as to the general government, enterprise and internal service funds, for these funds to recognize their appropriate share of the indebtedness. The FPDR Fund's share of this indebtedness, as determined by the FPDR Fund's weighted average contribution to PERS in the fiscal year ended June 30, 1999, is $58,286 at June 30, 2023.

The FPDR Fund's share of the bonds payable transactions for the year ended June 30, 2023 are as follows:

	Outstanding June 30, 2022	Bonds Allocated	Bonds Matured and Paid During Year	Outstanding June 30, 2023
Oregon Public Employees Retirement System Bonds ("PERS Pension Bonds")	$ 69,380	$ -	$ 11,094	$ 58,286

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

Future maturities of bond principal and interest at June 30, 2023 are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 10,675	$ 61,403	$ 72,078
2025	10,271	64,691	74,962
2026	9,882	68,079	77,961
2027	9,508	71,565	81,073
2028	9,149	75,176	84,325
2029-2033	8,801	78,890	87,691
	$ 58,286	$ 419,804	$ 478,090

Finally, FPDR entered into a new operating lease with a third party for office space on July 1, 2022. The lease is noncancelable and expires on December 31, 2027. The lease liability and right-of-use asset were initially recognized in August 2022 in the amount of $957,213 as a qualified lease with an annual interest rate of 2.35%. Annual lease payments in future fiscal years range from $181,285 to $198,095. In addition, variable operating and maintenance payments may be due each year. The lease included a five-month rent abatement period for July 1 – November 30, 2022.

Lease payable activity as of June 30, 2023 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Building	$ -	$ 957,213	$ (145,657)	$ 811,556

Future annual lease commitments as of June 30, 2023 are as follows:

Fiscal Year Ended June 30,	Principal	Interest
2024	$ 163,848	$ 16,992
2025	171,643	14,623
2026	183,058	8,854
2027	193,231	4,437
2028	99,776	488
Total	$ 811,556	$ 45,394

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION (continued)

Variable payments related to the lease agreement are not included in the measurement of the lease liability. Variable payments for the fiscal year ended June 30, 2023 are as follows:

Common area maintenance	$	1,517
Operating expenses		47,989
Rental credits		(74,236)
	$	(24,730)

Commitments and contingencies - The FPDR Fund is involved in various claims and legal actions in the normal course of business. As of June 30, 2023, there are no claims against the Fund for $50,000 or more, and no claims involving lesser amounts that might exceed $50,000 in the aggregate.

NOTE 3 - SHORT-TERM DEBT

During the year ended June 30, 2023, the FPDR Fund borrowed $28.0 million in tax anticipation notes. These notes were borrowed to cover fund expenditures from the beginning of the fiscal year until property taxes were collected. There was no outstanding balance as of June 30, 2023.

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation notes	$ -	$ 28,000,000	$ (28,000,000)	$ -

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS

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

Health Insurance Continuation

Plan description & benefits provided - As part of the City of Portland, the FPDR Fund has a Health Insurance Continuation (HIC) option available for most groups of retirees. It is a substantive postemployment benefit plan offered under Oregon Revised Statutes (ORS). ORS 243.303 requires the City provide retirees and their dependents with an opportunity to participate in group health and dental insurance from the date of retirement to age 65. The rate is calculated using claim experiences from retirees and active employees for health plan rating purposes. Providing the same rate to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB. This single-employer "plan" is not a stand-alone plan and therefore does not issue its own financial statements. There are no assets accumulated in this GASB-compliant trust.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Employees covered by benefit terms - At June 30, 2023, the following employees were covered by the benefit terms:

Retirees & spouses benefitting from HIC benefits	822
Active employees	5,659
	6,481

Total OPEB liability - The City's total HIC OPEB liability of $112,656,946 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs - The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.10%
Salary increases	1.35%, weighted average
Discount rate	3.50%
Healthcare cost trend rates	4.50% - 6.50%
Retiree's share of benefit-related costs	21% of estimated HIC costs

The discount rate was based on an assumed municipal bond rate of 3.54%.

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

The actuarial assumptions used in the June 30, 2022 valuation report were based on the actuarial valuation assumptions from the December 31, 2020 valuations of the Oregon PERS and OPERS retirement plans.

Changes in Total Liability

	Total OPEB Liability
Balance at 6/30/2022	$ 124,020,407
Changes for the year:	
Service cost	5,531,045
Interest	2,786,981
Actual experience	-
Changes of assumptions	(13,909,112)
Benefit payments	(5,772,375)
Net Changes	(11,363,461)
Balance at 6/30/2023	$ 112,656,946

Changes of assumptions reflect healthcare cost increases that were higher than projected from the prior valuation. The participation rate changed from 37% to 52%. Many assumptions changed from the previous valuation including the rates of retirement, termination, disability, salary scale, and mortality.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	$ 123,175,790	$ 112,656,946	$ 103,250,725

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

	Healthcare Cost Trend Rates (5.50% - decreasing to 3.50%)	Healthcare Cost Trend Rates (6.50% - decreasing to 4.50%)	Healthcare Cost Trend Rates (7.50% - decreasing to 5.50%)
Total OPEB liability	$99,803,433	$112,656,946	$127,827,801

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB - For the year ended June 30, 2023, the City recognized an OPEB expense of $7,967,698. At June 30, 2023, the City reported deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows / (Inflows) of resources
Difference between Actual and Expected Experience	$ 3,548,346	$ -	$ 3,548,346
Changes of Assumptions	26,040,266	(24,432,876)	1,607,390
Subtotal	29,588,612	(24,432,876)	5,155,736
Contributions after Measurement Date	5,539,257	-	5,539,257
Total	$ 35,127,869	$ (24,432,876)	$ 10,694,993

$5.5 million reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recongnized as a reduction of the net OPEB liability in the year ending June 30, 2024.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Year End June 30:	Amount
2024	$ (350,328)
2025	418,638
2026	911,938
2027	2,363,527
2028	2,635,838
Thereafter	(823,877)
Total	$ 5,155,736

OPERS Retirement Health Insurance Account

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

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

Contributions - Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. Participating cities are contractually required to contribute to RHIA at a rate assessed each year by PERS. The City's contractually required contribution rate for the year ended June 30, 2023 was 0.05% of the covered payroll for Tier 1/Tier 2 employees, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year. Contributions to the OPEB plan from the City were $57,117 for the year ended June 30, 2023. Employees are not required to contribute to the OPEB plan.

OPEB assets, liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - At June 30, 2023, the City reported an asset of $13,821,873 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation date as of December 31, 2020. The City's proportionate share of the RHIA net OPEB asset has been determined based on the City's contributions to the RHIA program (as reported by PERS) during the Measurement Period ending on the corresponding Measurement Date. The City's proportionate share at June 30, 2022 and June 30, 2023 was 2.72% and 3.89%, respectively.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

City of Portland:	Net OPEB Asset	Allocation
Governmental activities	$ 11,000,257	79.6%
Business-type activities	2,620,499	19.0%
Government-wide	13,620,756	98.5%
Fiduciary Fund: Fire and Police Disability and Retirement Fund	35,508	0.3%
Component Unit: Prosper Portland	165,609	1.2%
	$ 13,821,873	100.0%

For the year ended June 30, 2023, the City recognized OPEB income of $3,020,019. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources	Net Deferred Outflow/(Inflows) of Resources
Difference between expected and actual experience	$ -	$ (374,563)	$ (374,563)
Changes of assumptions	108,223	(460,724)	(352,501)
Net difference between projected and actual earnings on investments	-	(1,054,095)	(1,054,095)
Changes in proportionate share	-	(2,548,830)	(2,548,830)
Total (prior to post-measurement date contributions)	108,223	(4,438,212)	(4,329,989)
City contributions made subsequent to measurement date	57,117	-	57,117
Net deferred outflow / (inflows) of resources	$ 165,340	$ (4,438,212)	$ (4,272,872)

