

Intergovernmental Committee Meeting
Tuesday, September 1, 2026 12:00 PM

Virtual

Agenda

1. Welcome and Introductions
2. Public Comment
*To sign-up for public comment email PublicComment@pps.net or call 503-916-3741.
3. Committee purpose and overview of the year ahead
4. Public Employee Retirement System (PERS) update and overview
5. Review and discuss legislative principles
6. Future topics/next steps
7. Adjourn

Board Intergovernmental Affairs Committee Public Employee Retirement System (PERS) Update



PORTLAND
Public Schools

September 1, 2026

Public Employee Retirement System (PERS) Update

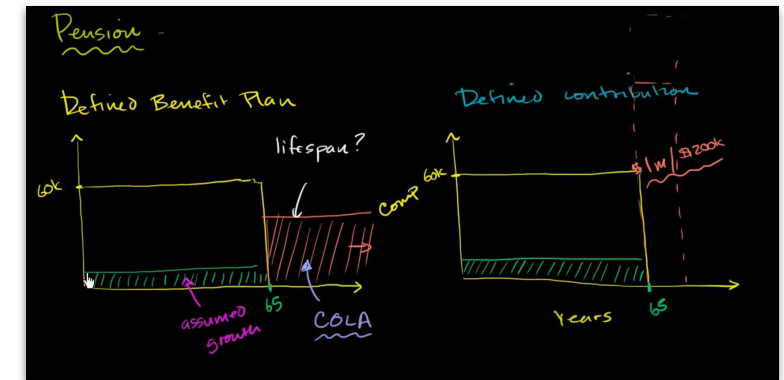
- Overview of the Defined Benefit Program (Pension)
- System Administration: design and reform impacts
- Employer Responsibilities
- Employee Benefits: Deferred income for life



Oregon PERS Overview

Overview of the Defined Benefit Program (Pension)

- Purpose: To provide a reliable, long-term retirement income for public employees through a structured pension plan.
- Structure: Defined Benefit programs offer a specific, predetermined monthly benefit upon retirement, rather than being based solely on investment contributions.



[Khan Academy Defined Benefit vs. Defined Contribution Program Informational Video](#)

PERS System Administration

Design and Reform Impacts

- Governance: state agency with board members appointed by the Governor and rules adopted by the legislature
- System Design: Covers how the pension plan is organized and managed at the state and district levels.
- Reform Impacts: Addresses the ongoing legal and administrative changes to the system and how these adjustments affect long-term sustainability and benefit structures.

