CITY OF PORTLAND, OREGON

FIRE AND POLICE DISABILITY AND RETIREMENT FUNDS

Trust Funds of the City of Portland, Oregon

REPORT OF INDEPENDENT AUDITORS

AND

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2019

Bureau of Fire & Police Disability & Retirement

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INTRODUCTORY SECTION

CITY OF PORTLAND, OREGON

Fire and Police Disability
and Retirement Funds
Trust Funds of the City of Portland, Oregon

JUNE 30, 2019

Administration Offices

Harrison Square Building
1800 SW 1st Avenue, Suite 450
Portland, Oregon 97201

Fund Administrator

Samuel Hutchison

Finance Staff

Stacy Jones
Aaron Brown
Mika Obara
Aaron Ratto (Bureau of Revenue and Financial Services)

FINANCIAL SECTION

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 Financial Statements

We have audited the accompanying financial statements of 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 June 30, 2019, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Funds as of June 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 through 9, schedule of changes in net pension liability and related ratios on page 46, the City share of Oregon Public Employees Retirement System on pages 47 through 49, the City share of OPERS Other Postemployment Benefits on page 50, and the City of Portland Other Postemployment Benefits on page 51 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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's basic financial statements. The supplementary information included on pages 52 through 59 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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 budgetary comparison schedules on pages 52 through 55 have 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 comparison schedules on pages 52 through 55 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary data on pages 56 through 59 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019 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 24, 2019

City of Portland, Oregon
Fire and Police Disability and Retirement Funds
(Trust Funds of the City of Portland, Oregon)

Management 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), we offer readers this narrative overview and analysis of the financial activities of the funds for the fiscal year ended June 30, 2019. 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 biennial valuations of FPDR's obligations. A new valuation was conducted during the fiscal year with data as of June 30, 2018; rolling that valuation forward to June 30, 2019 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 $3.6 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 expenses. Employer contributions are primarily financed by a dedicated property tax levy, which provided $150.3 million of the $151.6 million in total contributions. Other employer contributions derive from third-party charges imposed 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, 2019 was $1.05 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 real market value. Portland property owners make tax payments on assessed value rather than real market value; the FPDR levy was $2.59 per $1,000 of assessed value for the fiscal year ended June 30, 2019.
- Since future dedicated tax revenues cannot be reflected in the Fund's financial statements, the Plan's net position reflects only current assets. Net position was $20.0 million on June 30, 2019, an increase from the June 30, 2018 net position of $17.8 million.
- Total assets increased by $13.7 million for the fiscal year ended June 30, 2019. Cash and short-term investments increased by $18.6 million. A timing difference in July 1 pension payments accounted for $10.5 million of the increase: cash on hand at June 30 was unusually low in the prior two fiscal years because July 1 fell on a non-banking day in 2018 and 2017, requiring the July 1 pension payments to be paid in June. In 2019 the July pension payments were paid on July 1, which was again a banking day. This increased both cash and accounts payable by $10.5 million, as compared with the prior year. The remaining $8.1 million increase in cash derived from a large prior year commercial property tax payment, as well as under-spending in the pension budget.

Financial Highlights, continued

- Benefit payments to retirees and disabled members as well as their beneficiaries increased by 5.2 percent, or $7.3 million. This is comparable to annual growth in benefits over the last decade. Pension benefits continue to increase as more FPDR Two members retire with a more generous pension benefit, on average, than FPDR One members. In addition, the total pool of beneficiaries is increasing as retirements continue to outstrip deaths.

Financial Statements and Analysis

The FPDR Fund provides disability, death and retirement 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 establishes the level of benefits and the method of administering benefits, and serves as the Plan document.

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 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 real market value, 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 real market value on each property. However, it appears increasingly unlikely this will ever be necessary. The RMV levy rate for the fiscal year ended June 30, 2019 was $1.05, well below the $2.80 cap.

Sworn members of the Fire and Police Bureaus hired after 2006 are enrolled in the prefunded Oregon Public Employee Retirement System (PERS) pension plan. The FPDR Fund pays the employee and employer portions of PERS contributions for these members. The FPDR Plan itself provides only disability, funeral and death before retirement benefits to these members. Members of the FPDR plan sworn prior to 2007 remain covered by the FPDR plan for their retirement and post-retirement death benefits, as well as their disability, death and pre-retirement death benefits. The payment of 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 early to mid-2030s, when most members hired before 2007 will be retired and receiving direct pension benefits, and nearly all of the active workforce will be enrolled in PERS (with FPDR funding their PERS contributions).

The FPDR Plan's net pension liability is $3.5 billion for the fiscal year ended June 30, 2019, an increase of $271.3 million from June 30, 2018. Approximately $182 million of this increase is simply attributable to a lower discount rate (the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index each year), which decreased from 3.87 percent on June 30, 2018 to 3.50 percent on June 30, 2019. Demographic losses, specifically participants living

Financial Statements and Analysis, continued

longer than assumed and salary growth and retiree cost-of-living adjustments in excess of expectations, account for another $61.2 million of the increase.

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 fund, was as of June 30, 2018. 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 that there is a one percent probability of the FPDR Fund levy reaching the maximum $2.80 per $1,000 of real market value in any year through 2038. At the median (50th percentile) probability, the analysis predicts the FPDR tax rate will peak at $1.32 per $1,000 of real market value in 2030, 2031, and 2032. The June 30, 2016 analysis estimated a 2.6 percent probability of reaching the FPDR levy cap, and a peak FPDR tax rate of $1.37 at the median probability. The tax levy analyses encompass all facts, decisions and conditions pertaining to the FPDR plan known at the time each analysis was completed.

The June 30, 2018 analysis incorporates new Portland Fire Fighter Association (PFFA) and Portland Police Commanding Officers Association contracts, which include wage increases above inflation for most covered employees. The analysis also reflects higher short-term inflation than anticipated when the prior analysis was completed. Finally, the liability load for medical expenses related to disability claims approved before member retirement was increased from 0.5 percent of projected pension payments to 0.65 percent, based on recent experience. However, these increases in plan costs were more than offset by RMV growth, which continues to outpace the long-run growth assumption of 4.5 percent. RMV in the City of Portland grew 13.8 percent in FY 2017-18 and another 8.9 percent in FY 2018-19.

The June 30, 2018 levy analysis does assume post-retirement cost-of-living adjustments (COLAs) for FPDR Two participants that are different from those actually awarded by the FPDR Board on July 1, 2019. In 2016, 2017, and 2018 FPDR Two COLAs were awarded as follows: 1.25 percent multiplied by the percent of service completed on or after October 8, 2013, plus the consumer price index (up to a maximum of 2.0 percent) multiplied by the percent of service completed before October 8, 2013. This blended methodology, based on service timing, is similar to the COLA methodology currently used by PERS. The June 30, 2018 valuation and levy analysis assumed the FPDR Board would employ the same COLA calculation going forward. However, the FPDR Board chose to award an across-the-board two percent COLA in 2019.

The next plan valuation and tax levy analysis will be prepared with data as of June 30, 2020 and will incorporate updated assumptions from a new plan experience study expected in early 2020.