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

$57,117 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/(Inflows) of Resources: Differences between Expected and Actual Experience	Changes of Assumptions	Net Difference between Projected and Actual Earnings on Investments	Changes in Proportionate Share	Net Deferred Outflow/(Inflows) of Resources
2024	$ (273,575)	$ (198,926)	$ (339,358)	$ (1,955,899)	$ (2,767,758)
2025	(100,988)	(153,575)	(387,148)	(592,931)	(1,234,642)
2026	-	-	(665,183)	-	(665,183)
2027	-	-	337,594	-	337,594
2028	-	-	-	-	-
	$ (374,563)	$ (352,501)	$ (1,054,095)	$ (2,548,830)	$ (4,329,989)

Amounts reported as deferred outflows or inflows of resources related to pension will be recognized in pension expense/(income) as follows:

Year Ended June 30,	
2024	$ (2,767,758)
2025	(1,234,642)
2026	(665,183)
2027	337,594
2028	-
Total	$ (4,329,989)

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial methods and assumptions - The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation date	December 31, 2020
Measurement date	June 30, 2022
Experience study	2020, published July 24, 2021
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.40 %
Long-term expected rate of return	6.90 %
Discount rate	6.90 %
Projected salary increases	3.40 %
Retiree healthcare participation	Healthy retirees: 27.5%; Disabled retirees: 15%
Healthcare cost trend rate	Not applicable
Mortality	*Healthy retirees and beneficiaries:*
	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.
	Active members:
	Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
	Disabled retirees:
	Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Discount rate - The discount rate used to measure the total OPEB liability at June 30, 2022 was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

Depletion Date Projection - GASB 74 generally requires that a blended discount rate be used to measure the Total OPEB Liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	25.0	35.0	30.0
Private Equity	14.0	27.5	20.0
Real Estate	7.5	17.5	12.5
Opportunity Portfolio	-	5.0	-
Risk Parity	-	3.5	2.5
Real Assets	2.5	10.0	7.5
Diversifying Strategies	2.5	10.0	7.5
Total			100.0%

Long-Term Expected Rate of Return - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Global Equity	30.6%	5.9%
Private Equity	25.5	7.7
Core Fixed Income	23.8	2.7
Real Estate	12.3	5.7
Master Limited Partnerships	0.8	5.7
Infrastructure	1.5	6.3
Commodities	0.6	3.1
Hedge Fund of Funds - Multistrategy	1.3	5.1
Hedge Fund Equity - Hedge	0.6	5.3
Hedge Fund - Macro	5.6	5.1
US Cash	(2.50)	1.8
Assumed Inflation - Mean		2.4%

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS (continued)

***Sensitivity of the City's proportionate share of the net OPEB asset to changes in the discount rate* -** The following presents the City's proportionate share of the net OPEB liability/(asset), as well as what the District's proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower 5.90% or one percentage point higher 7.9%.

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
Proportionate share of the net OPEB liability (asset)	$ (12,457,403)	$ (13,821,873)	$ (14,991,542)

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

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

Aggregate net OPEB liability/asset, pension expense, and net deferred outflow/inflow of resources related to OPEB - The tables below present the aggregate balance (in millions) of the City's net OPEB liability/(asset), OPEB expense, and net deferred inflows and outflows as of June 30, 2023:

	Deferred Outflow/(Inflow) of Resources - OPEB	Net OPEB Liability/(Asset)	OPEB Expense/(Income)
RHIA	$ (4,272,872)	$ (13,821,873)	$ (3,020,019)
HIC	10,694,993	112,656,946	7,967,698
Total	$ 6,422,121	$ 98,835,073	$ 4,947,679

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

State of Oregon Public Employees Retirement System

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

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

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

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

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

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

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

Benefits provided under ORS 238 - Tier One / Tier Two

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

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

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

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

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

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

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

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

Benefits provided under Chapter 238A - OPSRP Pension Program

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

Police and Fire: 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

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

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

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

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

The City elected to finance its December 31, 1997 unfunded actuarial accrued liability to receive a lower employer contribution rate of covered employee's salaries. Proceeds of the 1999 Series C, D, & E Bonds were used to finance all of the estimated UAAL of the City with OPERS as of December 31, 1997. As of June 30, 2023, only Series C bonded debt is outstanding. The debt is recorded on the government-wide statements in the Annual Comprehensive Financial Report of the City of Portland, Oregon, and is allocated to both governmental and business-type activities. Ultimately this debt is viewed as being an obligation of the general government.

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

The City's employer contributions for the year ended June 30, 2023 were $109.2 million, excluding amounts to fund employer-specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2023 for each pension program were: Tier1/Tier 2 – 22.35%, OPSRP general service – 18.36%, and OPSRP uniformed – 22.72%. Pension expense for the year was $112.3 million.

Pension Asset (Liability) and Related Deferred Inflows and Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 and rolled forward to June 30, 2022. The City's proportion of the set was based on the City's projected long-term contribution effort as compared to the total projected net pension, a long-term contribution effort of all employers. References to the City of Portland, as the Reporting entity, include the City's fiduciary fund and component unit. At June 30, 2023, the City's proportion of OPERS net pension liability was 4.7%.

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

City of Portland:	Net Pension Liability	Allocation
Governmental activities	$ 528,804,098	73.51%
Business-type activities	174,594,052	24.27
Government-wide	703,398,150	97.78
Fiduciary activities: Fire and Police Disability and Retirement Fund	2,573,021	0.36
Discretely presented component unit: Prosper Portland	13,356,004	1.86
	$ 719,327,175	100.00%

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

For the year ended June 30, 2023, the Reporting entity recognized pension expense of $112.3 million. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows/ (Inflows) of Resources
Differences between expected and actual experience	$ 34,917,531	$ 4,485,857	$ 30,431,674
Changes of assumptions	112,866,321	1,031,149	111,835,172
Net difference between projected and actual earnings on investments	-	128,601,784	(128,601,784)
Changes in proportionate share	73,965,255	78,553	73,886,702
Differences between City contributions and proportionate share of contributions	19,879	87,962,389	(87,942,510)
Total (prior to post-measurement date contributions)	221,768,986	222,159,732	(390,746)
City contributions made subsequent to measurement date	109,203,784	-	109,203,784
Net deferred outflow / (inflows) of resources	$ 330,972,770	$ 222,159,732	$ 108,813,038

$109.2 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported by the City as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in subsequent years as follows:

Deferred Outflow of Resources						
Fiscal Year Ending June 30,	Differences between Expensed and Actual Experience	Changes of Assumptions	Net Difference between Projected and Actual Earnings on Investments	Changes in Proportionate Share	Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflow of Resources
2024	$ 16,231,641	$ 34,698,557	$ 92,884,752	$ 27,414,362	$ 19,879	$ 171,249,191
2025	10,285,397	30,650,695	84,704,241	20,377,787	-	146,018,120
2026	6,309,304	30,650,695	46,820,377	15,326,540	-	99,106,916
2027	2,091,189	14,772,694	46,820,377	8,446,425	-	72,130,685
2028	0	2,093,680	-	2,400,141	-	4,493,821
Total	$ 34,917,531	$ 112,866,321	$ 271,229,747	$ 73,965,255	$ 19,879	$ 492,998,733

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

Deferred Inflows of Resources							
Fiscal Year Ending June 30,	Changes in Proportionate Share	Changes of Assumptions	Differences between Employer and Proportionate Share of Contributions	Net Difference between Projected and Actual Earnings on Investments	Differences between Expected and Actual Experience	Total Deferred Inflows of Resources	Net Deferred Outflow/ (Inflows) of Resources
2024	$ 78,553	$ 448,326	$ 22,956,729	$ 133,277,177	$ 996,857	$ 157,757,642	$ 13,491,549
2025	-	448,326	21,294,551	133,277,177	996,857	156,016,911	(9,998,791)
2026	-	134,497	18,878,686	133,277,177	996,857	153,287,217	(54,180,301)
2027	-	-	16,821,577	-	996,857	17,818,434	54,312,251
2028	-	-	8,010,846	-	498,429	8,509,275	(4,015,454)
Total	$ 78,553	$ 1,031,149	$ 87,962,389	$ 399,831,531	$ 4,485,857	$ 493,389,479	$ (390,746)