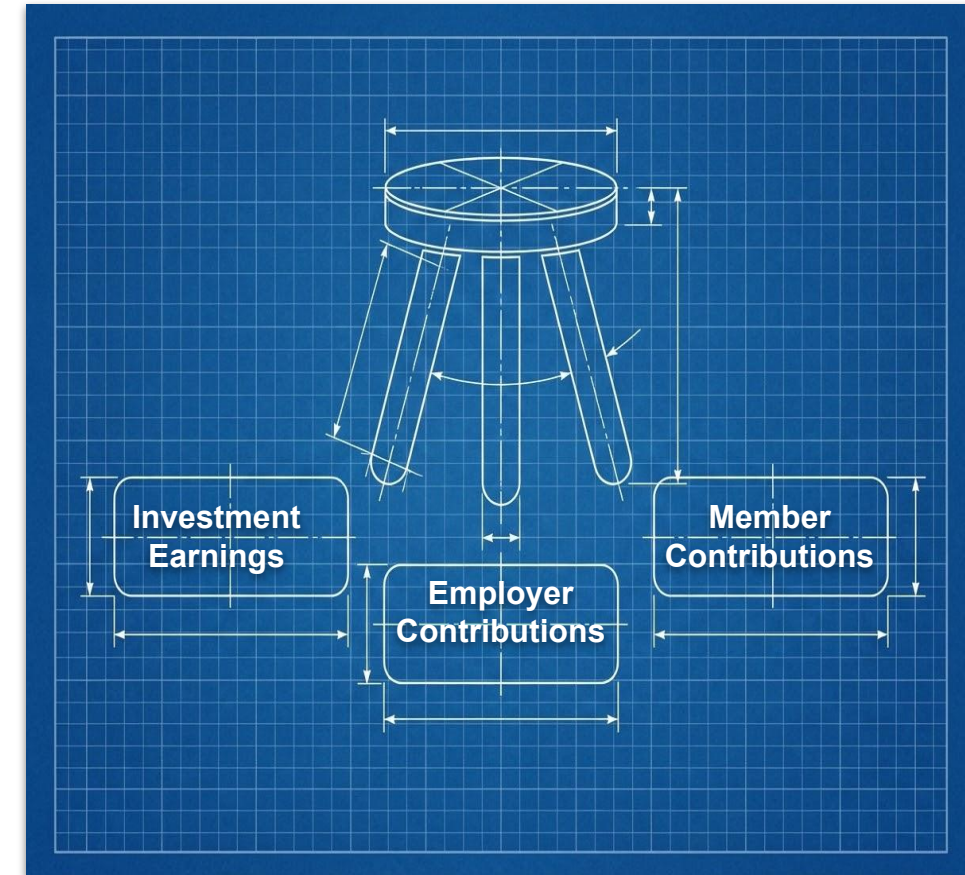


Public Employer Responsibilities

Employer Financial Contributions

- School districts and public agencies are responsible for funding a significant portion of the retirement system.
- Eligible PPS staff also contribute 6% of their earnings
- For an average educator, the district pays approximately \$22,578 annually toward PERS and debt service for Pension Obligation Bonds.

The 3 Sources of Funding for PERS



Member contributions are fixed. Employer Contributions fluctuate to offset investment gains/losses (6.9% assumed rate of return).

Employer Compliance and Reporting

- Accurate reporting of employee hours to PERS is mandatory to ensure proper benefit calculations.
- Regular internal audits are conducted to ensure that financial practices align with state standards and laws.
- PERS provides training on the electronic reporting platform and is currently modernizing operations



Operationalizing System Changes

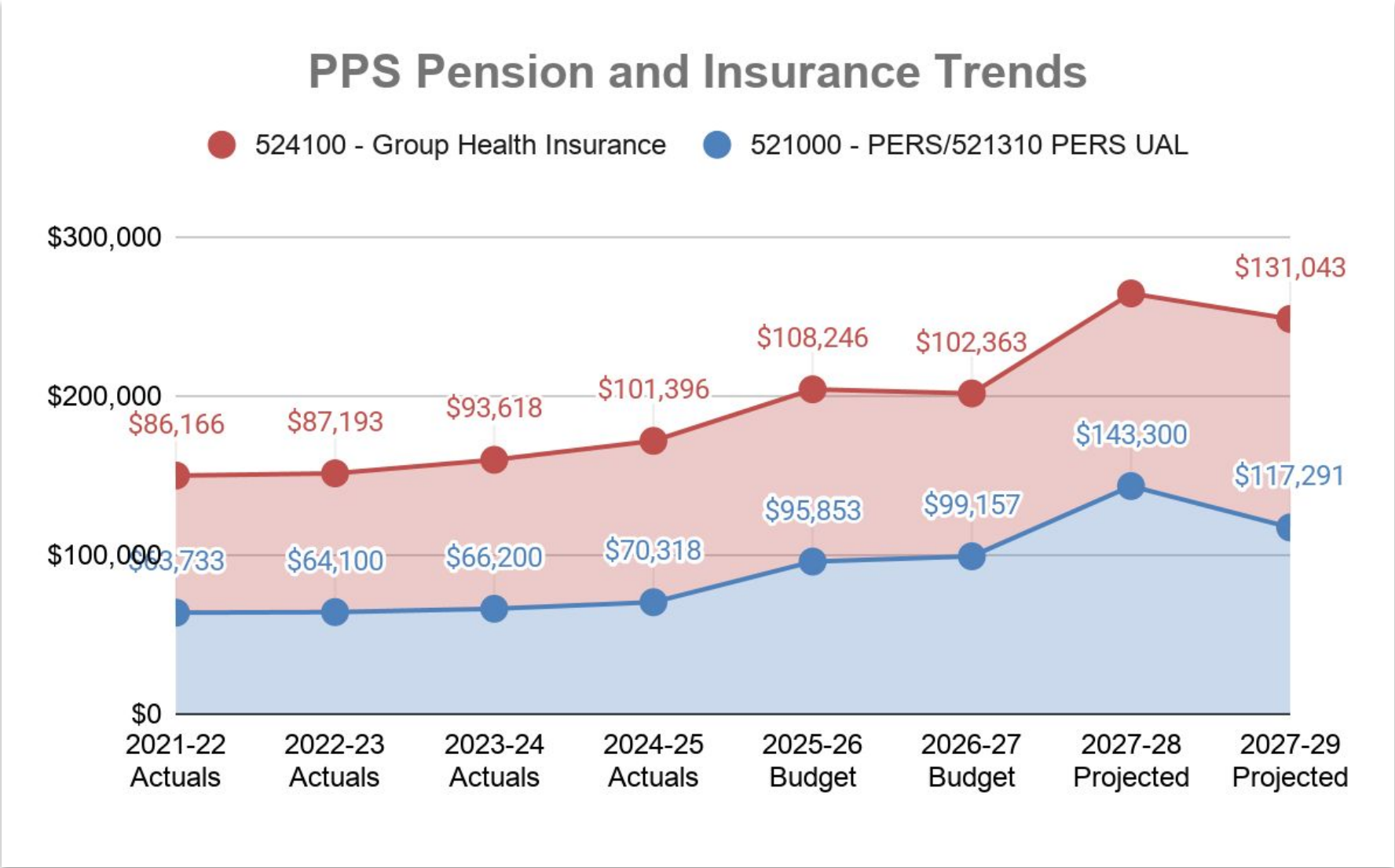
- Mitigating financial impacts: forecasting for and mitigating impacts of rate fluctuations (budget reductions, pension obligation bonds, rate credits from side accounts)
- Administering reforms: changes to employee contribution options, retiree work limitations, etc.
- Providing resources to upcoming retirees

