# A G E N D A

LANE REGIONAL AIR PROTECTION AGENCY

BOARD OF DIRECTORS

**WORK SESSION**

**THURSDAY – DECEMBER 9, 2021**

12:15 P.M.

**Note Location → VIA ZOOM**

By Video: https://us02web.zoom.us/j/82551664224

By Audio: +1 253 215 8782

Meeting ID: **825 5166 4224**

**The LRAPA Board of Directors will meet for a work session at 12:15 p.m., Thursday December 9, 2021, via phone and internet using Zoom. This is a virtual meeting only. Please note the Board does not accept public comment at work session meetings.**

*(Note: Start times for agenda items are approximate.)*

1. (12:15 p.m.) CALL TO ORDER

**DISCUSSION:**

2. (12:20 p.m.) **Continued** Benefits Evaluation

3. (1:00 p.m.) Adjournment

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Nos esforzamos por proporcionar accesibilidad pública a los servicios, programas y actividades de LRAPA para personas con discapacidades. Las personas que necesiten adaptaciones especiales, como dispositivos de asistencia auditiva, formatos accesibles como letra grande, Braille, documentos electrónicos o cintas de audio, deben comunicarse con la oficina de LRAPA con al menos 72 horas de anticipación. Para las personas que requieren servicios de interpretación de idiomas, incluyendo la interpretación calificada de ASL, comuníquese con la oficina de LRAPA al menos con 5 días laborables de anticipación para que LRAPA pueda proporcionar los servicios de interpretación que sean lo más completos disponibles. Para todas las solicitudes, envíe un correo electrónico al Coordinador de Antidiscriminatoria de LRAPA a accessibility@lrapa.org o llame a la oficina de LRAPA al 541-736-1056.

**M I N U T E S**
LANE REGIONAL AIR PROTECTION AGENCY
**WORK SESSION**

December 9, 2021

**VIA - ZOOM**

**ATTENDANCE:**

**Board:** Joe Pishioneri – Board Chair - Springfield; Jeannine Parisi – Eugene; Howard Saxion – Eugene; Jenna Knee – Eugene; Mike Fleck – Cottage Grove; Terry Fitzpatrick – Springfield; Joe Berney – Lane County; Matt Keating – Eugene

**Absent:** Kathy Holston – Vice Chair - Oakridge

**Others:** Mary Bridget Smith – Attorney, City of Springfield; Peter Nielson – PERS; Jake Winship – PERS; MaryMichelle Sosne - PERS

**Staff:** Steve Dietrich; Debby Wineinger; Travis Knudsen; Colleen Wagstaff; Robbye Robinson; Julie Lindsey; Katie Eagleson; Lance Giles; Cassandra Jackson; Aaron Speck: Jonathan Wright; Beth Erickson

**1. OPENING: Pishioneri** called the meeting to order at 12:15 p.m.

**CONTINUED** BENEFITS EVALUATION: ***View presentation here***

**Pishioneri** said this is a work session and we will not be taking any public comment. We will be continuing the discussion on the benefits evaluation. Julie Lindsey is going to be handling the discussion. Steve Dietrich may start with a preface.

**Dietrich** wanted to thank everyone for making this special effort to meet in December. With the holidays upon us, he didn't want to take much of their time, but we are prepared to answer your questions from November.

**Lindsey** said we have done a lot more research. We are going to take a break after each of the slides to allow for questions. And at the end of the presentation, we can have a discussion about any of the slides. Attorney Mary Bridget Smith is also here with us. And in addition to Mary Bridget, we have asked PERS if could have some representatives that can help us. Peter Nielson is here from PERS, he was at our last Board meeting answering questions. We also have Jake Winship, who is the Actuarial Manager. And MaryMichelle Sosne, Actuarial Business Specialists.

**Peter Nielson** introduced himself as the Operations Policy Analyst with PERS. He has been with PERS for 17 years. He is sort of the liaison between the employer's service center and employers that are considering PERS participation, He is actually the party who had draft the coverage agreement. When a Board determines that they want to go forward with PERS he actually drafts the agreement and then works with their attorney at DOJ to make sure that it's up to snuff. And then he allows the employer to review it. He also works on the employer's service center risk assessment team. He visits with employers around the state typically now through zoom or teams, it's basically one of the first lines of communication with employers within the system.

**MaryMichelle Sosne** introduced herself, she is the Actuarial Business Specialist for PERS and is the primary contact for all PERS participating employers when they have questions about how their rates are calculated. And questions about any of the documents that we generate, that are called the valuation that explains the detailed components that go into developing your rate, and any legislation that may impact your rate. There are lots of questions that come up about what's impacting these different changes in rates, and she is the person that you will be talking to the most often for any of those little quirks along the way, but also any questions about what you can do to impact your rate or manage your rate going forward. Or just help translating some of the complex actuarial terms. It's not all easy to understand. So she thinks about herself as kind of the translator between the complex actuarial terms and what you need to know and understand to be able to explain to your Board members. It is the basics that you really need to understand to make sure that you're forecasting and budgeting appropriately for your agency.

