

Personnel Details/Questions/ Answers 04.16.2021

1. Personnel services costs. 57 percent of the proposed 21/22 General Fund and Parks General Fund budget is for personnel services. Some in Ashland have asserted that the City's staff salaries are too high. **When was the last time the City benchmarked its compensation structure for each job family? At what level of market competitiveness are the City's compensation structures set?**
 - A. The City conducts informal reviews of its compensation compared to similar-sized cities in Oregon when it undertakes negotiations with any bargaining unit. A formal classification and compensation study was completed in 2010 and phased in implementation of the salary recommendations took place over several years. The City also had to bargain implementation with the Clerical/technical group. Due to the new salary ranges and steps implemented, in most cases it was 3-5 years before employees who were below market "caught" up through implementing the study recommendations. When reviewing published salaries from comparable cities, staff noted that most positions across all functions were similar for nearly all of Ashland's comparable cities used in bargaining; the results are attached as Attachment B.

2. I don't understand how PERS unfunded liabilities is dropping. My understanding of that system for those under the original contract is that they are guaranteed 8% growth and they get everything that comes in above it, so when it drops below 8% we have to cover the difference. It's my understanding that the Great Recession did quite a lot of damage that we will be paying off for the next decade or two as those folks age out. **So, I don't understand how it can recover (and the cost go down for us) no matter how well the market does. Can you explain that to me?**
 - A. System-wide, more and more employees are covered under the Tier 3 arrangement which includes a lower benefit and therefore, employer contribution. The Unfunded Actuarial Liability (UAL) reflects fewer higher Tier employees accruing benefits. Additionally, the Oregon Public Employee Retirement System (PERS) has reduced their assumed rate of returns for all tiers, shifting the impact of recent rates from performing under the 8% threshold to returning higher than the current rate, 7.2%, which has been in place since 2018. Every two years, PERS evaluates the actuarial assumptions used to calculate the anticipated costs of the total benefits earned and being earned by members of the system. The assumptions are adjusted to smooth out the spikes and valleys of the rates but within conservative parameters.

Some system-wide changes have been made to PERS with the intent to ease the employer burden. The 2.5% reduction to the employee IAP (explained in the attached PERS one-pager) was implemented specifically to help reduce the employer unfunded liability. Employees received a reduction to the retirement benefit in previous actions. PERS also allowed retirees to continue working unlimited hours for four years with the employer continuing to pay PERS costs even though the employee was not eligible for additional PERS benefits, to bring down employer rates.

3. As a follow up, thank you for talking about it separately from regular benefits of current employees. That's helpful for our process. I apologize if I missed it in the materials, but **how much are we paying out of the general fund for this biennium for PERS unfunded liabilities?**

A. The citywide PERS/OPSRP payments for “normal” retirement costs are estimated to be \$6,995,354 while the Unfunded Actuarial Liability (UAL) costs are estimated to be \$6,187,762 for the biennium. These will fluctuate with actual payroll costs. The total estimated cost is \$13,183,116. The General Fund portion of these for the biennium is \$3,378,502.

4. **What would be the savings from additional contributions by employees toward healthcare?**

A. Currently, most employees are already transitioning to 10% contribution as of July 1, 2021. Police, Fire, and Laborers will have dialogue during the upcoming negotiations about following suit. An additional increase would be subject to negotiation for all but 27% of the covered population. The savings associated with a one percent and a five percent increase in employee contributions are shown below.

	Non-Represented	Parks	IBEW Clerical	IBEW Electric	Laborers	Police	Firefighter	City Council	Leadership Team	TOTAL
	50.57	33.75	40	17	41	22	30	7	11	
Health/Dental Insurance	19,495	19,584	19,495	19,495	19,495	19,495	22,350	19,495	19,495	
H/D TOTAL	985,862	660,960	779,800	331,415	799,295	428,890	670,500	136,465	214,445	5,007,632.15
1% Contribution	9,858.62	6,609.60	7,798.00	3,314.15	7,992.95	4,288.90	6,705.00	1,364.65	2,144.45	50,076.32
5% Contribution	49,293.11	33,048.00	38,990.00	16,570.75	39,964.75	21,444.50	33,525.00	6,823.25	10,722.25	250,381.61
Not subject to negotiation	1% increase	13,367.72								
	5% increase	66,838.61								

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The BN 2021-2023 proposed budget includes no new positions, eliminates and defunds several positions, and includes the full cost of all positions so...

- To balance the budget why isn't personnel service costs kept at 17-18 or 19-20 actual levels?
- To balance the budget, reduce top paid city staff (top 30) salaries by 20%
- To balance the budget, eliminate the 2% City contribution to HRA-VEBA account

- To balance the budget, require city staff (non CBA affiliated) to pick up their own 6% retirement contribution immediately. Phase in over 2 yrs (3% yr)
- To balance the budget stop COLA increases immediately . COLA contributions/adjustments (typically 2 to 3%) need to be reduced or eliminated.
- How many long-time employees have formally retired but are now contract employees? Which departments?
- If we are not increasing hiring in this budget why is Public Works FTE set to jump from 59 (21 actual budget) to 64 staff in the 22-23 budget?
- Do any city staff receive a monthly travel allowance? If so how many staff and how much is the allowance?
- What will be the PERs costs this year both in Unfunded Liability and normal costs - it was about \$10.2ml in the 19-21 budget
- Please outline dates when union contract negotiations are up for renewal? Who represents the citizens of Ashland in those negotiations?