Financial Statements and Analysis, continued

The FPDR Reserve Fund provides a reserve in case the FPDR Fund cannot meet its current obligations. At June 30, 2019 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 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 events giving rise to the changes occur, 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, liabilities, net position and changes in net position for the fiscal years ended June 30, 2019 and 2018:

	2019	**2018**	**Increase (Decrease)**
Cash and investments held by City Treasurer	$29,990,031	$11,353,282	$18,636,749
Receivables	4,694,678	9,550,479	(4,855,801)
FPDR share of City PERS OPEB asset	10,654	3,680	$6,974
Capital assets	361,218	459,663	($98,445)
Total Assets	35,056,581	21,367,104	13,689,477
Deferred outflows of resources (City PERS pension)	758,990	649,626	109,364
Total deferred outflows	758,990	649,626	109,364
Accounts payable	11,863,066	751,473	11,111,593
FPDR share of City PERS pension liability	2,045,767	1,834,325	211,442
Other liabilities	1,762,963	1,575,540	187,423
Total Liabilities	15,671,796	4,161,338	11,510,458
Deferred inflows of resources (City PERS pension)	142,477	64,618	77,859
Total deferred inflows	142,477	64,618	77,859
Net Position	$20,001,298	$17,790,774	$2,210,524

Financial Statements and Analysis, continued

The funds' net position increased from $17.8 million at June 30, 2018 to $20.0 million at June 30, 2019, a 12.4 percent increase. Cash and other short-term investments increased by $18.6 million, or 175.8 percent, for the reasons discussed above in "Financial Highlights." The prior year property tax payment of approximately $3.6 million, received following resolution of a legal dispute between a commercial business and the Multnomah County assessor' office, is the key contributor to a 50.8 percent reduction in the property tax receivable for the fiscal year ended June 30, 2019. Together these account for the increase in total plan assets from $21.4 million for the fiscal year ended June 30, 2018 to $35.1 million for the fiscal year ended June 30, 2019. Total plan liabilities grew $11.5 million as compared with the prior fiscal year, almost entirely because of an increase in accounts payable. As mentioned above in "Financial Highlights," accounts payable was unusually low for the fiscal year ending June 30, 2018 because the July 1, 2018 pension payment was made on June 29, 2018.

The following schedule displays changes in employer contributions, benefit payments, administrative expenses and plan net position during the fiscal years ended June 30, 2019 and 2018:

	2019	2018	Increase (Decrease)
Employer contributions: property taxes	$150,299,013	$144,171,103	$6,127,910
Employer contributions: other	1,258,968	1,729,054	(470,086)
Net investment income	1,751,762	869,866	881,896
Total Additions	153,309,743	146,770,023	6,539,720
Benefit payments	146,812,112	139,528,250	7,283,862
Operating and administrative expenses	4,287,107	3,453,210	833,897
Total Deductions	151,099,219	142,981,460	8,117,759
Net Increase / (Decrease)	2,210,524	3,788,563	(1,578,039)
Beginning Net Position	17,790,774	14,002,211	3,788,563
Ending Net Position	$20,001,298	$17,790,774	$2,210,524

Additions to plan net position include property tax revenues, other employer contributions, and investment income. 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 rate after factoring in delinquencies, discounts and compression losses. Property tax revenues totaled $150.3 million in the fiscal year ended June 30, 2019, a $6.1 million increase from the prior year. Property taxes were increased, as they are most years, to fund

Financial Statements and Analysis, continued

growing benefit expenses. Nevertheless, RMV growth meant the imposed tax rate continued to fall, from $1.08 per $1,000 of RMV for the fiscal year ended June 30, 2018 to $1.05 for the fiscal year ended June 30, 2019.

Non-property tax employer contributions consist primarily of pension and disability overhead charges collected from third parties for police and fire services, and subrogation revenue recovered from third parties at fault for member disability claims. This funding source fell by $0.5 million, or 27.2 percent, for the fiscal year ended June 30, 2019 because the Police Bureau provided fewer police services to third parties due to ongoing sworn staff shortages. Investment income continued to grow as both interest rates and fund balance rose, more than doubling from $0.9 million for the fiscal year ended June 30, 2018 to $1.8 million for the fiscal year ended June 30, 2019.

The largest deduction to the FPDR Fund net position is obviously benefit payments. For the fiscal year ended June 30, 2019, benefits amounted to $146.8 million, an increase of $7.3 million or 5.2 percent. Direct pension benefits and PERS contributions made on behalf of members hired after 2006 both grew as wages for active duty members grew. In addition to a 3.6 percent cost of living raise on July 1, 2018 for all sworn employees, most Police members received a 3.0 percent raise on January 1, 2019, the last of three such raises provided by their current bargaining agreement. FPDR One pension benefits are a percent of active duty member pay, and FPDR Two pension benefits are connected to active duty pay through the final pay component of the pension calculation. Second, a labor arbitrator issued a ruling in the fall of 2018 – the second such ruling related to the current PFFA contract – directing that a one percent increase in longevity pay for PFFA members with at least ten years of service be made retroactive to July 1, 2016. As a result, FPDR issued $0.2 million in retroactive pension and disability payments to 279 Fire participants. Finally, PERS contributions made on behalf of members hired after December 31, 2006 continue to climb as that population makes up a greater percentage of the sworn workforce.

Operating and administrative expenses increased by $0.8 million, or 24.1 percent, for the fiscal year ended June 30, 2019. There were two significant factors in this growth. First, interest payments on the annual tax anticipation notes (TANs) issued by FPDR were $0.5 million higher for the fiscal year ended June 30, 2019, as compared with the prior year. The interest rate on FPDR's TANs was 1.60 percent in 2018 and 0.91 percent in 2017. Second, there was a $0.5 million swing in non-budgetary adjustments to compensated absence liability for employees. These two increases were partially offset by smaller reductions in other areas.

Capital Asset and Long-Term Debt Activity

FPDR owns an intangible capital asset, a database to issue all participant-related payments, track member and beneficiary information, and to manage claims. The database had a net book value of $0.4 on June 30, 2019.

Financial Statements and Analysis, continued

The funds had no long-term debt activity in the fiscal year ended June 30, 2019, 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 Financial Manager, Fire and Police Disability and Retirement Fund, 1800 SW First Ave., Suite 450, Portland, OR 97201.

CITY OF PORTLAND, OREGON
FIRE AND POLICE DISABILITY AND RETIREMENT FUNDS
STATEMENT OF PLAN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019		
	FPDR Fund	Reserve Fund	Total
Assets			
Cash and investments held by City Treasurer	$ 29,240,031	$ 750,000	$ 29,990,031
Property taxes (contributions) receivable	4,106,229	-	4,106,229
Interest receivable	457,450	-	457,450
Accounts receivable, net	14,898	-	14,898
Overpayment recoveries receivable	116,101	-	116,101
Capital assets, net	361,218	-	361,218
OPEB asset, net	10,654	-	10,654
Total assets	34,306,581	750,000	35,056,581
Deferred outflows of resources			
Deferred outflows - pensions	739,105	-	739,105
Deferred outflows - OPEB	19,885	-	19,885
Total deferred outflows	758,990	-	758,990
Liabilities			
Accounts payable	11,863,066	-	11,863,066
Compensated absences	1,081,765	-	1,081,765
Bonds payable	235,165	-	235,165
Interest payable	249,245	-	249,245
FPDR share of City PERS pension liability	2,045,767	-	2,045,767
FPDR share of City other post-employment benefits	196,788	-	196,788
Total liabilities	15,671,796	-	15,671,796
Deferred inflows of resources			
Deferred inflows - pensions	142,342	-	142,342
Deferred inflows - OPEB	135	-	135
Total deferred inflows	142,477	-	142,477
Net Position			
Restricted for pensions	19,251,298	750,000	20,001,298
Total net position	$ 19,251,298	$ 750,000	$ 20,001,298

CITY OF PORTLAND, OREGON
FIRE AND POLICE DISABILITY AND RETIREMENT FUNDS
STATEMENT OF CHANGES IN PLAN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	YEAR ENDED JUNE 30, 2019		
	FPDR Fund	Reserve Fund	Total
Additions			
Contributions - funded by property taxes	$ 150,299,013	$ -	$ 150,299,013
Other	1,258,968	-	1,258,968
Total employer contributions	151,557,981	-	151,557,981
Net investment income	1,751,762	-	1,751,762
Total additions	153,309,743	-	153,309,743
Deductions			
Disability, retirement and medical benefits	146,812,112	-	146,812,112
Operating and administrative expenses	4,287,107	-	4,287,107
Total deductions	151,099,219	-	151,099,219
Change in net position	2,210,524	-	2,210,524
Net position - beginning	17,040,774	750,000	17,790,774
Net position - ending	$ 19,251,298	$ 750,000	$ 20,001,298

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 Fire and Police Disability and Retirement 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, 2019.

