Regular meeting on March 19, 2019 of the Board of Trustees
Fire & Police Disability and Retirement Fund
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Minutes – Summary

[THE FOLLOWING SUMMARIZED MINUTES WERE CONDUCTED IN PUBLIC SESSION.
THERE WERE NO PORTIONS 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 19th day of March 2019 at 1:01 p.m.

Board Members Present Included:

Jennifer Cooperman, Chairperson
Jason Lehman, Fire Trustee
Catherine MacLeod, Trustee
Brian Hunzeker, Police Trustee
Elizabeth Fouts, Trustee

Board Members Absent Were:

None

Also present were:

Samuel Hutchison, FPDR Director
Kimberly Mitchell, FPDR Claims Manager
Stacy Jones, FPDR Finance Manager
Frank Del Carlo, FPDR Fire Liaison
Crystal Viuhkola, FPDR Police Liaison
Nelson Hall, Attorney, Bennett Hartman Morris & Kaplan
Olivia Wotman, Attorney, Public Safety Labor Group
Lorne Dauenhauer, FPDR Outside Legal Counsel
Franco Lucchin, Sr. Deputy City Attorney
Dave Short, Retired Fire Member
Ty Walthers, Retired Fire Member
Henry Groepper, Retired Police Member

Chairperson Cooperman called the meeting to order and asked for approval of the minutes. Trustee Lehman made a motion which was seconded by Trustee Hunzeker.
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Trustee MacLeod asked for clarification on one part of the minutes before a vote on the motion. Trustee MacLeod referred to the minutes at page 10 which reflect the Board’s discussion on contribution increases for FPDR Three members under PERS. The minutes state that during that discussion, Stacy Jones, FPDR Finance Manager, said that the OPSRP contribution rate includes the retirement of the unfunded actuarial accrued liability for PERS Tier One and Tier Two and Trustee MacLeod wanted to know if that was correct. Stacy confirmed that a portion of the Tier Three contributions are to pay down the PERS Tier One and Tier Two unfunded actuarial accrued liability. Stacy explained that she did not know why the PERS Board made the decision to do so, but with the declining Tier One and Tier Two active population, the contribution rate on the still working Tier One and Tier Two members would have to be very large if they were retiring it on their own and the best guess is that they made that decision for practical reasons. Stacy also explained that the FPDR is a subpart of a rate pool, the state and local government rate pool, which further complicates matters.

Trustee Hunzeker also had one clarification on page 7 of the minutes where it noted “Stacy stated that the FPDR has not failed or is likely to ever fail an ETOB test and felt that the ETOB test was not the mechanism for anything related to the discussion they were having”. Trustee Hunzeker did not remember the words “likely to ever fail”. Trustee Hunzeker wanted people to be able to talk about whatever requests they may have and the words “likely to ever fail” draws a conclusion that the Board doesn’t want to hear anything else about it.

Stacy stated that staff will review the meeting video to verify what was said. Stacy then stated that it was important to understand that the FPDR does not conduct the ETOB test and FPDR has nothing to do with it so there is nothing for the FPDR Board to do with ETOB. The forum for any complaint or change in the way the ETOB test is conducted is with the PERS Board. Stacy added that under existing statutes, PERS administrative rules and existing FPDR Plan benefits, it is unlikely that the FPDR plan would ever fail an ETOB test.

Trustee Hunzeker did not want to discourage anyone that has a request for the Board to not come forward. All requests should come to the Board even if it ends up having to take another avenue. Stacy stated that anyone is welcome to give public testimony to the Board on any topic. Trustee Hunzeker wanted the minutes to reflect that the Board was open to listening to anyone requesting anything from the Board that pertains to FPDR or concerns they have with FPDR.
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Trustee Lehman made a motion that was seconded by Trustee Hunzeker and unanimously passed to approve the January 22, 2019 minutes.