A. The difference between FY18 and FY22 and between FY20 and FY22 are shown below with the equivalent number of Full-time Equivalents (FTEs) that would need to be eliminated to achieve those savings within Personnel Costs. To achieve the savings between FY18 and FY22, a 9.29% reduction would be required.

	Gross Dollar	FTE Equivalent
Difference btwn FY22 and FY18	\$ 3,419,512	22.79
Difference btwn FY22 and FY20	\$ 1,118,430	7.45
Avg FY22 Personnel Services costs	\$ 150,039	

B. The City currently has 150 FTEs covered by collective bargaining agreement, 33.75 FTEs under the jurisdiction of the Ashland Parks and Recreation Commission, and 11 FTEs covered by individual employment agreement. Adjustments to compensation outside of the collective bargaining process is a violation of federal and state law. Adjustments to compensation for those positions covered under individual employment agreement may trigger severance clauses at an approximate cost of \$1,045,387. Those positions that are not directly subject to negotiation may come under the Oregon Pay Equity Act established in June 2017 requiring comparable compensation for similar positions. Compensation includes all aspects of salaries, wages, and benefits. The numbers presented in B, C, D, E, F, G, and H are for City-wide compensation and positions.

There are nine positions within the top 30 salaries, i.e. established pay range and step for a specific individual, that are not subject to negotiation either through collective bargaining or individual employment agreement. Two of those positions are currently vacant.

City of Ashland			
Summary of top Salaries for FY 2021			
Position	Union Group	Salary	
CITY MANAGER	Non-Represented- Executive	\$168,285.00	Vacant
CITY ATTORNEY	Non-Represented- Executive	\$152,821.00	
DEPUTY CITY MANAGER*	Non-Represented- Executive	\$145,457.00	
POLICE CHIEF	Non-Represented- Executive	\$138,613.00	
PARK DIRECTOR	Non-Represented- Executive	\$138,613.00	
DIRECTOR OF COMMUNITY DEVELOPMENT	Non-Represented- Executive	\$138,613.00	
DIRECTOR OF FINANCE	Non-Represented- Executive	\$135,233.00	
DIRECTOR OF HR*	Non-Represented- Executive	\$135,233.00	
DIRECTOR OF ELECTRIC	Non-Represented- Executive	\$128,716.00	
PUBLIC WORKS DIRECTOR	Non-Represented- Executive	\$125,577.00	
ASSISTANT ATTORNEY	Non-Represented	\$120,232.00	
DEPUTY POLICE CHIEF	Non-Represented	\$120,232.00	
DEPUTY FIRE CHIEF	Non-Represented	\$120,232.00	
DEPUTY PUBLIC WORKS DIRECTOR	Non-Represented	\$120,232.00	Vacant
BATTALION CHIEF	FIREFIGHTERS	\$115,105.00	
BATTALION CHIEF	FIREFIGHTERS	\$115,105.00	
BATTALION CHIEF	FIREFIGHTERS	\$115,105.00	
LIEUTENANT	Non-Represented	\$114,535.00	
ELECTRIC OPERATIONS SUPERINTENDENT	Non-Represented	\$114,535.00	
ACCOUNTING & AUDITING MANAGER	Non-Represented	\$113,935.00	
GENERAL FORMAN	IBEW ELECTRICAL	\$109,483.00	
DIVISION CHIEF - FIRE AND LIFE SAFETY	Non-Represented	\$109,110.00	Vacant
DIVISION CHIEF - FOREST	Non-Represented	\$109,110.00	
CAPTAIN	FIREFIGHTERS	\$108,609.00	
FIRE CHIEF	Non-Represented- Executive	\$108,509.00	Interim
* Receiving out-of-class pay (5%)			
Not subject to negotiation	Non-negotiated Total	\$1,042,153.00	
	20% pay reduction	\$208,430.60	
	w/ benefits impact	\$278,687.00	

Of the top 30 wage earning positions, i.e. actual income received, in 2020, eight are not subject to negotiation; two of these are vacant and one is a new appointment with the total paid including a leave payout for the prior occupant.

City of Ashland			
Summary of top wages for FY 2020			
Position	Employee Group	Wages	Notes
City Administrator	Non-Represented- Executive	166,939.64	Vacant; includes leave payout
City Attorney	Non-Represented- Executive	153,816.18	
Battalion Chief	Firefighter	153,487.28	
General Foreman	IBEW Electric	153,107.14	
Police Chief	Non-Represented- Executive	142,900.72	
Firefighter Engineer	Firefighter	142,504.94	
Community Development Director	Non-Represented- Executive	142,133.86	
Fire Chief	Non-Represented- Executive	141,319.13	
Battalion Chief	Firefighter	140,818.69	
Assistant City Administrator	Non-Represented- Executive	140,455.90	
Senior Engineer	Non-Represented	139,494.00	Vacant; includes leave payout
Parks Director	Non-Represented- Executive	138,266.83	
HR Director	Non-Represented- Executive	137,812.76	
Senior Police Officer	Police	135,847.78	
Police Sergeant	Non-Represented	133,543.60	
Police Sergeant	Non-Represented	131,383.87	
Electric Director	Non-Represented- Executive	130,345.00	
Public Works Director	Non-Represented- Executive	128,962.18	New appt; includes prior occupant leave payout
Captain	Firefighter	128,814.79	
Captain	Firefighter	127,262.25	
Police Sergeant	Non-Represented	127,139.22	
Firefighter Engineer	Firefighter	126,214.13	
Battalion Chief	Firefighter	122,582.26	
Line Installer	IBEW Electric	120,686.22	
Firefighter Engineer	Firefighter	119,572.56	
Firefighter	Firefighter	119,488.65	
Deputy Public Works Director	Non-Represented	118,564.13	Currently vacant
Assistant City Attorney	Non-Represented	118,095.86	
Deputy Police Chief	Non-Represented	118,050.48	
Water Plant Supervisor	Non-Represented	116,142.09	New appt; includes prior occupant leave payout
Not subject to negotiation			