**Jake Winship** introduced himself. He said he has a little bit more of a technical background. He also is back up for MaryMichelle. But if we get into a little more depth about how the mechanisms for the rates are actually calculated he can help provide some support with that. He is an Actuary Manager for the actuarial section. He has been with PERS for relatively short period of time, just over a year and a half. So as you can imagine, he is still learning the ropes, but basically here to provide some support.

**Lindsey** said she really appreciated them taking the time to come and help her, especially the more technical questions. We did have a lot of discussion on rates last time. And she really hopes to help clarify some of some of the questions. She did want to touch on a few topics today before discussion, and that is basically talking about staying competitive, legacy costs, and stabilization. Also about the financial review. She has some more specific numbers. We do have a very nice employer rate with history, and some estimates up to 2039. We also did some research on different employer contribution comparisons for folks. And she has an employee cost comparison.

**Lindsey** wanted to also remind everybody that we do have one of our Directors goals as staying competitive in our niche market. We know from current recruitments that PERS does play a role in people wanting to apply with LRAPA. She has had people come and talk to her about stories where folks have either looked at job openings and have wanted to apply but found out they were not a PERS employer and actually chose not to apply. And others have applied at DEQ versus applying at LRAPA because of the difference in the retirement system. We are really aware of the fact that Oregon does have a current job market issue. There are employees leaving their jobs and moving on. We also know that out of state candidates are hard to recruit. Oregon does still have high housing, and we also have the state income tax. With a recent recruitment, we had a candidates that was out of state and they chose not to come to the organization. Though our agency is a government employer, it just happens to be one of the ones in Oregon that is still not part of what we're calling the transferable state retirement system. She again wanted to point out some of the importance of offering PERS to this equation. It does allow these in state employees to transfer their retirement plan from one in state government organization to another. When we're talking about folks wanting to move mid-career, they can keep their PERS status as they move between these state organizations, governmental employees, usually, if they're looking for a promotion opportunity or for a new position, they will normally go and look at other governments to move from one place to another. The unique thing about LRAPA is if they choose to come to LRAPA they basically would be required to wait one full year before being able to join the LRAPA current retirement system, so that they lose a year of their retirement planning. And there isn't much security in the customized Voya plan, as the PERS retirement plan provides. And employees wanting to move from one government agency to another would really have to make those personal decisions on whether the move to LRAPA.

**Lindsey** said in the 90's and early 2000's there were plans and calculations in place. And there were earnings posted to these accounts that have basically created this long actuarial history where the plan has been underfunded. So higher costs were due to this perfect storm of these earnings credited to members accounts. And in particular, this money match account or money match calculation. The money match is basically PERS matched what you had in your account. If you were one of these folks in variable accounts with these high earnings credits, that money match calculation was a huge benefit. So these are mainly costs associated with tier one, some tier two, these costs are going to live in the system until tier one and tier two age out of the plan. Organizations joining for the first time, like LRAPA are not going to be responsible for paying what are deemed these legacy costs. LRAPA joining for the first time doesn't have the history cost associated with their particular organization. She is predicting that 100% of the folks moving into PERS will be the OPSRP group. The organization will not fall into the group that is responsible for paying that past history. So important to bring up is what has been implemented in our PERS system to help provide stability. In 2003, the Oregon State Legislature who is responsible for setting PERS with Oregon State law, basically took some important steps to stabilize this system. It has helped maintain these percent's kind of control the benefits happening so that we could try to deal with this unfunded liability. There were changes in Formulas, and money match was removed as one of your options. So as folks started moving into retirement money match is no longer one of them that they look at. The calculation of final average salary has changed. No longer are you putting in your vacation accruals and some of those sick leave accruals there's a salary cap now that was put in place, and there was an increase in age for retirement. Additionally, the pension factor has decreased from 1.67 to 1.5 for OPSRP members There's been no changes to the assumed rates, and employees are now contributing to reducing the deficits. Since 2003, some of these just came into law in the last couple years and now being implemented.

