Comparing Policies

Estimated 2032 Final Levy

2% COLA | Memoryless COLA | 0% COLA
---|---|---
5th Percentile | 414.8 | 405.2 | 369.2
   2.92 | 2.79 |
50th Percentile | 340.5 | 326.0 | 295.2
   1.70 | 1.63 |
95th Percentile | 269.5 | 253.7 | 224.9
   1.01 | 0.96 |

In the chart, black text shows levy in dollars, while blue text shows as rate per $1000 RMV.

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Effect of COLA Policy on Members

- In assessing different potential COLA policies, effects on retention of the purchasing power for member benefits is a typical consideration.

- Conceptually, COLAs exist to mitigate the erosion of purchasing power that occurs due to inflation over the retirement period.
  - The level of inflation-protection a plan chooses to provide is a policy issue that balances costs to the plan and value to members.

- The prior slides illustrate the cost implications of different policies, including a COLA policy with a memory feature for years where CPI is greater than 2%.

- By examining the modeling results from a different angle, we can illustrate the retention of purchasing power as well.
Effect of COLA Policy on Members

- Average annualized COLA provided over 20 years under different policies

**20 Year Annualized Average COLA**

<table>
<thead>
<tr>
<th>2% cap w/o memory</th>
<th>2% cap with memory: New retiree</th>
<th>2% cap with memory: Avg retiree</th>
<th>2% per year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.00%</td>
<td>1.90%</td>
<td>1.80%</td>
</tr>
<tr>
<td></td>
<td>1.70%</td>
<td>1.60%</td>
<td>1.50%</td>
</tr>
<tr>
<td></td>
<td>1.40%</td>
<td>1.30%</td>
<td>1.20%</td>
</tr>
<tr>
<td></td>
<td>1.10%</td>
<td>1.00%</td>
<td></td>
</tr>
</tbody>
</table>

- Median: 1.64%  2.00%  2.00%  2.00%

Current FPDR Two retirees have, on average, been retired for 10 years and have 3% of deferred COLA increases under a “with memory” policy.
Effect of COLA Policy on Members

- Purchasing power maintained over 20 years for representative policies

20 Year Purchasing Power

<table>
<thead>
<tr>
<th>Purchasing Power Retained</th>
<th>No COLA</th>
<th>2% cap w/o memory</th>
<th>2% cap with memory: New retiree</th>
<th>2% cap with memory: Avg retiree</th>
<th>2% per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>58.2%</td>
<td>80.7%</td>
<td>85.8%</td>
<td>86.3%</td>
<td>86.5%</td>
</tr>
</tbody>
</table>

A member with a 25 year working career who elects a 2.8% benefit multiplier initially receives 70% of final average salary at retirement.
Conclusion

- Plan sponsors employ a wide variety of COLA policies
- For a pay-as-you-go program, the differing financial effects of COLA policies accrue slowly over time
- Utilizing PERS COLA policy as a standard may not be feasible given potential statutory changes to the PERS COLA structure
- The effect COLA policy has on long-term levy requests is less impactful than the effect market conditions will have on those requests
Certification

This presentation summarizes stochastic levy adequacy analysis under alternative future COLA crediting policies for the fiscal years 2013 to 2032 of the Fire & Police Disability & Retirement Fund ("FPDR" or "the Fund") sponsored by the City of Portland. For complete actuarial valuation results, including cautions regarding the limitations of use of valuation calculations, please refer to our formal Actuarial Valuation Report as of June 30, 2012 ("the Valuation Report") published on December 20, 2012. The Valuation Report, including all supporting information regarding data, assumptions, methods and provisions, is incorporated by reference into this presentation.

In preparing this presentation, we relied, without audit, on information (some oral and some in writing) supplied by Fund and City of Portland staff. This information includes, but is not limited to, Fund benefit provisions as defined by City Charter, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the Fund have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Fund and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the Fund.

A valuation report is only an estimate of the Fund’s financial condition as of a single date. It can neither predict the Fund’s future condition nor guarantee future financial soundness. Actuarial valuations do no affect the ultimate cost of Fund benefits, only the timing of Fund contributions or cost recognition. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements summarized in this presentation due to such factors as the following: Fund experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in Fund benefit provisions or applicable law.
Certification

Actuarial computations presented in the Valuation Report under GASB Statements No. 25 and 27 are for purposes of assisting FPDR and the City of Portland in fulfilling their financial accounting requirements. The calculations in that report have been made on a basis consistent with our understanding of the Fund's funding requirements and goals. The calculations in that report have been made on a basis consistent with our understanding of the Fund benefit provisions described in the appendix of that report, and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of the City of Portland and FPDR.

Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. No third party recipient of Milliman's work product should rely upon it. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

This work product was prepared solely for FPDR and the City of Portland for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.
Circular 230 Notice

The following disclosure is provided in accordance with the Internal Revenue Service’s Circular 230 (21 CFR Part 10). This communication is not intended to constitute tax advice to any specific taxpayer or for any specific situation. Any tax advice contained in this communication is intended to be preliminary, for discussion purposes only, and not final. Any such advice is not intended to be used for marketing, promoting or recommending any transaction or for the use of any person in connection with the preparation of any tax return. Accordingly, this advice is not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding tax penalties that may be imposed on such person.
Appendix
Actuarial Basis

Data
We have based our calculation of the liabilities on the data supplied by the FPDR and summarized in the data exhibits of the Valuation Report.

Assets as of June 30, 2012, were based on values provided by FPDR and the City of Portland and are detailed in the Valuation Report.

Methods / Policies

Actuarial Cost Method: Entry age normal, as described in the Valuation Report.

UAL Amortization: For purposes of calculating the Annual Required Contribution under GASB Statements Nos. 25 & 27, the UAL is amortized over 15 years on a level percentage of payroll basis, as detailed in the Valuation Report.

Provisions
Appendix
Actuarial Basis

Assumptions for Valuation Calculations
As described in the Valuation Report.

Assumptions for Levy Adequacy Analysis
As described in the Valuation Report except where modified by the deviations and additions noted in this Appendix.

Real Market Value (RMV) of real estate subject to property taxes: $79.896 billion as of the beginning of 2012 as reported by the City and FPDR. It is our understanding that amount served as the basis for calculations for property tax bills sent in October 2012 to fund FPDR for the fiscal year running from July 1, 2012 to June 30, 2013 (FYE 2013).

Increase in RMV: Based on consultation with the City’s economist, 2% growth in the first year of our model with 5% geometric average annual compounded growth thereafter. Growth patterns vary in our stochastic model with the exception of the first year.

Administrative & Operating Expenses: A component of the Total Requirements, based on consultation with FPDR this is modeled as $3.4 million in the first year of our model and in subsequent years is assumed to increase with CPI, which varies in our stochastic model.

