

**[THE FOLLOWING SUMMARIZED MINUTES WERE CONDUCTED IN PUBLIC SESSION. THERE WAS NO PORTION OF THE MINUTES THAT WERE IN EXECUTIVE SESSION.]**

A regular meeting of the Board of Trustees of the Fire and Police Disability and Retirement Fund was called to order on the 27th day of January at 1:05 p.m.

Board Members Present Included:

Mayor Charlie Hales, Chair  
Mr. Robert Foesch, Police Trustee  
Mr. Justin Delaney, Citizen Trustee  
Mr. David Dougherty, Citizen Trustee

Board Members Absent:

Mr. Jason Lehman, Fire Trustee

Also Present Were:

Mr. Samuel Hutchison, FPDR Director  
Ms. Kimberly Mitchell, FPDR Claims Manager  
Ms. Nancy Hartline, FPDR Finance Manager  
Ms. Derily Bechthold, Deputy City Attorney  
Mr. Kenneth A. McGair, Deputy City Attorney  
Mr. Lorne Dauenhauer, Outside Legal Counsel  
Mr. Matt Larrabee, Milliman  
Mr. Scott Preppernau, Milliman  
Mr. Gabe Sansone, Fire Liaison  
Ms. Crystal Viuhkola, Police Liaison  
Mr. Alan Ferschweiler, President PFFA  
Mr. Ty Walthers, Retired Fire Member  
Mr. Del Stevens, Retired Fire Member  
Mr. Henry Groepper, Retired Police Member  
Ms. Julie Falender, Attorney  
Ms. Maxine Bernstein, Oregonian  
(Other unknown audience members)

Mayor Hales called the meeting to order and roll call of the trustees present was taken. Mayor Hales then asked for a motion to approve the minutes.

***Mr. Delaney made a motion that was seconded by Mr. Dougherty and passed by a roll call vote of 4-0 to approve the November 18, 2014 minutes.***

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<i>Aye</i>	<i>Mayor Hales, Mr. Delaney, Mr. Foesch, Mr. Dougherty</i>
<i>Nay</i>	<i>None</i>
<i>Abstain</i>	<i>None</i>
<i>Absent</i>	<i>Mr. Lehman</i>

General Public Comment

Mr. Del Stevens addressed the Board. He stated that as a follow up from the last meeting he had several questions to ask. Mr. Stevens stated that the FPDR Board changed its meeting schedule to every other month and last year cancelled all of the summer meetings. He wanted to know if the schedule change and cancelling of meetings was in conflict with the Oregon Public Meetings Law. Mr. Stevens also stated that several of the overpaid retirees voluntarily repaid their entire overpayment without being part of the class settlement. He added that in previous meetings everyone on the Board felt it was wrong and even the judge that administered the class lawsuit was embarrassed by it. He stated that there was pretty much a unanimous consent that the people that did the right thing should not be punished for doing the right thing. Mr. Stevens stated that at the last Board meeting he suggested asking Risk Management if they could correct the mistake that was made and pay back those retirees the 40% they were not refunded. He asked whether the Board had a response to his suggestion.

Mr. Delaney stated that he did not agree with Mr. Stevens' statement that it was a unanimous position of the Board that a refund be proffered to the people who voluntarily repaid the FPDR and they need to remember why the repayment occurred. He stated that nobody disagreed that there was an overpayment and that the settlement had to do with the method the City used to collect the funds. He said unfortunately that the Board's hands were tied. Mr. Delaney stated that he sympathizes with Mr. Stevens but thinks he did the right thing in repaying the overpayment amount.

Mr. Stevens also asked about a response to his PERS question. He stated that PERS had overpaid some pension benefits but forgave most of the overpayment so their members did not have to make any repayments. He asked why PERS could forgive an overpayment but the FPDR could not.

Mayor Hales stated he will be discussing Mr. Stevens' issues with Mr. Hutchison and Mr. McGair and they will get answers to Mr. Stevens' issues.

**Action Item No. 1 – Disability Audit Report**

This Action Item was postponed until the March 24, 2015 Board meeting.

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**Action Item No. 2 – Actuarial Valuation and Levy Adequacy Analysis**