The funds are presented as a blended component unit of the City of Portland, as required by accounting principles generally accepted in the United States of America. 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 funds.

The funds are reported as pension trust funds in the Comprehensive Annual Financial Report of the City of Portland, Oregon.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

FPDR accounts for cash and investments in accordance with accounting principles generally accepted in the United States of America (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 - The FPDR Fund has one intangible capital asset, 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).

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 Statement 68, the City has recognized a PERS liability for the fiscal year ended June 30, 2019; 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 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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 http://www.portlandoregon.gov/citycode/?c=28210. 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 Plan Summary, which can be found at http://www.portlandoregon.gov/fpdr/article/569617.

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 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.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION, continued

Participation and benefits - As of June 30, 2019, 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	383	1,533	-	1,916
Vested beneficiaries not yet in pay status				
Surviving spouses not yet eligible	-	-	-	-
Terminated employees	-	81	-	81
	-	81	-	81
Active members on short-term disability	-	11	8	19
Active members:				
Vested	-	863	-	863
Non-vested	-	-	-	-
Not in FPDR pension plan	-	-	647	647
Total active members	-	863	647	1,510

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.

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, 2019, there were 383 FPDR One members and 2,477 FPDR Two members and beneficiaries.

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

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION, continued

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, 2019, the number of FPDR Three members was 647. This does not include retired FPDR Three members, who are 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 percent 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 percent 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 percent of the member's base pay, reduced by 50 percent 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 percent of the member's base pay, and then reduced by 25 percent of any wages earned in other employment. The minimum benefit is 25 percent 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 two percent of current top-step pay for a police officer or firefighter for each year of active service (up to 60 percent). 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. FPDR One Police pension benefits increased by 6.7 percent on July 1, 2018 and 7.2 percent on July 1, 2019. This is because top-step police officers received 3.0 percent raises in each of those years, in addition to annual cost-of-living adjustments equal to inflation. FPDR One Fire pension benefits were increased by 4.5 percent on July 1, 2018 to reflect a 1.0 percent raise in top-step fire fighter pay,

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION, continued

as well as the annual cost-of-living adjustment equal to inflation. However, FPDR One Fire pension benefits were not increased on July 1, 2019 because top-step fire fighter pay remained the same as in the fiscal year ended June 30, 2019. The PFFA contract expired on that date and a successor contract has not yet been ratified. 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 Plan. The supplemental benefit payments totaled $243,847 to 10 retirees for the fiscal year ending June 30, 2019.

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 percent vested after five years of service. Benefits are paid to members at retirement using the following formula: 2.2 percent to 2.8 percent 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 percent 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 police and fire members of PERS for the same period. For July 1, 2019, the Board awarded this maximum, two percent, to all FPDR Two participants. Prior to that, the Board had granted a blended percentage increase in each of the three preceding fiscal years: 1.25 percent multiplied by the percent of service completed on or after October 8, 2013, plus the consumer price index (up to a maximum of 2.0 percent, with carryover permitted from years in which the consumer price index exceeded 2.0 percent) multiplied by the percent of service completed before October 8, 2013. This calculation was similar to the current PERS adjustment methodology.

Additional pension benefits are mandated by Oregon Revised Statutes 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 percent times the member's percent of service prior to October 1991 (when Oregon began taxing local pension benefits), or zero percent to four percent based on the member's total years of service. Surviving spouses receive the same percentage benefit as the member on their benefits, so long as the pension benefits remain subject to Oregon income tax.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION, continued

The Charter provides that, upon termination of employment before attaining five years of service, FPDR Two members shall be entitled to a lump-sum payment consisting of seven percent of base pay received by the member, excluding the first six months of membership. The Charter also provides for FPDR One members to receive a refund of contributions if they terminate employment before vesting. There are no longer unvested FPDR One or FPDR Two members.

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. 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 nonservice-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, 2018, the actual imposed levy rate per $1,000 of real market value under the special property tax levy was $1.05, and the total revenue received from the levy (which is most of the City’s employer contribution) was $150.3 million.

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 funds. The most recent assessment was as of June 30, 2018. 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, but the levy exceeded the $2.80 threshold in at least one year in approximately one percent of modeled scenarios. This represents a decline from about three percent of modeled scenarios in the prior analysis as of June 30, 2016. The June 30, 2018 analysis extends through FY 2037-38. Plan costs are currently projected to peak in FY 2036-37 in nominal terms; the peak on an inflation-adjusted basis is in FY 2031-32. Continued growth in real market values in the City’s tax base has further increased the likelihood that the FPDR tax levy will be sufficient to fund benefits and expenses for the entire life of the plan. RMV growth was nearly nine percent in FY 2018-19, following growth in excess of ten percent in each of the previous four

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION, continued

years. Overall, RMV in the City of Portland has grown more than fifty percent over the last five years.

Approximately 99 percent of employer contributions to the Plan are funded by property taxes. The remaining one percent 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 seven percent 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, 2018 and rolled forward to June 30, 2019. 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, 2019	
Total pension liability	$	3,568,635,904
Less plan net position		20,001,298
Net pension liability	$	3,548,634,606
Plan net position as a percentage of total pension liability		0.56%

The ratio of the net pension liability to covered payroll is 2,327 percent. Covered payroll was $152.5 million for the fiscal year ended June 30, 2019. 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 Plan for the year ended June 30, 2019 were $135.5 million. Employer contributions to the FPDR Fund were $16.1 million higher, but the $15.5 million used for PERS contributions for FPDR Three members, as well as $0.6 million in additional compensated absence accruals also associated with FPDR Three members are excluded here, as those expenses are not part of the benefit payments shown in the Schedule of Changes in Net Pension Liability and Related Ratios.

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION, continued

The net pension liability, as calculated in accordance with Governmental Accounting Standard Board Statement 67: Financial Reporting for Pension Plans, increased by $271.3 million between June 30, 2018 and June 30, 2019. The change in the discount rate – the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index (Bond Buyer Index) – from 3.87 percent on June 30, 2018 to 3.50 percent on June 30, 2019 caused $182.0 million of this increase. Another $61.2 million resulted from salary growth and post-retirement cost of living adjustments for FPDR One members that exceeded assumptions, as well as participants living longer than projected.

Significant assumptions used to prepare the June 30, 2018 actuarial valuation and the June 30, 2019 roll-forward are listed below. These assumptions were applied to all periods included in the measurement.

Discount rate	3.50%
Long-term expected rate of return, net of investment expense	N/A
Municipal bond rate	3.50%
Valuation date	June 30, 2018
Measurement date	June 30, 2019
Inflation	2.75%
Projected salary increases, including inflation	3.75%
Post-retirement benefit increases	
FPDR One	3.75%
FPDR Two	Blend 2.00%/1.25%
Mortality	
Retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational Unisex Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	
Active members: RP-2014 Employees, sex-distinct, generational with Unisex Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	
Actuarial cost method	Entry Age Normal

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 salary increases ranging up to 20 percent, as detailed in the actuarial valuation report. It is projected that 25 percent of Fire members and 50 percent of Police members retire at age 50, and that all Fire members retire by age 60 and all Police members by age 65. The valuation assumes that 80 percent of retirees choose the lowest survivor benefit option and that 80 percent

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION, continued

of retirees will have a surviving spouse at death. Medical expenses for disability claims approved before member retirement are calculated as a liability load: 0.65 percent of projected pension payments. The valuation projects that 80 percent of beneficiaries live in Oregon, for purposes of determining eligibility for the additional pension benefit provided in ORS to those subject to Oregon income tax. Most assumptions used in the actuarial valuation are based on the experience study of the FPDR Plan completed as of June 30, 2013. A new experience study is scheduled for next year.

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 4.50 percent discount rate had been used instead of 3.50 percent, the net pension liability as of June 30, 2019 would have been $461.7 million, or 13 percent, lower. If a 2.50 percent discount rate had been used, the net pension liability as of June 30, 2019 would have been $577.2 million, or 16 percent, higher.