Short-Term Disability & Disability-Related Medical Reimbursement Costs: A component of the Total Requirements, based on consultation with FPDR staff this is modeled as $4.5 million in the first year of our model and in subsequent years it is assumed to increase with CPI plus 1.75%, with CPI varying in our stochastic model.

IAP Contribution to OPERS for FPDR Three members: A component of the Total Requirements, assumed to be 9% of FPDR Three payroll throughout the payment period.
Appendix
Actuarial Basis

Assumptions for Levy Adequacy Analysis (continued)

_**OPSRP Contribution to OPERS for FPDR Three members:** A component of the Total Requirements. This will vary based on future investment experience of the OPERS program. It is assumed in this model that the current OPERS assumptions and rate calculation methods will remain consistent throughout the projection period. Detailed information on those methods can be found in the December 31, 2011 System-Wide Actuarial Valuation Report for Oregon PERS._

_**Overtime effect on FPDR Three base payroll subject to OPERS contributions:** Throughout the projection it is assumed that overtime pay subject to OPERS contributions will be 10% of base FPDR Three payroll._

_**Adjustments to Total Requirements to Estimate Final Levy:** Three adjustments are made as detailed below. For years after FYE2013 of our model, the net combined adjustment is to increase Total Requirements by 14.9%._

- **Other sources of revenue:** Multiply by 0.975 (equal to one hundred percent minus 2.5 percent)
- **Adjustment for property tax discounts and delinquencies:** Multiply by 1.06045 (equal to one divided by one minus 5.7 percent)
- **Adjustment for estimated effects of tax compression:** For years after FYE2013 of our model, multiply by 1.11111 (equal to one divided by one minus 10 percent). For FYE2013, multiply by 1.06781 based on conversations with FPDR and the City's economist.

_**CPI:** Varies in our stochastic model after 2012. Average geometric average annual compounded growth of 2.75%. Assumption based on experience study conducted in 2008._

_**Oregon PERS Investment Returns:** Return for calendar year 2012 is assumed to be 11.49%, which is consistent with year-to-date returns as of November 30, 2012 as published by Oregon Treasury. Returns for 2013 and beyond vary in our stochastic model. Average geometric annual compounded growth for the post-2012 period is approximately 7.5%._

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Appendix
Actuarial Basis

Assumptions for Levy Adequacy Analysis (continued)

COLA increases: For FPDR One members, COLA increases are assumed to be equal to the projected wage growth in a given year and are assumed to remain levels in years where projected wage growth is negative. For FPDR Three retirement-related benefits from the OPERS programs, COLA increases are assumed to be 2.0% annually. For FPDR Two retirement-related benefits from the FPDR program, COLA increases vary according to the policy considered as described in the presentation.

Wage growth: Varies in our stochastic model. Each year’s projected wage growth is equal to projected CPI plus 1.00%.

New entrants: The number of active participants in FPDR is assumed to remain stable over the projection period, with new hires replacing participants leaving employment such that overall headcount is constant. No new members are assumed to be eligible for FPDR One or FPDR Two benefits; all new entrants are assumed to become members under the FPDR Three/OPSRP benefit formula. The age, gender, and starting salaries for new entrants were assumed to be consistent with the demographics observed from recent FPDR Three hires.
Appendix
Proportion of Active Payroll that is FPDR Three
Appendix
Cumulative Annualized Geometric Growth in RMV

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Appendix
Cumulative Annualized Geometric Investment Return on Oregon PERS Fund

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RESOLUTION NO. 475

WHEREAS, the Board of Trustees of the Fire and Police Disability and Retirement Fund (FPDR) recognizes a need for an actuarial consultant in order to provide actuarial consultation and advisory services, valuation services, experience analyses and other general duties, and

WHEREAS, a bid process through the City’s Request for Proposal (RFP) process was conducted and an actuarial consultant was selected by the FPDR Selection Committee; and

WHEREAS, Milliman has indicated that they are ready, willing and able to act as actuarial consultant and provide services to the Board of Trustees and FPDR staff; and

WHEREAS, a draft copy of a contract between FPDR and Milliman is attached hereto as Exhibit “A” and by this reference made a part hereof.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the FPDR that the Fund Director, and as approved by the City’s Chief Procurement Officer, be and hereby is authorized to execute and administer an agreement substantially in conformance with the agreement attached hereto as Exhibit “A” on behalf of the FPDR for Milliman to provide actuarial consultant and advisory services, valuation service, experience analyses and other general duties for a three-year and nine-month period not to exceed $250,000.

ADOPTED by the Board of Trustees on this 26th day of March, 2013.

__________________________
Linda L. Jefferson, Director
CITY OF PORTLAND
AGREEMENT FOR PROFESSIONAL, TECHNICAL, OR EXPERT SERVICES

CONTRACT NUMBER 36003232

TITLE OF WORK PROJECT
Actuarial Consultant

This contract is between the City of Portland, Bureau of Fire and Police Disability and Retirement, acting by and through its Board of Trustees, hereafter called "City" or "Bureau", and Milliman, Inc., hereafter called Consultant. The City's Project Manager for this contract is Nancy Hartline.

Effective Date and Duration
This contract shall become effective on July 1, 2013. This contract shall expire, unless otherwise terminated or extended, on March 31, 2017.

Consideration
(a) City agrees to pay Consultant a sum not to exceed $250,000 for accomplishment of the work.
(b) Interim payments shall be made to Consultant according to the schedule identified in the STATEMENT OF THE WORK AND PAYMENT SCHEDULE.

CONSULTANT DATA AND CERTIFICATION

Name (please print): Milliman, Inc.

Address: 111 SW Fifth Avenue, Suite 3700, Portland, OR 97204

Employer Identification Number (EIN) 91-0675641

[INDEPENDENT CONTRACTORS: DO NOT PROVIDE SOCIAL SECURITY NUMBER (SSN) – LEAVE BLANK IF NO EIN]

City of Portland Business License # 48012

Citizenship: Nonresident alien Yes No

Business Designation (check one): Individual Sole Proprietorship Partnership X Corporation

Limited Liability Co (LLC) Estate/Trust Public Service Corp. Government/Nonprofit

Payment information will be reported to the IRS under the name and taxpayer I.D. number provided above. Information must be provided prior to contract approval.

TERMS AND CONDITIONS

1. Standard of Care
Consultant shall perform all services under this contract using that care, skill, and diligence that would ordinarily be used by similar professionals in this community in similar circumstances.

2. Effect of Expiration
Passage of the contract expiration date shall not extinguish, prejudice, or limit either party's right to enforce this Contract with respect to any default or defect in performance that has not been corrected.

3. Order of Precedence
This contract consists of these Terms and Conditions, the Statement of Work and Payment Schedule, and any exhibits that are attached. Any apparent or alleged conflict between these items will be resolved by using the following order of precedence: a) these Terms and Conditions; b) Statement of Work and Payment Schedule; and c) any exhibits attached to the contract.