Actuaries Matt Larrabee and Scott Preppernau presented a report on the most recent actuarial valuation and levy adequacy analysis. Mr. Preppernau began by stating that the valuation of the FPDR program reflects changes made in the 2013 legislative session and reflects assumption changes adopted by the Board in May 2014. He went on to state that the actuarial valuation was conducted based on the June 30, 2014 snapshot of membership retirees and active members. He stated that because of the pay-as-you-go structure of the FPDR valuation, it is not used for funding or developing contribution policy and that it is much more the basis for financial reporting and levy adequacy work. Mr. Preppernau also stated that it is important to note that the valuation did not reflect the cost of the contributions made for FPDR Three members who get benefits under OPSRP. He went on to explain that the two big changes in the 2013 legislative session were: 1) Senate Bill 822 which eliminated tax offset benefits for retirees who were not subject to Oregon income tax because of residency and 2) Senate Bill 861 which limited the post-retirement COLA. For their valuation purposes and levy modeling, Mr. Preppernau stated that they assumed 1.25 percent COLA for FPDR Two members every year. He stated that in their model, benefits are projected to increase over the next 20 years when considered on a non-inflation adjustment basis and then subsequently decrease. He added that given the long-term nature of the modeling, assumptions play a key role in the calculations. He went over the assumptions and changes adopted based on their 2014 actuarial experience study and what they do in the valuation. Mr. Preppernau explained that it was the first valuation performed since the new GASB financial reporting requirements took effect. He also stated that a 4.29 percent discount rate was used which was raised from 3.5 percent. An increase from the 3.5 percent used for prior valuation.

Mr. Delaney stated that it seemed counterintuitive that GASB is requiring them to raise the discount rate, which is lowering their perceived financial obligation, but the people paying the property tax are not earning 4.92 percent on their investments right now. Mr. Larrabee replied that it is all about the financial reporting rather than the funding or the taxpayer group and that FPDR is a unique system.

Mr. Larrabee then transitioned over to the prefunded costs as a percentage of payroll for the FPDR Three members to fund their benefits from the OPSRP tier and the projected levy amount compared to the \$2.80 that is allowed under the City Charter. He went over two broad categories: pay-as-you-go costs and prefunded cost. He added that changes from the 2006 reform helped lower the long-term projected cost of the FPDR program, but that the cost saving effects accrue very slowly with the most dramatic impact likely to occur more than 20 years out. Mr. Larrabee went over the variability in their analysis and their analysis results. He further went over the development of the final levy from the total requirements (expense) and added that based on consultations with both the City economist and FPDR, there is about a 9 percent difference between the total expense and final levy because of compression and discounts/delinquencies. Mr. Larrabee also

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stated that the levy, when stated as a dollar amount of real market value, stays in the fairly narrow range, between \$1.35 and \$1.50 throughout the 20 years that they modeled.

Mr. Dougherty asked about the effects on the levy if SB 822 and 861 were overturned. Mr. Larrabee stated that he would anticipate moving the cost bars on his levy graph ten percent higher in dollars or levy rate than what they were currently and the median levy rather than staying flat would probably climb up a bit and the outlier bad scenarios would go up and start touching the \$2.80. Mr. Delaney stated that even if SB 822 and 861 were overturned, the FPDR is benefitting from the increase in real market value so it would still be a little rosier than the last time.

Public Comment:

Mr. Ty Walthers, retired firefighter, addressed the Board and asked whether there would there be any pressure in any of the outlying years on the millage had they not added the PERS component. Mr. Larrabee replied that he thought it was reasonable to presume that without the 2006 Charter changes they would potentially have an increase or the median could be headed up towards the levy, but they did not analyze that. Mr. Walthers then asked whether there is not necessarily more pressure on the 2.8 levy than would have occurred anyway without the 2006 changes. Mr. Larrabee stated that he thought the 2006 changes significantly reduced pressure on the 2.8 levy because it decreased benefits paid and created the potential for actual investment earnings.

Mr. Walthers then asked whether there was still a significant amount of property in the City, such as in the Pearl and in South Waterfront, that is not fully on the tax rolls and whether that would make any significant difference down the road. Ms. Hartline stated that her understanding is that there is only one real market value number per property and that the assessors cannot tell what part of the property's value is associated with the increase since the urban renewal district was created. Ms. Hartline then stated that she did not think releasing urban renewal properties onto the general rolls affects the real market value levy.

***Mr. Delaney made a motion that was seconded by Mr. Dougherty and passed by a roll call vote of 4-0 to accept the actuarial valuation report and levy adequacy analysis.***

<i>Aye</i>	<i>Mr. Dougherty, Mayor Hales, Mr. Delaney, Mr. Foesch</i>
<i>Nay</i>	<i>None</i>
<i>Abstain</i>	<i>None</i>
<i>Absent</i>	<i>Mr. Lehman</i>

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**Action Item No. 3 – Adopt 2015-2016 Budget**

Ms. Hartline presented the FPDR 2015-2016 Recommended Budget and Five-Year Forecast for FYI 2016-2020. She started with the pension methodology and assumptions. She stated that staff was assuming no cushion in the FPDR 2 retirements in FY 2015-16 and that the pension benefit adjustments being assumed are 2.5 for FPDR One and 1.25 for FPDR Two. She then explained the FPDR Three contributions and stated that cost is being driven by the PERS rate increase to 20.64 percent. Ms. Hartline went on to explain that disability is trended with wage and medical inflation and administration is growing by 4.4 percent. She added that the materials and services portion of the administration cost are down 20.8 percent and explained the increase in the capital budget.