- C. The City's total contribution to the HRAVEBA benefit, or health reimbursement arrangement to assist with out-of-pocket medical expenses, is \$408,506. Of this amount, approximately \$88,498 is not subject to negotiation.
- D. The City's total contribution to the 6% PERS/OPSRP benefit, the State of Oregon defined benefit retirement plan for public employees, is \$1,225,358.25. Consistent with other cities in Oregon, the City negotiated to pay this on behalf of employees in exchange for wages. The amount associated with employees not subject to negotiation is \$265,442.
- E. Total Cost-of-Living increases (COLA) for non-represented employees including those covered by individual employment agreements which do not include COLA is \$115,975.
- F. There are zero retirees working for the City.

- G.** The increase in FTEs for Public Works reflects current vacancies being filled.
- H.** There are seven positions with vehicle allowance stipulated in their individual employment agreements with a total cost of \$34,800. Of these, two receive \$400 per month and five receive \$350 per month. Several positions have City vehicles in lieu of a vehicle allowance. These stipulations have been at these amounts since 2006.
- I.** The PERS/OPSRP payments for “normal” retirement costs are estimated to be \$6,995,354 while the Unfunded Actuarial Liability (UAL) costs are estimated to be \$6,187,762. These will fluctuate with actual payroll costs. The total estimated cost is \$13,183,116.
- J.** The contract with the Police employees expires on June 30, 2021 and the remaining contracts expire on June 30, 2022. The City’s negotiation team includes the Human Resources Director, the City Attorney, with assistance on operating impacts from the department management with the most affected staff. The City Manager directs overall strategy and is the decision maker on the tentative steps that occur throughout the negotiation process prior to the final proposed agreement being presented to Council for approval. In the Recommended Budget, funds for contract legal assistance is included in the Human Resources Department due to the volume and anticipated complexity of the upcoming negotiations. The contract elements are directed by the City Council prior to the onset of the negotiations and the final contract is approved by both the City Council and bargaining unit members.

**Yearly Salary, first step to final step
2020-21**

	Ashland	Medford	Phoenix	Central Point	Klamath Falls	West Linn	Wilsonville	Woodburn	Roseburg	Newberg
Assistant to the City Manager	\$103,312-\$138,613	\$111,984-\$142,920			\$73,164-\$101,268	\$69,717-\$95,216				
Assistant City Administrator/Manager	\$113,902-\$152,821						\$107,388-\$144,936			\$113,652-\$145,500
Deputy City Manager		\$125,904-\$160,692								
Electric Operations Superintendent	\$93,734-\$113,935									
Economic Development Director										
Senior Services Director										
Department Director				\$77,496-\$100,248						
HR Director	\$103,312-\$138,613	\$101,796-\$129,924				\$88,853-\$121,359		\$95,352-\$122,052		
IT Director	\$103,312-\$138,613	\$101,796-\$129,924				\$88,853-\$121,359	\$99,696-\$134,580			\$97,536-\$124,860
Community Development Director	\$103,312-\$138,613	\$101,796-\$129,924			\$100,636-\$139,295		\$94,956-\$128,184		\$103,488-\$132,480	\$100,440-\$128,568
Community Development Dr/Deputy CM						\$104,058-\$142,024	\$107,388-\$144,936			
Maintenance Services Director										
Engineering Services Director										
Electric Director	\$103,312-\$138,613									
Parks Director	\$103,312-\$138,613	\$101,796-\$129,924				\$88,853-\$121,359	\$99,696-\$134,580			
Finance Director	\$103,312-\$138,613				\$100,636-\$139,295	\$98,278-\$134,133	\$104,772-\$141,408		\$103,488-\$132,480	\$100,440-\$128,568
Fire Chief	\$103,312-\$138,613	\$126,528-\$161,484							\$112,212-\$143,652	
Public Works Director	\$103,312-\$138,613	\$111,984-\$142,920			\$100,636-\$139,295	\$94,645-\$129,173	\$102,216-\$137,940		\$112,212-\$143,652	\$100,440-\$128,568
Police Chief	\$103,312-\$138,613	\$126,528-\$161,484		\$99,024-\$126,084	\$113,160-\$156,624	\$104,058-\$142,024			\$112,212-\$143,652	\$113,652-\$145,500
City Attorney	\$113,902-\$152,821	\$112,200-\$143,196			\$100,636-\$139,295		\$160,000-\$170,000			\$ 135,036
City Manager	\$138,448-\$168,285				\$131,388-\$181,872	\$ 150,557	\$165,000-\$175,000			\$ 159,996
Unavailable:	Happy Valley	Talent	Hermiston	White City						