**Fleck** said there's actually a surcharge on that program right now, to cover the stabilization fund, if he remembers correctly, in fact, is getting the tier three if you will, folks paying for the unfunded parts of one and two, isn't that correct? **Jake Winship** said he would push back a little bit on that. Because we have what we call the unfunded actuarial liability. And that basically can be considered as a legacy cost. And essentially what happens is we make our consulting actuaries do a valuation and that's based on assumptions about the future. There are a lot of factors including what we expect the earnings rates to be demographic changes, wage growth, and so forth. Essentially, what happens is this unfunded actuarial liability arises when our actual experience has a negative deviation from what was anticipated. Because of the history, there were really rich benefits with the pre OPSRP pool, and that actuarial is quite large. However, it's not zero for the OPSRP. It is the employees' pension state stabilization act. And essentially, it's funds that are contributed by the employees. And is it part of their defined contribution portion, their IP. So they have 6% deducted from their salary. Before this current reform, that full amount was applied to essentially at account value that would help fund those. What this does is diverts a part of that until the system reaches particular saving funding goals. It helps shore up the funding of the system. So it's kind of in two parts. If it there's no direct cost to the employer, basically, it's a mechanism to improve the funding of the system as a whole. And it serves to temporarily reduce the amount of employer contributions to that account value. And in your case, if as you intend 100% OPSRP that is a 0.75% of that 6% is diverted into this fund. And there's also an exclusion for low income members. There's a threshold $3,333 per month, or actually $40,000 per year is excluded. He asked if that answered the question. **Fleck** said to be honest no. He is looking at their rates. He pulled them up, and he knows that last time Peter explained, some of that was because Cottage Grove had unfunded liability with the tier one and two. That was also dumped on top of the OPSRP as well. As he mentioned last time the new rates that are coming up for the city of Cottage Grove are 27.8% for tier one and two 20.51% for OPSRP. And then also police is 24.87%. He wanted to make sure people have their eyes open on this, because he cannot tell you the benefits our city has had to cut because of the PERS system. And we're approaching 30%. We are talking about 30% of our employees. Expenses are now going to support their portion of the unfunded liability. This is just devastating to our city.

**Lindsey** said she pulled up everybody's rates. And also added a few more Oregon agencies. Is there a way to explain why the OPSRP amount for Cottage Grove is 20.51% versus something we are going to show later of 9.63%. **Peter Nielson** said when an employer has tier one, tier two and OPSRP employees and has this history of underfunding the plan. All salary will basically be subject to the UAL rate percentage unfunded actuarial represented so that it doesn't matter if they ran out of tier one or two employees, someone has to pay the continuing contributions towards the unfunded actuarial liability which is the case of city of Cottage Grove, those OPSRP member salaries are being subjected to that rate percentage because otherwise they would just never get paid off.

**Fleck** asked if that also included if we hired folks that are tier one or tier two, would that also impact LRAPA's rate going forward? Because now we have folks in that and we will end up having to fund that, because we've hired those folks? **MaryMichelle Sosne** said when you have tier one or tier two members, then you would have a UAL calculated following the first evaluation after they were added. When you join as of right now, if you only have OPSRP members, you will have a small UAL, .14% all employers have that. It's not necessarily tier one or tier two. It's not your fault, but it's designed by the legislature that all employers have to have it. But if you were to have tier one, tier two members added at some point in time, then we would take any liabilities associated with them and their payroll and calculate rates based off of those members that you have. The difference being that you wouldn't necessarily have any legacy liabilities associated with them. So it's not likely that you would have a significant UAL rate, just because you don't have the same opportunity to have a long liability with those employees, or members, if they came from somewhere else. The liability that they had with those previous employers stays with those previous employers.

**Lindsey** said she believes we would be considered new, all people going in now would be OPSRP. Let's say we have a retirement, and the next person comes in she thinks it is extremely small chance a tier one would come in. Possibility a tier two would be looking for a mid-career change. She knows that in this system, there are few tier ones left, but there's probably even fewer tier ones that would want to make a mid-career change.

**Fitzpatrick** asked when a new employee comes to LRAPA there's a one year waiting period before they can participate in the retirement program. Is that our rule or Voya rule? Because from what he is hearing from you, that is an impediment to some new employee coming in. Can we waive that one year? **Lindsey** said that is a rule to the program that is currently set up and we are in that midst right now of being able to change the rule. If we don't move towards PERS, we would recommend that be waived. Because it is a big consideration when folks are moving from one place to another also. It's part of the contract, long time standing, but yes, from what she can see it can be changed.

**Berney** said he was on a school board and the PERS system was totally out of control. And the school was having to pay 20% to 30%, like Mike Fleck said, a huge amount of money to retirees. It was cramping our ability to run new education programs for students. So his first question is, am I hearing correct that there's a buffer wall and that's not going to happen if LRAPA joins PERS. **Lindsey** said she thinks that timing could be everything because LRAPA wasn't in PERS all those past years. They will not be responsible for those legacy costs. And it's not okay to just go and tell all tier one folks you're done. It does take a long time to get all these folks through the system.

**Berney** commented that in his 3 years on the LRAPA Board he has never seen LRAPA staff really want something, he is trying to get his head around that. And he read someone say in the chat, well we won't hire tier one or tier two. And then I read someone say, well, we can't ask them that. It's one or the other. **Lindsey** said our current group, that would move to PERS would all be OPSRP because we would be considered new to PERS. If somebody would want to move mid-career. And they've been in the system for a long time now. The chances are very small, but as PERS explained, we still wouldn't be responsible for those folks' legacy costs.

**Berney** asked you can get PERS and Social Security, correct? In California, for example, if you're on PERS you do not get Social Security. His point is, I think one Oregon doesn't have a higher housing market like many states, it does have a higher market than some states. Some states have different relationships with PERS. Oregon retirees do better than California, for example, because they get Social Security and PERS. It's not black and white, can employees move from state to state and continue their PERS. **Lindsey** said not state to state, you have to start over.