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total pension liability	$ 4,145,857,289	$ 3,568,635,904	$ 3,106,959,758
Less plan net position	20,001,298	20,001,298	20,001,298
Net pension liability	4,125,855,991	3,548,634,606	3,086,958,460

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.

Other assets - In addition to cash and short-term investments, the FPDR Fund's assets include receivables, one capital asset and an OPEB asset. The fund's largest receivable is property taxes

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION, continued

due but not received at the close of the fiscal year. For the fiscal year ended June 30, 2019, contributions receivable from property taxes are $4.1 million. FPDR's sole capital asset is a software database with a net value of $361,218 on June 30, 2019. The database is being depreciated over 10 years. The City OPEB asset has been valued in accordance with GASB Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and is equal to $4.2 million. FPDR's prorated share of that amount is 0.26% or $10,654.

Other liabilities – Outside of accounts payable, the FPDR Fund has three other significant liabilities. The first is the fund's share (for FPDR employees only) of the City of Portland's liability in Oregon PERS & internal OPEB plan. GASB Statement No. 68 (Statement 68) & No. 75 (Statement 75) were used to value the City's PERS and OPEB liability. As of June 30, 2019, the City's Pension and OPEB liability is equal $559.5 and $95.0 million, respectively. FPDR's prorated share of the net pension liability is $2.1 million and $0.2 million for the internal OPEB plan. 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 GASB 68, these excess contributions reduce the City's proportional share of the PERS liability.

The second liability is FPDR's 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. Interest rates on the $134.5 million of fixed rate 1999 Series C bonds ranged from 7.70 to 7.93 percent on June 30, 2019. 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 $235,165 at June 30, 2019.

Bonds payable transactions for the year ended June 30, 2019 are as follows:

	Outstanding June 30, 2018	Bonds Allocated	Bonds Matured and Paid During Year	Outstanding June 30, 2019
Oregon Public Employees Retirement System Bonds ("PERS Pension Bonds")	$ 279,005	-	$ 43,840	$ 235,165

NOTE 2 - PLAN FEATURES AND OTHER INFORMATION, continued

Future maturities of bond principal and interest at June 30, 2019 are as follows:

Fiscal Year	Principal	Interest	Total
2020	48,842	12,767	61,609
2021	55,066	9,006	64,072
2022	61,876	4,765	66,641
2023	11,094	58,213	69,307
2024	10,675	61,403	72,078
2025-29	47,612	358,401	406,013
	$ 235,165	$ 504,555	$ 739,720

Finally, as of June 30, 2019, FPDR has booked $1.1 million for compensated absences payable. This includes leave earned but not yet paid for FPDR employees, as well as the future PERS contributions payable on leave earned but not yet paid for FPDR Three members at the Fire and Police Bureaus.

Commitments and contingencies - The FPDR Fund leases its office space under a noncancelable operating lease with a third party. The lease agreement expires on October 31, 2020 but includes options to extend for an additional six to 18 months. In the fiscal year ended June 30, 2019, rent expense was equal to $210,354.

The minimum future obligations for this lease for the fiscal years ending June 30 are summarized below:

Year Ending June 30,	
2020	216,665
2021	74,026
	$290,691

The FPDR Fund is involved in various claims and legal actions in the normal course of business. Currently, 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 the FPDR Fund borrowed $35.7 million in publicly issued 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, 2019.

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation notes	$ -	$ 35,725,000	$ (35,725,000)	$ -
	$ -	$ 35,725,000	$ (35,725,000)	$ -

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 preretirement 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 benefits plan offered under Oregon Revised Statutes (ORS). ORS 243.303 requires the City provide retirees with an opportunity to participate in group health and dental insurance from the date of retirement to age 65, and the rate to be calculated using claims experience 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.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS, continued

Employees covered by benefit terms - At June 30, 2019, the following employees were covered by the benefit terms:

Retirees & spouses benefitting from HIC benefits	996
Active emplyees	5,584
	6,580

***Total OPEB Liability* -** The City's total HIC OPEB liability of $99,167,682 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

***Actuarial assumptions and other inputs* -** The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.20 percent
Salary increases	0.87 percent, weighted average
Discount rate	3.60 percent
Healthcare cost trend rates	4.50% - 7.50%
Retiree's share of benefit-related costs	26 percent of estimated HIC costs

The discount rate was based on an assumed municipal bond rate of 3.90 percent.

Post-Retirement Mortality used is based on RP-2014 Healthy Annuitant, with Generational Projection using Unisex Social Security Data Scale. Active mortality used is based on RP-2014 Employee, with Generational Projection using Unisex Social Security Data Scale.

The actuarial assumptions used in the June 30, 2017 valuation report were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2016.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS, continued

Changes in Total Liability -

	Total OPEB Liability
Balance at 6/30/18	$ 100,197,951
Changes for the year:	
Service cost	3,675,148
Interest	3,640,097
Changes of assumptions	(2,777,647)
Benefit payments	(5,567,867)
Net Changes	(1,030,269)
Balance at 6/30/19	$ 99,167,682

Changes of assumptions reflect healthcare increases that were higher than assumed in the prior valuation, an increased participation rate from 40 percent to 45 percent, an assumed health care reform excise tax increased from the prior projection, and several assumptions changed from the previous valuation including the rates of retirement, termination, disability, salary scale, and mortality.

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 1-percentage-point lower:

	1% Decrease (2.90%)	**Discount Rate (3.90%)**	**1% Increase (4.90%)**
Total OPEB liability	$ 108,825,157	$ 99,167,682	$ 90,596,445

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS, continued

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 1-percentage-point lower or 1-percentage-point higher than the current health care trend rates:

	Healthcare Cost Trend Rates (6.50% - decreasing to 3.50%)	Healthcare Cost Trend Rates (7.50% - decreasing to 4.50%)	Healthcare Cost Trend Rates (8.50% - decreasing to 5.50%)
Total OPEB liability	$ 87,818,234	$ 99,167,682	$ 11,259,469

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2019, the City recognized an OPEB expense of $5,979,579 At June 30, 2019, the City reported deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ -	$ 7,318,430
Contributions after Measurement Date	5,668,141	-
Total	5,668,141	7,318,430

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

Year End June 30:	
2019	$ (1,335,666)
2020	(1,335,666)
2021	(1,335,666)
2022	(1,335,666)
2023	(1,335,666)
Thereafter	(640,100)
Total	$ (7,318,430)

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS, continued

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: http://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, 2019, was 0.43 percent of the covered payroll, actuarily 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 $1,969,784 for the year ended June 30, 2019. 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, 2019, the City reported an asset of $4,177,752 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation date as of December 31, 2016. 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, 2018 and June 30, 2017 was 3.74259536% and 3.53676347%, respectively.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS, continued

City of Portland:	Net OPEB Asset	Allocation
Governmental activities	$ 3,356,394	80.3%
Business-type activities	758,486	18.2%
Government-wide	4,114,880	98.5%
Fiduciary Fund: Fire and Police Disability and Retirement Fund	10,654	0.3%
Component Unit: Prosper Portland	52,218	1.2%
	$ 4,177,752	100.00%

For the year ended June 30, 2019, the City recognized OPEB income of $410,434. At June 30, 2019, 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	$ -	$ (236,764)	$ (236,764)
Changes of assumptions	-	(13,255)	(13,255)
Net difference between projected and actual earnings on investments	-	(900,714)	(900,714)
Changes in proportionate share	-	(39,530)	(39,530)
Total (prior to post-measurement date contributions)	-	(1,190,263)	(1,190,263)
City contributions made subsequent to measurement date	1,969,784	-	1,969,784
Net deferred outflow / (inflows) of resources	$ 1,969,784	$ (1,190,263)	$ 779,521

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS, continued

$1,969,784 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Inflows of Resources				
Fiscal Year Ending June 30,	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
2020	(102,941)	(5,763)	(270,391)	(18,320)	(397,415)
2021	(102,941)	(5,763)	(270,391)	(17,018)	(396,113)
2022	(30,882)	(1,729)	(270,391)	(4,192)	(307,194)
2023	-	-	(89,541)	-	(89,541)
2024	-	-	-	-	-
Thereafter	-	-	-	-	-
	$ (236,764)	$ (13,255)	$ (900,714)	$ (39,530)	$ (1,190,263)

Actuarial methods and assumptions - The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation date	December 31, 2016
Measurement date	June 30, 2018
Experience study	2016, published July 26, 2017
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Long-term expected rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increases	3.50 percent
Retiree healthcare participation	Healthy retirees: 38%; Disabled retirees: 20%
Healthcare cost trend rate	Not applicable
Mortality	*Healthy retirees and beneficiaries:* RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as describe in the valuation.
	Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation
	Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS, continued

***Discount rate* -** The discount rate used to measure the total OPEB liability at June 30, 2018 was 7.20 percent. 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 payment 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 75 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 market 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.