**Yearly Salary, first step to final step
2020-21**

	Ashland	Milwaukie	Sherwood	Lebanon	Canby	Pendleton
Administrative Assistant/Communications				\$52,188-\$67,848		
Administrative Assistant	\$45,311-\$55,077				\$42,852-\$56,916	
Assist to the City Manager						
Administrative Assistant II	\$36,272-\$45,361		\$42,432-\$53,808			
Administrative Assistant III			\$53,952-\$68,412			
Executive Assistant	\$47,577-\$57,831		\$58,260-\$73,884			
HR Assistant						
Administrative Analyst	\$57,831-\$70,293					
HR Technician						
HR Analyst						
Communications Coordinator						\$49,608-\$61,200
Administrative Assistant/Paralegal						\$46,392-\$61,956
Legal Assistant						\$44,388-\$59,292
Paralegal	\$49,956-\$60,722					
Accountant	\$57,831-\$70,293	\$62,007-\$79,147	\$64,668-\$81,996			
Senior Accountant	\$66,616-\$80,973					
Acctg/Business Services Coordinator						
Financial Analyst						
User Support Coordinator	\$57,831-\$70,293					
Senior IS Analyst	\$70,293-\$85,441					
Network & Computer System Administrator	\$70,293-\$85,441					
IT/GIS System Coordinator, Network Engineer			\$87,960-\$111,552	\$66,540-\$83,592		
Administrative Assistant/Police				\$57,420-\$74,652		
Fire Adaptive Communities Coordinator	\$57,831-\$70,293					
CERT Program Coordinator	\$45,311-\$55,077					
PW Executive Analyst						
PW Management Analyst						
Recreation Coordinator	\$46,835-\$56,826					
Management:						
City Engineer		\$96,162-\$122,704	\$81,456-\$103,296			
Senior Planner	\$69,947-\$85,020	\$71,784-\$91,648	\$74,736-\$94,764		\$68,388-\$88,188	
Principal Planner						
City Planner						\$63,864-\$85,296
Administrative Supervisor	\$49,956-\$60,722				\$62,928-\$83,580	
Court Supervisor	\$57,546-\$69,947	\$62,007-\$79,147	\$64,668-\$81,996		\$62,928-\$83,580	
Judge	\$ 63,720					
City Recorder	\$ 93,756	\$71,784-\$91,648	\$87,960-\$111,552	\$63,144-\$82,092	\$69,228-\$91,944	\$85,152-\$113,736
Deputy City Recorder				\$47,436-\$61,668		\$54,252-\$72,456
HR Supervisor						
UB Manager						
Development Services Manager	\$63,444-\$77,117					
Code Enforcement Program Manager						

**Yearly Salary, first step to final step
2020-21**

	Ashland	Milwaukie	Sherwood	Lebanon	Canby	Pendleton
Finance Operations Manager						
Parks Manager	\$59,980-\$73,278					
Outer Space and Irrigation Supervisor	\$64,379-\$78,253					
Assistant Fire Chief						
Fire Marshall						\$77,628-\$103,680
Deputy Fire Marshall I						
Deputy Fire Marshall II						
Deputy Fire Marshall III						
Maintenance Supervisor	\$63,444-\$77,117	\$71,784-\$91,648	\$64,668-\$81,996	\$72,948-\$94,836		
Water Treatment Plant Supervisor				\$72,948-\$94,836		
Police Office Manager						
Parks & Public Works Supervisor						\$57,192-\$76,380
Street & Equip Supervisor	\$63,444-\$77,117	\$71,784-\$91,648				
Wastewater Collections Supervisor	\$66,616-\$80,973	\$71,784-\$91,648				
Water Distribution Supervisor		\$71,784-\$91,648				
Main Street Manager					\$48,852-\$64,884	
Building Division Manager						
Accountant/Finance Supervisor			\$74,736-\$103,296			\$72,624-\$96,996
Accounting Manager						
Assistant Finance Director		\$87,280-\$111,284		\$72,948-\$94,836		
Foreman, Streets, Water						
Engineering and Airport Manager						\$70,668-\$94,392
Facilities Manager						\$65,412-\$87,360
HR Manager	\$69,947-\$85,020		\$87,960-\$111,552			\$85,152-\$113,736
GIS Manager	\$69,947-\$85,020					
Police Sergeant	\$76,353-\$92,806	\$73,676-\$94,040	\$87,960-\$111,552		\$91,704-\$104,640	\$70,668-\$94,392
Police Records Supervisor		\$65,127-\$83,120				
PW Supervisor	\$72,285-\$88,764		\$74,736-\$103,296		\$75,456-\$100,224	
Financial Systems Manager	\$73,445-\$89,271					
IT Manager	\$80,973-\$98,423	\$91,648-\$116,838				
Parks & Recreation Manager/Superintendent	\$80,964-\$98,413					
Building Official	\$85,020-\$103,342	\$83,120-\$105,980	\$93,264-\$118,272			\$72,624-\$96,996
Planning Manager	\$85,020-\$103,342	\$91,648-\$116,838	\$87,960-\$111,552			
Police Lieutenant	\$89,271-\$108,509			\$72,948-\$94,836	\$94,296-\$121,248	\$77,628-\$103,680
Fire Division Chief	\$89,271-\$108,509					
Public Works Superintendent	\$89,271-\$108,509					\$65,412-\$87,360
Assistant City Attorney/Deputy	\$93,734-\$113,935					
Deputy PW Director	\$93,734-\$113,935					
Accounting and Audit Manager	\$93,734-\$113,935					
Wastewater Treatment Plant Superintendent						\$65,412-\$87,360
Water Superintendent						\$65,412-\$87,360
Deputy Fire Chief	\$93,734-\$113,935					
Deputy Police Chief	\$93,734-\$113,935					

