Intergovernmental Committee Meeting
Tuesday, September 15, 2026 12:00 PM

Virtual

Agenda

1. 5:00 pm - Introductions
2. 5:55 pm - Public Comment
   *To sign-up for public comment email PublicComment@pps.net or call Kara Bradshaw at 503-916-3906.
3. Discussion: Public Employees Retirement System (PERS) Follow Up
4. Review and Recommend Legislative Priorities
5. 6:00 pm - Adjourn

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

PORTLAND
Public Schools

September 1, 2026

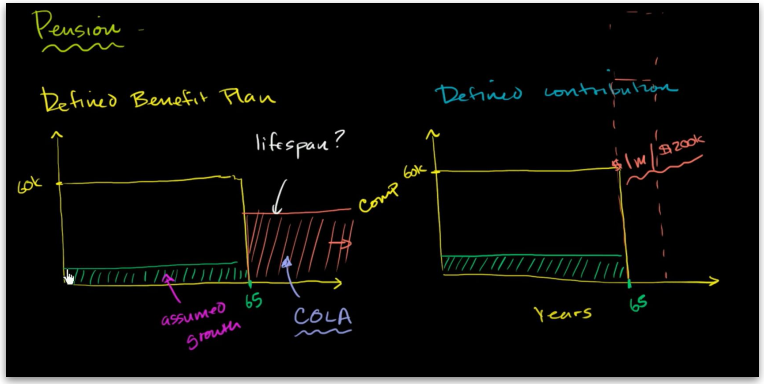
Public Employee Retirement System (PERS) Update

- 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

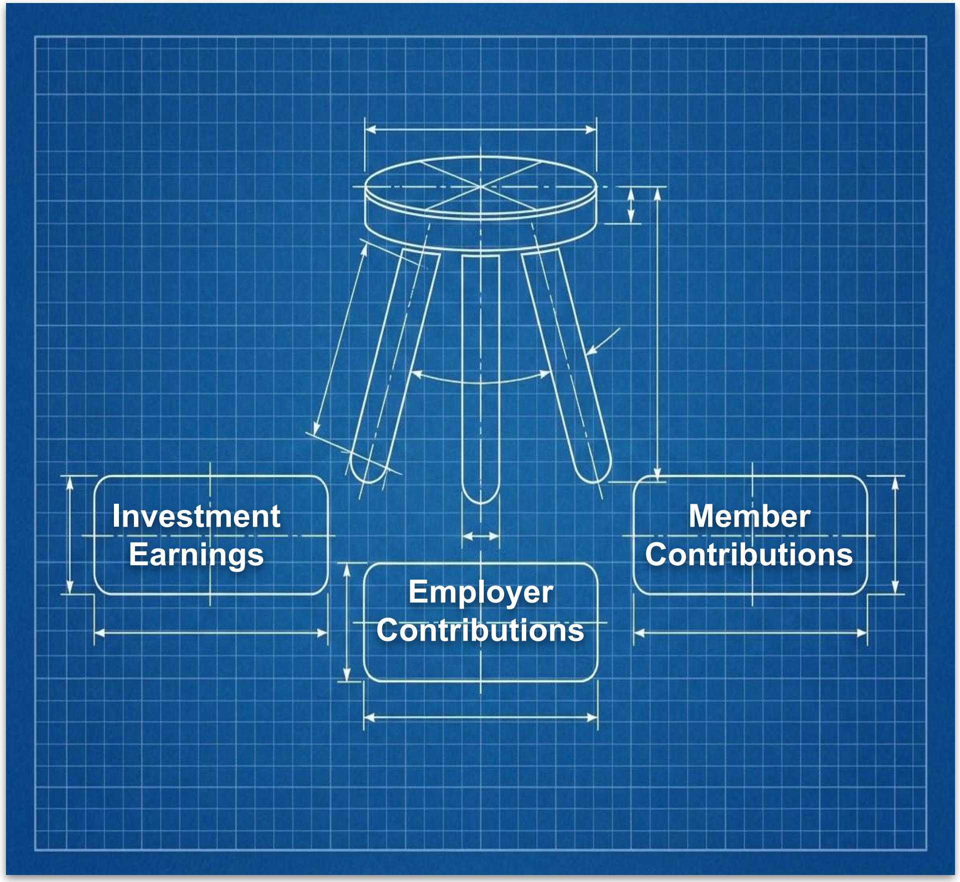
- Governance: state agency with board members appointed by the Governor and rules adopted by the legislature
- System Design: Covers how the pension plan is organized and managed at the state and district levels.
- Reform Impacts: Addresses the ongoing legal and administrative changes to the system and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