**Lindsey** said we have a lot more specific rate information from PERS. She cleaned up the chart where she had included the fees for our Voya system. The PERS rate, which is new, is at 9.63%. It is less than what we had presented at our last meeting. Overall, the annual increase is projected to be around $19,000. Which, with the 13 folks that are slated to go to PERS it's about $1,438 annually for those employees to move to PERS. This is based on 100% would join OPSRP. Our whole LRAPA team is committed to working with the budget committee to develop strategies that would help offset a portion if not all of this projected increase by looking at our entire benefit package. And our new financial system will also provide opportunities to streamline and talking with them yesterday, one of the things is that system will prepare the

PERS reports and becomes automatic. Currently, there's a lot of hand data entry stuff done with this Voya account. So while not promising a huge cut in FTE or anything like that, I don't want anybody to get that impression. It does allow us to do some streamlining of our workflow. And that system doesn't do that with the Voya account. To tie back with the financials, she has worked long hours now with the PERS staff on getting some estimates for PERS specifically on the OPSRP side. It is projected that the PERS rate in 2023 will go up, and slightly go up in 2025. But now it will start working its way down. So the reason she wanted to bring this up is that it's possible this decision will buy us benefit in the future, we're setting up for some stabilization of a retirement account in the future.

**Saxion** said he didn't know anything about PERS. He is retired and has a traditional 401k. So whatever he saved was his retirement. Are these rate estimates based on what PERS believes will be the rate of return on investments that is made in the stock market or different funds and things like that. Is that true? **MaryMichelle Sosne** said every year in December, we have contracted external actuaries. Milliman do financial modeling, and they project where they think multiple factors will end up for PERS rates, and one of them is the biennium rate difference. This one specifically is based on where they think the market will be. And for the biennium rate change, it's based off of a return of 6.86% over this period of time. **Saxion** said his concern on this is you know the market is uncertainty in any financial investments. And he realized that these are based on our best estimate on modeling and things like that. And whereas you know it seems to him that at least the traditional 401k plan, you have an employer match an employee contribution, you know you're subject to risk and uncertainty depending on which investments the employee makes. He gets the 401k; it transferred a lot of the financial high build and risk from the employer to the employee. And certainly, there's a lot of debate about whether that was a smart thing to do. But what seems to him is PERS basically eliminates any risk to the employee and puts it all on the employer. But the things that concern him, just because he sees his investments go up and down, you have to retire on that, there is a lot of uncertainty in the market. And anybody that that claims that they can accurately predict what the market will do. He would like to talk to them so he could change his portfolio for his retirement investments. But nevertheless, there a lot of uncertainty on these rate estimates. And while it's a good guide, he wouldn't necessarily bank on it, and that would be his concern about going to PERS. **MaryMichelle Sosne** said she thinks that's fair. The results that we've shared are based off of 10,000 trials. 6.86 is the average, The actual earnings crediting by year for PERS historic that we've had, you can check that out for yourself just for that comparison to see where we've ended up and just so you know that the PERS fund is managed by Oregon State Treasury, all that information is posted in public, and you can keep an eye on it. It's managed by the Oregon Investment Council. Because it's the current fund, it has to be pretty transparent, and it is highly monitored. But the purpose is to have the highest return. You are right if earnings fall short contributions will have to make up for that. The earnings are also credited to the member reserves as well. It's not just employers who have to pick up that slack, members also experienced that lack of benefit as well. The only ones who really benefit are the tier one members who get the assumed rate regardless. That is one of the reasons why we have that kind of UAL that persists, is because they get that standard assumed rate. Fortunately, in the past couple of years, we haven't really been in that situation for too long, but it is a legitimate concern. And she encourages you to take a look at the history. We try and be very transparent about what we're actually earning, it does make a big difference.

**Fleck** said that answered part of his question. He is looking at the one factsheet, it talks about the Senate Bill 1049. Where basically, we've said, we don't have enough money set aside. So the legislature decided that we are going to start tacking folks with some extra money to make sure or create the stabilization fund to cover this. Howard Saxion made a great point, what if the market dies, we're still paying that 8%, to tier ones. And now we have enough folks retired that we're not bringing in enough revenue to cover these things. He thinks the only inevitable answer is the legislature is going to have to tap these folks and these rates to be able to sustain the retirement for the other folks, He didn't see any other way around this. Like he said, exacerbated if the market actually takes a dive. Is he wrong here? **MaryMichelle Sosne** said we also have contingency reserve funds. So if there is a situation where there is a dive in PERS we can take from the contingency reserve fund to make up for substantial differences. **Fleck** said we are still guaranteeing 6.8% and looking at the chart that they just put in 2008, was actually 27% we had to pay an additional 8% on top of that to make those employees whole. There's a huge, huge risk to this system. And he is just afraid that even though the ESOP is not directly tied to it, he didn't think the legislature is going to have any choice if we end up with a huge shortfall.