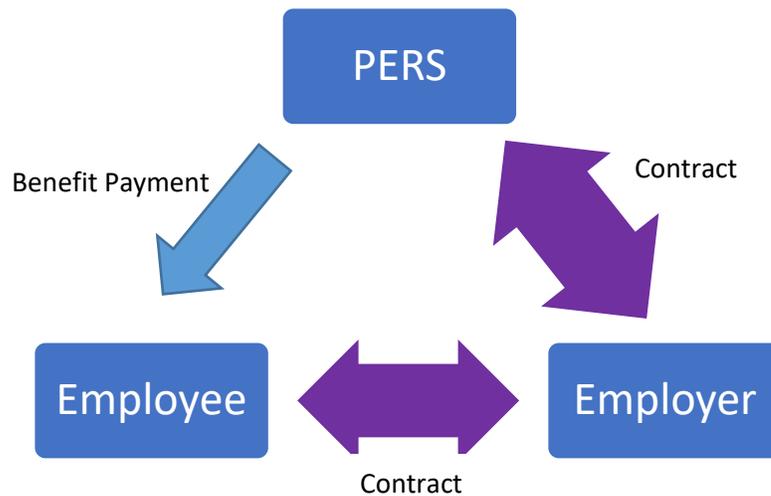
**Yearly Salary, first step to final step
2020-21**

	Ashland	Milwaukie	Sherwood	Lebanon	Canby	Pendleton
Assistant to the City Manager	\$103,312-\$138,613					
Assistant City Administrator/Manager	\$113,902-\$152,821	\$105,980-\$135,268			\$105,960-\$140,736	
Deputy City Manager						
Electric Operations Superintendent	\$93,734-\$113,935					
Economic Development Director					\$88,128-\$117,060	
Senior Services Director				\$76,584-\$99,564		
Department Director						
HR Director	\$103,312-\$138,613	\$96,162-\$122,704		\$76,584-\$99,564	\$105,960-\$140,736	
IT Director	\$103,312-\$138,613		\$120,120-\$152,316	\$80,400-\$104,520		
Community Development Director	\$103,312-\$138,613	\$105,980-\$135,268	\$120,120-\$152,316	\$84,444-\$109,776	\$88,128-\$117,060	\$89,268-\$119,232
Community Development Dr/Deputy CM						
Maintenance Services Director				\$84,444-\$109,776		
Engineering Services Director				\$88,644-\$115,236		
Electric Director	\$103,312-\$138,613					
Parks Director	\$103,312-\$138,613					\$85,152-\$113,736
Finance Director	\$103,312-\$138,613	\$105,980-\$135,268	\$120,120-\$152,316	\$88,644-\$115,236	\$99,960-\$132,768	\$89,268-\$119,232
Fire Chief	\$103,312-\$138,613					\$89,268-\$119,232
Public Works Director	\$103,312-\$138,613	\$96,162-\$122,704	\$120,120-\$152,316		\$94,296-\$121,248	\$89,268-\$119,232
Police Chief	\$103,312-\$138,613	\$111,284-\$142,049	\$127,320-\$161,472	\$93,096-\$121,020		\$92,460-\$123,492
City Attorney	\$113,902-\$152,821	\$116,838-\$149,142	contract			\$97,224-\$129,852
City Manager	\$138,448-\$168,285	\$ 170,442	contract			

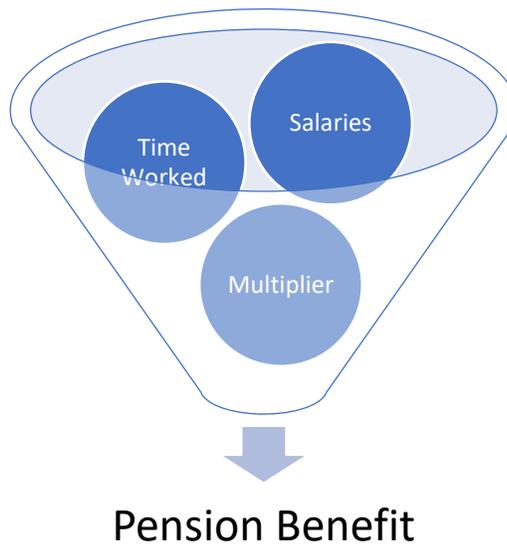
Unavailable: Happy Valley

Oregon Public Employees Retirement System

The City of Ashland provides retirement benefits to employees through a contract with the State of Oregon Public Employees Retirement System (PERS). The Public Employees Retirement System (PERS) is the retirement and disability fund for public employees in the U.S. State of Oregon established in 1946. Employees of the state, school districts, and local governments are eligible for coverage. A twelve-member board of trustees administers the PERS system. Board members are appointed to three-year terms by the Governor subject to confirmation by the Senate.