Amounts reported as deferred outflows or inflows of resources related to pension will be recognized in pension expense/(income) as follows:

Year Ended June 30,	
2024	$ 13,491,549
2025	(9,998,791)
2026	(54,180,301)
2027	54,312,251
2028	(4,015,454)
Total	$ (390,746)

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

Actuarial Methods and Assumptions

***Actuarial Valuations* -** The employer contribution rates effective July 1, 2023 through June 30, 2025 were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31, 2020
Measurement date	June 30, 2022
Experience study	2020, published July 20, 2021
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.40%
Long-term expected rate of return	6.90%
Discount rate	6.90%
Projected salary increases	3.40%
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service
Mortality	Healthy retirees and beneficiaries:
	Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
	Active Members:
	Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
	Disabled Retirees:
	Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

The actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions for the current reporting year are based on the 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

***Discount Rate* -** The discount rate used to measure the total pension liability was 6.90% for the Defined Benefit Pension Plan, a reduction approved by the PERS Board from 7.20% in the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, and those of the contributing employers, are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Assumed Asset Allocation

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	25.0	35.0	30.0
Private Equity	15.0	27.5	20.0
Real Estate	7.5	17.5	12.5
Risk Parity	-	3.5	2.5
Real Assets	2.5	10.0	7.5
Diversifying Strategies	2.5	10.0	7.5
Opportunity Portfolio	-	5.0	-
Total			100.0%

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

Long-Term Expected Rate of Return - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Global Equity	30.6%	5.9%
Private Equity	25.5	7.7
Core Fixed Income	23.8	2.7
Real Estate	12.3	5.7
Master Limited Partnerships	0.8	5.7
Infrastructure	1.5	6.3
Commodities	0.6	3.1
Hedge Fund of Funds - Multistrategy	1.3	5.1
Hedge Fund Equity - Hedge	0.6	5.3
Hedge Fund - Macro	5.6	5.1
US Cash	-2.5	1.8
Assumed Inflation - Mean		2.4%

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate:

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
Proportionate share of the net OPEB liability (asset)	$ 1,275,664,518	$ 719,327,175	$ 253,698,502

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

Changes in Assumptions - A summary of key changes implemented since the December 31, 2019 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2020 Experience Study for the System, which was published in July 2021, and can be found at: https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.pdf

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

Allocation of Liability for Service Segments - For purposes of allocating Tier One/Tier Two member's actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2018 and December 31, 2019 valuations, the Money Match was weighted 10% for General Service members and 0% for Police & Fire members, based on a projection of the proportion of the liability attributable to Money Match benefits at those valuation dates. The December 31, 2020 allocation is 10% (0% for police & fire) based on account balance with each employer and 90% (100% for police & fire) based on service with each employer. The entire normal cost is allocated to the current employer.

Changes in Economic Assumptions:

Administrative Expenses - The administrative expense assumptions were updated to $59.0 million per year and allocated between Tier One/Tier Two and OPSRP. Previously these were assumed to be $32.5 million per year and $8.0 million per year, respectively.

Healthcare Cost Inflation - The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by Milliman's healthcare actuaries. Given the substantial uncertainty regarding the impact of COVID-19 on plan costs, no adjustment was made in the expected plan costs or in the trend assumptions.

Changes in Demographic Assumptions:

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

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

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

Defined Contribution Plan – Individual Account Program (IAP):

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

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

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

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

Contributions - The City has chosen to pay the employees' contributions to the plan. 6% of covered payroll is paid for general service employees and 9% of covered payroll is paid for firefighters and police officers. For fiscal year 2023 the City paid $29.0 million.

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

NOTE 6 - SUBSEQUENT EVENTS

In early July 2023, the Portland Fire Fighters Association (PFFA) and the Portland City Council approved a new PFFA labor contract for the period July 1, 2023 – June 30, 2027. In addition to the usual annual cost of living adjustments to wages based on inflation (with a cap of 5% and a floor of 1%), the new contract includes several new or increasing premium pays:

- Across-the-board salary increases of 1.2% on July 1, 2023, 0.8% on July 1, 2024, 0.5% on July 1, 2025, and 2.0% on July 1, 2026
- An increase in the station paramedic premium from 11% of top-step fire fighter pay to 12% on July 1, 2023 and then to 13% on July 1, 2024, with a cap increase to 170
- Qualification for maximum longevity premium pay (7%) at 24 years of service rather than 25
- A new 6% premium for fire lieutenants who serve as field coaches
- An increase in the technical rescue team premium from 6% to 9% and inclusion of battalion chiefs in eligibility for the non-station paramedic premium (3% of top-step fire fighter pay)
- A new hazardous materials coordinator classification and payscale
- Some restructuring/acceleration of annual step increases for certain job classifications, with no impact to top step pay

As a result of the new contract provisions FPDR projects new, previously unanticipated costs of $0.45 million in the fiscal year ending June 30, 2024, with new costs increasing to $1.50 million by the final year of the contract. Since the new contract was not ratified before the previous contract expired, FPDR will need to make small retroactive payments to some members who were on short-term disability in July.

On August 8, 2023 the Portland City Council confirmed Mayor Wheeler's nomination of Thomas Kramer to the FPDR Board of Trustees. Mr. Kramer fills the citizen trustee position vacated by James Huang on May 8, 2023, when Mr. Huang moved outside of Portland and became ineligible to continue serving.

On August 7, 2023 FPDR issued tax anticipation notes for $32.4 million with a true interest cost of 3.45%. The notes are due for repayment on January 10, 2024. The notes were sold on the public market through a competitive bidding process.

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Years Ending June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	$ 66,066,108	$ 110,678,778	$ 103,515,611	$ 73,903,174	$ 65,253,487	$ 74,361,810	$ 82,420,266	$ 66,693,061	$ 58,853,250	$ 63,660,926
Interest	133,187,154	99,150,722	98,095,681	125,139,549	127,541,668	120,974,879	97,302,658	110,470,511	106,304,323	117,017,081
Effect of plan changes	-	-	-	-	-	-	36,063,138	-	185,288,710	(222,274,639)
Effect of economic/ demographic gains (losses)	74,074,036	-	61,245,369	-	61,199,698	-	95,578,193	-	(25,565,616)	-
Changes of assumptions	(36,432,719)	(842,520,569)	27,985,112	774,909,460	150,231,268	(141,632,449)	(215,367,868)	431,404,102	208,943,518	106,474,383
Benefit payments	(153,776,728)	(148,086,359)	(144,738,509)	(135,411,347)	(130,733,191)	(125,666,995)	(120,351,973)	(114,001,126)	(110,900,284)	(108,003,419)
Net change in total pension liability	83,117,851	(780,777,428)	146,103,264	838,540,836	273,492,930	(71,962,755)	(24,355,586)	494,566,548	422,923,901	(43,125,668)
Total pension liability, beginning	3,772,502,576	4,553,280,004	4,407,176,740	3,568,635,904	3,295,142,974	3,367,105,729	3,391,461,315	2,896,894,767	2,473,970,866	2,517,096,534
Total pension liability, ending (a)	$3,855,620,427	$3,772,502,576	$4,553,280,004	$4,407,176,740	$3,568,635,904	$3,295,142,974	$3,367,105,729	$3,391,461,315	$2,896,894,767	$2,473,970,866
Plan fiduciary net position										
Contributions - employer	$ 154,248,867	$ 168,194,622	$ 143,627,174	$ 136,560,350	$ 135,479,059	$ 132,038,902	$ 120,700,158	$ 114,079,956	$ 115,852,428	$ 114,654,336
Net investment income	1,189,666	(1,371,551)	114,029	1,571,319	1,751,762	869,867	462,193	489,154	(522,201)	312,468
Benefit payments	(153,776,728)	(148,086,359)	(144,738,509)	(135,411,347)	(130,733,190)	(125,666,995)	(120,351,973)	(114,001,126)	(110,900,284)	(108,003,419)
Administrative expense	(5,077,745)	(4,343,834)	(4,349,368)	(4,083,219)	(4,287,107)	(3,601,087)	(4,085,644)	(5,019,573)	(3,085,925)	(3,585,476)
Net change in plan net position	(3,415,940)	14,392,878	(5,346,674)	(1,362,897)	2,210,524	3,640,687	(3,275,266)	(4,451,589)	1,344,018	3,377,909
Plan net position, beginning	27,684,605	13,291,727	18,638,401	20,001,298	17,790,774	14,150,087	17,425,353	21,876,942	20,532,924	17,155,015
Plan net position, ending (b)	24,268,665	27,684,605	13,291,727	18,638,401	20,001,298	17,790,774	14,150,087	17,425,353	21,876,942	20,532,924
Net pension liability, ending (a) - (b)	$3,831,351,762	$3,744,817,971	$4,539,988,277	$4,388,538,339	$3,548,634,606	$3,277,352,200	$3,352,955,642	$3,374,035,962	$2,875,017,825	$2,453,437,942