Mr. Delaney asked about the 4.4 percent growth in personnel services. Mr. Hutchison explained that in the past few years, City employees only got half of the cost-of-living and this year received the full cost-of-living. In addition, that there are newer employees that are eligible for step increases. Ms. Hartline stated that step increases for represented employees are determined by the labor agreements and for non-represented employees they can have up to a 4.1 percent merit increase per year until they reach the top of the range. Ms. Hartline also explained that another part of the inflation is the increase in the PERS contribution rates of more than 7 percent. She also went over the level of contingency and stated staff was comfortable lowering the contingency from 9 percent to 8 percent and went over the risks to the forecast.

Ms. Hartline then turned to the non-property tax revenue sources and stated that it was a small part of funding the Plan. She went over resources and requirements and stated that the property tax number for fiscal year 2015-16 was \$121.6 million. The recommended budget was \$171.6 million. Ms. Hartline also went over the five-year forecast. She explained that the Measure 50 assessed value levy rate declines from \$2.67 this year to \$2.52 in the budget year and rises slowly to \$2.83 by the end of the five-year forecast. In addition, the gross Measure 5 real market value rate was declining from \$1.48 to \$1.36. She stated that it then rises slowly to \$1.44 at the end of the five-year period assuming later real market growth is 4 ½ to 5 percent a year. Ms. Hartline reminded that the FPDR levy is capped at \$2.80 per thousand dollars of real market value by the Charter so they are roughly about half of their maximum levy and the lowering rates will be good news for the taxpayers as well.

Ms. Hartline then went over key performance measures and stated that because FPDR does not provide a service to the public, it was decided to focus on what drives their budget and the public's tax rate. Mr. Delaney commented that the key performance measures are phenomenal and the only missing item for him is the number of workers returned to work.

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*Mr. Dougherty made a motion that was seconded by Mr. Delaney and passed by a roll call vote of 4-0 to accept the 2015-2016 Recommended Budget.*

With the roll call vote, Mayor Hales stated that he had not heard of tax rates going down on an actuarially sound pension program anywhere else in the country and credited the current management of the FPDR, current and past members of the Board and the workforce of the police and fire organizations. Mr. Delaney added that to see that they are not in any real fear of bumping into the levy cap anymore is something everyone should feel good about.

<i>Aye</i>	<i>Mayor Hales, Mr. Delaney, Mr. Foesch, Mr. Dougherty</i>
<i>Nay</i>	<i>None</i>
<i>Abstain</i>	<i>None</i>
<i>Absent</i>	<i>Mr. Lehman</i>

**Action Item No. 4 – Resolution No. 498 – Administrative Rule Amendment to Section 5.3 and 5.8**

Mr. Hutchison explained the amendments to the administrative rules were to correct a couple of errors. He stated that the first correction was in Section 5.3 where a paragraph was inserted in the wrong place in the rules. The second correction was in Section 5.8 where Substantial Gainful Activity (SGA) language was inserted. Mr. Hutchison explained that Section 5.8 does not have a SGA requirement and SGA language did not belong there. He added that the amendments were just to clean up the rules.

*Mr. Delaney made a motion that was seconded by Mr. Foesch and passed by a roll call vote of 4-0 to adopt Resolution No. 498.*

<i>Aye</i>	<i>Mr. Delaney, Mr. Foesch, Mr. Dougherty, Mayor Hale</i>
<i>Nay</i>	<i>None</i>
<i>Abstain</i>	<i>None</i>
<i>Absent</i>	<i>Mr. Lehman</i>

**Information Item No. 1 – Financial Audit**

The report of Independent Auditors was provided to the Board in their board books. Ms. Hartline stated that the FPDR had a clean financial audit opinion again which included the implementation of GASB 67 (the new pension reporting standard).

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**Information Item No. 2 – FPDR Updates**

Mr. Hutchison explained that at the last meeting the Board was informed about the *Windsor* Supreme Court decision on the Defense of Marriage Act. He stated that the ordinance to amend the Charter per the Windsor decision was passed by Council in December. He added that staff would be republishing the Charter with the amendment as well as the Administrative Rules with the recent revisions to the rules.

**Information Item No. 3 – Future Meeting Agenda Items**

Mr. Hutchison went over the meeting schedule and asked the Board whether they wanted to start the COLA discussion at the March or May board meeting. Mr. Foesch indicated that he would like to start that discussion sooner, rather than later. Mr. Hutchison stated he would have the COLA discussion on the March agenda. Mr. Hutchison also added that tax anticipation notes and an analysis/recommendation regarding the 30-day disability claim filing timeliness will be presented at the May board meeting.

**Information Item No. 4 – FPDR Summary of Expenditures**

There was no discussion on this item.

There being no further business, the meeting was adjourned at 2:30 p.m.

Samuel Hutchison  
Director

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