**Pishioneri** said he had a question on top of that. To help him understand where Mike Fleck is coming from and to see if he should have the same concerns. It's based on our current employee group and being a new PERS participant. The scenario that Mike Fleck is portraying, would that come to fruition if those stars lined up to affect LRAPA as he states based on the folks we have, and new folks coming in. **Jake Winship** said yes, essentially, the investment risk would basically transfer from the employee member to the employers as a whole. And that is kind of the idea. That's inherent to that the risk does not go away, it can only be transferred. So there will be a market investment risk that the pool of employers as a whole will be subject to. A couple points historically, a lot of the rationale behind setting up the OPSRP program in 2003, was to really have a more sustainable basis for that to have realistic elements as well as it is technically what we call the hybrid program. It does have a defined contribution component, which we call IAP. It's very much like a 401k plan. It's the member contributions, they accumulate at the rate of earnings. And that is the basis for their retirement amount, they also get a pension that is pooled, and that is funded out of employer contributions as well as the earnings we get. One of the challenges we found is that the Oregon Supreme Court has consistently prohibited the legislature and PERS from making retrospective changes to member counts. So tier one benefits are what they are. And as long as those members are actively employed, they will continue to accrue benefits on that basis. But we've really made efforts over the last 20 years to essentially have a more consistent and stable funding mechanism for OPSRP. But in answer to your question, fundamentally there is risk in both, it will be borne by the employers as a whole. What's a little bit different about OPSRP is that all employers are part of OPSRP. They all share assets; we all share liabilities. And every employer has the exact same normal cost and UAL rate. Because that risk is shared across such a huge pool, anything that's introduced, is spread out across such a huge number whatever that risk is. It is mitigated by that pool as well. And it's also amortized over a shorter period than tier one and two. So you will be dealing with that increase for a shorter period of time.

**Parisi** said she feels like this boils down to risk versus reward for the organization. We have some known costs that are pretty concrete. There's some uncertainty about future costs and liability. We have some uncertainty about how much of a factor persists in terms of recruiting but it's probably a variable that is being addressed. Her question was, are other small cities or public organizations choosing to join PERS Like LRAPA? And why or why not? **Peter Nielson** said every year we have more players coming on board. It's not a big number. But he really didn't know what the number of non-employers are participating employers are just totally blind to that, because it's not the population he is working with. Unless he is actually addressing an employer that's considering joining PERS. He does know the ones that have just joined, and he can get you a list of those, and they can probably share their experience with you. And he knows from their experience with the employer advisory group, there's plenty who would be willing to be very honest about their experience PERS and share that with you as well.

**Lindsey** said she did do some research for comparison of air agencies up in Washington. The status is broken up into different air agencies, and they are part of the Washington public employee retirement system. She did look at the five partners. City of Springfield, has general service, police and fire came later. The current rates Mike Fleck had already stated for Cottage Grove, 27.8 and the 20.51. And we have addressed why those absurd amounts are high for this group of folks. City of Eugene and Lane County since 1946 they've been long time PERS members, Oakridge came in 1979 and Cottage Grove 1973. And Springfield had another retirement system and moved into PERS in 1984. There are links on the presentation to the places she got the information from.

**Pishioneri** said he is still looking for a little clarification, to raise his comfort level. And be sure we're doing the right thing, that's all he wants to do in the first place is the right thing. He believes we have an obligation to treat our employees the best we can in a responsible manner. But also wants to make sure we can recruit the best employees. He just wants to make sure we get there in the right way. He is not sure if we have gotten this information yet. But he really wants to be able to see two different maps and see what the difference is. He wants to see what's happening now. And then the financial impact of what will happen with if we go with PERS. He is anxiousness in regard to playing the odds, so to speak. Are we talking about a very, very slim possibility of something happening that may throw these numbers way off. And if those numbers are thrown way off, does that go into perpetuity? If we hire a person that happens to be tier one that person is blazoned on our file until they age out. That is quite a financial burden to put on the agency. There was a comment in the chat saying, we're not going to hire tier one or two. Would that not be putting us in a legal bind by making a statement we're not going to hire tier one or two, and then all of a sudden, tier one, tier two comes by and says I'm qualified, why aren't you hiring me? And oh, by the way, I'm going to sue you now. It is just a risk, and I don't know how that is mitigated? Can it be mitigated? Or is it something we're going to be catching, so to speak. He wants to feel more comfortable, instead of having all these variables floating around, and then throwing something on the wall and seeing if it sticks and where it sticks. He wants to do what's right for the agency and staff. But he also doesn't want to sabotage the agency down the road accidentally.

**Lindsey** stated a scenario where we have a tier one, 22 year state employee. They want to come to LRAPA and work their last five years. Is it correct we are only responsible for the five years and the state holds on to the other 22 years. **Jake Winship** said essentially what happens is there is an existing employer or series of employers that have accrued the liability the total responsibility for the pension obligations that member has earned to date. If you hire someone in that situation, they will continue to accrue benefits, and the future cost of those benefits as they earn them. That is what we call the normal cost. If you do hire someone in that situation, you will pay a contribution rate on their salary that is designed to cover the new costs incurred for their benefit, you will not be responsible for their prior liability that still rests with prior employers. One of the technical issues is as you come on as a new employer, initially, you have no experience upon which we can determine that. So our default is to assign a new member, the system average rate. when we get to the next rate setting valuation, then we will assess your experience, and you will get your own valuation and the rates will be calculated from that. But the idea is if you if you have a tier one member, you are paying higher contribution rates because they're earning benefits at a higher rate than an OPSRP member. But that won't be applied to your full payroll that will be applied to the payroll associated with tier one and tier two.