continued on the next page

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

	Fiscal Years Ending June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Plan fiduciary net position as a percentage of total pension liability	0.63%	0.73%	0.29%	0.42%	0.56%	0.54%	0.42%	0.51%	0.76%	0.83%
Covered payroll	$ 160,431,511	$ 159,027,392	$ 155,289,464	$ 157,329,648	$ 152,493,193	$ 143,744,868	$ 137,619,298	$ 139,108,113	$ 139,346,388	$ 135,726,350
Net pension liability as a percentage of covered payroll	2388.15%	2354.83%	2923.56%	2789.39%	2327.08%	2279.98%	2436.40%	2425.48%	2063.22%	1807.64%

Notes to Schedule

1. Employer contribtuions shown here are $31,776,827 less than the comparable numbers in the Statement of Changes in Plan Net Position. The difference is due to contributions made to the Oregon Public Employees Retirement System (PERS) for FPDR Three members, as well as compensated absence accruals also related to FPDR Three members. These are employer contributions and benefit expenses to a pension plan, but not the FPDR plan.

2. The net pension liability increased by $86.5 million (2.3%) between the fiscal years ending June 30, 2022 and June 30, 2023, despite an increase in the discount rate from 3.54% to 3.65%. This reflects the effect of ongoing benefit accruals, along with the recognition of updated demographic experience and forward-looking assumptions that were incorporated in the 2022 plan valuation. These included higher recent wage growth for active members, increased participant longevity, a larger proportion of members retiring in financially advantageous “27 pay date months,” and other factors. The June 30, 2022 net pension liability estimate was a roll forward of the 2020 plan valuation, which was based on older data and assumptions.

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

	Fiscal Years Ending June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City proportion of the net pension liability (asset)	4.6977983%	4.5400919%	4.2533558%	4.0813041%	3.6931703%	3.7131302%	3.7833289%	3.7805422%	3.6293418%	3.6293418%
City proportionate share of the net pension liability (asset)	$ 719.33	$ 543.29	$ 928.23	$ 706.00	$ 559.50	$ 500.50	$ 568.00	$ 217.10	$ (82.30)	$ 185.20
Covered payroll [b]	$ 529.72	$ 476.90	$ 481.70	$ 439.70	$ 398.50	$ 359.90	$ 343.60	$ 330.50	$ 313.10	$ 302.60
City proportionate share of the net pension liability (asset) as a percentage of covered payroll	135.79%	113.92%	192.70%	160.56%	140.40%	139.07%	165.31%	65.69%	-26.29%	61.20%
Plan fiduciary net position as a percentage of the total pension liability	84.50%	87.57%	75.79%	80.23%	82.07%	83.12%	80.53%	91.88%	103.59%	92.00%

[a] Only years with available information are presented.

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

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

	Fiscal Years Ending June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 107.30	$ 100.06	$ 84.00	$ 83.40	$ 57.80	$ 51.20	$ 35.60	$ 33.70	$ 26.30	$ 25.00
Contributions in relation to the contractually required contribution	$ 107.30	$ 100.06	$ 84.00	$ 83.40	$ 57.80	$ 51.20	$ 35.60	$ 33.70	$ 26.30	$ 25.00
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 589.30	$ 529.70	$ 476.90	$ 481.70	$ 439.70	$ 398.50	$ 359.90	$ 343.60	$ 330.50	$ 313.10
Contributions as a percentage of covered payroll	18.21%	18.89%	17.61%	17.31%	13.15%	12.85%	9.89%	9.81%	7.96%	7.98%

[(a)] Only years with available information are presented.

Notes to Schedule

Changes in Assumptions

A summary of key changes implemented since the December 31, 2019 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2020 Experience Study for the System, which was published in July 2021, and can be found at: https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.pdf.

Changes in Actuarial Methods and Allocation Procedures

For purposes of allocating Tier One/Tier Two member's actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology, which utilizes member account balance, and the Full Formula methodology, which uses service. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2018 and December 31, 2019 valuations, the Money Match was weighted 10% for General Service members and 0% for Police & Fire members, based on a projection of the proportion of the liability attributable to Money Match benefits at those valuation dates. The December 31, 2021 allocation is 10% (0% for police & fire) based on account balance with each employer and 90% (100% for police & fire) based on service with each employer. The entire normal cost is allocated to the current employer.

Changes in Economic Assumptions

Administrative Expenses - The administrative expense assumptions were updated to $59.0 million per year and allocated between Tier 1/Tier 2 and OPSRP based on valuation payroll. Previously these were assumed to be $32.5 million per year and $8.0 million per year, respectively.

Healthcare Cost Inflation - The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by Milliman's healthcare actuaries. Given the substantial uncertainty regarding the impact of COVID-19 on plan costs, no adjustment was made in the expected plan costs or in the trend of assumptions.

Changes in Demographic Assumptions

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

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

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

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

	Fiscal Years Ending June 30,						
	2023	2022	2021	2020	2019	2018	2017
Proportion of the OPEB pension liability (asset)	3.8900000%	2.7200000%	1.1970591%	3.9743833%	3.7425954%	3.5367635%	3.5959676%
Proportionate share of the net OPEB liability (asset)	$ (13.82)	$ (9.35)	$ (2.44)	$ (7.68)	$ (4.18)	$ (1.48)	$ 0.98
Covered payroll [b]	$ 529.72	$ 476.90	$ 481.70	$ 439.70	$ 398.50	$ 359.90	$ 343.60
Proportionate share of the OPEB liability (asset) as a percentage of its covered payroll	(2.61%)	(1.96%)	(0.51%)	(1.75%)	(1.05%)	(0.41%)	0.28%
Plan net position as a percentage of the total OPEB liability	194.60%	183.90%	150.10%	144.40%	124.00%	108.90%	94.20%

[a] Only years with available information are presented.

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

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

	Fiscal Years Ending June 30,						
	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 0.06	$ 0.09	$ 0.07	$ 0.08	$ 1.94	$ 1.78	$ 1.77
Contributions in relation to the contractually required contribution	0.06	0.09	0.07	0.08	1.94	1.78	1.77
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 589.30	$ 529.70	$ 476.90	$ 481.70	$ 439.70	$ 398.50	$ 359.90
Contributions as a percentage of covered payroll	0.01%	0.02%	0.01%	0.02%	0.44%	0.45%	0.49%

[a] Only years with available information are presented.