Every Employer is different based on:

- Employee demographics and service type
- Whether or not they have established a side account by selling pension obligation bonds
- NOTE: debt service on pension obligation bonds is paid from the operating budget
- Expiration of side accounts eliminates the rate credit which increases employer rates

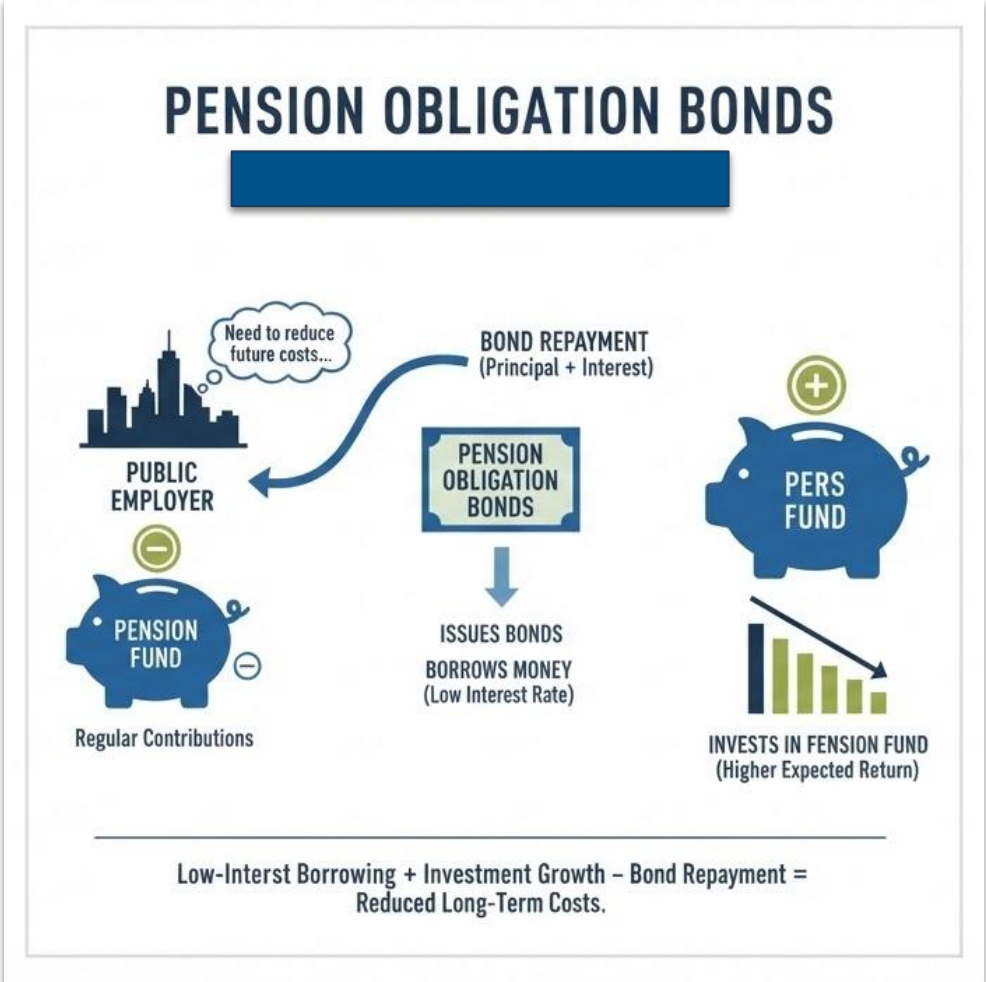
For PPS, the 2021-23 valuation period that set employer rates for 2025-27 increased by 5.33 percentage points and is equivalent to \$28 million each year in additional employer contributions.