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	- %	3.0 %	- %
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Private Equity	13.5	21.5	17.5
Real Estate	9.5	15.5	12.5
Alternative Equity	-	12.5	12.5
Opportunity Portfolio	-	3.0	-
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 July 2015 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.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS, continued

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00	3.38
Intermediate-Term Bonds	3.00	5.09
High Yield Bonds	1.00	6.45
Large/Mid Cap US Equities	15.75	6.30
Small Cap US Equities	1.31	6.69
Micro Cap US Equities	1.31	6.80
Developed Foreign Equities	13.13	6.71
Emerging Market Equities	4.13	7.45
Non-US Small Cap Equities	1.88	7.01
Private Equity	17.50	7.82
Real Estate (Property)	10.00	5.51
Real Estate (REITS)	2.50	6.37
Hedge Fund of Funds - Diversified	2.50	4.09
Hedge Fund - Event-driven	0.63	5.86
Timber	1.88	5.62
Farmland	1.88	6.15
Infrastructure	3.75	6.60
Commodities	1.88	3.84
Assumed Inflation - Mean		2.50%

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 (6.20%) or one percentage point higher (8.20%).

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net OPEB liability (asset)	$ (2,432,492)	$ (4,177,752)	$ (5,663,319)

NOTE 4 - OTHER POSTEMPLOYMENT BENEFITS, continued

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, & Net Deferred Outflow/Inflow of Resourced 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, 2019:

	Deferred Outflow/(Inflow) of Resources - OPEB	Net OPEB Liability/(Asset)	OPEB Expense
RHIA	$ 779,521	$ (4,177,752)	$ (410,434)
HIC	(1,650,289)	99,167,682	5,979,579
Total	$ (870,768)	$ 94,989,930	$ 5,569,145

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/section/financial_reports/financials.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 (two percent for police and fire employees, 1.67 percent 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

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS, continued

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 hired on or after August 29, 2003.

***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.

***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 market value of equity investments.

Under ORS 238.360, monthly benefits are adjusted annually through a cost-of-living adjustment (COLA). The COLA for fiscal year 2015 was capped at 1.5 percent for all benefit recipients. As a result of the Moro Decision (*Everice Moro et al v. State of Oregon et al*) the cap on the COLA was restored to 2.0 percent for fiscal year 2016.

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 percent 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

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS, continued

have been employed continuously as a police and fire member for at least five years immediately preceding retirement. Reduced retirement benefits are available at age 50 to fire and police OPSRP members.

General Service: 1.5 percent 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 percent 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 percent of the member's salary determined as of the last full month of employment before the disability occurred.

***Benefit Changes after Retirement* -** Under ORS 238.360 monthly benefits are adjusted annually through a cost-of-living adjustment (COLA). The COLA is capped at 2.0 percent.

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.

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, 2019, only Series C is outstanding. The debt is recorded on the government-wide statements and is allocated to both governmental and business-type activities. Ultimately this debt is viewed as being an obligation of the general government.

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS, continued

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, 2019 were $58.7 million, excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2019 for each pension program were: Tier1/Tier 2 – 17.62 percent, OPSRP general service – 10.69 percent, and OPSRP uniformed – 15.46 percent. Pension expense for the year was $103.3 million.

Pension Asset (Liability) and Related Deferred Inflows and Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 and rolled forward to June 30, 2018. The City's proportion of the net pension liability was based on the City's projected long-term contribution effort as compared to the total project 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, 2019, the City's proportion of OPERS net pension liability was 3.69317033%.

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	$ 406,589,061	72.7%
Business-type activities	139,964,372	25.0%
Government-wide	546,553,433	97.7%
Fiduciary Fund: Fire and Police Disability and Retirement Fund	2,045,767	0.4%
Component Unit: Portland Development Commission	10,867,461	1.9%
	$ 559,466,661	100.00%

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS, continued

For the year ended June 30, 2019, the Reporting entity recognized pension expense of $103.3 million. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources	Net Deferred Outflow/Inflows of Resources
Differences between expected and actual experience	$ 19,031,383	$ -	$ 19,031,383
Changes of assumptions	130,074,936	-	130,074,936
Net difference between projected and actual earnings on investments	-	24,843,480	(24,843,480)
Changes in proportionate share	906,243	5,298,392	(4,392,149)
Differences between City contributions and proportionate share of contributions	417,503	6,145,870	(5,728,367)
Total (prior to post-measurement date contributions)	150,430,065	36,287,742	114,142,323
City contributions made subsequent to measurement date	58,733,474	-	58,733,474
Net deferred outflow / (inflows) of resources	$ 209,163,539	$ 36,287,742	$ 172,875,797

$58.7 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, 2020. 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 Expected 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
2020	$ 7,789,356	43,410,355	25,201,978	624,887	99,405	77,125,981
2021	6,230,123	43,410,355	6,026,665	270,889	99,405	56,037,437
2022	3,642,929	24,160,888	(27,166,583)	10,467	99,405	747,106
2023	1,263,400	15,911,116	(4,062,060)	-	99,405	13,211,861
2024	105,575	3,182,222	-	-	19,883	3,307,680
	$ 19,031,383	$ 130,074,936	$ -	$ 906,243	$ 417,503	$ 150,430,065

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS, continued

Deferred Inflows of Resources				
Changes in Proportionate Share	Differences between Employer Contributions and Proportionate Share of Contributions	Net difference between Project and Actual Earnings on Investments	Total Deferred Inflows of Resources	Net Deferred Outflow/(Inflows) of Resources
1,498,459	4,103,371	6,210,870	11,812,700	65,313,281
1,498,459	1,685,893	6,210,870	9,395,222	46,642,215
1,498,459	300,978	6,210,870	8,010,307	(7,263,201)
724,666	55,628	6,210,870	6,991,164	6,220,697
78,549	-	-	78,549	3,229,131
$ 5,298,592	$ 6,145,870	$ 24,843,480	$ 36,287,942	$ 114,142,123

Actuarial Methods and Assumptions

Actuarial Valuations - The employer contribution rates effective July 1, 2017, through June 30, 2019, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31, 2016
Measurement date	June 30, 2018
Experience study	2016, published July 26, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.50%
Long-term expected rate of return	7.20%
Discount rate	7.20%
Projected salary increases	3.50%
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:* RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. *Active Members:* RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. *Disabled Retirees* : RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS, continued

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 shown above are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

Discount Rate **-** The discount rate used to measure the total pension liability was 7.20% for the Defined Benefit Pension Plan. 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.

