FPDR
Five-Year Forecast Summary

FIRE & POLICE DISABILITY & RETIREMENT FUND (800)

	ADOPTED FY24-25	PROJECTED FY24-25	FORECAST FY25-26	FORECAST FY26-27	FORECAST FY27-28	FORECAST FY28-29	FORECAST FY29-30
REQUIREMENTS							
Retirement System Benefits (FPDR)	161,925,000	158,929,000	163,225,000	171,421,000	177,468,000	185,215,000	188,463,000
Retirement System Contributions (OPSRP)	50,560,000	48,150,000	59,870,000	70,000,000	87,070,000	100,170,000	126,940,000
Disability & Death Benefits	7,804,500	6,075,500	8,555,600	9,082,400	9,475,500	9,951,900	10,390,600
Administration Total	5,275,527	5,034,940	5,857,971	5,782,903	6,069,035	6,336,717	6,604,864
Bureau-Level Total	*225,565,027*	*218,189,440*	*237,508,571*	*256,286,303*	*280,082,535*	*301,673,617*	*332,398,464*
			5.29%	*7.91%*	*9.29%*	*7.71%*	*10.18%*
Total Contingency	14,172,482	0	17,000,000	18,000,000	20,000,000	21,000,000	23,000,000
Fund Transfers, including GF Overhead	929,395	166,917	1,062,977	1,058,000	1,065,000	1,073,000	1,081,000
Pension Obligation Bonds	74,962	87,440	77,961	94,568	98,361	102,287	0
Debt Interest Expense	1,642,500	610,975	1,728,000	1,846,000	2,023,500	2,165,500	2,378,500
Debt Issuance Cost	49,100	0	50,500	51,800	53,100	54,500	55,900
Note Reimbursement/Internal Loan Remittance	45,000,000	45,000,000	48,000,000	52,000,000	57,000,000	61,000,000	67,000,000
TOTAL REQUIREMENTS	**287,433,466**	**264,054,772**	**305,428,009**	**329,336,671**	**360,322,496**	**387,068,904**	**425,913,864**
RESOURCES							
CY Property Tax	219,700,559	217,700,000	230,245,812	253,015,178	277,416,762	297,587,139	328,804,473
PY Property Tax	2,150,000	1,400,000	2,480,000	2,580,000	2,830,000	3,110,000	3,330,000
Total Property Taxes	*221,850,559*	*219,100,000*	*232,725,812*	*255,595,178*	*280,246,762*	*300,697,139*	*332,134,473*
			6.22%	*9.83%*	*9.64%*	*7.30%*	*10.45%*
Interest	2,792,000	2,700,000	2,980,000	3,170,000	3,470,000	3,730,000	4,100,000
TANs/Interfund Loan	45,000,000	45,000,000	48,000,000	52,000,000	57,000,000	61,000,000	67,000,000
Miscellaneous	130,000	110,000	136,800	144,300	152,000	160,400	169,300
Fund Transfers	750,000	0	750,000	750,000	750,000	750,000	750,000
Interfund Service Reimbursement - Police & Fire	690,330	625,052	650,333	677,192	703,735	731,366	760,091
Beginning Fund Balance	16,220,577	16,704,784	20,185,064	17,000,000	18,000,000	20,000,000	21,000,000
TOTAL RESOURCES	**287,433,466**	**284,239,836**	**305,428,009**	**329,336,671**	**360,322,496**	**387,068,904**	**425,913,864**
Resources without TANs	*242,433,466*	*239,239,836*	*257,428,009*	*277,336,671*	*303,322,496*	*326,068,904*	*358,913,864*
			6.2%	7.7%	9.4%	7.5%	10.1%

FPDR
Five-Year Forecast Summary

FIRE & POLICE DISABILITY & RETIREMENT FUND (800)

	ADOPTED FY24-25	PROJECTED FY24-25	BUDGET FY25-26	FORECAST FY26-27	FORECAST FY27-28	FORECAST FY28-29	FORECAST FY29-30
Unappropriated Fund Balance	$0	$20,185,064	$0	$0	$0	$0	$0
Personnel Services	$3,257,501	$3,180,000	$3,615,000	$3,630,000	$3,920,000	$4,070,000	$4,340,000
External M&S	$170,280,703	$165,365,317	$172,336,845	$181,033,115	$187,426,723	$195,724,312	$199,362,533
Internal M&S	$51,966,823	$49,589,123	$61,391,726	$71,564,188	$88,673,812	$101,815,305	$128,628,931
Capital Outlay	$60,000	$55,000	$165,000	$59,000	$62,000	$64,000	$67,000
Debt Service	$45,824,962	$45,685,937	$49,856,461	$53,992,368	$59,174,961	$63,322,287	$69,434,400
Fund Transfers - Expense	$929,395	$179,395	$1,062,977	$1,058,000	$1,065,000	$1,073,000	$1,081,000
Contingency	$15,114,082	$0	$17,000,000	$18,000,000	$20,000,000	$21,000,000	$23,000,000
Total Expenditures	**$287,433,466**	**$284,239,836**	**$305,428,009**	**$329,336,671**	**$360,322,496**	**$387,068,904**	**$425,913,864**
Budgeted Beginning Fund Balance	16,220,577	16,704,784	20,185,064	17,000,000	18,000,000	20,000,000	21,000,000
Taxes	221,850,559	219,100,000	232,725,812	255,595,178	280,246,762	300,697,139	332,134,473
Charges for Services							
Interagency Revenue	$690,330	$625,052	$650,333	$677,192	$703,735	$731,366	$760,091
Fund Transfers - Revenue	$750,000	$0	$750,000	$750,000	$750,000	$750,000	$750,000
Bond & Note Proceeds	$0	$0	$48,000,000	$52,000,000	$57,000,000	$61,000,000	$67,000,000
Internal Loan Remittance	$45,000,000						
Miscellaneous Sources	$2,922,000	$2,810,000	$3,116,800	$3,314,300	$3,622,000	$3,890,400	$4,269,300
Total Resources	**287,433,466**	**239,239,836**	**305,428,009**	**329,336,671**	**360,322,496**	**387,068,904**	**425,913,864**