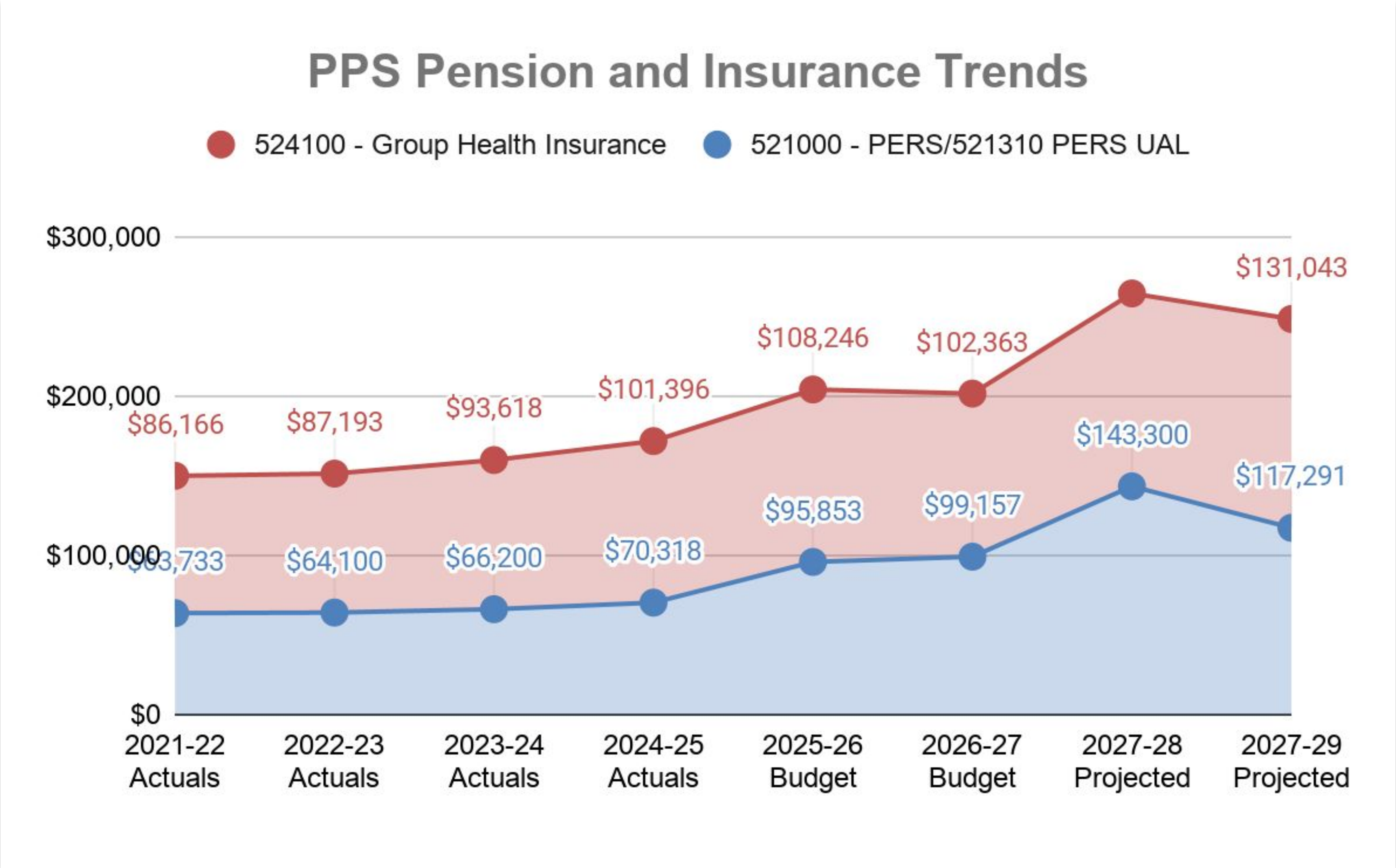
- Mitigating financial impacts: forecasting for and mitigating impacts of rate fluctuations (budget reductions, pension obligation bonds, rate credits from side accounts)
- Administering reforms: changes to employee contribution options, retiree work limitations, etc.
- Providing resources to upcoming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