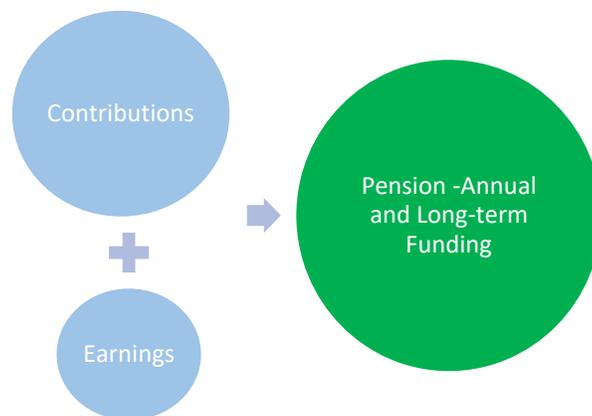


Pensions or defined benefit retirement plans are a form of retirement benefit that multiplies a retired employee's years of service by a fraction of their average wages for their final years of service.



There can be variations as noted below but the cost of these benefits is calculated by actuaries using various data to estimate how long the specific benefit will be needed to ensure the retired employee receives a fixed amount monthly for the remainder of their life.

The PERS system is funded by contributions from member agencies, contributions from employees, and interest from investments. If any of these elements decreases or increases, the remaining contributors increase or decrease their participation to offset, i.e. if interest rates go up, participants and agencies can decrease their contribution. To avoid drastic fluctuations, the system calculates changes in factors that influence the costs and contributions over a reasonable time, otherwise known as "smoothing", i.e. changes in interest rates are usually amortized over 10-20 years to reflect the average behavior of the market rather than short-term movement.



What is Tier 1 PERS?

Public employees hired before January 1, 1996, receive the system's most generous pension benefit. In 1979, the PERS governing board set as its goal that the system's benefits, when added to social security, shall replace 75-85% of pre-retirement earnings. Actual payments grew because of a program known as "money match," which guaranteed member account returns between 5% and 8%, without regard to the greater market performance or the health of the economy. During the 1980s and 1990s, the governing board awarded account earnings over 8%.

Source: https://en.wikipedia.org/wiki/Oregon_Public_Employees_Retirement_System

What is Tier 2 PERS?

If hired between January 1, 1996, and August 28, 2003, a public employee is entitled to a somewhat reduced pension benefit as a result of changes passed by the Oregon

Legislative Assembly in 1995. Member account (money match) returns are not guaranteed for Tier Two employees, and the age to qualify for general service full retirement increased from 58 to 60 years. Tier Two employees are also not eligible for an Oregon state tax remedy, whereby Tier One employees can have a portion of state income tax reimbursed as an incremental increase to their pension benefit.

Source: https://en.wikipedia.org/wiki/Oregon_Public_Employees_Retirement_System

What is OPSRP?

Sometimes referred to as "Tier Three," OPSRP applies to employees hired after August 29, 2003. This further reduced pension sought to bring state actuarial liabilities in line with employer contributions by raising the retirement age and by vesting benefits more slowly. Unlike Tier One/Tier Two public employees, OPSRP members' benefits may be calculated only based on their final salary and employment length. Vesting occurs at 1.5% of final salary per year, capped at 30 years.

Source: https://en.wikipedia.org/wiki/Oregon_Public_Employees_Retirement_System

What does the City Contribute to PERS?

The City makes contributions to PERS based on both current and already retired employees. These contributions are actuarially calculated based on the earned and projected benefits of each groups noted above. Contributions are determined by calculating Liability -estimated cost of the benefits earned to date and determining how much remains after earnings and previous contributions to be funded. Factors that can increase contributions:

- Increase in # of employees;
- Increase in salaries;
- Lower than expected returns on investments

The rates, known as the "normal" and "UAL", reflect what the City is obligated to pay each year to ensure that both types of benefits are covered when due for payment. The "normal" rate covers the estimated funding needed to fund retirement benefits for active City employees when they reach retirement age and the "UAL" covers the difference between what the system has and the cost of already earned pension benefits.

Each Tier has a different cost, but what we pay to PERS per employee is not just for that employee's retirement. PERS establishes rates based on actuarial analysis utilizing mortality tables. We pay a blended rate showing the full cost of all current and future retirement obligations under PERS. Another way to consider the two components of pension contributions is to think of the UAL as a fixed obligation, or similar to a debt service payment; it doesn't change with the number or compensation of current employees. Normal contributions fluctuate with how many people are working and how much they are paid.

Normal -due for services during the covered year

+

Unfunded Accrued Annual Liability -UAL -previously earned
but not enough savings to cover; can be zero

Total Pension Costs

* Please note that UAL must be paid even if no active employees exist.

The City has only a few active Tier 1 employees working, but our rates are still high due to the number of Tier I retirees receiving retirement benefits. Public Safety rates are higher because they can retire earlier with full benefits. The newest hires under OPSRP have a lesser retirement benefit, and their rates are lower. As we shift to having more of our workforce in OPSRP, and fewer Tier 1 and 2 employees, theoretically, our funding costs will go down over time.

The chart below shows historical salaries citywide, the UAL portion and percentage of the total, and the total PERS employer/employee expense that the City picked up for the employees for the last seven years. In FY 2020, the total PERS percentage of salaries was 23.41% in total that the City paid for the employer portion, 11.81% was the UAL.