Bureau of Fire and Police Disability and Retirement

City of Portland

FPDR Fund (Fund 800) and FPDR Reserve Fund (Fund 801)

The Bureau of Fire & Police Disability & Retirement (FPDR) administers a defined benefit retirement plan for sworn members of the Portland Police Bureau (Police) and Portland Fire & Rescue (Fire) hired before 2007 (FPDR One and Two members), as well as a disability plan for all sworn members with at least six months of service. The FPDR Fund is also the funding source for contributions to the Oregon Public Employee Retirement (PERS) pension plan for Fire and Police employees sworn after December 31, 2006 (FPDR Three members). The FPDR Fund (Fund 800) is the primary operating and financing fund for these purposes. The FPDR Reserve Fund (Fund 801) is for use in the event the FPDR Fund becomes depleted to the extent it cannot meet current requirements. Both are fiduciary funds of the City of Portland and are established and defined by Chapter 5 of the Portland City Charter.

FPDR Plan Overview

FPDR Plan benefits are defined in Chapter 5 of the City Charter, which is considered FPDR's legal plan document by the federal Internal Revenue Service. In addition to providing pension benefits for Fire and Police employees hired before 2007, the FPDR Plan provides disability benefits for all Fire and Police employees. The disability plan is both a workers' compensation substitute plan and a nonservice disability plan for the City's sworn employees. Fire and Police employees sworn after December 31, 2006 are enrolled in the Oregon PERS pension plan but still covered by FPDR's disability plan. In addition to paying FPDR pension and disability benefits, the FPDR Fund pays the PERS contributions on behalf of FPDR Three members by reimbursing the Fire and Police Bureaus for PERS expenses. This means the FPDR Fund is financing two generations of pensions simultaneously, with pay-as-you-go pension payments to FPDR One and FPDR Two members during their retirement years and prefunded pension contributions for FPDR Three members during their working careers. As this transition is phased in, FPDR costs will grow in excess of usual inflationary factors. Expenses (on an inflation-adjusted basis) are projected to peak in the mid to late 2030s when the entire sworn workforce is comprised of FPDR Three members and most FPDR Two retirees are still living. After this point, mortality in the FPDR Two population will begin to reduce costs.

FPDR Financial Overview

FPDR expenses fall into four general categories: direct FPDR pension payments to retirees originally hired before 2007; PERS contributions for those hired after 2006 and still working; costs for sworn employees who cannot work and/or require medical care because of a disability; and administrative expenses. Total FPDR FYE26 requirements are budgeted at $305.4 million. Net of the FPDR Reserve Fund and borrowing to meet cash flow needs, which will be repaid within the same fiscal year and whose inclusion therefore overstates the size of the budget, FYE26 requirements are $257.4 million. For the FYE26 budget, 63% of bureau requirements are for FPDR plan pension benefits, 32% are for PERS contributions made on behalf of FPDR Three members, 3% are for FPDR plan disability benefits, and 2% are for program administration. Total budgeted bureau expenditures (which excludes fund-level requirements such as contingency, debt costs, and General Fund overhead) for FYE26 are $237.5 million.

Over the five-year forecast extending through FYE30, total bureau expenses are estimated at $1.408 billion, with annual growth ranging from 5.3% to 10.2% per year and total growth over the five-year period of 47.4%. Net of the FPDR Reserve Fund and annual borrowing, total requirements are projected to be $1.523 billion for FYE26 – FYE30, with annual growth as high as 10.1% and total growth over the five-year period of 48.1%.

FPDR is funded almost exclusively from a dedicated property tax levy separate from the City of Portland’s general government levy and authorized in City Charter and Oregon Revised Statutes. Smaller sources of income include interest earnings on fund balance, a pension and disability overhead charge on contracted public safety work for third parties (passed through the Police and Fire Bureaus), and subrogation revenue on disability claims. The FPDR Reserve Fund is required by City Charter to be funded at precisely $0.75 million on July 1 and June 30 of each year. In between, the FPDR Fund may borrow from it interest-free. Interest earnings on the FPDR Reserve Fund balance are credited directly to the FPDR Fund. Non-property tax revenues comprise just 1.5% of total revenues (net of borrowing proceeds) in the FYE26 budget, or $3.8 million, and just $21.7 million over the entire FYE26-30 forecast. The remainder of resources needed to fund the expenditures discussed below derive from property taxes, of which $1.401 billion will be required over the same five-year period.

FPDR Impact on Tax Rates

FPDR's dedicated property tax levy is capped by the City Charter at $2.80 per $1,000 of real market value (RMV). The current RMV levy rate is $1.40. The assessed value (AV) rate, on which property owners actually pay taxes, is currently $2.95 per $1,000 of AV. The Oregon property tax system separated AV and RMV in the 1990s, when annual AV growth was limited to 3% for all properties except new construction. For FYE26, the RMV rate for the FPDR property tax levy is projected to climb to $1.52 and the AV rate to $3.07, an increase of 8.4% for the RMV rate and 4.0% for the AV rate. Since property taxes comprise nearly all of FPDR's resources, the property tax rate must generally increase in proportion to FPDR's costs. However, FPDR's RMV tax rate grew at a faster clip than FPDR expenditures in FYE25 because total RMV in the City of Portland actually declined by 2.9%. The City Economist expects a repeat of this performance, forecasting another decline of 3.0% in RMV for FYE26 before modest RMV growth resumes. Portland RMV fell 2.9% in FYE25 and the City Economist projects another 3.0% drop in FYE26 before modest growth resumes again in the following year. Given Oregon's property tax structure, AV has fared better, but the City Economist also expects slower than usual AV growth in FYE26 and FYE27, which will drive up FPDR's AV tax rate more than previously anticipated. By the end of the forecast period in FYE30, it is estimated the RMV rate for the FPDR property tax levy will be about $1.84 and the AV rate about $3.81.