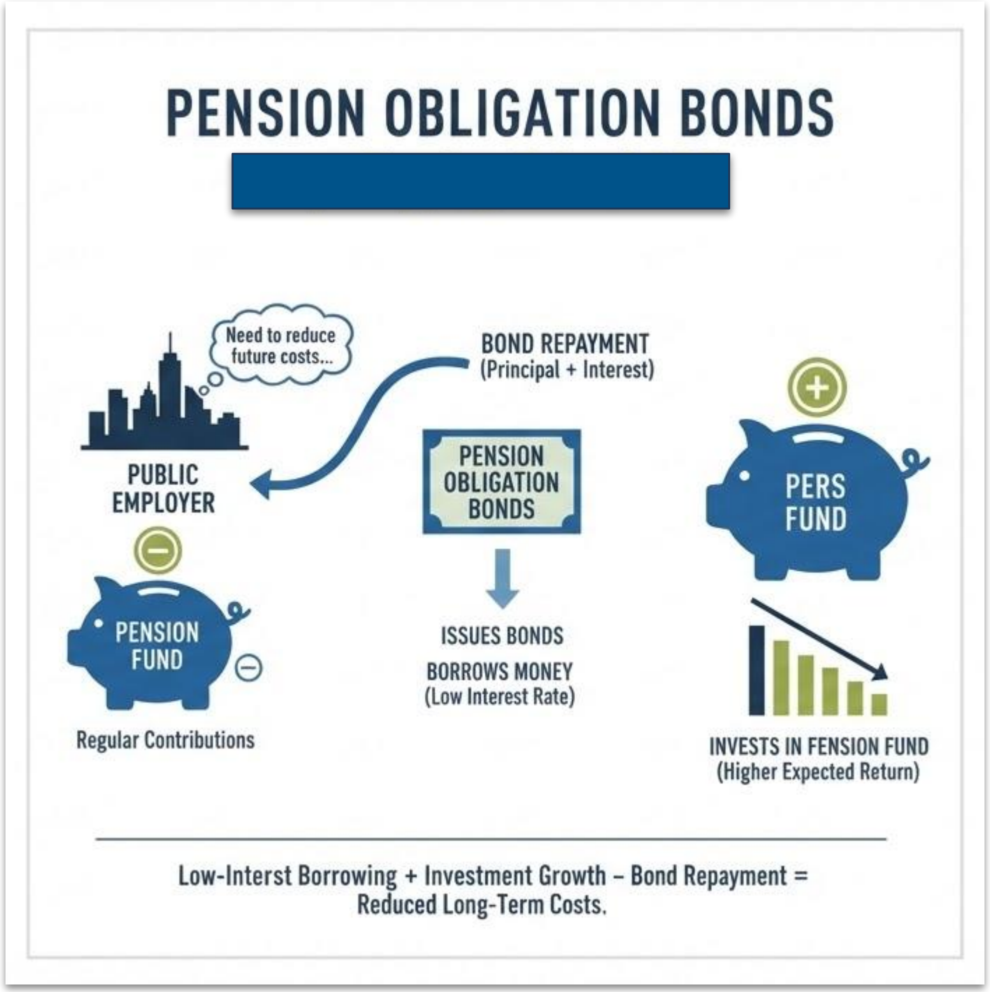
For PPS, the 2021-23 valuation period that set employer rates for 2025-27 increased by 5.33 percentage points and is equivalent to $28 million each year in additional employer contributions.