General Fund Budget Impacts

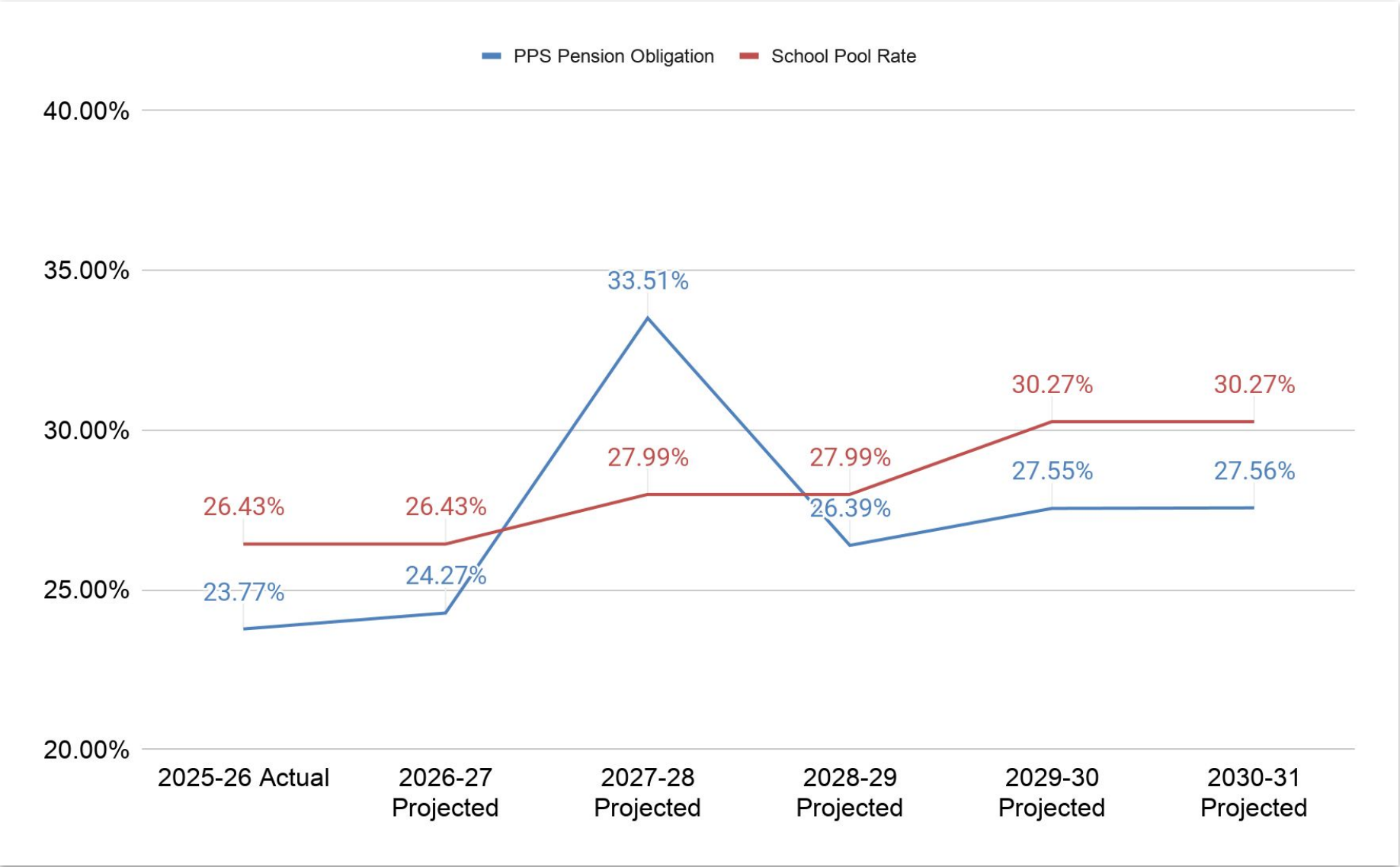


Side Accounts and Pension Bonds

Goal	To reduce the employer's ongoing PERS contribution rates with additional market earnings.
Source	Lump-sum deposits from bonds or budget surpluses.
Impact	Acts as a credit against the employer's pension debt.
Visible In	PERS contribution rate tables (like the one you are viewing) as a reduced percentage.
Costs	Cost of issuance, principal, and interest paid from operations budget.