In concert with the legally required biannual plan valuation, FPDR contracts with an independent actuarial firm to model the RMV tax rate for the FPDR levy over a 20-year period. The model simulates thousands of possible scenarios and incorporates widely variant possibilities in terms of real market value growth, PERS investment returns and contribution requirements, and other factors. The most recent analysis was completed with data as of June 30, 2024 and concluded there was less than a 2% probability that the $2.80 cap would be insufficient to fund FPDR spending in any year between now and FYE44. At the median probability, the analysis expects the levy rate to peak at $1.69 in 2033, less than FPDR's own projection. At the 95th percentile probability, the analysis expects the rate to peak at $2.35.

Like all permanent tax levies in Oregon, the FPDR property tax levy contributes to property tax compression. The Oregon state constitution caps each property's general government taxes at $10 per $1,000 of RMV. After reaching this point all levies are subject to compression (reduction) to fit under the $10 limit. As the FPDR property tax levy grows, it increases losses for other property tax levies on properties that are already subject to compression and increases the likelihood that additional properties will become subject to compression.

Revenue Assumptions

Property Taxes

More than 98% of bureau resources come from the dedicated FPDR property tax levy. In FYE26 property tax revenues need to be increased to $232.7 million, which is $10.9 million (4.9%) more than budgeted in FYE25. This is slightly less than the 5.3% growth in budgeted bureau expenditures between FYE25 and FYE26. FPDR expects to end FYE25 with $3.5 M more in fund balance than it began, which will be put toward benefit expenses in FYE26. (This also explains why the rate of growth from projected *actual* spending in FYE25 is higher, at 8.9%.) Growing PERS contribution costs are the largest driver of the need for more revenue next year. The contribution rate for the PERS tier to which most sworn Portland employees belong will increase from 24.91% to 29.06% in FYE26. In addition, the historic number of FPDR Two retirements over the last 14 months will result in sizable growth in the FPDR Three (PERS-covered) workforce, and in promotion and premium assignments at higher wages for the older FPDR Three employees, as they backfill the recent retirees. The remainder of the need for additional property taxes is attributable to modest growth in direct FPDR Two pension benefits. This is primarily the cost of the annual cost-of-living adjustment, estimated at 2.0% on July 1, 2025. Relatively few retirements are expected between now and the next 27 pay date month in May 2026, and since nearly all of last year's retirees began their pensions in November 2024 (also a 27 pay date month), nearly a full year of their pension costs are already reflected in the current fiscal year.

Property taxes will rise at a more rapid rate in FYE27 – FYE30 as retirements resume and the plan continues to ramp towards the peak expense period when the entire active workforce is comprised of FPDR Three members and most FPDR Two members are retired and still living. This ongoing transition from a pay-as-you-go pension plan (FPDR) to a pre-funded pension plan (PERS) requires exponential annual cost increases while pensions for two generations of retirees are funded simultaneously. The forecast predicts annual property tax revenue will reach $332.1 million by FYE30, a 51.6% increase over tax revenue levels in the current fiscal year.

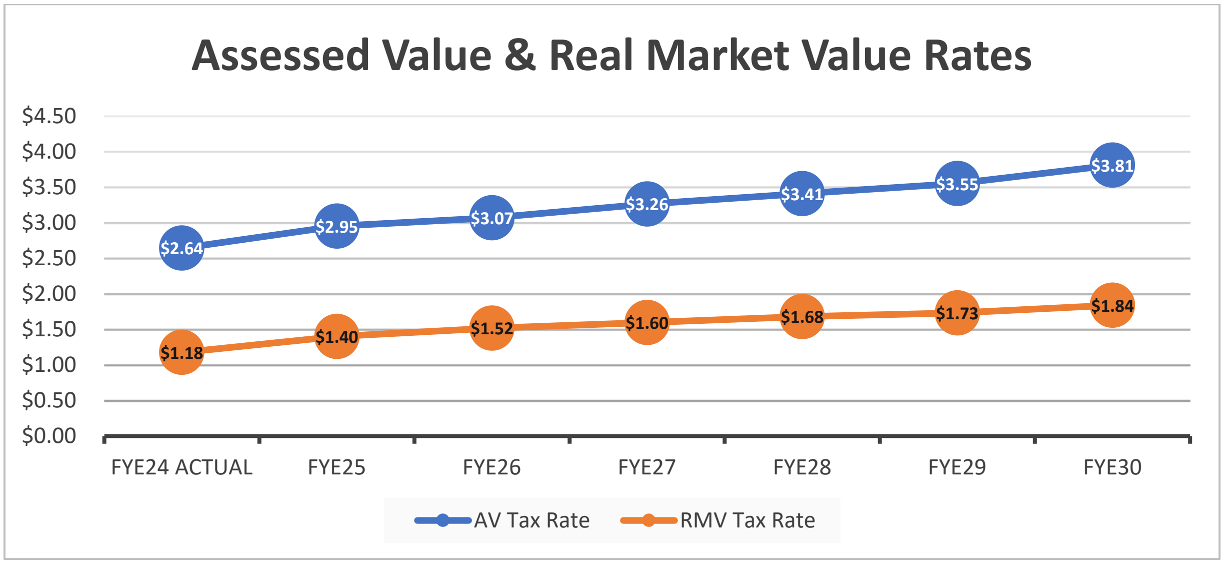
FPDR must levy more taxes than are actually needed, since not all taxes will be collected due to discounts, delinquencies, and compression under Measure 5/50 tax limits. FPDR relies on the City Economist to calculate the amount that will offset these losses. His assumptions are listed below, and compared to actual results from FYE24, in the table below:

PROPERTY TAX ASSUMPTIONS							
	FYE24 Actuals	FYE25	FYE26	FYE27	FYE28	FYE29	FYE30
RMV Growth	0.2%	-2.9%	-3.0%	4.0%	4.0%	4.0%	4.0%
AV Growth	9.2%	3.5%	1.1%	2.9%	4.7%	2.9%	3.0%
Compression	-4.0%	-4.7%	-5.2%	-5.1%	-5.1%	-5.0%	-5.0%
Discounts/Delinquencies	-5.2%	-5.2%	-5.0%	-4.7%	-4.5%	-4.5%	-4.5%
Current Year Taxes Required (Thousands)	$191,541	$219,701	$230,246	$253,015	$277,417	$297,587	$328,804
Discounts/Delinquencies	$10,464	$12,003	$12,118	$12,478	$13,072	$14,022	$15,493
Taxes Imposed (Thousands)	$202,006	$231,703	$242,364	$265,493	$290,489	$311,610	$344,298
Compression Loss	$8,363	$11,418	$13,294	$14,268	$15,611	$16,401	$18,121
Taxes Extended	$210,368	$243,121	$255,658	$279,761	$306,100	$328,010	$362,419

Unfortunately, growing compression and a higher discount/delinquency rate in recent years create the need to "gross up" the tax levy more to offset these deficits. This further increases the average property owner's tax bill. The discount/delinquency rate is expected to temper in the outyears of the forecast because of its connection to declining commercial property values in the downtown core, but compression is expected to remain at least somewhat stronger than in the past.

These assumptions result in the following projected AV and RMV tax rates for FYE26 – 30, as compared with projected rates for FYE25 and actual rates for FYE24:

FPDR PROPERTY TAX RATES							
	FYE24 Actual	FYE25	FYE26	FYE27	FYE28	FYE29	FYE30
AV Tax Rate	$2.64	$2.95	$3.07	$3.26	$3.41	$3.55	$3.81
Effective RMV Tax Rate	$1.18	$1.40	$1.52	$1.60	$1.68	$1.73	$1.84



For the first time in more than a decade, Portland RMV decreased in FYE25. RMV fell by 2.9%, weighed down by the plummeting values of downtown commercial buildings. The City Economist projects another year of decline in FYE26, before RMV bottoms out and stabilizes at 4.0% annual growth going forward. Even this is below the 5.4% compounded annual RMV growth experienced in Portland over the last 20 years. For FPDR, this means a higher RMV tax rate than previously predicted. The RMV tax rate is expected to be $1.52 in FYE26 and $1.73 in FYE29, as compared with $1.49 and $1.67 in last year's forecast.

Cash Flow Borrowing

Unlike the General Fund, but like many governmental funds whose primary revenue source is property taxes, the FPDR Fund borrows money to cover its cash flow shortfall between the start of the fiscal year on July 1 and the receipt of most property tax payments in mid-November. FPDR plans to borrow $48.0 million in FYE26 and as much as $67.0 million by the final year of the forecast in FYE30. As expenses grow each year, more must be borrowed to prevent a negative cash position before mid-November. Before FYE25, FPDR always borrowed these funds by issuing short-term bonds known as tax anticipation notes (TANs). Within arbitrage rebate limits allowed by the Internal Revenue Service, FPDR has generally earned more interest on the borrowed funds than it has paid to the note holders and for debt issuance costs. However the municipal bond interest rate market has changed significantly in recent years, and FPDR lost money on its FYE24 TANs borrowing for the first time in decades. In FYE25 it was more financially advantageous to borrow from another City fund. FPDR has budgeted to again issue TANs in FYE26, but will make a final decision on the best borrowing mechanism in consultation with the City Debt Manager in late spring 2025. FPDR has budgeted for interest of 3.6% on its FYE26 borrowing and expects to earn 3.85% on the proceeds while they are held in the City Treasury investment pool. This compares with an estimated average interest rate of 3.7% on the current year's interfund loan (which has a floating interest rate), from which incremental draws are made as needed and therefore not held in the City Treasury pool. There are no issuance or closing costs associated with interfund loans at the City, but FPDR expects to pay issuance costs of approximately $50,000 for TANs in FYE26.

Other Revenues

As noted above under Plan Overview, non-property tax revenues are just $3.8 million of projected revenue in FYE26, and only $21.7 million over the entire FYE26-30 forecast. FPDR is not dependent on non-property tax revenues to meet plan requirements. However, FPDR management obviously pursues other appropriate revenue sources to reduce the taxpayer burden. Except for interest income, these minor sources of miscellaneous revenue are expected to remain stable or grow slightly over the forecast period. Interest income is projected to increase as the FPDR Fund balance grows to meet increasing expenditure needs. In addition, interest rate returns on the City Treasury pool are forecast to increase from approximately 3.5% now to about 3.85% in FYE26 and then remain there through FYE30. FPDR relies on the City Investment Officer for interest rate forecasts.

Expenditure Assumptions

FPDR forecasts $1.338 billion in bureau expenditures (all costs except fund-level requirements like contingency, debt service, etc.) during the five-year forecast period. Bureau expenditures are expected to grow 52.2%, or $107.1 million, between FYE24 and FYE29. This growth rate, which was planned as part of the 2006 City Charter reforms that placed new sworn hires in the prefunded PERS plan, will of course require increases in the dedicated FPDR tax levy (see above). Fortunately, the tax levy has room under its cap to accommodate this growth. Nevertheless, the tax increases will burden the current generation of taxpayers and increase compression on other permanent property tax levies in Multnomah County for at least the next 10 years.