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

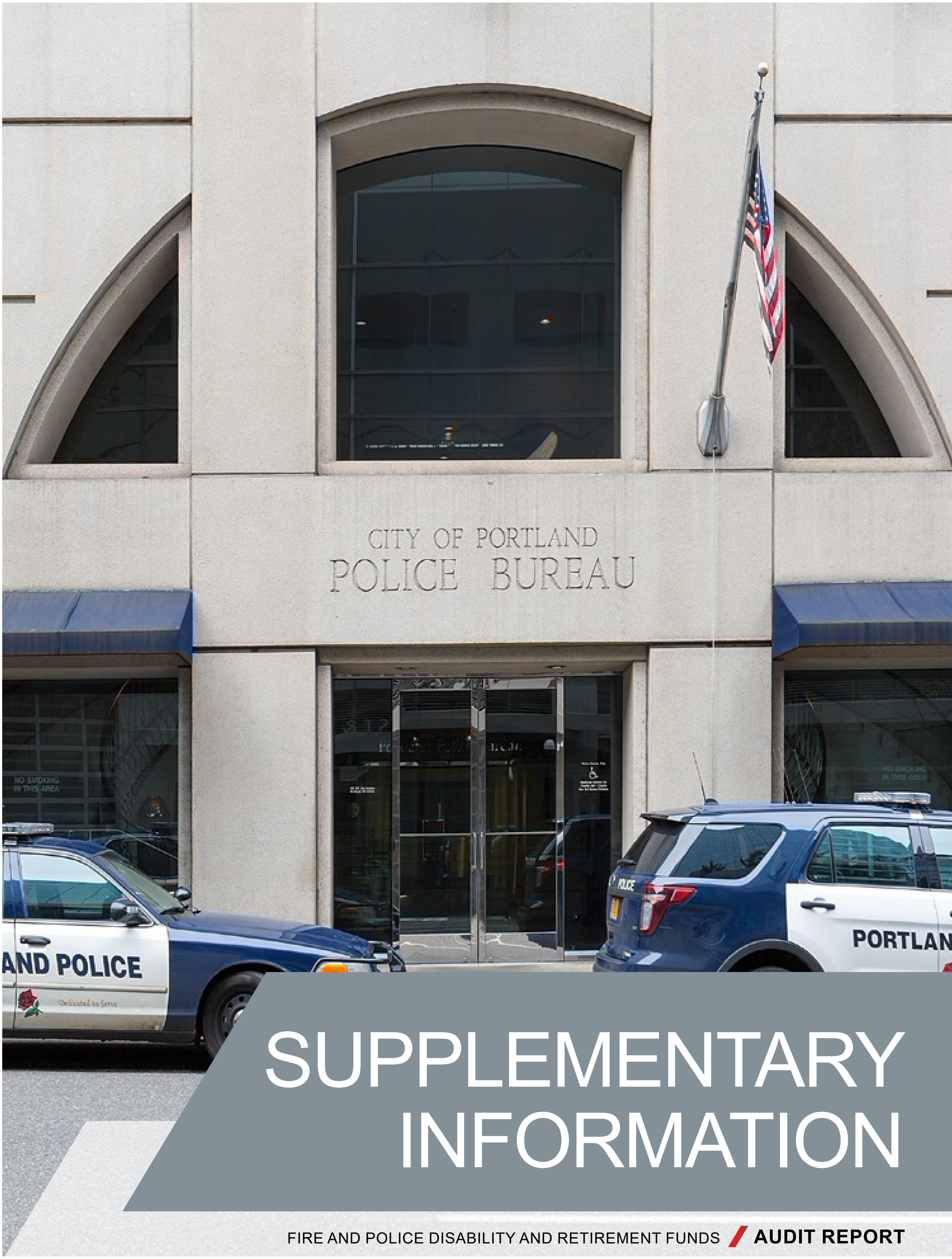
	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	$ 5,531,045	$ 3,864,161	$ 3,003,933	$ 3,597,015	$ 3,675,148	$ 4,140,465
Interest	2,786,981	2,127,683	2,967,230	3,898,352	3,640,097	3,086,463
Differences between expected and actual experiences	-	1,054,522	-	6,051,864	-	-
Changes of assumptions	(13,909,112)	26,944,778	10,460,682	(22,748,251)	(2,777,647)	(6,825,794)
Benefit payments	(5,772,375)	(5,608,380)	(5,092,723)	(5,668,141)	(5,567,867)	(4,949,560)
Net change in total OPEB liability	(11,363,461)	28,382,764	11,339,122	(14,869,161)	(1,030,269)	(4,548,426)
Total OPEB liability - beginning	124,020,407	95,637,643	84,298,521	99,167,682	100,197,951	104,746,377
Total OPEB liability - ending	$ 112,656,946	$ 124,020,407	$ 95,637,643	$ 84,298,521	$ 99,167,682	$ 100,197,951
Covered-employee payroll	$ 528,224,529	$ 521,203,120	$ 555,559,013	$ 549,450,066	$ 439,305,357	$ 435,541,998
Total OPEB liability as a percentage of covered-employee payroll	21.33%	23.80%	17.21%	15.34%	22.57%	23.01%

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

Notes to Schedule

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

- Overall healthcare cost increases were higher than assumed in the prior valuation, resulting in an actuarial loss.
- Where applicable, demographic assumptions were updated to be consistent with the actuarial valuation assumptions of the Oregon PERS and OPSRP retirement plans. The latest Oregon PERS and OPSRP valuation report available is as of December 31, 2020. Many assumptions changed from the previous valuation including the rates of retirement, termination, disability, salary scale, and mortality.
- Participation rate changed from 37% to 52% to better reflect actual experience and anticipated future experience.
- Discount rate increased from 2.20% as of July 1, 2021 to 3.5% as of July 1, 2022.



SUPPLEMENTARY INFORMATION

FIREFIGHTER

CITY OF POR

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PORTLAND POLICE

OFFICER

Fire and Police Disability and Retirement Fund
Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes:				
Current year property taxes	$ 181,345,461	$ 181,345,461	$ 181,529,977	
Prior year property taxes	2,140,000	2,140,000	2,839,323	
Total taxes	183,485,461	183,485,461	184,369,300	883,839
Revenues other than taxes:				
Other service charges	-	-	15	
Billings to other funds for services	393,900	393,900	405,347	
Investment earnings	648,000	648,000	1,487,073	
Miscellaneous	141,100	141,100	201,039	
Total revenues	184,668,461	184,668,461	186,462,774	1,794,313
Expenditures				
Current:				
Personnel services	2,889,429	2,946,333	2,771,578	
External materials and services	158,510,999	158,510,999	154,621,458	
Internal materials and services	34,362,170	35,562,170	32,082,705	
General operating contingencies	13,494,412	12,207,508	-	
Debt service and related costs:				
Principal	45,011,094	45,011,094	28,011,094	
Interest	373,213	373,213	358,093	
Debt issuance costs	49,900	49,900	49,112	
Capital outlay	35,001	65,001	59,020	
Total expenditures	254,726,218	254,726,218	217,953,060	36,773,158
Revenues over (under) expenditures	(70,057,757)	(70,057,757)	(31,490,286)	38,567,471
Other Financing Sources (Uses)				
Transfers from other funds	750,000	750,000	-	(750,000)
Transfers to other funds	(750,000)	(750,000)	-	750,000
General Fund overhead	(159,711)	(159,711)	(159,711)	-
Pension Debt redemption	(11,538)	(11,538)	(11,538)	-
Bonds and notes issued	45,000,000	45,000,000	28,000,000	(17,000,000)
Bonds and notes premium	-	-	-	-
Total other financing sources (uses)	44,828,751	44,828,751	27,828,751	(17,000,000)
Net change in fund balance	(25,229,006)	(25,229,006)	(3,661,535)	21,567,471
Fund balance - beginning	25,229,006	25,229,006	29,973,348	4,744,342
Fund balance - ending	$ -	$ -	$ 26,311,813	$ 26,311,813

continued on the next page

Fire and Police Disability and Retirement Fund
Schedule of Revenues and Expenditures - Budgetary Basis, continued
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Adjustment to generally accepted accounting principles (GAAP) basis:				
Unrealized gain (loss) on investments			$ (2,068,821)	
Deferred revenue			4,510,918	
Capital assets, net of accumulated depreciation and amortization			885,196	
Other liabilities			(240,000)	
OPEB asset			35,508	
Deferred outflows - pensions			1,132,053	
Deferred outflows - OPEB			52,430	
Compensated absences			(2,315,754)	
Accrued interest payable			(312,553)	
Bonds payable			(58,286)	
Leases payable			(811,556)	
Net pension liability - PERS			(2,573,021)	
Other liability - OPEB			(220,924)	
Deferred inflows - OPEB			(38,240)	
Deferred inflows - pensions			(770,098)	
Fund balance - GAAP basis			$ 23,518,665	