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 market 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
Cash	- %	3.0 %	- %
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Private Equity	14.0	21.5	17.5
Real Estate	9.5	15.5	12.5
Alternative Equity	-	12.5	12.5
Opportunity Portfolio	-	3.0	-
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 July 2015 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)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00	3.38
Intermediate-Term Bonds	3.00	5.09
High Yield Bonds	1.00	6.45
Large/Mid Cap US Equities	15.75	6.30
Small Cap US Equities	1.31	6.69
Micro Cap US Equities	1.31	6.80
Developed Foreign Equities	13.13	6.71
Emerging Market Equities	4.13	7.45
Non-US Small Cap Equities	1.88	7.01
Private Equity	17.50	7.82
Real Estate (Property)	10.00	5.51
Real Estate (REITS)	2.50	6.37
Hedge Fund of Funds - Diversified	2.50	4.09
Hedge Fund - Event-driven	0.63	5.86
Timber	1.88	5.62
Farmland	1.88	6.15
Infrastructure	3.75	6.60
Commodities	1.88	3.84
Assumed Inflation - Mean		2.50%

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS, continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate **-** The following presents the Fund's proportionate share of the net pension liability calculated using the discount rate of 7.20%, 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 (6.20%) or one percentage-point higher (8.20%t) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net pension liability (asset)	$ 934,974,484	$ 559,466,661	$ 249,515,684

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, 2015 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2016 Experience Study for the System, which was published in July 2017, and can be found at: https://www.oregon.gov/pers/Documents/2016-Exp-Study.pdf

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, 2014 and December 31, 2015 valuations, the Money Match was weighted 25% for General Service members and 0% for Police & Fire members. For the December 31, 2016 and December 31, 2017 valuations, this weighting has been adjusted to 15% for General Service members and 0% for Police & Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS, continued

Changes in Economic Assumptions:

Investment Return and Interest Crediting - The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.2%. Previously, the assumed investment return and interest crediting to both regular and variable account balances was 7.50%.

Administrative Expenses - The administrative expense assumptions were updated to $37.5 million per year for Tier 1/Tier 2 and $6.5 million per year for OPSRP. Previously these were assumed to be $33.0 million per year and $5.5 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. This analysis includes the consideration of the excise tax that will be introduced in 2020 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions:

Healthy Mortality - The healthy mortality assumption was updated to reflect RP2014 generational mortality tables with group-specific class and setback adjustments, and to use a mortality projection scale based on 60 year unisex average Social Security experience. Previously the assumption was based on RP2000 generational mortality tables with group-specific class and setback adjustments and mortality projection Scale BB.

Disabled Mortality - The disabled mortality assumption was updated to RP2014 disabled tables with generational mortality projected using a mortality projection scale based on 60 year unisex average Social Security experience. Previously the assumption was based on RP2000 disabled tables with generational projection using Scale BB.

Non-Annuitant Mortality - Non-annuitant mortality assumption was updated to RP2014 employee tables with the same group-specific class and setback adjustments and mortality projection scale as used for the healthy retiree mortality assumption. Previously the assumption was based on applying a group-specific percentage adjustment to the healthy retiree mortality assumption.

Defined Contribution Plan – Individual Account Program (IAP):

<u>Pension Benefits</u>. 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

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS, continued

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.

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. Six percent of covered payroll is paid for general service employees and nine percent of covered payroll is paid for firefighters and police officers. For fiscal year 2019 the City paid $28.6 million.

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

NOTE 6 - SUBSEQUENT EVENTS

In July 2019, FPDR issued tax anticipation notes for $26.3 million with a true interest cost of 1.15 percent. The notes are due for repayment on June 25, 2020.

The Portland Fire Fighters Association (PFFA) contract expired on June 30, 2019 and a successor contract has not yet been ratified. Therefore, Fire pension and disability payments based on active duty pay are being paid at the same rate as in the fiscal year ended June 30, 2018. It is possible that that the successor contract will include retroactive pay increases.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

	Fiscal Year Ending June 30,					
	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	$ 65,253,487	$ 74,361,810	$ 82,420,266	$ 66,693,061	$ 58,853,250	$ 63,660,926
Interest	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)	61,199,698	-	95,578,193	-	(25,565,616)	-
Changes of assumptions	150,231,268	(141,632,449)	(215,367,868)	431,404,102	208,943,518	106,474,383
Benefit payments	(130,733,191)	(125,666,995)	(120,351,973)	(114,001,126)	(110,900,284)	(108,003,419)
Net change in total pension liability	273,492,930	(71,962,755)	(24,355,586)	494,566,548	422,923,901	(43,125,668)
Total pension liability, beginning	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)	$3,568,635,904	$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	$ 135,479,059	$ 132,038,902	$ 120,700,158	$ 114,079,956	$ 115,852,428	$ 114,654,336
Net investment income	1,751,762	869,867	462,193	489,154	(522,201)	312,468
Benefit payments	(130,733,190)	(125,666,995)	(120,351,973)	(114,001,126)	(110,900,284)	(108,003,419)
Administrative expense	(4,287,107)	(3,601,087)	(4,085,644)	(5,019,573)	(3,085,925)	(3,585,476)
Net change in plan net position	2,210,524	3,640,687	(3,275,266)	(4,451,589)	1,344,018	3,377,909
Plan net position, beginning	17,790,774	14,150,087	17,425,353	21,876,942	20,532,924	17,155,015
Plan net position, ending (b)	20,001,298	17,790,774	14,150,087	17,425,353	21,876,942	20,532,924
Net pension liability, ending (a) - (b)	$3,548,634,606	$3,277,352,200	$ 3,352,955,642	$ 3,374,035,962	$2,875,017,825	$ 2,453,437,942
Plan fiduciary net position as a percentage of total pension liability	0.56%	0.54%	0.42%	0.51%	0.76%	0.83%
Covered-employee payroll	$ 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-employee payroll	2327.08%	2279.98%	2436.40%	2425.48%	2063.22%	1807.64%

Notes to Schedule

1. Employer contribtuions shown here are $16,078,922 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 decreased by $271.3 million (8.3 percent) between the fiscal years ending June 30, 2018 and 2019. The change in the discount rate – the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index (Bond Buyer Index) – from 3.87 percent on June 30, 2018 to 3.50 percent on June 30, 2019 caused $182.0 million of this increase. Another $61.2 million resulted from salary growth and post-retirement cost of living adjustments for FPDR One members that exceeded assumptions, as well as participants living longer than projected.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oregon Public Employees Retirement System
Last Ten Years [a]
(In Millions)

	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	3.69317033%	3.71313021%	3.78332893%	3.78054215%	3.62934176%	3.62934176%
Proportionate share of the net pension liability (asset)	$ 559.5	$ 501.0	$ 568.0	$ 217.1	$ (82.3)	$ 185.2
Covered payroll [b]	$ 398.50	$ 359.90	$ 343.60	$ 330.5	$ 313.1	$ 302.6
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	140.40%	139.21%	165.31%	65.69%	(26.29%)	61.20%
Plan net position as a percentage of the total pension liability	82.07%	83.12%	80.53%	91.88%	103.59%	92%

[a] Only years with available information are presented.

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

SCHEDULE OF CONTRIBUTIONS
Oregon Public Employee Retirement System
Last Ten Years [a]
(In millions)

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 57.8	$ 51.2	$ 35.6	$ 33.7	$ 26.3	$ 25.0
Contributions in relation to the contractually required contribution	57.8	51.2	35.6	33.7	26.3	25.0
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	437.5	398.5	359.9	$ 343.6	$ 330.5	$ 313.1
Contributions as a percentage of covered employee payroll	13.21%	12.85%	9.89%	9.81%	7.96%	7.98%

[a] Only years with available information are presented.

Changes in Plan Provisions Subsequent to Measurement Date

On June 11, 2019, Senate Bill 1049 was enacted by the People of the State of Oregon. The elements of the bill include a variety of policy and program changes which will affect the City’s pension plan. Most prominent are a one-time 22-year re-amortization of the unamortized actuarial liability for Tier 1 and Tier 2 employees and contribution rate adjustments. The effect of SB 1049 could reduce the City's pension liability by $3.75 million. In August 2019, a petition was filed with the Oregon Supreme Court challenging the constitutionality of certain portions of SB 1049. The City cannot predict whether the petitioners will be successful in whole or in part nor what the impact of a successful challenge may be. Further, the City cannot predict whether SB 1049 will be subject to additional legal challenges that could affect some or all of its provisions.