For the most part, FPDR cannot legally reduce its service levels to restrain expenditure. Nearly 98% of bureau expenditures are nondiscretionary plan benefits mandated by City Charter. Plan benefits fall into three categories: FPDR pension benefits, PERS contributions, and FPDR disability/death benefits. Of the three, FPDR pension benefits are by far the largest, making up 63% of planned bureau expenditures over the next five years. PERS contributions, at 32% of budgeted bureau expenditures for FYE26-30, are the fastest-growing component. On top of the growth in wages and PERS contribution rates you would also see in a mature population, the younger PERS-covered employees are still aging into the workforce. Each year a larger percentage of the sworn workforce is comprised of FPDR Three members enrolled in PERS, and each year more of these members also promote into higher ranks and receive specialty assignments with higher pay. Disability and death benefit expenses make up just 3% of planned bureau expenditures over the forecast period. However, the disability program can have significant operational impacts on the Police and Fire Bureaus and is an important program to FPDR members during their active employment; indeed, it is the *only* FPDR program that FPDR Three members actually interact with.

The most significant assumptions underlying the expenditure forecast are listed in the two following tables:

Inflation Assumptions						
	FYE25	FYE26	FYE27	FYE28	FYE29	FYE30
Wages	3.30%	2.70%	2.50%	2.20%	2.20%	2.20%
Medical Costs	5.00%	8.00%	8.70%	8.40%	8.40%	8.40%
PERS Contribution Rates						
Tier 1 & Tier 2*	29.60%	32.69%	32.69%	37.69%	37.69%	42.69%
OPSRP General*	26.12%	29.79%	29.79%	34.79%	34.79%	39.79%
OPSRP Public Safety*	33.91%	38.06%	38.06%	43.06%	43.06%	50.56%
External Materials & Services	2.55%	2.90%	2.90%	2.90%	2.90%	2.90%
Internal Materials & Services	2.20%	2.80%	2.60%	2.50%	2.60%	2.60%
*Includes 9% Individual Account Program "pick up" for OPSRP Public Safety and 6% for Tier I/II/OPSRP General						

FPDR Pension Benefits:

As of January 2025, there are 2,218 individuals receiving FPDR pension benefits. The median monthly Police retiree benefit is $6,869; the median monthly Fire retiree benefit is $7,438; and the median survivor benefit is $2,364. The FY 2025-26 pension benefit budget is 2.7% higher than projected pension benefit spending for FY 2024-25. Pension benefit spending is forecast to grow 18.6% over the five-year forecast period through FYE30.

Key assumptions underlying the forecast for FPDR One and Two pension payments relate to retirement rates, death rates, pension amounts for new retirees, and annual cost-of-living adjustments (COLAs) for existing retirees. Retirements and deaths are predicted using actuarial models developed by an independent actuarial firm, which are based primarily on data collected in periodic FPDR Plan Experience Studies. The last such study was based on data for the period July 1, 2014 – June 30, 2019. Current actuarial assumptions used in budget development are enumerated in Appendix C of the 2022 Actuarial Valuation Report which can be found at https://www.portland.gov/fpdr/budget-reports. Each non-retired FPDR member is assigned a probability of retirement in each year, based on age and service time. Each FPDR member is also assigned a probability of death in each year; these probabilities are based on the experience of the larger and more statistically valid Oregon PERS sworn population, which is assumed to be similar to the FPDR population. These probabilities are summed to arrive at an estimated total of retirements and deaths in any given fiscal year. FPDR analysts then adjust these actuarially derived projections in the budget year to account for known short-term factors, such as specific labor contract provisions or the timing of 27 pay date months. (In 27 pay date months the City's biweekly pay structure produces 27 pay dates – rather than the usual 26 – in the period for calculating final pay, a critical component of the FPDR Two pension calculation.)

Annual COLAs are awarded to FPDR Two retirees and beneficiaries at the discretion of the FPDR Board of Trustees but cannot exceed the maximum pension COLA given by Oregon PERS (currently 2.0%). To be conservative, the five-year plan assumes a 2.0% COLA for FPDR Two pension benefits each year. FPDR One pension benefits are a percent of active duty pay and grow at the same rate as salary increases in top-step police officer and fire fighter pay. In addition, pension amounts for new retirees grow with wage increases for the actively working population because FPDR Two pension benefits are based partly on final salary. The forecast assumes that sworn wages will increase annually as currently required by the Portland Police Association (PPA), Portland Fire Fighters Association (PFFA) and Portland Police Commanding Officers Association (PPCOA) labor contracts: the value of the consumer price index for urban wage earners in the West Region for Size Class A cities (CPI-W West Class A), but no more than 5% in any one year. The forecast also includes further wage increases for PFFA employees, as called for in their current contract: an additional 0.5% on July 1, 2025 and an additional 2.0% on July 1, 2026.

PERS Contributions:

The PERS contribution budget depends on the number of working FPDR 3 members, their pay levels, and PERS contribution rates. Growth in this budget category is exponential: in addition to increases resulting from wage inflation, the number of PERS-covered employees grows each year as FPDR-covered employees retire and are replaced by new PERS-covered hires. The number of current FPDR 3 members is of course known, but the total projected number over the forecast period relies on hiring projections. Hiring projections for FYE25 and FYE26 are developed collaboratively with the Police and Fire Bureaus. Beyond that, hiring projections are based on FPDR's actuarial model for retirements. It is assumed that the number of overall employees remains the same beyond FYE26 – in other words, that all retirements and pre-retirement separations are replaced by new hires. The final forecast assumes that PERS-covered employees will comprise approximately 83% of the sworn workforce by FYE30.

Secondly, the PERS-covered employee population is still maturing; as compared with the total sworn population, a larger proportion of PERS-covered employees are still at the police officer or fire fighter rank (and at lower pay levels on those pay scales), ineligible for longevity pay, and less likely to have attained premium and specialty pay assignments. As they move through pay steps, promote into higher paying classifications, receive specialty pay assignments, and begin to earn longevity pay, their pay grows above and beyond inflationary wage COLAs. Therefore, the forecast assumes annual wage growth in excess of COLAs and any contractual wage increases for PERS-covered employees: 5.0% at Police and 4.0% at Fire. Finally, the PERS Board continues to raise contribution rates every two years to reduce PERS' unfunded liability. The PERS contribution rate projection detailed in the table above was developed by the City Economist. Rates for the City's public safety employees are forecast to grow from 33.91% currently to 50.56% by FYE30.