Fire and Police Disability and Retirement Reserve Fund
Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2023

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

Fire and Police Disability and Retirement Funds
Schedule of Pension, Disability and Death Benefits Expenditures by Bureau
For the Fiscal Year Ended June 30, 2023

	Members		Other Beneficiaries		Total	
	Number	Amount	Number	Amount	Number	Amount
Portland Fire & Rescue:						
Nonservice disability benefits	3	$ 8,577	-	-	3	$ 8,577
Service disability benefits	109	1,302,629	-	-	109	1,302,629
Occupational disability benefits	78	267,876	-	-	78	267,876
Early return to work benefits	12	153,961	-	-	12	153,961
Claims settlement	-	-	-	-	-	-
Pensions (FPDR 1 and 2)	617	53,087,777	199	5,608,647	816	58,696,424
PERS contributions (FPDR Three)	347	14,200,527	-	-	347	14,200,527
Medical benefits	199	994,296	-	-	199	994,296
Vocational rehabilitation benefits	-	-	-	-	-	-
Funeral benefits	16	40,455	-	-	16	40,455
	1,381	$ 70,056,098	199	$ 5,608,647	1,580	$ 75,664,745
Portland Police Bureau:						
Nonservice disability benefits	6	$ 136,559	-	-	6	$ 136,559
Service disability benefits	86	2,034,489	-	-	86	2,034,489
Occupational disability benefits	27	458,051	-	-	27	458,051
Early return to work benefits	23	208,577	-	-	23	208,577
Claims settlement	1	3,500	-	-	1	3,500
Pensions (FPDR 1 and 2)	1,065	81,982,639	267	6,781,329	1,332	88,763,968
PERS contributions (FPDR Three)	466	16,486,467	-	-	466	16,486,467
Medical benefits	190	841,365	-	-	190	841,365
Vocational rehabilitation benefits	1	1,041	-	-	1	1,041
Funeral benefits	22	73,537	-	-	22	73,537
	1,887	$ 102,226,225	267	$ 6,781,329	2,154	$ 109,007,554
Combined Fire and Police:						
Nonservice disability benefits	9	$ 145,136	-	-	9	$ 145,136
Service disability benefits	195	3,337,118	-	-	195	3,337,118
Occupational disability benefits	105	725,927	-	-	105	725,927
Early return to work benefits	35	362,538	-	-	35	362,538
Claims settlement	1	3,500	-	-	1	3,500
Pensions (FPDR 1 and 2)	1,682	135,070,416	466	12,389,976	2,148	147,460,392
PERS contributions (FPDR Three)	813	30,686,994	-	-	813	30,686,994
Medical benefits	389	1,835,661	-	-	389	1,835,661
Vocational rehabilitation benefits	1	1,041	-	-	1	1,041
Funeral benefits	38	113,992	-	-	38	113,992
	3,268	$ 172,282,323	466	$ 12,389,976	3,734	$ 184,672,299

Notes to Schedule

1. The benefits amount in the Statement of Changes in Plan Net Position is $185,553,546. The difference between that amount and this schedule consists of the change in the PERS contribution portion of the compensated absence liability associated with Police and Fire FPDR Three members, totaling $881,258, which is reclassified to a benefit expense for GAAP reporting.

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

Fire and Police Disability and Retirement Funds
Schedule of Number of Pensioners and Beneficiaries by Bureau
For the Fiscal Year Ended June 30, 2023

	Portland Fire & Rescue			Portland Police Bureau			Total		
	Members	Other Beneficiaries	Total	Members	Other Beneficiaries	Total	Members	Other Beneficiaries	Total
Pensions	602	134	736	1,044	176	1,220	1,646	310	1,956
PERS:									
Contributions	347	-	347	451	-	451	798	-	798
Disability	17	-	17	30	-	30	47	-	47
	966	134	1,100	1,525	176	1,701	2,491	310	2,801

Fire and Police Disability and Retirement Funds
Comparative Schedule of Number of Pensioners and Beneficiaries by Bureau

	June 30,										Increase (decrease) Ten years ended
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	June 30, 2023
Portland Fire & Rescue:											
Pension:											
FPDR 1&2 members	602	595	609	604	620	618	615	610	602	607	(5)
FPDR 3 members [(1)]	347	322	316	296	289	267	265	224	192	172	175
Other beneficiaries	134	138	146	144	144	154	169	176	179	177	(43)
Total	1,083	1,055	1,071	1,044	1,053	1,039	1,049	1,010	973	956	127
Disability:											
Members	17	20	11	18	19	12	14	18	24	27	(10)
Other beneficiaries	-	-	-	-	-	-	-	-	-	-	-
Total	17	20	11	18	19	12	14	18	24	27	(10)
Total Fire	1,100	1,075	1,082	1,062	1,072	1,051	1,063	1,028	997	983	117
Portland Police Bureau:											
Pension:											
FPDR 1&2 members	1,044	1,017	1,014	953	943	910	880	845	824	803	241
FPDR 3 members [(1)]	451	402	407	399	358	336	270	240	230	216	235
Other beneficiaries	176	177	171	177	177	177	184	185	189	196	(20)
Total	1,671	1,596	1,592	1,529	1,478	1,423	1,334	1,270	1,243	1,215	456
Disability:											
Members	30	34	35	32	31	42	36	40	42	44	(14)
Other beneficiaries	-	-	1	1	1	1	1	2	2	3	(3)
Total	30	34	36	33	32	43	37	42	44	47	(17)
Total Police	1,701	1,630	1,628	1,562	1,510	1,466	1,371	1,312	1,287	1,262	439
Summary of disability:											
Fire	17	20	11	18	19	14	14	18	24	27	(10)
Police	30	34	36	33	32	37	37	42	44	47	(17)
Total	47	54	47	51	51	51	51	60	68	74	(27)
Summary of pension and disability:											
Fire	1,100	1,075	1,082	1,062	1,072	1,051	1,063	1,028	997	983	117
Police	1,701	1,630	1,628	1,562	1,510	1,466	1,371	1,312	1,287	1,262	439
Total	2,801	2,705	2,710	2,624	2,582	2,517	2,434	2,340	2,284	2,245	556

Notes to Schedule

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

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

Year ended June 30,	Imposed levy rate per $1,000 of real market value	Imposed levy	Maximum levy authorized ($2.80/$1,000)	Imposed levy under authorized levy
2014	1.47	123,304,615	235,325,707	112,021,092
2015	1.37	126,777,805	259,331,341	132,553,536
2016	1.23	126,376,817	287,358,793	160,981,976
2017	1.10	132,477,613	338,199,473	205,721,860
2018	1.08	148,214,877	384,951,394	236,736,517
2019	1.05	156,454,895	419,138,031	262,683,136
2020	1.05	161,017,652	427,766,153	266,748,501
2021	1.09	173,302,844	445,249,849	271,947,005
2022	1.20	199,916,664	467,317,213	267,400,549
2023	1.11	190,408,711	499,880,246	309,471,535

Notes to Schedule

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

Audit Comments and Disclosures

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

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

The Board of Trustees
City of Portland, Oregon, Fire and Police
Disability and Retirement Fund and Reserve Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Portland, Oregon, Fire and Police Disability and Retirement Fund and the City of Portland, Oregon, Fire and Police Disability and Retirement Reserve Fund (the "Funds"), component units of the City of Portland, Oregon, which comprise the statement of plan net position as of June 30, 2023 and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Portland, Oregon
October 26, 2023

MOSSADAMS

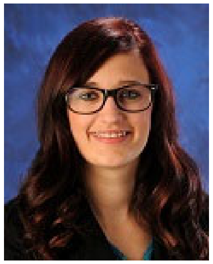
City of Portland Fire and Police Disability and Retirement Funds