General Fund Budget Impacts

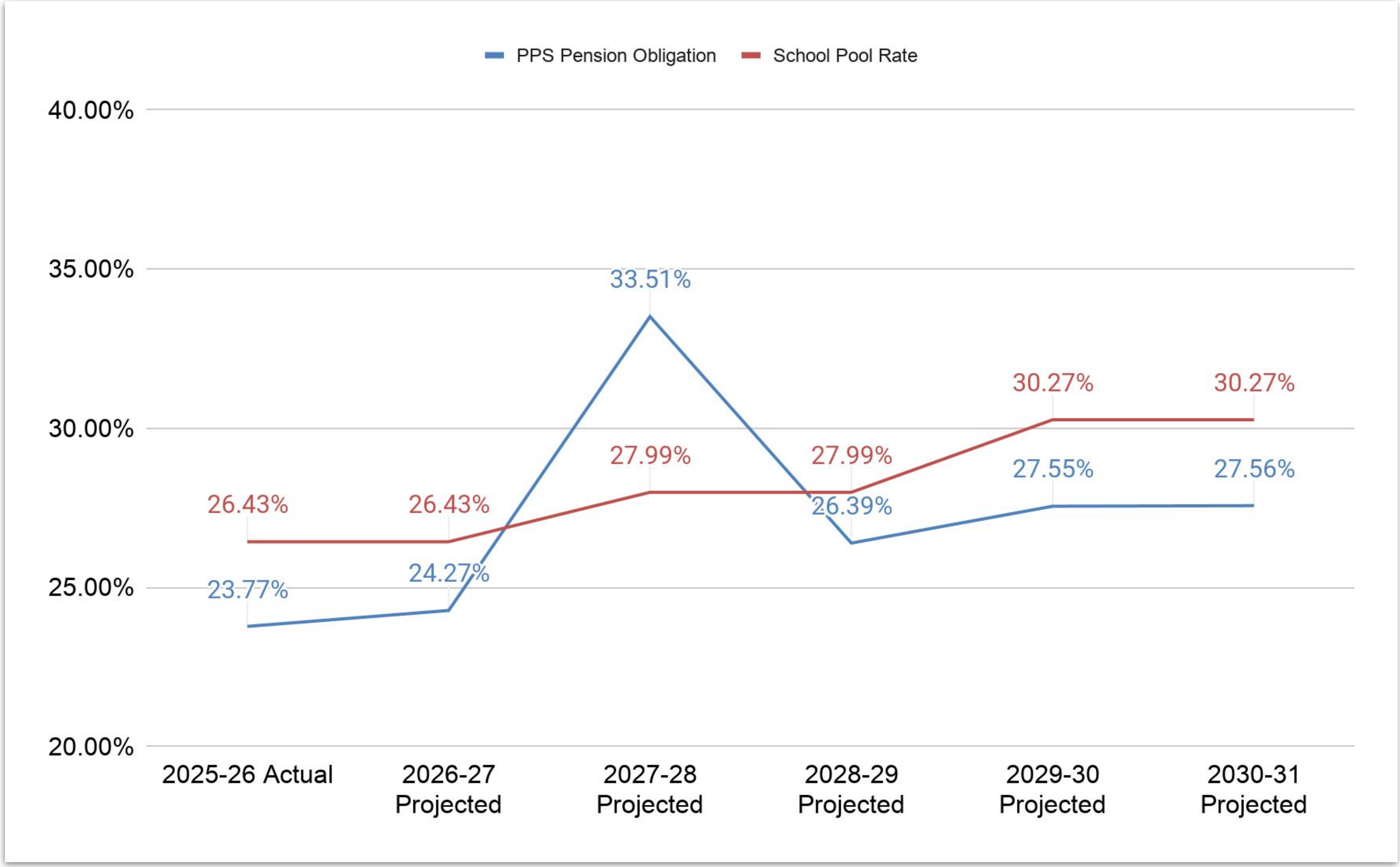


Side Accounts and Pension Bonds

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% × FAS* × Years	1.67% × FAS* × Years	1.50% × FAS* × 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**

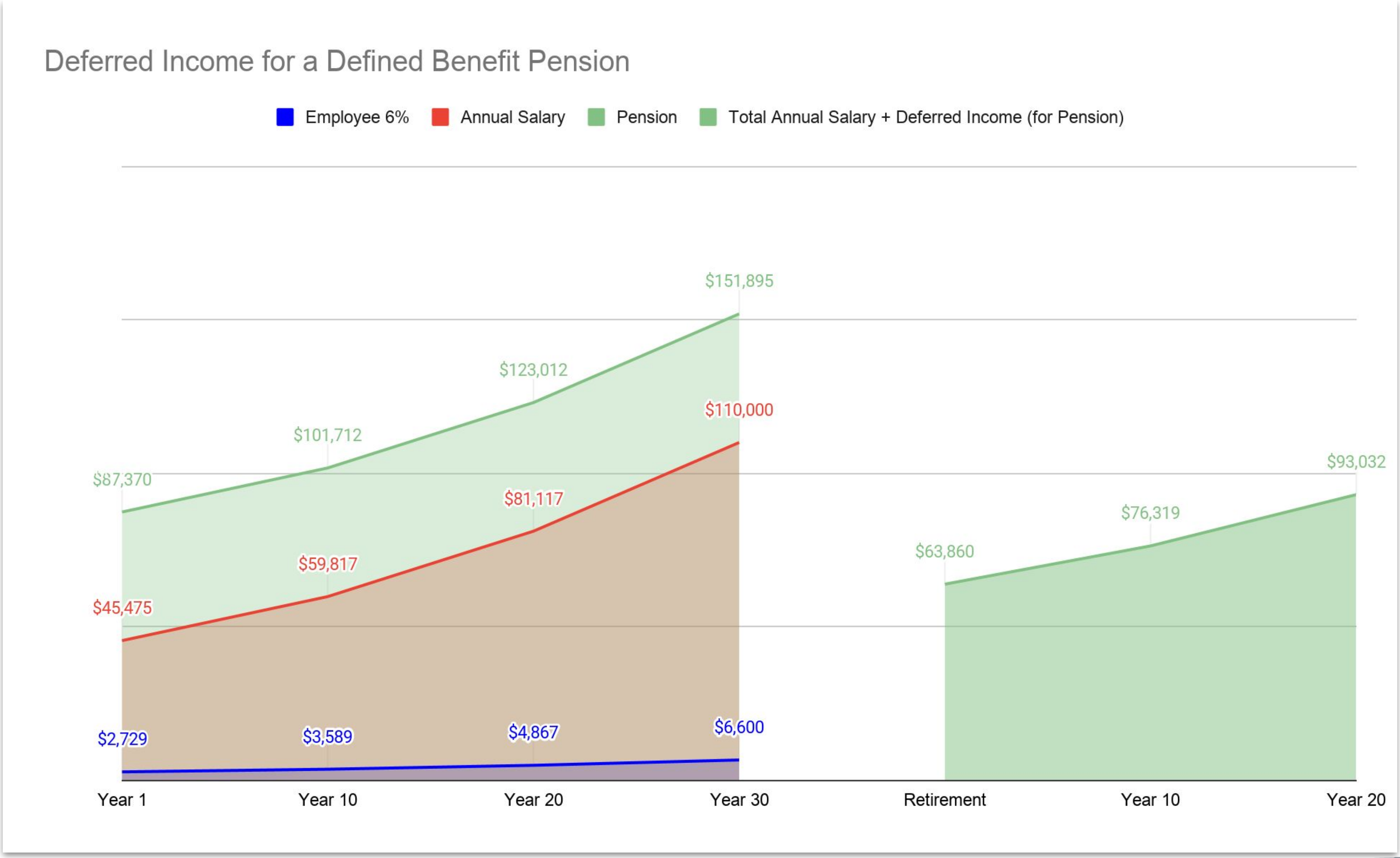
Feature	OPSRP
Hire Date	On or after Aug 29, 2003
Normal Retirement	Age 65 (or 58 with 30 years)
General Formula	1.50% × FAS* × Years
Calculation Methods	Full Formula only