Disability and Funeral Benefits:

Disability benefits are comprised of medical costs; wage replacement when members are unable to work; wage subsidies to incentivize the Police and Fire Bureaus to keep members working in modified duty positions when possible; funeral benefits; and vocational rehabilitation expenses. The most important assumptions in the disability benefit budget are claim volume, wage growth and medical inflation. Short-term disability incidence and costs are one of the most volatile and unpredictable components of the FPDR budget. New short-term disability claims returned to pre-pandemic levels (350 or so annually) in FYE23, after increasing to more than 500 a year during the COVID pandemic. Since FYE23, claim volume has been falling and is now far below the long-term average. However, this forecast assumes the current decline in disability claims is representative of typical variability rather than the emergence of a new trend, and bases future costs on the historic average of 300 to 350 annual claims. The number of members who transition from short-term to long-term disability is based primarily on actuarial probability from the most recent FPDR Plan Experience Study, although FPDR has adjusted this number for FYE26 based on staff knowledge of specific claims. In general, the forecast plans for one or two members to shift from short-term to long-term disability each year. As discussed above, the forecast assumes sworn wage growth includes annual COLAs equal to inflation (but no more than 5%) plus other salary increases included in the collective bargaining agreement for PFFA. Medical costs are expected to grow more rapidly than wages, at roughly 5% per year. Medical costs for large claims (those with more than $50,000 in lifetime medical expenses) are based on a three-year average of expenses for such claims. Funeral benefits are projected using the same mortality models built into the pension budget. Although a very small portion of the budget, funeral benefits are growing rapidly as FPDR Two members make up a growing share of total plan deaths. The FPDR Two funeral benefit is significantly more generous than the FPDR One funeral benefit. Wage subsidies and vocational rehabilitation expenses are based on long-term averages and, in the case of wage subsidies, projected sworn wage increases.

Administrative Expenses:

Administrative expenses include all general operating expenses of the bureau: staff, office space, information technology and legal services, and various other goods and services. Administrative spending has consistently represented less than 2% of all fund expenditures for the last 15 years. In FYE24, administrative spending was 1.39% of total fund expenditures and totaled $827 per plan participant. In the table below, administrative costs for FYE26 appear to grow by a surprisingly large percentage (16.3%) as compared with projected spending in FYE25. This is primarily an artifact of one-time events that reduced administrative spending in FYE25: a disability analyst position has been vacant nearly all year, and unusually low claim volume has lowered vendor spending in the disability program. However, it should also be noted that health benefit costs are expected to increase substantially, by 8.0% or more, in FYE26 and each subsequent year of the forecast. Administrative costs are forecast to increase by 31.1% over the next five years because of wage, health benefit, and general inflation.

The largest component of administrative expenses is personnel costs. Staff salaries and benefits are set by the City compensation plan and policies, but the FPDR Board and Portland City Council have authority over the number and type of positions. FPDR has 18 positions, 17 of which are currently filled. Most positions are represented by labor unions, with five positions belonging to the American Federation of State, County, and Municipal Employees, or AFSCME, and nine positions belonging to the City of Portland Professional Workers, or CPPW. Annual salaries for FPDR employees in FYE26 are expected to range from $71,583 to $222,535. Non-wage compensation includes family medical/dental/vision coverage with employees paying 5-10% of the premiums, general service membership in Oregon PERS, and Social Security and Medicare enrollment. The City "picks up" the 6% employee contribution to Oregon PERS.

The budget assumes wage COLAs each July 1 for all employees: 2.7% in 2025, 2.5% in 2026, and 2.2% in 2027, 2028 and 2029. The personnel budget also includes funds for potential additional annual salary increases of 2.0% to 3.0% for 11 employees who are not at the top of the wage scale for their positions. For FYE26, PERS contribution rates will increase from 26.12% to 29.79% for employees enrolled in the OPSRP tier and from 29.6% to 32.69% for employees enrolled in the Tier I or Tier II tiers. By the close of the forecast period in 2030, the OPSRP contribution rate is projected to be 39.79% and the Tier I/II rate is projected to be 42.69%. Overall, personnel expenses are forecast to grow 36.5% between FYE25 and FYE30.

Spending on administrative materials and services (both external and internal) is projected based on a variety of factors. Most costs for internal materials and services – those services and goods procured from other City bureaus – are based on rates set by the bureaus providing the service and/or materials. FPDR's largest internally procured goods and services are legal services provided by the City Attorney's office, liaison services provided by two sworn employees at the Fire and Police Bureaus, and computer/telecommunications equipment and services purchased from the Bureau of Technology Services. Costs for externally procured goods and services are estimated based on historic spending patterns, planned future purchases, contract provisions, and a general external materials/services inflation factor provided by the City Economist. The largest of these items are professional services for the disability program and the office lease. Capital spending is limited to programming and other improvements to FPDR's database, which is used to process all benefit payments and to track member and beneficiary information. FPDR tends to budget a bit more than planned for capital since the small, single-item budget means that even a minor unanticipated expense could cause over-expenditure in a major object category, a violation of Oregon state law. Spending on materials and services is expected to climb 22.0% by the end of the forecast period.

The table below lists FYE24 actual costs, FYE25 projected costs, and the FYE26 budget for each of FPDR's administrative expenses.

