



Resolution No. 2002-059

A RESOLUTION DIRECTING STAFF TO MAKE A PAYMENT TO THE LEAGUE OF OREGON CITIES TO BE USED FOR A PERS STUDY

WHEREAS, the Mayor received a letter from the League of Oregon Cities on November 26, 2002 shown here as Exhibit A; and

WHEREAS, the letter was a letter of request to all cities under the Public Employee Retirement System (PERS) to contribute funds to support a study of the current PERS system; and

WHEREAS, the study is deemed necessary because recent economic developments for the PERS organization could increase employer costs by as much as 39% beginning July 1, 2003 when fiscal year 2003 begins; and

WHEREAS, the League of Oregon Cities wants to study possible alternatives for the cities to offset this dramatic increase; and

WHEREAS, the League of Oregon Cities asked in their letter that each City contribute \$10 to \$12 per employee to conduct the study; and

WHEREAS, the Mayor determined that it is reasonable for the City to support this study with a contribution of \$5 per City of Sherwood employee, current staff is a 73 persons, therefore the contribution for the study from the City of Sherwood would be \$365.

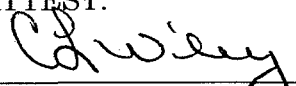
NOW, THEREFORE, THE CITY RESOLVES AS FOLLOWS:

Staff is directed to prepare a reply to the League of Oregon Cities confirming the City of Sherwood's support for such a study and to include a payment of \$365.

Duly passed by the City Council this 10th day of December 2002.


Mark O. Cottle, Mayor

ATTEST:


C.L. Wiley, City Recorder

add to agenda

file mayor's mail

RECEIVED

NOV 27 2002

November 26, 2002

cc: Council Pres. Keith May

Dear Mayors and City Managers:

When Oregon cities have faced major challenges to our fundamental existence in the past, you've come through. Your support helped the League defend your cities against the potential consequences of Measure 7 and Qwest franchise fee-related litigation. But now, another challenge to providing efficient and effective city services looms large.

You know that the Oregon Public Employee Retirement System (PERS) has some significant problems. High employer costs, a huge unfunded liability (see enclosed news article), and controversial decisions by the PERS Board which appear to benefit employees at the expense of the financial soundness of the system have generated headlines and attracted the attention of the new governor and legislature.

As if that isn't enough, the actuary for the Public Employee Retirement System (PERS) has just released the 2001 actuarial valuation. This valuation is the basis for individual cities' PERS contribution rates for the 2003-2005 biennium, and **the news for local governments is not good:** The PERS shortfall has grown to an estimated \$15.7 billion due to poor earnings on the PERS fund. To help cover the shortfall, **public employers with employees in PERS will likely contribute, on average, a minimum of 39% more to the PERS system beginning July 1, 2003;** public employer contributions, as a percent of payroll, are expected to grow from an average of 10.74% currently to 15.6%. Your city should receive its individual contribution rate – which may be higher or lower than the above averages – sometime next month.

While this situation is troubling, it is also an unparalleled opportunity for meaningful PERS reform in 2003. And we need your help to make that happen.

If you attended our information session on PERS at the League's annual conference earlier this month, you know that the League and other local government representatives are working together to advance cost controls and genuine reforms to PERS for the 2003 legislative session. To be effective, local governments must be armed with detailed data and the advice of a pension attorney to avoid the unintended consequences of PERS reforms which have plagued employers in the past.

Resolution 2002-059
Exhibit A (3 pgs)
December 10, 2002

Working together for livable Oregon communities



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Ken L. Strobeck

November 26, 2002

Page Two

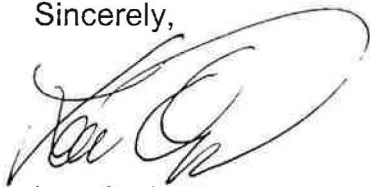
For example, we need to be armed with our own in depth, unbiased analysis of Tier II with a series of different scenarios and assumptions. Also, negotiations are currently underway, at the request of the Governor, between PERS employers and public employee unions over a possible settlement growing out of the Judge Lipscomb decision. The outcome of these talks could affect every city in Oregon. A successful resolution requires our participation to help pay for this monumental effort.

These projects represent an unanticipated expense, but one which we believe is critical to leveraging the current attention on this issue to successfully contain PERS costs on behalf of our resident taxpayers. We're asking each PERS-covered city to consider contributing \$10 to \$12 per active PERS employee to help fund these expenses. We know times are tough now. But unless this issue is successfully resolved, our financial future will never be stable. We are fortunate to have the cooperation of some of our sister associations – such as the Association of Oregon Counties, the Oregon School Boards Association, and the Special Districts Association of Oregon – in the effort to control PERS costs. We are unified in our commitment that this issue must be resolved in the 2003 legislative session.

Attached you will find a copy of a document which helps to explain the problems we face with PERS: "Understanding Rising Costs in the Public Employee Retirement System; A Guide for City Officials." We hope you find this information useful. In addition, you'll find a form to help you calculate a suggested contribution. This calculation takes into account the number of active PERS-covered employees in your city. We think it is a fair and equitable way to distribute the cost of these analyses. We would appreciate your response by January 20, 2003. In the event that collections exceed project costs, any excess will be pro-rated and returned or credited to your dues for next fiscal year.

Please don't hesitate to call the League if you have any questions regarding PERS or the League's related efforts. Thank you for your continuing assistance in this critical effort.

Sincerely,



Lou Ogden
President, LOC and
Mayor of Tualatin



Ken Strobeck
Executive Director, LOC



**League of Oregon Cities
Voluntary Assessment Calculation Worksheet for PERS-Related projects**

SHERWOOD

City

$$\frac{73}{\text{Number of Active PERS-Covered Employees (both General Service and Police and Fire)}} \times \frac{\$5}{\text{Assessment Rate}} = \frac{\$365}{\text{Total Voluntary Assessment Enclosed}}$$

**Number of Active PERS-Covered
Employees (both General Service and
Police and Fire)**

**Total Voluntary
Assessment Enclosed**

Thank you for your support! Please note that in the event collections exceed project costs, any excess will be pro-rated and returned or credited to your dues for next fiscal year.