4. Early Termination of Contract
(a) The City may terminate this Contract for convenience at any time for any reason deemed appropriate in its sole discretion. Termination is effective immediately upon notice of termination given by the City.
(b) Either party may terminate this Contract in the event of a material breach by the other party that is not cured. Before termination is permitted, the party seeking termination shall give the other party written notice of the breach, its intent to
terminate, and fifteen (15) calendar days to cure the breach. If the breach is not cured within 15 days, the party seeking termination may terminate immediately by giving written notice that the Contract is terminated.

5. Remedies and Payment on Early Termination
   (a) If the City terminates pursuant to 4(a) above, the City shall pay the Consultant for work performed in accordance with the Contract prior to the termination date. No other costs or loss of anticipated profits shall be paid.
   (b) If the City terminates pursuant to 4(b) above, the City is entitled all remedies available at law or equity. In addition, Consultant shall pay the City all damages, costs, and sums incurred by the City as a result of the breach.
   (c) If the Consultant justifiably terminates the contract pursuant to subsection 4(b), the Consultant's only remedy is payment for work prior to the termination. No other costs or loss of anticipated profits shall be paid.
   (d) If the City's termination under Section 4(b) was wrongful, the termination shall be automatically converted to one for convenience and the Consultant shall be paid as if the Contract was terminated under Section 4(a).
   (e) In the event of early termination the Consultant's work product before the date of termination becomes property of the City.

6. Assignment
Consultant shall not subcontract, assign, or transfer any of the work scheduled under this agreement, without the prior written consent of the City. Notwithstanding City approval of a subcontractor, the Consultant shall remain obligated for full performance hereunder, and the City shall incur no obligation other than its obligations to the Consultant hereunder. The Consultant agrees that if subcontractors are employed in the performance of this Agreement, the Consultant and its subcontractors are subject to the requirements and sanctions of ORS Chapter 656, Workers' Compensation.

7. Compliance with Applicable Law
Consultant shall comply with all applicable federal, state, and local laws and regulations. Consultant agrees it currently is in compliance with all tax laws.

8. Indemnification for Property Damage and Personal Injury
Consultant shall indemnify, defend, and hold harmless the City, its officers, agents, and employees, from all claims, losses, damages, and costs (including reasonable attorney fees) for personal injury and property damage arising out of the intentional or negligent acts or omissions of the Consultant, its Subconsultants, suppliers, employees or agents in the performance of its services. Nothing in this paragraph requires the Consultant or its insurer to indemnify the City for claims of personal injury or property damage caused by the negligence of the City. This duty shall survive the expiration or termination of this contract.

9. Insurance
Consultant shall obtain and maintain in full force at Consultant expense, throughout the duration of the Contract and any warranty or extension periods, the required insurance identified below. The City reserves the right to require additional insurance coverage as required by statutory or legal changes to the maximum liability that may be imposed on Oregon cities during the term of the Contract.

   (a) Workers' compensation insurance as required by ORS Chapter 656 and as it may be amended. Unless exempt under ORS Chapter 656, the Consultant and all subcontractors shall maintain coverage for all subject workers.

       X Required and attached or ___ Proof of exemption (i.e., completion of Workers' Compensation Insurance Statement)

   (b) General commercial liability (CGL) insurance covering bodily injury, personal injury, property damage, including coverage for independent contractor's protection (required if any work will be subcontracted), premises/operations, contractual liability, products and completed operations, in per occurrence limit of not less than $1,000,000, and aggregate limit of not less than $2,000,000.

       X Required and attached or ___ waived by Bureau Director or designee

   (c) Automobile liability insurance with coverage of not less than $1,000,000 each accident, and an umbrella or excess liability coverage of $2,000,000. The insurance shall include coverage for any auto or all owned, scheduled, hired and non-owned auto. This coverage may be combined with the commercial general liability insurance policy.

       X Required and attached or ___ waived by Bureau Director or designee

   (d) Professional Liability and/or Errors & Omissions insurance to cover damages caused by negligent acts, errors or omissions related to the professional services, and performance of duties and responsibilities of the Consultant under this contract in an amount with a combined single limit of not less than $1,000,000 per occurrence and aggregate of $2,000,000 for all claims per occurrence. In lieu of an occurrence based policy, Consultant may have claims-made policy in an amount not less than $1,000,000 per claim and $2,000,000 annual aggregate, if the Consultant obtains an unlimited extended reporting period or tail coverage.

       X Required and attached or ___ waived by Bureau Director or designee

Continuous Coverage; Notice of Cancellation: The Consultant agrees to maintain continuous, uninterrupted coverage for the duration of the Contract. There shall be no termination, cancellation, material change, potential exhaustion of aggregate limits or
non renewal of coverage without thirty (30) days written notice from Consultant to the City. If the insurance is canceled or
terminated prior to completion of the Contract, Consultant shall immediately notify the City and provide a new policy with the
same terms. Any failure to comply with this clause shall constitute a material breach of Contract and shall be grounds for
immediate termination of this Contract.

Additional Insured: The liability insurance coverages, except Professional Liability, Errors and Omissions, or Workers’
Compensation, shall be without prejudice to coverage otherwise existing, and shall name the City of Portland and its
bureaus/divisions, officers, agents and employee as Additional Insureds, with respect to the Consultant’s activities to be
performed, or products or services to be provided. Coverage shall be primary and non-contributory with any other insurance and
self-insurance. Notwithstanding the naming of additional insureds, the insurance shall protect each additional insured in the same
manner as though a separate policy had been issued to each, but nothing herein shall operate to increase the insurer’s liability as
set forth elsewhere in the policy beyond the amount or amounts for which the insurer would have been liable if only one person
or interest had been named as insured.

Certificate(s) of Insurance: Consultant shall provide proof of insurance through acceptable certificate(s) of insurance, including
all relevant endorsements, to the City prior to the award of the Contract if required by the procurement documents (e.g., request
for proposal), or at execution of Contract and prior to any commencement of work or delivery of goods or services under the
Contract. The Certificate(s) will specify all of the parties who are endorsed on the policy as Additional Insureds (or Loss
Payees). Insurance coverages required under this Contract shall be obtained from insurance companies acceptable to the City of
Portland. The Consultant shall pay for all deductibles and premium. The City reserves the right to require, at any time,
complete, certified copies of required insurance policies, including endorsements evidencing the coverage required.

Subconsultant(s): Consultant shall provide evidence that any subconsultant, if any, performing work or providing goods or
service under the Contract has the same types and amounts of coverages as required herein or that the subconsultant is included
under Consultant’s policy.