Changes in Assumptions

A summary of key changes implemented since the December 31, 2015 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2016 Experience Study for the System, which was published in July 2017, and can be found at: http://www.oregon.gov/PERS/Documents/2016-Exp-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 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, 2014 and December 31, 2015 valuations, the Money Match was weighted 25 percent for General Service members and 0 percent for Police & Fire members. For the December 31, 2016 and December 31, 2017 valuations, this weighting has been adjusted to 15 percent for General Service members and 0 percent for Police & Fire members, based on a projection of the proportion of the liability attributable to Money Match benefits at those valuation dates.

Changes in Economic Assumptions

Investment Return and Interest Crediting - The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.2 percent. Previously, the assumed investment return and interest crediting to both regular and variable account balances was 7.5 percent.

Tier 1/Tier 2 Administrative Expenses - The administrative expense assumptions were updated to $37.5 million per year for Tier 1/Tier 2 and $6.5 million per year for OPSRP. Previously these were assumed to be $33.0 million per year and $5.5 million per year, respectively.

Healthcare Cost Inflation - The healthcare cost inflation for the maximum Retiree Healthcare Insurance Premium Account (RHIPA) subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes consideration of the excise tax that will be introduced in 2020 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions

***Healthy Mortality* -** The healthy mortality assumption was updated to reflect RP2014 generational mortality tables with group-specific class and setback adjustments, and to use a mortality projection scale based on 60 year unisex average Social Security experience. Previously the assumption was based on RP2000 generational mortality tables with group-specific class and setback adjustments and mortality projection Scale BB.

***Disabled Mortality* -** The disabled mortality assumption was updated to RP2014 disabled tables with generational mortality projected using a mortality projection scale based on 60 year unisex average Social Security experience. Previously the assumption was based on RP2000 disabled tables with generational projection using Scale BB.

***Non-Annuitant Mortality* -** Non-annuitant mortality assumption was updated to RP2014 employee tables with the same group-specific class and setback adjustments and mortality projection scale as used for the healthy retiree mortality assumption. Previously the assumption was based on applying a group-specific percentage adjustment to the healthy retiree mortality assumption.

OPERS Retirement Health Insurance Account

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
Other Postemployment Benefits
Last Ten Years [a]
(In Millions)

	2019	2018	2017
Proportion of the OPEB pension liability (asset)	3.74259536%	3.53676347%	3.59596760%
Proportionate share of the net OPEB liability (asset)	$ (4.18)	$ (1.48)	$ 0.98
Covered payroll [b]	$ 398.50	$ 359.90	$ 343.60
Proportionate share of the OPEB liability (asset) as a percentage of its covered employee payroll	(1.05%)	(0.41%)	0.28%
Plan net position as a percentage of the total OPEB liability	124.0%	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 Ten Years [a]
(In millions)

	2019	2018	2017
Contractually required contribution	$ 1.94	$ 1.78	$ 1.77
Contributions in relation to the contractually required contribution	1.94	1.78	1.77
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	437.5	398.5	359.9
Contributions as a percentage of covered employee payroll	0.44%	0.45%	0.49%

[a] Only years with available information are presented.

Health Insurance Continuation

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIO'S
Last 10 Fiscal Years[a]

	2019	2018
Total OPEB Liability		
Service cost	3,675,148	4,140,465
Interest	3,640,097	3,086,463
Changes of assumptions	(2,777,647)	(6,825,794)
Benefit payments	(5,567,867)	(4,949,560)
Net change in total OPEB liability	(1,030,269)	(4,548,426)
Total OPEB liability - beginning	100,197,951	104,746,377
Total OPEB liability - ending	99,167,682	100,197,951
Covered-employee payroll	439,305,357	435,541,998
Total OPEB liability as a percentage of covered-employee payroll	22.57%	23.01%

a Only years with available information are presented.

Notes to the 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.
- Assumed health care reform excise tax increased from the prior projection to reflect recent plan experience and up-to-date legislation. The increase in assumed excise tax has the effect of increasing the liability.
- Where applicable, demographic assumptions are based on 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, 2016. Many assumptions changed from the previous valuation including the rates of retirement, termination, disability, salary scale, and mortality.
- Participation rate was changed from 40% to 45% to better reflect actual experience and anticipated future experience.

SUPPLEMENTARY INFORMATION

CITY OF PORTLAND, OREGON
FIRE AND POLICE DISABILITY AND RETIREMENT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes:				
Current year property taxes	$ 149,342,839	$ 149,342,839	$ 150,515,310	$ 1,172,471
Prior year property taxes	2,100,000	2,100,000	5,061,175	2,961,175
Total taxes	151,442,839	151,442,839	155,576,485	4,133,646
Revenues other than taxes:				
Other service charges	-	-	132	132
Billings to other funds for services	1,290,000	1,290,000	1,125,538	(164,462)
Pension overpayment recovery	-	-	-	-
Investment earnings	1,068,000	1,068,000	1,538,773	470,773
Miscellaneous	75,400	75,400	120,230	44,830
Total revenues	153,876,239	153,876,239	158,361,158	4,484,919
Expenditures				
Current:				
Personnel services	2,250,600	2,250,600	2,155,393	95,207
External materials and services	134,479,191	134,712,872	131,152,921	3,559,951
Internal materials and services	17,446,646	17,202,965	16,503,748	699,217
General operating contingencies	10,774,125	10,774,125	-	10,774,125
Debt service and related costs:				
Principal	57,743,841	57,743,841	35,768,841	21,975,000
Interest	822,240	822,240	1,351,607	(529,367)
Debt issuance costs	27,000	27,000	38,595	(11,595)
Capital outlay	42,850	52,850	25,731	27,119
Total expenditures	223,586,493	223,586,493	186,996,836	36,589,657
Revenues over (under) expenditures	(69,710,254)	(69,710,254)	(28,635,678)	41,074,576
Other Financing Sources (Uses)				
Transfers from other funds	750,000	750,000	-	(750,000)
Transfers to other funds	(757,085)	(757,085)	(7,085)	750,000
General fund overhead	(162,065)	(162,065)	(162,065)	-
Bonds and notes issued	57,700,000	57,700,000	35,725,000	(21,975,000)
Bonds and notes premium	-	-	800,597	800,597
Total other financing sources (uses)	57,530,850	57,530,850	36,356,447	(21,174,403)
Net change in fund balance	(12,179,404)	(12,179,404)	7,720,769	19,900,173
Fund balance - beginning	12,179,404	12,179,404	11,852,573	(326,831)
Fund balance - ending	$ -	$ -	19,573,342	$ 19,573,342

continued on next page

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Adjustment to generally accepted accounting principles (GAAP) basis:				
Unrealized gain (loss) on investments			$ 118,111	
Deferred revenue			2,380,192	
Capital assets			361,218	
Compensated absences			(1,081,765)	
Bonds payable			(235,165)	
Interest payable			(249,247)	
Other post employment benefits			(196,788)	
Pension contingent liability			(2,045,767)	
OPEB asset			10,654	
Deferred inflow			(142,477)	
Deferred outflow			758,990	
Fund balance - GAAP basis			$ 19,251,298	

CITY OF PORTLAND, OREGON
FIRE AND POLICE DISABILITY AND RETIREMENT RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES, RESERVE FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Expenditures				
Current:				
General operating contingencies	$ 750,000	$ 750,000	$ -	$ 750,000
Total expenditures	750,000	750,000	-	750,000
Revenues over (under) expenditures	(750,000)	(750,000)	-	(750,000)
Other Financing Sources (Uses)				
Transfers from other funds	750,000	750,000	-	(750,000)
Transfers to other funds	(750,000)	(750,000)	-	750,000
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(750,000)	(750,000)	-	(750,000)
Fund balance - beginning	750,000	750,000	750,000	-
Fund balance - ending	$ -	$ -	$ 750,000	$ 750,000
Adjustments to generally accepted accounting principles (GAAP) basis:			-	
Fund balance - GAAP basis			$ 750,000	