Communication with Those Charged with Governance

November 14, 2023

YOUR DEDICATED TEAM






KEITH SIMOVIC, CPA

Engagement Reviewer
And Partner

LAURIE TISH, CPA

Concurring Reviewer
and Partner

ALISE HORSLEY, CPA

Audit Manager

ALLEN SOUTAVONG

Audit Senior

Nature of Services Provided

1 Independent Auditors' Report on the financial statements of City of Portland Fire and Police Disability and Retirement Funds, component units of the City of Portland

2 Technical review of the financial statements for compliance with generally accepted accounting principles

3 Report of Independent Auditors' on Internal Control Over Financial Reporting and on Compliance in Accordance with *Government Auditing Standards*

4 Communication to Those Charged with Governance

Audit Opinion/Reports

Financial Statements

Unmodified (clean) opinion on financial statement

Government Auditing Standards Report

No significant deficiencies or material weaknesses noted

Required Communications

- Planned scope and timing
- **Accounting policies – GASB 96, Subscription-based IT Arrangement Standard implemented, no impact to FPDR's financial reporting as of June 30, 2023.**
- **Audit adjustments – None noted**
- Management's consultation with other accountants
- No disagreements with management
- No difficulties in performing the audit
- **Audit observations and recommendations – No material weaknesses noted**

Audit Issues – NEW ACCOUNTING PRONOUNCEMENTS

New Standards

GASB 100, Accounting Changes and Error Corrections – effective for the fiscal year 2024.

GASB 101, Compensated Absences – effective for the fiscal year 2025.

Acknowledgements

Thank you Sam Hutchison, Stacy Jones, Asha Bellduboset and their staff for their excellent facilitation of the audit process, and Minh Dan Vuong for his management of the audit contract.

- The audit progressed on time and in an orderly fashion; all requested schedules and draft financial statements were received on a timely basis.
- All personnel across all departments were courteous, responsive, and fulfilled all our requests in a timely manner.
- ‘Tone at the Top’ and attitude from management was one of helpfulness, candor, and openness in response to audit requests and discussion points.

THANK YOU

FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

Information Item No. 2

Equal To or Better Than (ETOB) test follow-up discussion from May 23, 2023 meeting

There are no handouts for this information item

Information Item No. 3

Definition of “Spouse” follow-up discussion
from January 23, 2023 meeting

FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

1800 SW First Ave., Suite 250, Portland, OR 97201 · (503) 823-6823 · Fax: (503) 823-5166

Samuel Hutchison, Director **fpdr@portlandoregon.gov**

Definition of Surviving Spouse and Spouse in the FPDR Plan and Administrative Rules

Plan per Ordinance 186926

A "Surviving Spouse" for purposes of this Article means the individual who, at the time of the FPDR Two or Three Member's death, was the Spouse of the Member. Moreover, to be considered the Member's Surviving Spouse, the individual must also (i) have been the Member's Spouse throughout the 12-month period immediately preceding the Member's death and (ii) have not been judicially separated or divorced by interlocutory or final court decree at the time of death, unless otherwise provided in a domestic relations order that is enforceable with respect to the Member's Plan benefit. Death benefits paid to a Surviving Spouse of an FPDR Three Member shall be adjusted in accordance with the offset provisions in this Chapter. For purposes of this Article, the term "Spouse" shall, on and after June 26, 2013, mean an individual to whom a Member is lawfully married under state law, and shall be defined consistent with Rev. Rul. 2013-17 and Notice 2014-19, under which the terms "Spouse," "husband and wife," "husband," and "wife" include an individual married to another individual of the same sex if the individuals are lawfully married under state law, and the tenn "marriage" includes such a marriage between individuals of the same sex, provided that the marriage was validly entered into in a state whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a state that does not recognize the validity of same·sex marriages."

Administrative Rule 5.4.04,

“Surviving Spouse.” The term “Surviving Spouse” means the individual who, at the time of the Member’s death, was the Spouse of the Member, had been the Member’s Spouse throughout the 12-month period immediately preceding the Member’s death and had not been judicially separated or divorced by interlocutory or final court decree at the time of death, unless otherwise provided in a domestic relations order that is enforceable with respect to the Member’s Plan benefit The term “Spouse” shall, on and after June 26, 2013, mean an individual to whom a Member is lawfully married under state law, and shall be defined consistent with Rev. Rul. 2013-17 and Notice 2014-19, under which the terms “Spouse,” “husband and wife,” “husband,” and “wife” include an individual married to another individual of the same sex if the individuals are lawfully married under state law, and the term “marriage” includes such a marriage between individuals of the same sex, provided that the marriage was validly entered into in a state whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a state that does not recognize the validity of same-sex marriages. A same-sex domestic partner of a Member who filed an affidavit of domestic partner status form in accordance with Ordinance No. 176258 or a registered domestic partnership certificate with FPDR prior to June 26, 2013, is also considered a Surviving Spouse.

>> Proposed change to Admin Rule 5.4.01

"Surviving Spouse." The term "Surviving Spouse" means the individual who, at the time of the Member's death, was the Spouse of the Member, had been the Member's Spouse throughout the 12-month period immediately preceding the Member's death and had not been judicially separated or divorced by interlocutory or final court decree at the time of death, unless otherwise provided in a domestic relations order that is enforceable with respect to the Member's Plan benefit. A same-sex domestic partner of a Member who filed an affidavit of domestic partner status form in accordance with Ordinance No. 176258 or a registered domestic partnership certificate with FPDR prior to June 26, 2013, is also considered a Surviving Spouse.

"Spouse." The term "Spouse" shall, on and after June 26, 2013, mean an individual to whom a Member is lawfully married under state law, and shall be defined consistent with Rev. Rul. 2013-17 and Notice 2014-19, under which the terms "Spouse," "husband and wife," "husband," and "wife" include an individual married to another individual of the same sex if the individuals are lawfully married under state law, and the term "marriage" includes such a marriage between individuals of the same sex, provided that the marriage was validly entered into in a state whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a state that does not recognize the validity of same-sex marriages.

Replace the Definition of Surviving Spouse with the Proposed change to Admin Rule 5.4.01 in the following Admin Rules: 5.3.01, 5.5.01, and 5.6.01

Add the Definition of Surviving Spouse with the Proposed change to Admin Rule 5.4.01 to the following Admin Rules: 5.7.01, 5.8.01, and 5.9.01

FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

Information Item No. 4

2023 Legislative Update

FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

1800 SW First Ave., Suite 250, Portland, OR 97201 · (503) 823-6823 · Fax: (503) 823-5166
Samuel Hutchison, Director fpdr@portlandoregon.gov

2023 Oregon Legislation Impacting FPDR

HB 2805

Public Meetings

Summary:

- Provides that use of serial electronic written communication or use of intermediaries to communicate may constitute meeting of governing body subject to public meetings law if other specified conditions are satisfied.
- Provides that public meetings law does not apply to communications that are purely factual or educational, that are unrelated to any matter that governing body could foreseeably deliberate on or decide or that are nonsubstantive in nature.
- Requires Oregon Government Ethics Commission to provide, or arrange for other organization to provide, annual training on requirements of public meetings law and best practices to enhance compliance with public meetings law.
- Requires members of governing bodies with total fiscal year expenditures above threshold amount to attend training at least once per term of public office.
- Expands duties of commission to conduct investigations, make findings and impose penalties for violations of public meetings law.
- Authorizes any person to file complaint with commission alleging that meetings were not in compliance with public meetings law.

Effective: September 23, 2023

HB 2806

Public Meetings

Summary:

Authorizes governing body of public body to meet in executive session to consider matters relating to safety of governing body, public body staff and public body volunteers and to security of public body facilities and meeting spaces, and relating to cyber security infrastructure and responses to cyber security threats.

Effective: July 13, 2023

[HB 3111]

Retiree Confidentiality

Summary:

- Exempts from public disclosure personal information of employees and retirees maintained by retirement system operated by local government.
- Clarifies that personal information of employees and volunteers of public body is exempt from disclosure regardless of record in which information is maintained.

Effective: May 8, 2023

[HB 2283]

PERS

Summary:

- HB 2283 was a PERS-requested bill to make a variety of technical and administrative changes. Most changes are small and administrative in nature.