10. Ownership of Work Product
All work product produced by the Consultant under this contract is the exclusive property of the City. “Work Product” includes,
but is not limited to: research, reports, computer programs, manuals, drawings, recordings, photographs, artwork and any data or
information in any form. The Consultant and the City intend that such Work Product shall be deemed “work made for hire” of
which the City shall be deemed the author. If for any reason a Work Product is deemed not to be a “work made for hire,” the
Consultant hereby irrevocably assigns and transfers to the City all right, title and interest in such work product, whether arising
from copyright, patent, trademark, trade secret, or any other state or federal intellectual property law or doctrines. Consultant
shall obtain such interests and execute all documents necessary to fully vest such rights in the City. Consultant waives all rights
relating to work product, including any rights arising under 17 USC 106A, or any other rights of authorship, identification or
approval, restriction or limitation on use or subsequent modifications. If the Consultant is an architect, the Work Product is the
property of the Consultant-Architect, and by execution of this contract, the Consultant-Architect grants the City an exclusive and
irrevocable license to use that Work Product.

Notwithstanding the above, all pre-existing trademarks, services marks, patents, copyrights, trade secrets, and other proprietary
rights of Consultant are and will remain the exclusive property of Consultant.

Consultant's work is prepared solely for the use and benefit of the City in accordance with its statutory and regulatory
requirements. Consultant recognizes that materials it delivers to the City may be public records subject to disclosure to third
parties, however, Consultant does not intend to benefit and assumes no duty or liability to any third parties who receive
Consultant’s work in this fashion and may include disclaimer language on its work product so stating. To the extent that
Consultant's work is not subject to disclosure under applicable public records laws, the City agrees that it shall not disclose
Consultant's work product to third parties without Consultant's prior written consent; provided, however, that the City may
distribute Consultant’s work in its entirety to (i) its professional service providers who are subject to a duty of confidentiality and
who agree to not use Contractor's work product for any purpose other than to provide services to the City, or (ii) any applicable
regulatory or governmental agency, as required.

11. EEO Certification
In the event Consultant provides in excess of $2,500.00 for services to the City in any fiscal year, Consultant shall obtain EEO
certification from the City.

12. Equal Benefits
Consultant must comply with the City’s Equal Benefits program as prescribed by Chapter 3.100 of the Code of the City of
Portland. The required documentation must be filed with Procurement Services, City of Portland, prior to contract execution.

13. Successors in Interest
The provisions of this contract shall be binding upon and shall inure to the benefit of the parties hereto, and their respective
successors and approved assigns.

14. Severability
The parties agree that if any term or provision of this contract is declared by a court of competent jurisdiction to be illegal or in
conflict with any law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of
the parties shall be construed and enforced as if the contract did not contain the particular term or provision held to be invalid.
15. Waiver
The failure of the City to enforce any provision of this contract shall not constitute a waiver by the City of that or any other provision.

16. Errors
The Consultant shall promptly perform such additional services as may be necessary to correct errors in the services required by this contract without undue delays and without additional cost.

17. Governing Law/Venue
The provisions of this contract shall be interpreted, construed and enforced in accordance with, and governed by, the laws of the State of Oregon without reference to its conflict of laws provisions that might otherwise require the application of the law of any other jurisdiction. Any action or suits involving any question arising under this contract must be brought in the appropriate court in Multnomah County Oregon.

18. Amendments
All changes to this contract, including changes to the scope of work and contract amount, must be made by written amendment and approved by the Chief Procurement Officer to be valid. Any amendment that increases the original contract amount by more than 25% must be approved by the City Council to be valid.

The Consultant shall obtain a City of Portland business tax registration number as required by PCC 7.02 prior to beginning work under this Contract.

20. Prohibited Conduct
The Consultant shall not hire any City employee who evaluated the proposals or authorized the award of this Contract for two years after the date the contract was authorized without the express written permission of the City and provided the hiring is permitted by state law.

21. Payment to Vendors and Subconsultants
The Consultant shall timely pay all subconsultants and suppliers providing services or goods for this Contract.

22. Access to Records
The Consultant shall maintain all records relating to this Contract for three (3) years after final payment. The City may examine, audit and copy the Consultant's books, documents, papers, and records relating to this contract at any time during this period upon reasonable notice. Copies of these records shall be made available upon request. Payment for the reasonable cost of requested copies shall be made by the City.

23. Audits
(a) The City may conduct financial and performance audits of the billings and services specified in this agreement at any time in the course of the agreement and during the three (3) year period established by paragraph 22. Audits will be conducted in accordance with generally accepted auditing standards as promulgated in Government Auditing Standards by the Comptroller General of the United States Government Accountability Office.
(b) If an audit discloses that payments to the Consultant exceed the amount to which the Consultant was entitled, the Consultant shall repay the amount of the excess to the City.

24. Electronic Signatures
The City and Consultant may conduct this transaction, including any contract amendments, by electronic means, including the use of electronic signatures.

25. Merger Clause
This Contract encompasses the entire agreement of the parties, and supersedes all previous understandings and agreements between the parties, written or verbal.

26. Dispute Resolution/Work regardless of disputes
The parties shall participate in mediation to resolve disputes before conducting litigation. The mediation shall occur at a reasonable time after the conclusion of the Contract with a mediator jointly selected by the parties. Notwithstanding any dispute under this Contract, the Consultant shall continue to perform its work pending resolution of a dispute, and the City shall make payments as required by the Contract for undisputed portions of the work. In the event of litigation no attorney fees are recoverable. No different dispute resolution paragraph(s) in this contract or any attachment hereto shall supersede or take precedence over this provision.

27. Progress Reports: / / Applicable /X/ Not Applicable
If applicable, the Consultant shall provide monthly progress reports to the Project Manager as described in the Statement of the Work and Payment Schedule.

28. Consultant's Personnel: /X/ Applicable /__/ Not Applicable
If applicable, the Consultant shall assign the personnel listed in the Statement of the Work and Payment Schedule for the work required by the Contract and shall not change personnel without the prior written consent of the City, which shall not be unreasonably withheld.

29. Subconsultants
The Consultant shall use the subconsultants identified in its proposals. The Consultant shall not change subconsultant assignments without the prior written consent of the Chief Procurement Officer. Failure to use the identified M/W/ESB subconsultants without prior written consent is a material breach of contract.

30. Third Party Beneficiaries
There are no third party beneficiaries to this contract. Enforcement of this contract is reserved to the parties.

31. Limitation of Liability
In the event of any claim arising from these services provided by Consultant at any time, the total liability of Consultant, its officers, directors, agents and employees to the City shall not exceed five million dollars ($5,000,000). This limit applies regardless of the theory of law under which a claim is brought, including negligence, tort, contract or otherwise. In no event shall Consultant be liable for lost profits of the City or any other type of incidental or consequential damages. The foregoing limitations shall not apply in the event of intentional fraud or willful misconduct of Consultant.