**Parisi** asked if we go with PERS, we are looking at about a $20,000 differential to our budget for 2022/2023. And does that number include also keeping the employees who would stay on the Voya plan? Because it doesn't make sense for those folks who are close to retirement to flip over to PERS. **Lindsey** said yes, and she has Voya searching for a different avenue for folks that would not be moving into PERS

**Parisi** said these actuarial tables and the range of uncertainty, it looks like, if we were to create a retirement contingency of $2,000 a year, in the event that our rate went from 10% to 20%. Is that enough to cover an unexpected increase in cost per year. She didn't know if she was doing the numbers right. Instead of being 10%, and it cost $20,000. What would it take for the organization to create a little bit of a contingency so that it softens the blow from any unexpected PERS changes what would that number look like, if your percentage was actually 20% instead of 10%. **Lindsey** said she could get that information for you. **Parisi** said that is fine. She is trying to find a way for us to get to a solution here. Having been through this conversation twice. She didn't think it was a big deal to spread a benefit across 20 people. She knows what the job market looks like. She didn't see it easing up anytime soon. She is leaning in favor of this knowing that there's some risks, but she does want to explore cost savings and contingencies.

**Fleck** said let's assume that we hire a tier one employee, and we have a year like 2008, we are now at 6.8% plus, let's say a 25% loss, that unfunded liability comes on to our backs, correct? **Jake Winship** said what happens with that essentially, is every biennium rate setting period, we establish a new actuarial liability. That would be the difference in results attributable to that period. If you had $100,000 salary in that really worst case scenario, you had a $30,000 shortfall associated, that $30,000 is going to be amortized over a 20 year period. So you would retain that. And that would be applied, essentially at $1,500 per year, for each of the next 20 years. And obviously, when the next rate set setting came about, then whatever offsets would happen. So presumably, if we did have a very bad year, over the subsequent years, that would have some recovery. But in the worst case, yes, we could be behind, and we never catch up in terms of results. That is the investment risk that is born. But we do have mechanisms in place. Essentially, what's happening is you're phasing in that loss, even an amortized basis. And you'll catch up to that in subsequent periods.

**Fleck** said he has been on their budget committee for 22 years. And he knows we have appointees who have not been on any city or government budget committee. He knows we have other elected officials that have not been in office anywhere near as long as he has. He is not trying to cast any aspersions. But he has watched what PERS costs have done to their city over 20 some years. LRAPA currently has a great plan, we match 8% of employee's contribution, it's a defined contribution, not a defined benefit. His agency matches up to 3%. He also represents folks who vote him into office. He thinks right now we have a huge benefit for our staff. And he certainly wants to give good benefits to staff. But, now we're not only taking on more expense, but huge liability in that those expenses could spin way out of control. Sign on bonuses are a onetime expense and not the same thing as ongoing forever expenses. If he has a bump during the year, he may give some bonuses, But he is not going to give raises because that raise is going to affect that cost of that employee forever, from that day forward. Don't get him wrong, he gives raises, he thinks that is normal and to be expected, But it's an ongoing every year expense, as opposed to a capital expense. He would certainly support sign on bonuses, as opposed to going to a benefit, that's going to put a huge liability on our agency. He has been on this Board 11 or 12 years. And he went to all the jurisdictions a number of years ago, because we were on the chopping block, literally, Lane County, Eugene, and Springfield, all were facing financial troubles, and cut their contributions. So we worried about our state and federal matches. He went out to advocate for this agency, to try to keep support for something DEQ could be doing without any contribution at all, I think we need to keep in mind the future of this agency. Let's say our costs start spinning out of control, and we start going to the jurisdictions for more money. At what point do they say, well, gosh, DEQ, could come in and do this without any extra expense. He thinks this is just a mistake. He never draws lines in the sand. But, to him, this is absolutely something that he cannot support. He could foresee in the future if LRAPA came back to us for more money and have to say it's time to get rid of LRAPA. He would hate to have to say that. But if we are going to be fiscally irresponsible, and our citizens and our cities are responsible for that. He just can't justify continuing that support. He is a huge supporter of LRAPA. The testing that we do is incredible compared to what DEQ would be able to do, He thinks it gives us local control over issues where we have some input, as opposed to a big bureaucracy. This has been a great organization. He wants to keep it. He just thinks this is a huge mistake. He appreciated everyone's patience. And appreciated everyone listening to him.