PPS Pension Obligation vs. School Pool



- PPS Pension Obligation is the combined percentage of payroll required to pay the PERS employer rate and the debt service for the Pension Obligation Bonds.

Employee Benefits:

Deferred income for life

For Employees: Deferred Income for Life

- **Guaranteed Income:** The system is designed to provide retirees with "deferred income for life," ensuring financial security throughout their retirement years.
- **Compensation Package:** *Retirement benefits are a core component of the total compensation for public employees*, often making up a significant portion of employer-paid benefits.



Post-reform PERS Benefit Tiers

Feature	Tier 1	Tier 2	OPSRP
Hire Date	Before Jan 1, 1996	Jan 1, 1996 – Aug 28, 2003	On or after Aug 29, 2003
Normal Retirement	Age 58 (or 30 years service)	Age 60 (or 30 years service)	Age 65 (or 58 with 30 years)
General Formula	$1.67\% \times \text{FAS}^* \times \text{Years}$	$1.67\% \times \text{FAS}^* \times \text{Years}$	$1.50\% \times \text{FAS}^* \times \text{Years}$
Calculation Methods	Higher of Full Formula, Money Match, or Formula + Annuity	Higher of Full Formula or Money Match	Full Formula only
Unused Sick Leave	50% added to FAS*	50% added to FAS*	Not included in FAS*
Vacation Payout	Included in FAS*	Not included in FAS*	Not included in FAS*

* FAS = Final Average Salary, calculated on highest three years of earnings

Scenario: OPSRP (Tier 3) Educator (fully eligible)

- General Formula portion of benefit:
 - Final Average Salary (FAS)= \$105,000
 - FAS = \$105,000/yr or \$8,750/mth
 - .45 x \$105,000 = \$47,250/yr or \$3,938/mth
- Individual Account Program (IAP) portion:
 - .33 x \$47,250 = \$15,593/yr or \$1,299/mth
- **Total benefit = \$62,843/yr or \$5,237/mth***
for LIFE

Feature	OPSRP
Hire Date	On or after Aug 29, 2003
Normal Retirement	Age 65 (or 58 with 30 years)
General Formula	1.50% × FAS* × Years
Calculation Methods	Full Formula only

* COLA Applied 2-2.8% annually afterwards

Present Value of Future Benefits

- Total benefit of \$62,843/yr for a 20 year period = \$1,256,860
- \$1,256,860 divided over 30 years of service for full eligibility = \$41,895 each year
- Regardless of amount earned in any given year prior to the FAS, this staff member is gaining \$41,895 in future benefits