---

**STATEMENT OF THE WORK**
**AND PAYMENT SCHEDULE**

**SCOPE OF WORK**

<table>
<thead>
<tr>
<th>Service</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Schedules required by GASB Statement Nos. 25 and 27 and any successor statements, including Statement Nos. 67 and 68 assuming plan implementation of Statement 67 for the June 30, 2014 plan year end and Statement 68 for the City’s June 30, 2015 fiscal year end (schedules may be based on data rolled forward from the most recent valuation, as appropriate and allowable under GASB standards)</td>
<td>Final schedules by September 30* each year, if FPDR provides required information by August 31</td>
</tr>
<tr>
<td>2 A written experience study of the FPDR Plan and accompanying presentation to the Board of Trustees, including any recommendations to change assumptions and including as needed a meeting with the Board’s actuarial subcommittee prior to the presentation</td>
<td>Presentation delivered to FPDR staff no later than June 10, 2014; presentation no later than June 2014 Board meeting</td>
</tr>
<tr>
<td>3 Beginning with the plan year ending June 30, 2014, a biennial written pension plan valuation and accompanying presentation to the Board of Trustees at its January meeting every two years</td>
<td>Written report and presentation delivered by January 10 of odd-numbered years; presentation at January Board meeting</td>
</tr>
<tr>
<td>4 Beginning with the plan year ending June 30, 2014, a biennial tax levy adequacy analysis and accompanying presentation to the Board of Trustees at its January meeting every two years</td>
<td>Presentation delivered no later than January 10 of odd-numbered years; presentation at January Board meeting</td>
</tr>
<tr>
<td>5 Calculations of initial benefit payments for members or alternate payees in accordance with the terms of domestic relations orders, for a specified range of benefit commencement dates</td>
<td>30 days after Consultant receives the request and all necessary information</td>
</tr>
<tr>
<td>6 Mortality tables that may be appropriately applied to the FPDR member and beneficiary population as developed as part of the experience study and as modified for subsequent valuations</td>
<td>Delivered with the experience study and with subsequent valuation reports as tables are modified</td>
</tr>
<tr>
<td>7 Upon request, a written analysis of the financial and actuarial impact of any proposed plan amendments or changes to administrative rules</td>
<td>Determined at the time of request</td>
</tr>
<tr>
<td>8 Upon request, other calculations, written analyses or presentations related to the Consultant’s role as the Bureau’s actuarial advisor</td>
<td>Determined at the time of request</td>
</tr>
</tbody>
</table>

**CONSULTANT PERSONNEL**

The Consultant shall assign the following personnel to do the work in the capacities designated:

<table>
<thead>
<tr>
<th>NAME</th>
<th>ROLE ON PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew R. Larrabee, FSA, EA</td>
<td>Principal Consulting Actuary</td>
</tr>
<tr>
<td>Scott Frepperman, FSA, EA</td>
<td>Associate Consulting Actuary</td>
</tr>
<tr>
<td>Gary Deeth, ASA, MAAA</td>
<td>Assistant Actuary</td>
</tr>
<tr>
<td>Steve Lesniski, FSA, EA, MAAA, FCA</td>
<td>Outside Review Actuary</td>
</tr>
<tr>
<td>Alan Perry, FSA, MAAA, CFA</td>
<td>Stochastic/Investment Modeling Expert</td>
</tr>
</tbody>
</table>
SUBCONSULTANTS

The Consultant shall assign the following subconsultants to perform work in the capacities designated:

<table>
<thead>
<tr>
<th>NAME</th>
<th>ROLE ON PROJECT</th>
<th>SUBCONTRACT AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONE</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

The City will enforce all social equity contracting and Minority, Women and Emerging Small Business (M/W/ESB) subcontracting commitments submitted by the Consultant in its Proposal. For contracts valued $100,000 or more, the Consultant shall submit a Monthly Subconsultant Payment and Utilization Report (MUR), made part of this contract by reference, reporting ALL subconsultants employed in the performance of this agreement. An electronic copy of the MUR may be obtained at: http://www.portlandonline.com/stanford/central/edc/eca?doc=119821.

COMPENSATION

The maximum that the Consultant can be paid on this contract is $250,000.00 (hereafter the “not to exceed” amount). The “not to exceed” amount includes all payments to be made pursuant to this contract, including reimbursable expenses, if any. Nothing in this contract requires the City to pay for work that does not meet the Standard of Care or other requirements of the Contract. The actual amount to be paid Consultant may be less than that amount.

The Consultant is entitled to receive progress payments for work pursuant to the Contract as provided in more detail below. The City will pay Consultant based on these invoices for acceptable work performed and approved until the “not to exceed” amount is reached. Thereafter, Consultant must complete work based on the Contract without additional compensation unless there is a change to the scope of work. It is City policy to pay its vendor invoices via electronic funds transfers through the automated clearing house (ACH) network. To initiate payment of invoices, vendors shall execute the City’s standard ACH Vendor Payment Authorization Agreement. Upon verification of the data provided, the Payment Authorization Agreement will authorize the City to deposit payment for services rendered or goods provided directly into vendor accounts with financial institutions. All payments shall be in United States currency.

Any estimate of the hours necessary to perform the work is not binding on the City. The Consultant remains responsible if the estimate proves to be incorrect. Exceeding the number of estimated hours of work does not impose any liability on the City for additional payment.

If work is completed before the “not to exceed” amount is reached, the Consultant’s compensation will be based on the Consultant’s previously submitted for acceptable work performed and approved.

PAYMENT TERMS: Net 30 Days

Billing Rates

The billing rates shall not exceed those set forth below:

<table>
<thead>
<tr>
<th>Routine Services</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience study</td>
<td>$35,000</td>
</tr>
<tr>
<td>Pension plan valuation</td>
<td>$30,000 per valuation</td>
</tr>
<tr>
<td>Levy adequacy analysis</td>
<td>$15,000 per analysis</td>
</tr>
<tr>
<td>Annual GASB-required schedules for pension plan and employer</td>
<td>$2,000 per non-valuation year</td>
</tr>
<tr>
<td>Domestic relations orders calculations</td>
<td>$750 per calculation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Routine Services</th>
<th>Fees (2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matt Larrabee or other principal actuary</td>
<td>$360/hour</td>
</tr>
<tr>
<td>Scott Preppernau or other associate actuary</td>
<td>$280/hour</td>
</tr>
<tr>
<td>Gary Deeth or other assistant actuary</td>
<td>$200-260/hour</td>
</tr>
<tr>
<td>Actuarial Analyst</td>
<td>$120-180/hour</td>
</tr>
<tr>
<td>Support/Administrative</td>
<td>$65/hour</td>
</tr>
</tbody>
</table>

Non-routine services will be billed either on an hourly basis or at a pre-negotiated fixed fee in advance of the project.

