

Council Communication

Authorization to Use Separate Contribution Rates for General Service and Public Safety Employee Contributions into the Public Employee Retirement System

Meeting Date:	January 6, 2009	Primary Staff Contact:	Lee Tuneberg
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Secondary Dept.:	Administration	Secondary Contact:	None
Approval:	Martha Bennett	Estimated Time:	Consent

Question:

Will Council approve using separate contribution rates for General Service and Public Safety employee Tier 1/Tier 2 contributions to the Public Employee Retirement System?

Staff Recommendation:

Approve the use of separate rates to calculate and pay contributions in order to better account for the ongoing liability while recognizing the different benefit loads for employee types.

Background:

The City of Ashland has used a melded rate for contributions calculated by PERS that included the benefit cost of General Service and Public Safety employees. A melded rate is intended to generate the necessary contributions for all employees and groups within the City on average. Public Safety rates are higher than General Service rate for several reasons but primarily due to the early retirement provisions for Police and Fire personnel as compared to all other groups.

Previously, Oregon PERS calculated the rate for the separate groups but it could not accept payments from the agency (the City) by group. The problem with using a set of assumptions in calculating two rates and then melding them into one rate that is used for remittances is that significant swings in the number of employees, their category and level of pay could cause a disconnect between the liability for the pension program and the amount remitted. By itself, this could cause a serious under funding of the program.

This actually happened in 1996 when the hospital spun away from the City. Due to using a melded rate and the lag time for PERS to do specific actuarial work on Ashland, the proportion of Public Safety to General Service employees shifted and Ashland became a materially under funded member of PERS.

Using separate rates for the two groups will be consistent with the approach used for the Oregon Public Service Retirement Plan (OPSRP) established in 2006. It will also minimize errors in contributions due to calculation errors or assumptions for a melded rate and will also provide better position costing for each group at the City. This will assist the City to better evaluate cost of services and to make informed decisions.

This change will not affect the City's overall liability for PERS participation.



Related City Policies:

None

Council Options:

Council may direct staff to take the steps necessary to account separately for the two groups or may take no action, defaulting to the continued use of a melded rate for calculating and remitting contributions to PERS.

Potential Motions:

I make a motion authorizing staff to inform Oregon PERS the desire to use separate Tier 1/Tier 2 rates for General Service and Public Safety groups.

Attachments:

None