* 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

* COLA Applied 2-2.8% annually afterwards



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

PORTLAND
Public Schools

Date: **September 15, 2026**

To: **Intergovernmental Affairs Committee**

CC: **Deborah Kafoury, Chief of Staff**

From: **Office of Government Relations**

Re: **Recommended Legislative Principles**

Board Legislative Principles

The Portland Public Schools (PPS) Board Intergovernmental Relations Committee presents these legislative principles to provide a strategic framework for the Board's engagement in the 2027 legislative session. Our primary objective is to advocate for policies and resources that directly support the district's core mission: ensuring every student has access to a rigorous education within a safe, welcoming, and inclusive environment. These principles reflect our commitment to fostering school communities where all students—regardless of background—possess the resources they need to learn, belong, and thrive.

Today, for PPS and school districts across Oregon that mission is at risk as schools are navigating an increasingly complex landscape of systemic challenges. Persistent funding shortfalls, exacerbated by inflationary pressures and the rising cost of essential services, are further complicated by the heightened social and emotional needs of our students. Additionally, broader community instability—driven by reductions in federal support programs like SNAP and Medicaid, alongside intensified immigration enforcement—places an unsustainable burden on our students, educators, and school leadership. Together, these factors are placing an enormous burden on schools and present threats to core student service and ongoing school stability. The PPS Board is committed to working alongside state leaders to address these root challenges and place schools and Oregon on a path to becoming the best in the nation.

As we work towards building the legislative agenda for the 2027 session, our work will be guided by the following priorities:

- **Provide Adequate Funding to Meet Students Needs:** State education funding continues to fall behind rising operational costs, leaving Portland Public Schools (PPS) with a projected $65 million shortfall for the 2027–28 school year. The state must partner with school districts to provide sufficient funding to prevent disruptions to classroom instruction and core student services. Funding must be available to help school districts shoulder the weight of unexpected cost increases including PERS, services for students with disabilities, and significantly increasing expenses.

- **Support for Students with Disabilities:** We seek a strengthened state partnership to ensure robust funding and support for students with disabilities. By prioritizing consistent, equitable resources and upholding critical protections, the state can help ensure that every student has the comprehensive support they need to succeed.

- **Strengthen Educator Preparation Programs:** Ensure new teachers are fully equipped with evidence-based practices to effectively address the evolving and complex needs of our students including English Language Learners and students with disabilities.

- **Defend Against Unfunded Mandates:** Ensure every new administrative or legal requirement placed on school districts is fully supported by state funding. Amid existing budget shortfalls, unfunded requirements force districts to divert resources directly away from students and classrooms. The state legislature must also examine existing mandates to identify and eliminate costly burdens that compromise instructional funding.