Adjustment of Labor Rates Due to Inflation

Annual adjustment of hourly rates will be considered upon written request from the Consultant. Approval of a request for rate increases is solely within the City’s discretion and under no circumstances is the City obligated to approve such a request.
Rate increases are subject to the following limitations:

- No increases will be granted before the one-year anniversary of the contract;
- No more than one increase shall be granted per contract year;
- Rate increases may not exceed the then-current average inflation rate for the Portland Metropolitan Area (as determined from the US Department of Labor statistics);
- Rate increases shall not be retroactive.

Other than the impact of inflation as described above, hourly rates may not be increased.

**Progress Payments**

On or before the 15th of each month, the Consultant shall submit to the City’s Project Manager an invoice for work performed by the Consultant during the preceding month. The invoice shall contain the City’s Contract Number and set out all items for payment including, but not limited to: the name of the individual, labor category, direct labor rate, hours worked during the period, and tasks performed. The Consultant shall also attach photocopies of claimed reimbursable expenses, if applicable. The Consultant shall stamp and approve all subconsultant invoices and notes on the subconsultant invoice what they are approving as “billable” under the contract. The billing from the prime should clearly roll up labor and reimbursable costs for the prime and subconsultants—matching the subconsultant invoices. Prior to initial billing, the Consultant shall develop a billing format for approval by the City.

The City shall pay all amounts to which no dispute exists within 30 days of receipt of the invoice. Payment of any bill, however, does not preclude the City from later determining that an error in payment was made and from withholding the disputed sum from the next progress payment until the dispute is resolved.

The Consultant shall make full payment to its subconsultants within 10 business days following receipt of any payment made by the City to Consultant.

**ACH Payments**

It is the City’s policy to pay its Consultant invoices via electronic funds transfers through the automated clearing house (ACH) network. To initiate payment of invoices, Consultants shall execute the City’s standard ACH Vendor Payment Authorization Agreement which is available on the City’s website at [http://www.portlandoregon.gov/bfs/article/409834](http://www.portlandoregon.gov/bfs/article/409834).

Upon verification of the data provided, the Payment Authorization Agreement will authorize the City to deposit payment for services rendered directly into Consultant accounts with financial institutions. All payments shall be in United States currency.
WORKERS' COMPENSATION INSURANCE STATEMENT

IF YOUR FIRM HAS CURRENT WORKERS' COMPENSATION INSURANCE, CONTRACTOR MUST SIGN HERE:

I, undersigned, an authorized to act on behalf of entity designated below, and I hereby certify that this entity has current Workers' Compensation Insurance.

Contractor Signature: ___________________________ Date: ___________ Entity: ___________________________

IF YOUR FIRM DOES NOT HAVE CURRENT WORKERS' COMPENSATION INSURANCE, CONTRACTOR MUST COMPLETE THE FOLLOWING INDEPENDENT CONTRACTOR CERTIFICATION STATEMENT:

As an independent contractor, I certify that I meet the following standards:

1. The individual or business entity providing labor or services is registered under ORS Chapter 701, if the individual or business entity provides labor or services for which such registration is required;

2. Federal and state income tax returns in the name of the business or a business Schedule C or form Schedule F as part of the personal income tax return were filed for the previous year if the individual or business entity performed labor or services as an independent contractor in the previous year; and

3. The individual or business entity represents to the public that the labor or services are to be provided by an independently established business. Except when an individual or business entity files a Schedule F as part of the personal income tax returns and the individual or business entity performs farm labor or services that are reportable on Schedule C, an individual or business entity is considered to be engaged in an independently established business when four or more of the following circumstances exist.

Contractor: check four or more of the following:

A. The labor or services are primarily carried out at a location that is separate from the residence of an individual who performs the labor or services, or are primarily carried out in a specific portion of the residence, which portion is set aside as the location of the business;

B. Commercial advertising or business cards as is customary in operating similar businesses are purchased for the business, or the individual or business entity has a trade association membership;

C. Telephone listing and service are used for the business that is separate from the personal residence listing and service used by an individual who performs the labor or services;

D. Labor or services are performed only pursuant to written contracts;

E. Labor or services are performed for two or more different persons within a period of one year; or

F. The individual or business entity assumes financial responsibility for defective workmanship or for service not provided as evidenced by the ownership of performance bonds, warranties, errors and omissions insurance or liability insurance relating to the labor or services to be provided.

Contractor Signature: ___________________________ Date: ___________

FOR CITY USE ONLY

PROJECT MANAGER-COMPLETE ONLY IF CONTRACTOR DOES NOT HAVE WORKER'S COMPENSATION INSURANCE ORS 670.600 Independent contractor standards. As used in various provisions of ORS Chapters 316, 656, 657, and 701, an individual or business entity that performs labor or services for remuneration shall be considered to perform the labor or services as an "independent contractor" if the standards of this section are met. The contracted work meets the following standards:

1. The individual or business entity providing the labor or services is free from direction and control over the means and manner of providing the labor or services, subject only to the right of the person for whom the labor or services are provided to specify the desired results;

2. The individual or business entity providing labor or services is responsible for obtaining all assumed business registrations or professional occupation licenses required by state law or local government ordinances for the individual or business entity to conduct the business;

3. The individual or business entity providing labor or services furnishes the tools or equipment necessary for performance of the contracted labor or services;

4. The individual or business entity providing labor or services has the authority to hire and fire employees to perform the labor or services;

5. Payment for the labor or services is made upon completion of the performance of specific portions of the project or is made on the basis of an annual or periodic retention.

City Project Manager Signature: ___________________________ Date: ___________

Rev 1/13
CONSULTANT SIGNATURE:

This contract may be signed in two (2) or more counterparts, each of which shall be deemed an original, and which, when taken together, shall constitute one and the same Agreement.

The parties agree the City and Consultant may conduct this transaction, including any contract amendments, by electronic means, including the use of electronic signatures.

I, the undersigned, agree to perform work outlined in this contract in accordance to the STANDARD CONTRACT PROVISIONS, the terms and conditions, made part of this contract by reference, and the STATEMENT OF THE WORK made part of this contract by reference; hereby certify under penalty of perjury that I/my business am not/is not in violation of any Oregon tax laws; hereby certify that my business is certified as an Equal Employment Opportunity Affirmative Action Employer and is in compliance with the Equal Benefits Program as prescribed by Chapter 3.100 of Code of the City of Portland; and hereby certify I am an independent contractor as defined in ORS 670.600.

Milliman, Inc.