City of Ashland							
PERS Subject Salaries							
Unfunded Actuarial Liability (UAL)							
Salaries:	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
PERS General - City	\$ 5,394,988	\$ 5,148,807	\$ 5,394,988	\$ 4,795,396	\$ 4,168,628	\$ 4,379,034	\$ 4,315,825
PERS General - Parks	960,685	633,353	611,961	608,117	413,754	378,864	366,462
PERS Police & Fire	2,914,148	3,087,459	2,914,148	2,963,364	2,899,354	2,959,489	2,857,780
OPSRP General - City	4,106,356	4,351,910	4,848,952	5,209,961	5,921,294	6,610,176	6,639,630
OPSRP General - Parks	1,002,213	1,214,679	1,460,020	1,566,189	1,514,864	1,702,164	1,930,383
OPSRP Police & Fire	2,374,734	2,360,297	2,413,747	2,981,502	3,243,131	3,612,625	3,647,506
Total	\$ 16,753,124	\$ 16,796,505	\$ 17,643,816	\$ 18,124,529	\$ 18,161,024	\$ 19,642,352	\$ 19,757,586
UAL	\$ 1,760,753	\$ 1,765,313	\$ 901,599	\$ 926,163	\$ 1,325,755	\$ 1,433,892	\$ 2,333,371
UAL Percentage of Total	10.51%	10.51%	5.11%	5.11%	7.30%	7.30%	11.81%
Total PERS Employer Expense	\$ 3,143,022	\$ 2,389,586	\$ 2,836,134	\$ 2,774,267	\$ 3,471,201	\$ 3,728,402	\$ 4,625,633
Percentage of Salaries	18.76%	14.23%	16.07%	15.31%	19.11%	18.98%	23.41%
Total PERS Employee Expense(paid by City)	\$ 995,749	\$ 1,028,816	\$ 1,073,444	\$ 1,080,574	\$ 1,092,098	\$ 1,181,047	\$ 1,191,979
Total PERS Employer/Employee Expense	\$ 4,138,771	\$ 3,418,402	\$ 3,909,578	\$ 3,854,841	\$ 4,563,299	\$ 4,909,449	\$ 5,817,612
Percentage of Salaries	24.70%	20.35%	22.16%	21.27%	25.13%	24.99%	29.44%

The table below is the projection for the FY 21 and BN 21/23 using a 102% increase in salaries from the prior year. This is based on available figures as of November, 2020.

City of Ashland				
PERS Subject Salaries				
Unfunded Actuarial Liability (UAL)				
	BN 19/21		BN 21/23	
Salaries:	Actual FY 2020	Projection FY 2021	Projection FY 2022	Projection FY 2023
Total	\$ 19,757,586	\$ 20,152,738	\$ 20,555,793	\$ 20,966,909
UAL	\$ 2,333,371	\$ 2,380,038	\$ 3,114,203	\$ 3,176,487
UAL Percentage of Total	11.81%	11.81%	15.15%	15.15%

The Unfunded Accrued Liability

The City of Ashland is a pooled employer with the State and Local Government Rate Pool. Members pool their assets and liabilities for the purpose of stabilizing their UAL rate. As a result of this, the City is assessed a portion of the total UAL based on our combined valuation payroll. This means that the City UAL is not our actual experience and our UAL portion will not end until the Pool's total UAL ends.

The table below shows the history of the UAL and the portion paid by the City.

Data Effective Date	12/31/2003	12/31/2005	12/31/2005	12/31/2007	12/31/2009	12/31/2011
Rates Starting	7/1/2005	3/1/2006	7/1/2007	7/1/2009	7/1/2011	7/1/2013
UAL Amount	\$8,146,745		\$10,252,094	(\$1,878,101)	\$17,691,917	\$21,207,577
City of Ashland Portion	\$11,166,341		\$12,179,520	\$13,736,885	\$14,638,386	\$14,445,901
UAL Rate	*** ¹	1.6% ²	7.91%	3.51%	4.89%	4.72% ³

¹ Due to a significant rate increase and several legislative changes the PERS Board voted on a rate change phase-in intended to occur over 2 rate setting valuations. Employers were warned that the amount they were provided in their valuation could be more or less, for Ashland it was less. The original contribution amount was 18.66% and ended up being 14.66%. Additionally prior to 3/1/2006 we entered the total pension cost rate into our system after which 3/1/2006 we started entering the UAL rate.