**Knee** wanted to clarify and make sure she was understanding correctly, that if you've been working for a state government or any PERS employer for fewer than 18 years, would you be covered only by OPSRP. **Peter Nielson** said OPSRP statute basically says if you were working in the post cover position on or before August 28 2003, you didn't go into this new plan. But if you started on or after August 29 2003, then then you aren't in the old plan. You're OPSRP member if you meet the member eligibility requirements. And unless someone was working in a particular position, at that time, way back in 2003, they're in OPSRP. And if someone didn't vest in OPSRP within the interim, then they're not. No one today comes into an employment situation as a tier one or tier two member unless they've invested as such already. **Knee** said you would have to have been working before 2000, or PERS covered employer since before 2003 to be a tier one or tier two. She said does everybody understand that? That was her main point. The other things she wanted to talk about was the idea of retention value with PERS was a big deal. If she was looking for a new job, she would pick somebody that's covered by PERS over someone covered by Voya only because of the retirement program, and then also there's the recruitment value of it. And Julie also mentioned the decreased expenses to labor and administering PERS versus Voya, and that she thought there might be some offsets within LRAPA.

**Berney** asked if there was a timeframe by which LRAPA would have to join PERS? What's driving the immediacy of this decision? **Lindsey** said it just so happened this issue came up over the summer, when Steve and she were both hired, and also came to their attention that our Voya plan is in what it's called a restatement period, which means we have the right to make changes and do some work on the plan, it only happens every 10 years. The restatement plan is over on June 30, of 2022. So we wanted to start this discussion prior to the budget committee starting their work, and prior to having budget discussions to see if it was feasible for the agency to join PERS. And see if there are ways to offset the costs and present a balanced budget that aligns with this restatement period. she would call these old plans, 100% participation. If one person wants to opt out, they cancel you, there's several of those in this agency that need to be reviewed and possibly revised. We happen to be in that period right now with Voya. And this just happens to be one that if we're going to move forward. she would like to offer some offsetting packages as part of our budget process. That was why we put the retirement discussion first. And then there's also going to be a benefit salary review to hopefully align with either this budget season or possibly the next.

**Berney** asked when is the drop dead timeframe for making that decision to inform the rest of these processes that you mentioned? **Lindsey** said PERS requires a resolution from the Board. Acknowledging that we have an interest in joining PERS. Once that resolution is approved, then Steve and her have the authority to work with PERS to create an employer agreement. Once that agreement is developed, we as an organization can bring that back to the Board. And it's up to the Board to decide whether they want to vote on it, basically the minimum is for the chair to sign that agreement. **Berney** wanted to restate his question. He wasn't asking what the process was. He was asking what the timeframe for them was to make a decision. **Lindsey** said April and May we would probably have to have an agreement. **Peter Nielson** added it wasn't long turnaround after getting a resolution from a Board to actually have an agreement in place. Within a matter of a few months.

**Berney** said related to a couple of comments that have been made, as he was just continuing to listen, Howard Saxion and Mike Fleck, here's what we do know about the future, the future is uncertain. And we do know that there will be ups and downs in the economy. And we do know that private insurers will adjust rates on the basis of that also. Insurance companies are not in the business to lose money. He came into this being a little more skeptical because he was much more familiar with the old PERS system. It feels to him the system has been containing costs and changing policies. And it sounds like a new entity joining does not have anywhere near the kind of ongoing backlog of liability that an existing group does with the system that was once out of control. That's a perception he has right now. And Mike **Fleck,** as much as he always listens to you, and you carry a lot of weight, you were on the orientation group that oriented him to even be a Board Member. He didn't feel, at least so far, persuaded that this is the life and death kind of decision that you described. But he is still all ears. And lastly do staff want to be in the PERS system? **Lindsey** said we sent a survey out to staff. 13 of the 19 are very interested in moving to the PERS program. There's a couple that are not eligible. And there's a couple that are very close to retirement. **Berney** said he hoped that current employees understand that if on a management level, we move in that direction, that's not only a commitment to them, but it also might impact raises and things in the immediate future because it's all a package, we do have to live within our means.

**Pishioneri** said those were great points. Also on his mind is you know at one point some odd percent goes into perpetuity and keeps compounded and Mike Fleck was mentioning that's how we do negotiations in our contracts with the various unions that he deals within his city. And about sign on bonuses. We do one time benefits just to stave off the into perpetuity liability. This is a complex issue to try to wade through, he is for greater clarity. So if we were to say, okay PERS we are interested, but we want to nail down numbers. So we know exactly what this could entail and into perpetuity. We would have a resolution that just simply says, we want to look at this, and not a commitment. But, we're going to have to sign on, is that correct? **MaryMichelle Sosne** said tell us your payroll. She didn't need to know individuals, just total payroll, and we'll assume all OPSRP, She can give you an idea of what your contributions will be, and project that over the next couple of biennium for you. And that will give you a little bit more to go off of to determine an estimate of how much you can expect to pay to PERS over the next 10 biennium. But that's not set in stone, but it gives you a little bit more to go off of for budgeting. Next week we are publishing advisory documents for 2020. So everything that we've been sharing with you is up to date, but we'll just have up to date valuations that Julie was looking at, everything will be up to date with the most recent information.