BY: ___________________________________________ Date: ________________

Name: Matt Larrabee

Title: Principal Consulting Actuary
Contract Number: ________________________________

Contract Title: Actuarial Consultant

CITY OF PORTLAND SIGNATURES:

By: __________________________________________ Date: ____________
    Bureau Director

By: __________________________________________ Date: ____________
    Chief Procurement Officer

By: __________________________________________ Date: ____________
    Elected Official

Approved:

By: __________________________________________ Date: ____________
    Office of City Auditor

Approved as to Form:

By: __________________________________________ Date: ____________
    Office of City Attorney
## 2013 PERS-Related Legislation of Note

March 19, 2013

<table>
<thead>
<tr>
<th>Bills(s)</th>
<th>Summary</th>
<th>FPDR Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost-of-living Adjustment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HB 3057</td>
<td>Limits cost-of-living adjustment under Public Employees Retirement System to first $3,000 of monthly benefits. Applies to all members regardless of date member retires, becomes disabled or dies.</td>
<td>Would reduce FYE14 OPSRP contributions almost $1M</td>
</tr>
<tr>
<td>HB 3202 &amp; SB 659</td>
<td>Limits cost-of-living adjustment under Public Employees Retirement System to first $2,000 of monthly benefits. Applies only to members who retire, become disabled or die on or after effective date [passage] of Act.</td>
<td>Would reduce FYE14 OPSRP contributions almost $1.5M</td>
</tr>
<tr>
<td>SB 658</td>
<td>Limits cost-of-living adjustments for monthly benefit payments under Public Employees Retirement System to members of system who have at least 10 years of creditable service at time member retires, becomes disabled or dies. Applies only to members who retire, become disabled or die on or after effective date of Act.</td>
<td>Might reduce OPSRP contributions $100,000/year</td>
</tr>
</tbody>
</table>

| **Out of State Tax Offset Benefits**                                                                                                     |                                                                            |
| HB 3059 & SB 471 | Prohibits Public Employees Retirement Board from paying increased retirement benefits resulting from state income taxation of payments made by board if person receiving payments does not pay Oregon income tax on benefits. Removes limitations on prohibition relating to date of retirement and provides procedures for enforcing prohibition. Imposes similar prohibition for certain public employers that provide retirement benefits for police officers and firefighters other than by participation in Public Employees Retirement System. | Would save $1.2M/year at current benefit levels; takes effect January; 380 people would receive lower benefits as much as 9% less |

| HB 3148 | Modifies law providing increased retirement benefits to members of Public Employees Retirement System in compensation for income taxation of retirement benefits. Provides that increased retirement benefits enacted in 1995 not be paid to retired member who does not pay Oregon income tax on benefits, without regard to person’s date of retirement. Imposes similar prohibition for certain public employers that provide retirement benefits to police officers and firefighters other than by participation in Public Employees Retirement System. | Would save $0.5M/year at current benefit levels; takes effect January; 300 people would receive lower benefits as much as 5% less |

<p>| <strong>Financing Issues</strong>                                                                                                                      |                                                                            |
| HB 3190 | Prohibits participating public employer from issuing revenue bonds to finance pension liability without express authorization from Legislative Assembly and majority of electors within jurisdiction of participating public employer. | Would restrict City’s ability to issue pension bonds if needed               |
| SB 445  | Provides that, if public body agrees to pay or provide benefit to retired employees other than payments required or provided for in statutes, public body must create separate accounts for funding of those benefits and make annual contributions to accounts in amounts necessary to amortize liability for benefits in 25 years or less. | City’s position is to oppose requiring prefunding of FPDR &amp; City’s OPEB benefits |</p>
<table>
<thead>
<tr>
<th>Bills(s)</th>
<th>Summary</th>
<th>FPDR Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Average Salary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HB 3056 &amp; SB 660</td>
<td>Eliminates use of accumulated unused vacation leave and unused sick leave in computation of final average salary for purposes of determining retirement benefit of member of Public Employees Retirement System. Applies only to members who retire on or after effective date of Act.</td>
<td>Just a Tier 1&amp;2 change – very few FPDR3 members would be affected</td>
</tr>
<tr>
<td>HB 3204</td>
<td>Limits total retirement benefit payable under Public Employees Retirement System to 100 percent of final average salary. Reduces limit to 90 percent for members who retire on or after January 1, 2018, and to 80 percent for members who retire on or after January 1, 2023. Provides that limit does not reduce retirement allowance or pension of member as calculated immediately before limitations are imposed.</td>
<td>Might affect a few FPDR3 members in Tier 1&amp;2; OPSRP members probably not affected</td>
</tr>
<tr>
<td>SB 664</td>
<td>Modifies calculation of final average salary for members of Oregon Public Service Retirement Plan. Applies to all active and inactive members of plan. [increases from 3-year to 5-year final average salary calculation]</td>
<td>Lower final average salary might save $0.45M/year</td>
</tr>
<tr>
<td>OPSRP Normal Retirement Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SB 663</td>
<td>Increases normal retirement age for active and inactive members of Oregon Public Service Retirement Plan. [60=&gt;62 or, with 25 years of service, 53=&gt;55 based on current SocSec retirement age]</td>
<td>No estimate of potential savings</td>
</tr>
<tr>
<td>FPDR-PERS Double Pensions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HB 3379</td>
<td>Prohibits public employer from agreeing to pay or provide retirement benefit to member of Public Employees Retirement System other than payments required or provided for in statutes governing retirement benefits of members of system. [Also would prohibit additional employer contributions to IAP]</td>
<td>Would appear to prohibit FPDR payments to PERS members</td>
</tr>
<tr>
<td>Defined Contribution Plan Only for New Hires</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SB 661</td>
<td>Provides that certain persons hired by participating public employer on or after January 1, 2014, may not become members of pension program of Oregon Public Service Retirement Plan. Allows person who may not become member of pension program to elect to make employee contribution to individual account program of up to six percent of salary. Allows employer to agree to match all or part of employee contribution made by person who may not become member of pension program.</td>
<td>Immediate impact of new defined contribution plan would be small, but grow over time. Contributions would not be subject to risk of variable investment returns, thereby reducing probability of FPDR exceeding its levy limit</td>
</tr>
<tr>
<td>SB 751</td>
<td>Establishes Fair Retirement Plan for persons hired on or after July 1, 2013, who have not established membership in Public Employees Retirement System before July 1, 2013. Specifies that Fair Retirement Plan be part of Public Employees Retirement System administered by Public Employees Retirement Board. Provides that Fair Retirement Plan be defined contribution plan. Authorizes assessment of charge against Fair Retirement Plan member accounts. Continuously appropriates funds collected pursuant to charge to board for costs of administration.</td>
<td></td>
</tr>
<tr>
<td>Bills(s)</td>
<td>Summary</td>
<td>FPDR Impact</td>
</tr>
<tr>
<td>---------</td>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>Employee &amp; Employer Contributions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HB 3058</td>
<td>Eliminates employer pick-up of six percent employee contribution required of members of individual account program of Public Employees Retirement System as of July 1, 2020. Eliminates ability of public employer to make employer contributions to individual account program as of July 1, 2020. Provides that collective bargaining agreement entered into on or after effective date of Act may not contain provision requiring public employer to pick up, assume or pay employee contributions to individual account program.</td>
<td>Eliminating 3% employer IAP contribution may be in conflict with Charter Section 5-304(d). Employee contribution would require gross-up of wages and increase cost.</td>
</tr>
<tr>
<td>HB 3206</td>
<td>Provides that Tier 1 and Tier 2 members cease to be members of individual account program on effective date of Act. Allows member who is already member of individual account program to continue as member for purpose of amounts in employee account, but prohibits further employee contributions to account. Directs board to establish new account for Tier 1 or Tier 2 employee. Requires that employee contributions and earnings on contributions in account be applied against costs of member’s pension or other retirement benefits payable to member. Specifies rules for withdrawal of new account by inactive member.</td>
<td>Just a Tier 1&amp;2 change – very few FPDR3 members would be affected</td>
</tr>
<tr>
<td>HB 3312</td>
<td>Requires member of Public Employees Retirement System to contribute ___ percent of salary to benefit funding account. Provides for amounts in account to be used to fund certain benefits.</td>
<td>Assuming this would reduce employer rates by the same percent, would increase cost to gross up pay as Charter says FPDR pays employee contributions</td>
</tr>
<tr>
<td>HB 3379</td>
<td>Employer contributions may not be made after the effective date [passage] of this 2013 Act. [one provision in bill]</td>
<td>Eliminating 3% employer IAP contribution may be in conflict with Charter Section 5-304(d)</td>
</tr>
<tr>
<td>SB 652</td>
<td>Eliminates employer pick-up of six percent employee contribution required of members of Public Employees Retirement System. Eliminates ability of public employer to make employer contributions to individual account program of system.</td>
<td>See HB 3058</td>
</tr>
<tr>
<td>Bills(s)</td>
<td>Summary</td>
<td>FPDR Impact</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>SB 653</td>
<td>Requires that employee contribution to individual account program be percentage of salary, be not less than 1% of salary or more than 6% of salary, and be whole number. Permits employer to specify percentage by agreement with all or some employees. Specifies that requirements do not apply to collective bargaining agreements entered into before effective date.</td>
<td>No impact</td>
</tr>
<tr>
<td>SB 654</td>
<td>Eliminates, on and after January 1, 2014, employee contributions, employer contributions and rollover contributions to individual account program of Public Employees Retirement System. Prohibits employee from becoming member of individual account program on or after January 1, 2014.</td>
<td>Eliminating IAP contributions may be in conflict with Charter Section 5-304(d)</td>
</tr>
<tr>
<td>SB 655</td>
<td>Eliminates employer pick-up of six percent employee contribution required of members of individual account program of Public Employees Retirement System. Requires employee contribution to individual account program only if elected by employee. Requires that employee contributions be percentage of salary, be not less than one percent of salary or more than six percent of salary, and be whole number. Eliminates ability of public employer to make employer contributions to individual account program.</td>
<td>See HB 3058</td>
</tr>
<tr>
<td>SB 657</td>
<td>Requires public employee to pay 50 percent of contributions to Public Employees Retirement System required to fund benefits. Eliminates employer pick-up of employee contribution to individual account program. Requires public employer and public employee to each contribute three percent of salary to individual account program. (also eliminates employer contributions)</td>
<td>See HB 3058</td>
</tr>
<tr>
<td>SB 662</td>
<td>Permits employer to pay all or part of employee contribution to individual account program of Public Employees Retirement System. Requires employer’s payment of employee contribution to be percentage of salary, be not less than one percent of salary or more than six percent of salary, and be whole number. Permits employer to specify percentage by agreement with all or some employees. Reduces maximum payment of employee contribution by employer to three percent of employee’s salary on and after January 1, 2016. Specifies that requirements do not apply to collective bargaining agreements entered into before effective date of Act.</td>
<td>Limiting employer pick-up to 3% would increase cost to gross up pay as Charter Section 5-304(d) says FPDR pays employee contributions</td>
</tr>
</tbody>
</table>