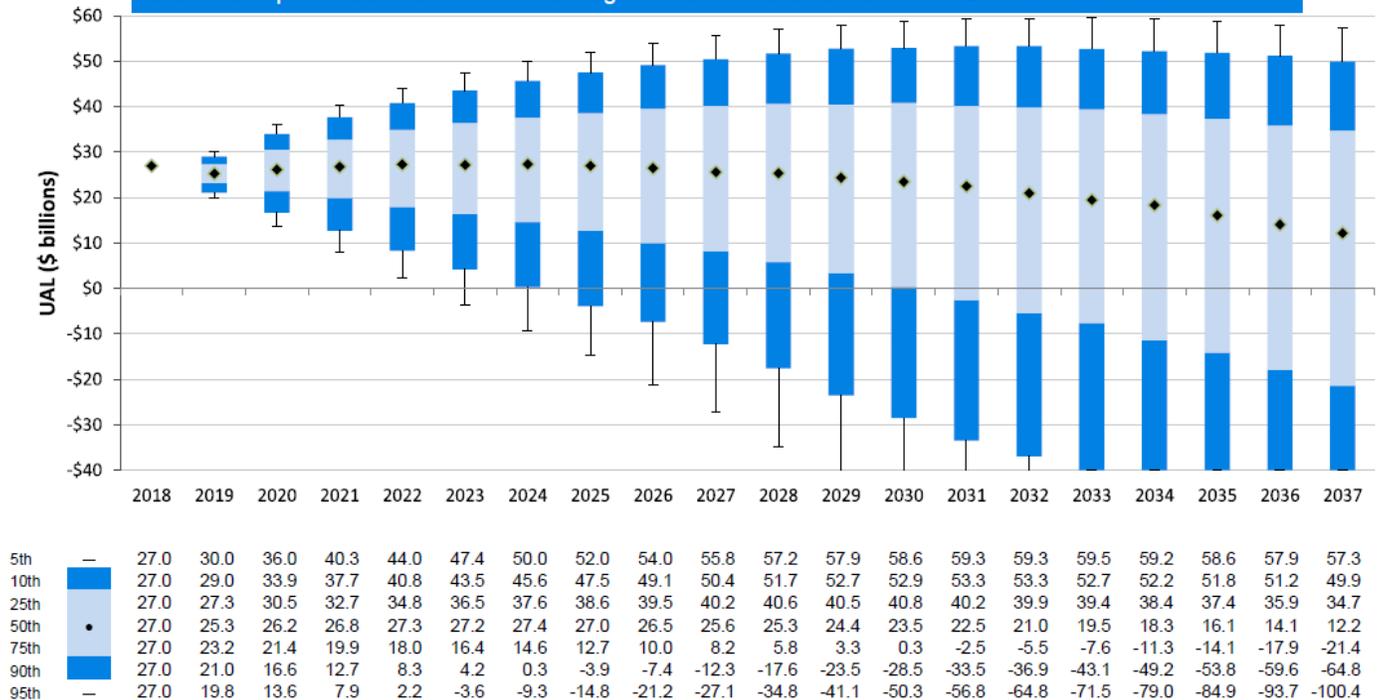
² Effective March 1, 2006 PERS began to apply the Tier 1/Tier 2 UAL rate across all payroll rates including OPSRP.

³ Due to Senate bill 822 a 4.4% rate reduction was applied after the UAL rate was calculated in the valuation.

The anticipated UAL for 2019 was \$25.3 billion when the actual result was \$24.6 billion. The table below shows the projection for the UAL through 2037.

UAL (Excluding Side Accounts)

At the 50th percentile, the UAL excluding side accounts is \$25.3 billion at year-end 2019, grows to \$27.4 billion at the end of 2024, then declines to \$12.2 billion by the end of 2037. Median UAL fails to reach \$0 by the end of the modeled period because the Tier 1/Tier 2 amortization period now extends beyond the projection period and the 50th percentile return in our model lags the current assumed return of 7.20%.



Source: MaryMichelle Sosne, Actuarial Business Specialist, Oregon PERS

Redirect of IAP Contributions

The City pays the 6% employee contribution to the employees' IAP or individual account which works as a defined contribution or investment account. This is the only amount that is directly attached to active City employees, is a complement to the defined benefit pension which was reduced significantly for OPSRP employees, and is not consolidated with other funds for calculation. This 6% contribution was negotiated in past contracts in lieu of salaries.

Current provisions stipulate 6% of an active member's salary is contributed to their IAP account. However, beginning July 1, 2020, members earning more than \$2,500/mo. will see a portion of that 6% contribution redirected to a new Employee Pension Stability Account (EPSA). The purpose of the EPSA is to pay for part of the member's pension benefit after they retire. An employee's PERS membership type will determine what portion of the 6% deferral will be redirected to the EPSA:

- Tier One and Tier Two – 3.5% will go to IAP, 2.5% will go to EPSA
- OPSRP – 5.25% will go to IAP, 0.75% will go to EPSA

The Future of PERS

With the establishment of the EPSA starting in July 2020 and a portion of members IAP contributions redirected to pay for part of their future pension benefits, the goal is to reduce PERS rate increases in future years. The impact of SB 1049 which was signed into law in 2019, includes several adjustments to slow the increase in rates. The first rates this adjustment will impact are for the BN 2021/23 which were estimated below.

BN 21/23	Tier 1/2	Tier 1/2 PF	OPSRP	OPSRP PF
Rates	12.14%	18.08%	8.00%	12.37%
UAL	15.15%	15.15%	15.15%	15.15%
Total	27.29%	33.23%	23.15%	27.52%

SB 1049 also required a one-time re-amortization of the UAL. Prior to SB 1049, gains and losses were amortized as a percentage of payroll over a 20-year period for Tier One/Two- and 16-year period for OPSRP. The re-amortization was applied to Tier One/Two UAL over a 22-year period which lowered the contribution rate for BN 2021/23.

Source: <https://www.oregon.gov/pers/EMP/Pages/SB1049.aspx#Overview>

The final rates provided by PERS for the BN2021-2023 budget are noted below:

Published Rates for BN 21-23	Tier 1/2	Tier 1/2 PF	OPSRP	OPSRP PF
Rates	12.14%	18.08%	8.00%	12.37%
UAL	13.26%	13.26%	13.26%	13.26%
Total	25.40%	31.34%	21.26%	25.63%

The impact of COVID-19 on the PERS rates will not be known until the BN 2023/25 rates are set in December 2022. The expectation is that rates will be higher than previously expected due to the downturn in the economy and market.