Deferred Compensation

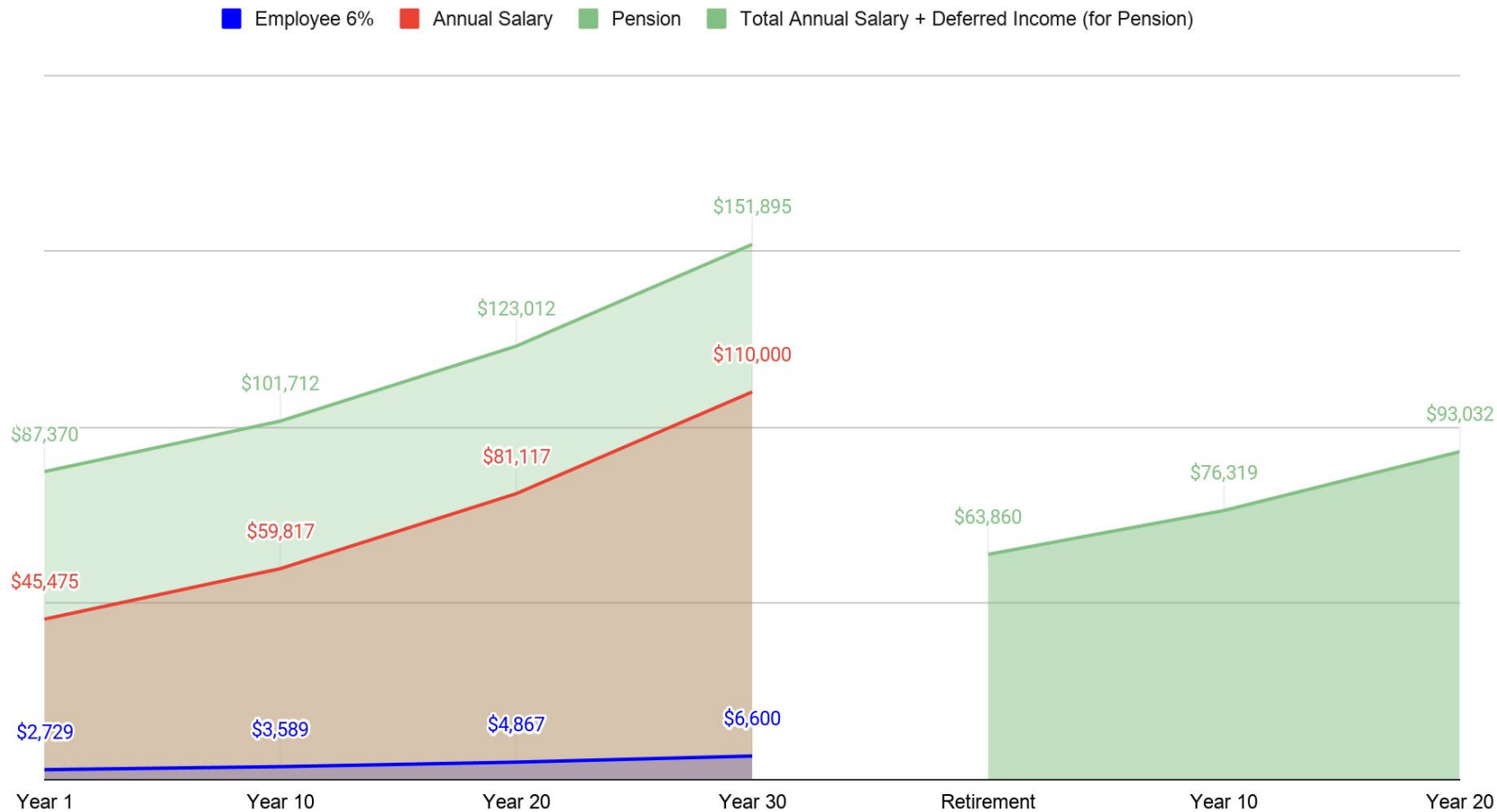
[di-'fərd ,kām-pən-'sā-shən]

An addition to an employee's salary that is not paid out or taxed as income until a future date.

 Investopedia

* COLA Applied 2-2.8% annually afterwards

Deferred Income for a Defined Benefit Pension



Licensed Staff - Value of future benefits

Model Assumptions:

- OPSRP Level of Benefits
- 30 years of service
- Current annual salary \$106k, planning to retire in 1 year
- Pension calculated on 3 highest years (Final Average Salary)
- Pension of 20 years (PERS actuarial average)

* COLA Applied 2.0% annually to Pension

Questions?

Michelle Morrison

Chief Financial Officer
mimorrison@pps.net

Intergovernmental Affairs Committee

Legislative Principles Overview



PORTLAND
Public Schools

September 1, 2026

Purpose of the Committee

To establish a
set of
legislative
Priorities

To hear updates
from External
Partners

To advocate
throughout the
2027 Session
Session

Process

Sept 1 ● Discuss Legislative Principles

Sept 15 ● Final Recommendation of Legislative Principles

October 13, 27 ● Hear from External Partners on their legislative priorities

Nov 10 ● Establish final Legislative Priorities

Nov 17 ● Board Vote on Legislative Agenda

Step 1: Establish Legislative Principles

Objective: Establish a uniform framework to guide the committee's legislative work



Meeting with Legislators

Direct engagement to discuss key educational needs and legislative paths.



Partner Presentations

Gather insights, evidence, and research-backed proposals from external partners.



Define Priorities

Synthesize inputs to construct and finalize the official legislative priorities of the board.

Potential Legislative Principles

- Adequate Funding to Meet Students Needs
- Support For Students with Disabilities
- Strengthen Educator Preparation Programs
- Defend Against Unfunded Mandates
- Others??

Discussion