Administration & Delivery: Budget Detail				
	FYE 24 Actuals	FYE25 Projection	FYE26 Budget	Change: FYE25 to FYE26
Personnel Services	$3,111,483	$3,180,000	$3,615,000	13.7%
External Materials & Services				
Database Maintenance & Consulting	$104,510	$87,000	$149,000	71.3%
Consulting Services	$0	$48,600	$15,800	N/A
Legal Services	$68,100	$46,000	$47,300	2.8%
Audit Services	$30,613	$32,500	$32,500	0.0%
Actuarial Services	$18,626	$90,000	$70,000	-22.2%
Professional Svc. - Disability Program	$331,394	$184,000	$329,800	79.2%
Other Professional Services	$208,939	$58,400	$60,100	2.9%
Repair and Maintenance Services	$0	$3,800	$3,900	2.6%
Miscellaneous Services	$31,160	$15,000	$32,100	114.0%
Computer and Office Supplies	$15,199	$23,300	$25,700	10.3%
Minor Equipment and Tools	$17,735	$4,200	$4,300	2.4%
Food	$936	$500	$1,000	N/A
Education, Subscriptions and Dues	$12,374	$12,400	$13,600	9.7%
Travel - Local	$0	$1,000	$1,000	0.0%
Travel - Out of Town	$2,530	$2,594	$5,400	108.1%
Office Rent	$186,398	$188,963	$194,605	3.0%
Miscellaneous	$900	$1,530	$1,570	2.6%
Total External M&S	$1,029,412	$799,787	$987,675	23.5%
Internal Materials & Services				
Fleet	$224	$66	$515	N/A
Printing & Distribution	$41,633	$50,426	$45,186	-10.4%
Facilities Services	$12,535	$16,183	$34,246	111.6%
Technology Services	$230,887	$279,803	$332,072	18.7%
Risk Management	$42,672	$43,629	$55,325	27%
City Attorney	$337,646	$352,187	$371,232	5.4%
Government Relations	$10,000	$10,000	$10,000	0.0%
Bureau Revenue & Financial Services	$59,948	$71,775	$59,080	-17.7%
Fire & Police Bureaus	$162,354	$174,700	$181,700	4.0%
Total Internal M&S	$897,899	$998,769	$1,089,356	9.1%
Capital (Database Improvements)	$59,020	$55,000	$165,000	200.0%
Total Admin & Delivery	$5,097,814	$5,033,556	$5,857,031	16.4%
Authorized Positions	18	18	18	0.0%

Risks to the Forecast and Contingency

The key risks to the FPDR FYE26-30 Forecast relate to delinquency and compression rates for property taxes; expiration of the Portland Police Association (PPA) contract on June 30, 2025; ongoing volatility in sworn overtime spending; and uncertainty about how quickly new employees can be hired to replace the considerable number of retirements in the last 18 months, particularly at the Police Bureau. While the details vary from year to year, most FPDR forecasts are subject to financial risk related to property tax collections and sworn employee wages, and FPDR staff are accustomed to assessing and managing those risks.

Property Tax Delinquency and Compression Rates (Higher Risk)

- Even small increases in Measure 5/50 property tax compression or property tax delinquencies can translate to large revenue losses for FPDR. As the FPDR property tax levy grows, so too do the consequences of deviations from projected compression and discount/delinquency rates. An additional 1% loss from either of these factors would result in roughly a $2.6 million shortfall in FPDR property tax collections. Tax shortfalls also negatively impact interest income.
- Compression and delinquency rates are particularly difficult to forecast accurately, in the first case because of the complexities of Oregon's property tax system and in the second case because of macroeconomic factors. For this forecast period, as in the last, the usual uncertainties are amplified by falling values for downtown commercial real estate. Some downtown commercial properties now have RMVs that are lower than AV – a highly unusual circumstance in Portland since the passage of Measure 5. This has apparently allowed some downtown property owners to successfully appeal their property tax assessments and obtain partial refunds of prior year tax payments. These refunds are paid from the same "pool" as discounts, creating a new factor now driving up the overall discount/delinquency rate.
- The discount/delinquency rate is expected to peak in the current fiscal year (FYE25) and return to a more typical 4.5% by FYE28. However, the discount/delinquency rate tracks the business cycle and is moderately volatile.
- The forecast assumes compression losses will peak in the budget year (FYE26) at 5.2%, but drop only slightly in the remaining years of the forecast, leveling out at 5.0%. In the past, compression losses have been closer to 4.7% or 4.8%. Compression appears to be trending higher, intensifying this risk for the FPDR Fund.

Expiring PPA Contract (Higher Risk)

- The Portland Police Association (PPA) labor contract – which covers all police officers, sergeants, detectives and criminalists – will expire on June 30, 2025.

- The FPDR forecast assumes wage COLAs each July 1 equal to inflation for PPA members. This is consistent with the current contract terms.
- Salary increases beyond this level, and other compensation increases depending on the type, could result in higher FPDR benefit costs in several categories:
    - Since FPDR One pensions are a percent of active duty pay, additional salary increases would increase FPDR One Police pensions more than forecast
    - Since final pay is a key component of the FPDR Two pension calculation, additional salary increases would increase future FPDR Two Police pensions more than forecast
    - Since PERS contributions are made on total compensation, additional salary increases would increase Police PERS contributions for FPDR Three members
    - Since disability pay is a percent of wages, additional salary increases would increase all Police disability benefits for wage replacement
    - Since funeral benefits are a percent of wages, additional salary increases would increase future Police funeral benefits

Sworn Overtime (Medium Risk)

- Sworn employee overtime, on which FPDR must pay PERS contributions for FPDR Three members, increased sizably at both the Fire and Police Bureaus in FYE23 and FYE24.
- Many factors contributed to the rise in overtime, including increased call volume and complexity for both bureaus, and staffing shortfalls at the Police Bureau.
- Sworn overtime appears to be coming back under control thus far in FYE25, particularly at the Fire Bureau. The Police Bureau's efforts to reduce overtime spending have been somewhat hampered by the election year.
- Both the Fire and Police Bureaus feel strongly that overtime spending will return to more typical levels in FYE26 and beyond, and FPDR agreed to build joint forecasts on that assumption. However, there is a risk that public safety overtime spending will return to higher levels, particularly if the bureaus struggle to replace and train recent retirees quickly. If that happens, FPDR will need to increase its PERS contributions budget by drawing on fund contingency.