CITY OF PORTLAND, OREGON
FIRE AND POLICE DISABILITY AND RETIREMENT FUNDS
SCHEDULE OF OPERATING AND ADMINISTRATIVE EXPENSES – BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Personnel services	$	2,155,633
Materials and services		
Actuarial		64,939
Audit		26,333
Claims investigation		150,760
Computer consulting		75,151
Legal		49,652
Other professional services		66,533
Other external services		47,918
Office and computer supplies and minor equipment		21,181
Education		9,809
Subscriptions, publications and dues		4,219
Travel		1,825
Facilities operating lease		210,354
Fleet		142
Enterprise Business System		25,649
Printing and distribution		35,739
Facilities		12,519
Technology		155,638
Risk management		35,106
City Attorney's Office		259,711
Police and Fire liaisons		124,529
Other fund services		30,204
Total materials and services		1,407,911
Overhead charges - General Fund		162,065
Debt service and related costs		
Principal		35,768,841
Interest		1,351,607
Debt issuance costs		38,595
Total debt service and related costs		37,159,043
Total administrative expenses (Budget)	$	40,884,652
Plus/(minus)		
Debt principal	$	(35,768,841)
Bond premium		(800,597)
Depreciation		123,179
Capitalized labor		996
Transfers to (from) other funds		7,085
Accreted interest		23,760
PERS pension cost		177,996
Change in compensated absences		(355,998)
Change in other post-employment benefits		(5,124)
Operating and administrative expenses (GAAP)	$	4,287,108

SCHEDULE OF PENSION, DISABILITY AND DEATH BENEFITS EXPENDITURES BY BUREAU
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Members		Other Beneficiaries		Total	
		Amount	Numbe	Amount	Numb	Amount
Portland Fire & Rescue:						
Nonservice disability benefits	3	$ 59,730	-	$ -	3	$ 59,730
Service disabilitybenefits	161	929,290	-	-	161	929,290
Occupational disability benefits	20	146,534	-	-	20	146,534
Early return to work benefits	15	157,685	-	-	15	157,685
Claims Settlement	-	-	-	-	-	-
Pensions (FPDR 1 and 2)	652	48,443,183	245	5,377,267	897	53,820,450
PERS contributions (FPDR Three)	274	6,876,231	-	-	274	6,876,231
Medical benefits	212	1,947,048	-	-	212	1,947,048
Vocational rehabilitation benefits	-	-	-	-	-	-
Funeral benefits	17	25,268	-	-	17	25,268
	1,354	$ 58,584,969	245	$ 5,377,267	1,599	$ 63,962,236
Portland Police Bureau:						
Nonservice disability benefits	4	$ 174,231	-	$ -	4	$ 174,231
Service disabilitybenefits	107	1,741,678	-	-	107	1,741,678
Occupational disability benefits	6	9,649	1	72,140	7	81,789
Early return to work benefits	39	151,499	-	-	39	151,499
Claims Settlement	-	-	-	-	-	-
Pensions (FPDR 1 and 2)	970	64,254,083	258	6,071,346	1,228	70,325,429
PERS contributions (FPDR Three)	350	8,639,097	-	-	350	8,639,097
Medical benefits	236	1,125,329	-	-	236	1,125,329
Vocational rehabilitation benefits	1	190	-	-	1	190
Funeral benefits	18	47,042	-	-	18	47,042
	1,731	$ 76,142,798	259	$ 6,143,486	1,990	$ 82,286,284
Combined Fire and Police:						
Nonservice disability benefits	7	$ 233,961	-	$ -	7	$ 233,961
Service disabilitybenefits	268	2,670,968	-	-	268	2,670,968
Occupational disability benefits	26	156,183	1	72,140	27	228,323
Early return to work benefits	54	309,184	-	-	54	309,184
Claims Settlement	-	-	-	-	-	-
Pensions (FPDR 1 and 2)	1,622	112,697,266	503	11,448,613	2,125	124,145,879
PERS contributions (FPDR Three)	624	15,515,328	-	-	624	15,515,328
Medical benefits	448	3,072,377	-	-	448	3,072,377
Vocational rehabilitation benefits	1	190	-	-	1	190
Funeral benefits	35	72,310	-	-	35	72,310
	3,085	$ 134,727,767	504	$ 11,520,753	3,589	$ 146,248,520

Notes to Schedule

1. The benefits amount in the Statement of Changes in Plan Net Position is $146,812,112. 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 $563,593, 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.

SCHEDULE OF NUMBER OF PENSIONERS AND BENEFICIARIES BY BUREAU
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Portland Fire & Rescue			Portland Police Bureau			Total		
	Members	Other Beneficiaries	Total	Members	Other Beneficiaries	Total	Members	Other Beneficiaries	Total
Pensions	620	144	764	943	177	1,120	1,563	321	1,884
PERS Contributions	289	-	289	358	-	358	647	-	647
Disability	19	-	19	31	1	32	50	1	51
	928	144	1,072	1,332	178	1,510	2,260	322	2,582

COMPARATIVE SCHEDULE OF NUMBER OF PENSIONERS AND BENEFICIARIES BY BUREAU
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

-

	June 30, 2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	Increase (decrease) Ten years ended June 30, 2019
Portland Fire & Rescue:											
Pension:											
FPDR 1&2 members	620	618	615	610	602	607	614	608	584	590	30
FPDR 3 members[1]	289	267	265	224	192	172	172	173	163	128	161
Other beneficiaries	144	154	169	176	179	177	189	187	193	183	(39)
Total	1053	1039	1049	1010	973	956	975	968	940	901	152
Disability:											
Members	19	12	14	18	24	27	23	23	33	34	(15)
Other beneficiaries	0	0	0	0	0	0	1	1	2	4	(4)
Total	19	12	14	18	24	27	24	24	35	38	(19)
Total Fire	1072	1051	1063	1028	997	983	999	992	975	939	133
Portland Police Bureau:											
Pension:											
FPDR 1&2 members	943	910	880	845	824	803	807	798	767	774	169
FPDR 3 members[1]	358	336	270	240	230	216	214	189	174	151	207
Other beneficiaries	177	177	184	185	189	196	198	195	194	194	(17)
Total	1,478	1,423	1,334	1,270	1,243	1,215	1,219	1,182	1,135	1,119	359
Disability:											
Members	31	42	36	40	42	44	42	43	59	76	(45)
Other beneficiaries	1	1	1	2	2	3	4	4	4	6	(5)
Total	32	43	37	42	44	47	46	47	63	82	(50)
Total Police	1,510	1,466	1,371	1,312	1,287	1,262	1,265	1,229	1,198	1,201	309
Summary of disability:											
Fire	19	14	14	18	24	27	24	24	35	38	(19)
Police	32	37	37	42	44	47	46	47	63	82	(50)
Total	51	51	51	60	68	74	70	71	98	120	(69)
Summary of pension and disability:											
Fire	1072	1051	1063	1028	997	983	999	992	975	939	133
Police	1,510	1,466	1,371	1,312	1,287	1,262	1,265	1,229	1,198	1,201	309
Total	2,582	2,517	2,434	2,340	2,284	2,245	2,264	2,221	2,173	2,140	442

Notes to Schedule
1. FPDR Three members are enrolled in the Public Employees Retirement System. FPDR makes contributions to PERS on their behalf.

SCHEDULE OF IMPOSED TAX LEVIES COMPARED WITH MAXIMUM LEVIES AUTHORIZED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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
2010	1.25	111,376,678	249,261,909	137,885,231
2011	1.32	114,217,070	241,849,105	127,632,035
2012	1.34	108,666,428	227,257,618	118,591,190
2013	1.45	115,752,880	223,709,460	107,956,580
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

Notes to Schedule

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

AUDITOR'S REPORT UNDER GOVERNMENT AUDITING STANDARDS

MOSSADAMS

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
(Component unit of the City of Portland)

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 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated October 24, 2019.

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) to determine the 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 may exist that have not been identified.

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 determination of financial statement amounts. 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 24, 2019