Miscellaneous

<p>| HB 2784 | Directs Public Employees Retirement Board to calculate or recalculate retirement benefits of member of Public Employees Retirement System if member is convicted of certain work-related felonies. Requires board to pay convicted member only benefits that are funded by employee contributions. | No impact                                                                   |
| HB 3203 | Requires Public Employees Retirement Board to establish rate of return for crediting member accounts. Provides that rate of return may be lower than assumed interest rate. | No impact                                                                   |</p>
<table>
<thead>
<tr>
<th>Bills(s)</th>
<th>Summary</th>
<th>FPDR Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>HB 3205</td>
<td>Directs Public Employees Retirement Board once every two years to calculate savings in employer contributions attributable to legislation enacted in preceding two years and set aside savings in Employer Contributions Savings Account and rate stabilization subaccount. Allows board to apply amounts in rate stabilization subaccount to employer contributions in certain circumstances.</td>
<td>Negligible impact</td>
</tr>
<tr>
<td>HB 3209</td>
<td>Prohibits Public Employees Retirement Board from using assumed interest rate of more than six percent in determining amount of annuity for money match calculation of retirement benefits.</td>
<td>No impact</td>
</tr>
<tr>
<td>HB 3313</td>
<td>Changes definition of “qualifying position” for purposes of public employee retirement benefits to require employee to work at least 1040 hours in calendar year. Requires public employee to work at least 1040 hours in calendar year to qualify for certain benefits.</td>
<td>1040 hours/year to count for vesting – negligible savings</td>
</tr>
<tr>
<td>HB 3351</td>
<td>Removes exceptions that allow retired member of Public Employees Retirement System to be reemployed by public employer and continue to receive pension payments.</td>
<td>No impact</td>
</tr>
<tr>
<td>SB 337</td>
<td>Repeals requirement that certain local governments make health care insurance coverage available to certain retirees.</td>
<td>Additional administrative burden for FPDR</td>
</tr>
<tr>
<td>SB 369</td>
<td>Establishes exemption from required disclosure for retiree financial information maintained by Public Employees Retirement System.</td>
<td>No financial impact</td>
</tr>
<tr>
<td>SB 656</td>
<td>Directs Public Employees Retirement Board to use assumed interest rate of five percent in determining amount of annuity for money match calculation of retirement benefits.</td>
<td>No impact</td>
</tr>
<tr>
<td><strong>Omnibus Bills</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SB 738 &amp; SB 754</td>
<td>Apply COLA to $2,000 (grows with COLA rate)/month base benefit regardless of retirement date; no tax offset benefits if not subject to Oregon personal income tax; Tier One/Two final average salary excludes overtime and leave payouts for new retirees; future Tier One/Two employee contributions fund defined benefit; money match 4% assumed interest rate</td>
<td>See impact for separate provisions</td>
</tr>
<tr>
<td>SB 748</td>
<td>Apply COLA to $2,000 (grows with COLA rate)/month base benefit regardless of retirement date; no tax offset benefits if not subject to Oregon personal income tax; future Tier One/Two employee contributions fund defined benefit; 1040 hours for qualifying position; collective bargaining constraint on last best offer</td>
<td></td>
</tr>
</tbody>
</table>

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