**Parisi** said she has really enjoyed this conversation. And is really glad that Commissioner Berney and Councilor Keating are with us this time, because she feels like this is a big decision. She is highly sensitive and has a ton of respect from where Mike Fleck is coming from. This has been one of the most interesting and dynamic conversations she has had as a Board member. And appreciated everyone's perspective. She asked Julie Lindsey if LRAPA sets aside contingency each year, can you tell her what that number is in our budget at a future point in time? And then worst case scenario that Mike Fleck is talking about if our rate goes up because there's some combination of market downturn. She is trying to quantify risk, if we decide to move forward with this we can be thinking about contingency planning. So there is a set aside to protect the organization from some of those shocks. And then if we want to have that contingency, we can look at what is the budget implication, because the other way to do this is just to say, well, we're just going to absorb it. In those worst case scenarios, that our rates are not 9%, but they're 25%, the county and the cities are also going to be 30-35%, or whatever those numbers are. Everyone's going to be looking to figure out how we're going to pay those extra costs. And that puts LRAPA at risk. And it puts staffing levels at risk because payroll is your biggest cost. She thinks that the worst case scenario, there could be a tsunami effect, because it's not just the costs that are direct to you. It's also the cost from your contributing partners and their ability to pay in. She is just mimicking where Mike Fleck's concerns are. If we want to do this, we have to be thinking about a contingency to protect ourselves from that worst case, because otherwise, you're in a situation where you're laying off staff. And that's the only way to keep the organization healthy. We have cut this organization to half of what it is today, because of economic and financial issues. We're in a really stable place now. And she thinks we've worked really hard to build financial stability and confidence with our partners for the value of this organization. And none of us want to jeopardize that. So to her, the best way to do that is through risk mitigation.

**Keating** said there are 901 participating employers statewide. 55 participating employers in Lane County alone, a vast majority of staff supporting shifting to Oregon's Public Employee Retirement System 13 out of 19 employees, a matter of retention and recruitment, in times of where there's clearly a massive labor and talent shortage and Voya reinstatement right around the corner. It seems as if timing is on our side. But he has a couple questions. One, the survey conducted to illustrate to the Board that there are 13 of 19 staff members, is there a way to share what that survey looks like? He would love to see how the questions were asked or presented, or if it was just a straw poll. And question two, what data supports the notion potential applicants shy away from applying for or accepting positions with LRAPA based on our retirement package? Or is that a just simply an anecdotal snapshot? **Lindsey** said we did ask for individual feedback from each employee if there was an interest. She knows with her position, the folks that she talked to as to why they weren't applying, all said because of PERS. I know that when I took this position, I researched whether it was a PERS covered employer. She had conversations with folks stating that they wouldn't apply because of PERS, and she believes there's others on the Board that might know others that have said that.

**Dietrich** said he has been part of at least three recruitments since he came here. Julie Lindsey was one of them. We went through two rounds of recruitments. There was at least one person out of the final three finalists that decided not to come. But there was some people that were actually looking at benefits as the offers were being negotiated. And when they realized that there was no PERS that made them pause. It didn't necessarily prevent them from considering an offer, but then there were other times where some of the candidates that he knew wanted to come or actually apply when they learned that there were no PERS they didn't. It made our recruitment pool really small. The inspector position had a lot more participants, but it may simply have been because of the nature of the job. But there was still questions about benefits before people accepted. So whether we want to push this can down the road or not, there's going to always be that question. It's not currently an employer’s market. It's an employee's market. And you just heard some of those examples earlier, like with the sign on bonus question He has been watching the recruitment advertisements on different websites just to get a flavor of how they're tracking staff. And they are trying to be really creative, both state government and local governments on how they're trying to attract staff right now.

**Pishioneri** said this is a work session, we cannot make a decision here. But we can do a head nod in regard to concurrence, whether or not a draft resolution shall be constructed and looked at and a decision made at the next regular meeting. He wants to make sure everybody's questions are answered. His understanding regarding the resolution is to give them the authority to look at a drafting an agreement that is satisfactory in their minds. And then coming back to the Board to see if something the Board is in concurrence with. And then at that time, vote, enter a resolution that he has the authority to sign. **Mary Bridget Smith** said she thinks what PERS needs from LRAPA is a resolution, that's the states LRAPA intends to join PERS. And then once they have that they negotiate the agreements with LRAPA, that then can go back to the Board to give authority for the Board Chair to sign. But she just wants to make sure she is correct with the PERS folks here that the resolution really does need to state that, LRAPA intends to join. **Peter Nielson** said That is correct. It has to include a statement of intent. The statement of intent is not a legally binding agreement, but it is a statement of intent. So the Board has to affirmatively state that it does intend to join and then the signing of the agreement makes it official.

**Pishioneri** said there was consensus to move forward with the resolution constructed for the next meeting.

The meeting adjourned at 2:21 p.m.

Respectfully submitted,

Debby Wineinger

Recording Secretary