Public Safety Hiring (Medium Risk)

- Given record breaking retirement number over the last 14 months, both the Fire and Police Bureaus need to hire more employees more quickly than in the past.
- The problem is more pronounced at the Police Bureau, which has always struggled to fill even routine vacancies. The Fire Bureau does not usually have difficulty recruiting new employees, but can run into bottleneck problems with its training pipeline. However, they partially prepared for this problem by hiring in advance of November 2024's retirements and double-filling new hires into existing filled positions.
- FPDR's five-year forecast is based on 144 new hires at Fire and 226 new hires at Police by the end of the forecast in FYE30. This is a reasonably conservative estimate

compared to past hiring patterns. Over the last five complete fiscal years, the Police Bureau hired a total of 329 new officers and the Fire Bureau hired a total of 152 new fire fighters.

- If the bureaus hire fewer new sworn employees than forecast, PERS contributions will obviously be less than forecast; if they hire more, PERS contributions will be more than forecast, and FPDR may need to tap into fund contingency.
- If there are 25 more Police hires and 20 more Fire hires than currently budgeted for FYE26, the additional cost in FYE26 PERS contributions is estimated at $1.4 million. This would grow significantly in FYE27, as PERS contributions are not generally paid during the first six months of employment. Following that, costs would increase at the same rate as wage increases and PERS contribution rates in the outyears of the forecast.
- There is a connection between hiring and overtime spending, although the connection is not as strong as usually thought and takes several years to manifest. If more new hires than anticipated cause higher spending on PERS contributions, there *may* also be lower overtime spending in future years.

FPDR Three Promotions and Premium Assignments (Low Risk)

- As older FPDR Three members age into the workforce, they are increasingly promoted and given assignments with premium pays. This makes their pay increases, and therefore their PERS contributions, more difficult to predict.
- Modeling promotional "drift" during a transition period like this is notoriously difficult
- Risk associated with FPDR Three promotional and premium pay increases is intensified right now, since so many FPDR Twos have recently retired, creating more opportunities than usual for FPDR Three promotions and premium assignments
- That said, even the maximum exposure is not large in any one year: at most, 29.06% (OPSRP contribution rate) of the cost of 3 – 15% pay increases for a few hundred employees.

Change in City Government and Administration (Low Risk)

- The FYE26 budget is the first full-year budget prepared for the City of Portland's new form of government, which was approved by Portland voters in November 2022 and took effect on January 1, 2025.
- The City of Portland moved from a Commission form of government, where five City Commissioners elected citywide both enacted City policy and directly managed a portfolio of City bureaus, to a Council-Mayor-City Manager form of government, where 12 City Councilors elected from districts enact City policy to be administered by the Mayor and an appointed City Manager
- As part of the change, all City bureaus have been grouped into new "Service Areas." FPDR is part of the Budget & Finance Service Area.

- The change has resulted in new costs for FPDR, primarily a 64.3% ($107,308) increase in General Fund overhead payments to fund items like a pro-rated share of the new Budget & Finance Deputy City Manager and administrative assistant, the new City Manager, new City Officers for Equity and Sustainability, new City Councilors and support staff, and facilities and technology investments needed to support the new structure. There may be opportunities in upcoming years to reduce spending and improve services by collaborating with other bureaus, particularly in area that small bureaus often struggle to adequately staff alone.

Other

Other factors that would increase expenses, but either by a smaller amount or with a lower degree of probability in this forecast period, are:

- Higher than predicted general inflation, particularly in the consumer price index for the West Region, Size Class A cities (CPI-W A). If the inflation forecast is too low, nearly all FPDR benefits will be more expensive than reflected in the FYE26-30 Forecast. This is because wage COLAs are tied to this measure, and wage increases drive up the cost of most FPDR benefits.
- Increases in PERS contributions rates in FYE28 and/or FYE30 beyond those already assumed.
- Wage increases in future labor contracts for the Portland Fire Fighter Association and/or Portland Police Commanding Officers Association in excess of inflation. Current agreements for those associations expire on June 30, 2027.
- Significant expansions in the number of authorized sworn positions at the Police and/or Fire Bureaus.
- Fewer deaths than projected using the mortality tables and assumptions recommended by the FPDR actuaries.
- More new retirees selecting the lowest survivor benefit, or establishing eligibility for the additional state tax offset benefit, than forecast.
- More newly deceased retirees with surviving spouses than expected, or more newly deceased retirees with higher survivor benefits than expected.
- Higher than projected medical cost inflation.
- More catastrophic and/or expensive disability claims than forecast.
- A disproportionate share of disability claims from higher paid employees.
- Unforeseen information technology expenses.

Fund Contingency and Fund Balance

While many operating funds maintain a standard 10% contingency line item, FPDR has mostly found it unnecessary to maintain such a high level of contingency given the relatively predictable nature of monthly pension payments, which make up the majority of bureau expenditures. FPDR fund contingency has been set at 7% of total bureau expenditures in each year of the forecast (the usual contingency level selected by management in normal circumstances). In FYE26 this comes to $17.0 million, which is sufficient to manage the primary risks identified above.

In FYE21-23, at the height of the pandemic and civil unrest in Portland, and in the midst of skyrocketing retirement and disability costs, fund contingency was set at a higher rate of 9%. While much of this extra contingency was required for additional pension and disability costs, the portion that was not fell to fund balance and the FPDR Fund carried a slightly elevated fund balance for several years. Beginning fund balance in FYE25 was $16.7 million, back within management's target range of $15.0 - $21.0 million, where it is expected to remain for the life of the FYE26-30 forecast.