<table>
<thead>
<tr>
<th>Aye</th>
<th>Trustee Cooperman, Trustee Fouts, Trustee Hunzeker, Trustee Lehman, Trustee MacLeod</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nay</td>
<td>None</td>
</tr>
<tr>
<td>Abstain</td>
<td>None</td>
</tr>
<tr>
<td>Absent</td>
<td>None</td>
</tr>
</tbody>
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Introductions of those present were then made. There were no General Public Comments.

Action Item No. 1 – Annual Adjustment Review

Stacy Jones, FPDR Finance Manager, went over what she will be going over and explained that typically pension beneficiaries get a COLA on July 1. Stacy went over why a pension plan might have a COLA and also went over purchasing power erosion. Stacy went on to state that the median pension benefit of FPDR Two members who retired in the last 12 months was a little under $7,000. In about 30 years that benefit in today’s dollars would be about $3,000 a month assuming a 2.75 percent inflation. Stacy added that the impact in any one year may seem small both for the plan and the member, but it is a critical decision and important to view it in the lens of the member for whom it is a valuable benefit and it is equally important to view it in the eyes of the financial impact to the plan.

Stacy explained that FPDR One COLA is explicitly defined in the Charter so there is no decision for the Board to make. As part of the bargaining contracts, on July 1 Fire retirees will get a 3.9 percent wage COLA. Police retirees will also get the 3.9 percent wage COLA. Police retirees will also get an additional 3 percent raise that all PPA members received on January 1, 2019. While they are sizeable increases, the impact on the budget is small because there are fewer than 500 FPDR One beneficiaries. All of the costs associated with the FPDR One COLA was included in the budget that the Board approved in January 2019.

Stacy also explained that FPDR Two COLA is awarded by the Board. The Board has discretion over timing and amount of the COLA. The Board can award anything up to the maximum rate that PERS gives its sworn employees which is 2 percent. Historically, what the Board has done is use the same methodology as PERS. However, the PERS methodology changed multiple times between 2013 to 2015 because of legislative changes and in response to an Oregon Supreme Court
decision which partially revoked some of those changes. In late 2015, PERS had started using a method that it is continuing to use which involves three different COLA rates: 1) on the percent of service before October 2013 PERS members get the old COLA method which is usually 2 percent; 2) and then for the percent of the benefit that is attributable to service after October 2013, it is 1.25 percent on a benefit amount under $60,000; and 3) 0.15 percent on the benefit amount above $60,000. In 2015, the FPDR Board decided to follow the PERS methodology and adopted a method that did not have the lower COLA percent for benefit amounts over $60,000 which staff called modified PERS and are now calling FPDR Two COLA methodology. Stacy explained that the Board has been using the FPDR Two COLA methodology for the last three years. The costs for FY 2019-2020 would be about $2 million. The average increase to a retired member would be 1.99 percent.

Stacy also went over the potential of the Board adopting a COLA floor. Stacy stated that it did not have any bearing on the current COLA decision but there were things the Board should be thinking about in the future, i.e., Is the majority of the Board interested in a minimum COLA and if so, what percentage would that be; policy and potential legal ramifications; what are the parameters. Stacy added that she will bring this discussion back to the Board next year if the Board wants to continue to explore a floor in the future.

Trustee Lehman asked if members should be thinking about when they should retire because every year they delay retiring, their COLA is going to be lower. Stacy replied that it is unusual to have a future of a pension benefit that gets worse the longer you work and staff does advise members of that when they request a pension estimate and at the retirement workshops. However, Stacy also stated that because of the increase in Final Pay and the increase in Years of Service which are increasing a member’s pension, those far outstrip the decrease in the pension COLA.

Trustee Lehman asked where the $60,000 amount in PERS’ COLA calculations came from. Stacy was not sure but stated that there are two different rumors: 1) $60,000 felt right to the legislators and 2) the legislators may have been trying to hit a particular reduction in the unfunded liability and that number may have partially made that work.