- For example, two small changes in the bill relate to eligibility for a public safety retirement, which is more generous than a general service retirement. Previously, employees had to spend the 60 months before they retired in a public safety position to qualify for a public safety retirement. This bill:
  - Allows public safety members to move into a *non*-public safety position before retiring and still qualify for a public safety retirement, so long as they spent the 60 months before they became *eligible* to retire in a public safety position
  - Allows public safety members to "pick up where they left off," rather than re-starting the 60 months, when they return from disability, even if they were not earning pension credit while on disability

- However, HB 2283 includes one significant change for City of Portland PERS-covered employees, including FPDR Three members. The bill requires that the mandatory employee contribution to the IAP program be included in an employee's final average salary, even if the employer picks up that contribution. In other words, that 6% employee contribution will be considered part of an employee's salary for purposes of calculating the employee's PERS pension benefit under the formula method, regardless of whether the employee contribution comes directly from the employee's salary as a deduction, or from the employer as an additional benefit.
  - This will increase the pensions of future City of Portland PERS retirees, including FPDR Three members, since the 6% employee contribution was not previously included in final average salary for City employees.
  - To the extent those higher pensions have not been anticipated by the PERS actuaries, those higher pensions will result in higher contribution rates for the City, all things being equal.

- Since the FPDR Fund pays PERS contributions for FPDR Three members, higher contribution rates will result in more costs for the FPDR Fund.

Effective: January 1, 2024

FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

Information Item No. 5

2024 Board of Trustees Proposed Meeting Schedule

2024 FPDR Board of Trustees Meeting Schedule

Agenda items, meeting dates, and meeting locations are subject to change.

Board meetings will be held in the 1900 Building, Room 2500, starting at 1:00 p.m. unless otherwise noted.

Address: 1900 Building, Room 2500
1900 SW 4th Avenue
Portland OR

Parking: PSU Engineering Building
1930 SW 4th Ave
(Entrance off 4th Ave)

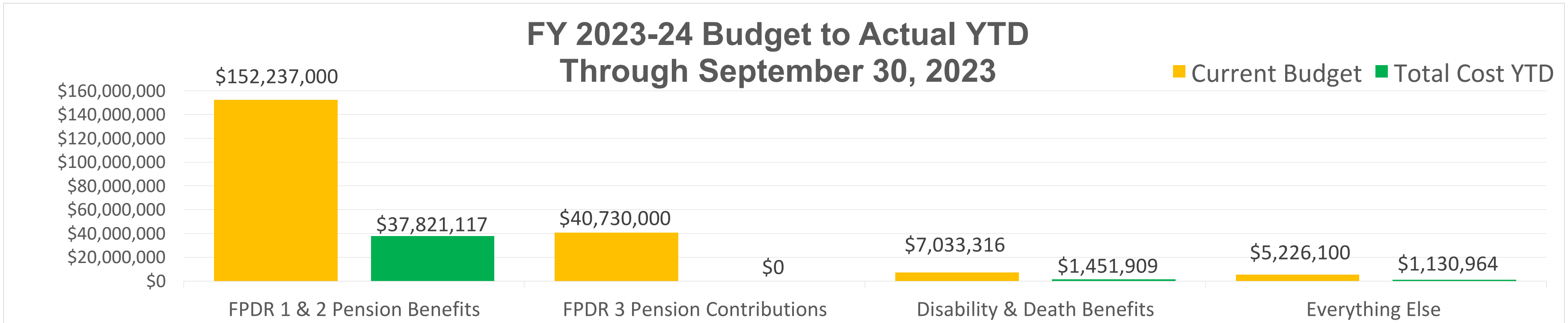
Jacobs Center
2020 SW 4th Ave
(Entrance off SW Lincoln)

January 23rd *** Virtual ***	Financial - Budget Approval General business
March 26th	FPDR Two Benefit Adjustment General Business
May 28th	Tax Anticipation Notes FPDR Two Benefit Adjustment, if necessary General Business
July 23rd	General Business
September 24th **Start time: Noon**	State of FPDR General Business
November 19th *(26th is during Thanksgiving week)* **Location and time TBD**	General Business

In accordance with the 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 in-person attendance. Board members will elect to attend remotely via video, 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

Information Item No. 6

FPDR Summary of Expenditures



FY 2023-24 Budget to Actual YTD by Month

Mid Level Classification	Detail Classification	Original Budget	July	August	September	YTD Total
Revenues	Taxes	$193,701,162	-$1,134,467	$378,844	$453,883	-$301,739
	Beginning fund balance	$24,209,481	$26,311,813	$0	$0	$26,311,813
	Bond and note proceeds	$38,000,000	$0	$32,565,839	$0	$32,565,839
	Miscellaneous Sources	$1,980,800	-$157,627	$64,254	$77,255	-$16,118
	Interfund Cash Transfer Revenues	$750,000	$0	$0	$0	$0
	Interagency Revenues	$445,500	$0	$656	$1,313	$1,969
Revenues Total		**$259,086,943**	**$25,019,719**	**$33,009,593**	**$532,451**	**$58,561,763**
Personnel	Personnel	$2,979,029	$250,158	$272,106	$243,873	$766,136
Personnel Total		**$2,979,029**	**$250,158**	**$272,106**	**$243,873**	**$766,136**
External Materials & Services	Other External Materials & Services	$790,639	-$6,007	$106,077	$80,736	$180,805
	FPDR 1 & 2 Pension Benefits	$152,237,000	-$1,212	$12,610,392	$25,211,936	$37,821,117
	Disability & Death Benefits	$7,033,316	$236,140	$676,245	$539,524	$1,451,909
External Materials & Services Total		**$160,060,955**	**$228,921**	**$13,392,714**	**$25,832,196**	**$39,453,831**
Internal Materials & Services	Other Internal Materials & Services	$906,539	$56,115	$59,056	$58,841	$174,013
	FPDR 3 Pension Contributions	$40,730,000	$0	$0	$0	$0
	Return to Work/Light Duty	$494,800	$0	$0	$0	$0
Internal Materials & Services Total		**$42,131,339**	**$56,115**	**$59,056**	**$58,841**	**$174,013**
Capital Outlay	Capital Outlay	$55,093	-$4,160	$0	$14,170	$10,010
Capital Outlay Total		**$55,093**	**-$4,160**	**$0**	**$14,170**	**$10,010**
Fund Expenses	Contingency	$13,980,376	$0	$0	$0	$0
	Debt Retirement	$38,978,478	$0	$5,374	$24,243	$29,618
	Interfund Cash Transfer Expenses	$901,673	$11,640	$11,640	$11,640	$34,920
Fund Expenses Total		**$53,860,527**	**$11,640**	**$17,014**	**$35,883**	**$64,538**

FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

Information Item No. 7

FPDR Updates

There are no handouts for this information item

FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

Information Item No. 8

Future Meeting Agenda Items

FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

1800 SW First Ave., Suite 250, Portland, OR 97201 · (503) 823-6823 · Fax: (503) 823-5166
Samuel Hutchison, Director **fpdr@portlandoregon.gov**

Future FPDR Board of Trustees Meeting Agenda Topics
Presented to the FPDR Board of Trustees on November 14, 2023

January 23, 2024
1. Action Items
    a. Adopt the 2024-2025 Budget
2. Information Items
    a. Actuarial Standard of Practice (ASOP) No. 4 presentation by Lorne Dauenhauer, Board's outside counsel
    b. Disability pension benefits review (comparison of FPDR and PERS Disability Benefits)
    c. FPDR Strategic Plan review
    d. Overview of the FPDR Administrative Rule amendment process

March 26, 2024
1. Action Items
    a. Annual Adjustment Review (COLA)
    b. Approval of FPDR Administrative Rule changes

Future Meeting Topics
1. Discussion on forming a committee to review FPDR 2 Pension Plan
2. Discussion on soliciting a study to compare the FPDR Disability Program to the Oregon Workers' Comp Program
3. Board Handbook Review
4. Impact of unionization of FPDR staff