Stacy then stated that staff’s recommendation for the FY 2019-20 COLA was to continue with the FPDR Two COLA method. It maintained a stable approach for both beneficiaries and the FPDR and maintains a link to the PERS methodology.
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Trustee Lehman stated that the Board cannot only look at cost and should not forget the
beneficiaries of the benefit.

Fire Retiree Doug Short provided public comment and advocated for a 2 percent COLA.

Trustee Hunzeker asked what sort of legalities the Board was facing with past practice if they
broke away from the norm and approved a 2 percent COLA for everyone. Outside Legal Counsel
Lorne Dauenhauer stated the Charter gives the trustees discretion and discretion means they are
not hemmed in to what they have done in the past.

Trustee MacLeod asked how COLA was calculated if each year there were different percentages.
Stacy explained that the decision the Board was making has no impact on anybody who has not
yet retired and it will have no impact on anybody who retires after July 2, 2019. Stacy provided an
example of the calculation. Chairperson Cooperman clarified that it is a sequential independent
one-year decision.

Crystal Viuhkola, FPDR Police Liaison provided public comment and stated that Trustee Foesch
several years ago asked for a 2 percent COLA and wondered why they are stuck at 1.9 percent
now. FPDR Director Sam Hutchison stated that the Board opted for the modified PERS method at
that time to mirror what PERS was doing.

Trustee Hunzeker made a motion to adopt a 2 percent COLA across the board. Director Hutchison
suggested that the Board give staff some direction to provide the Board with what the impact of
that would be and come back to the Board in May. Trustee Fouts stated that as fiduciaries they
should get the impact of such a decision. Trustee Hunzeker withdrew the motion until staff
provides further information.

Stacy stated that staff will provide the Board with the one-year impact of a 2 percent COLA vs.
the FPDR Two blended method, will provide Milliman’s analysis of what they had done
previously, will confer with the City Attorney about any legal considerations, and will look at the
difference in purchasing power erosion. Stacy added that the Board can meet in Executive Session
if needed. The information will be provided to the Board at the May Board meeting.
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Trustee Lehman stated that they keep hearing about the impact on the Fund but also need to think about the impact on the retiree.

Fire Retiree Ty Walthers provided public comment. Mr. Walthers provided a historical perspective and explained that there was a time when the PERS maximum limit was 2 percent, there was no minimum and PERS also had a catch-up provision. Mr. Walthers also stated that at that time the legislature could implement an ad hoc increase as well. Mr. Walthers did not see a big issue if the Board decided on a 2 percent COLA.

Information Item No. 1 – FPDR Summary of Expenditures

Stacy explained that FPDR was having two back to back 27 pay date months and that there were 54 (36 police/18 fire) retirements in February and March. Stacy added that they budgeted for 53 retirements. Stacy also stated that the expenditure report goes through January because February had not yet closed when the report was sent out.

Information Item No. 2 – Legislative Updates

Director Hutchison provided the Board with a Legislative Review Criteria and went over the type of bills being tracked and explained how they could possibly impact FPDR.

Information Item No. 3 – FPDR Updates

Director Hutchison stated that staff was putting together continuing education sessions for the trustees. The sessions would be: 1) overview of the Charter and Administrative Rules; 2) life of a disability claim; 3) pension estimates and pension calculations. Director Hutchison added that the sessions are voluntary, and they would need to be careful about the quorum issue.

Information Item No. 4 – Future Meeting Agenda Items

Director Hutchison stated that the next board meeting is scheduled for May 28, 2019 and the agenda items will be: 1) follow up on COLA; 2) Tax Anticipation Notes; 3) Board Handbook (expanded section on public meetings).
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Director Hutchison also stated that there are presently no agenda items for the July 23, 2019 board meeting so a meeting may not be held.

There being no further business, the meeting was adjourned at 3:07 pm.

[Signature]
Samuel Hutchison
Director

/ck