



City of Portland, Oregon  
Office of the City Auditor  
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26-84



2006

## STATEMENT OF THE CITY AUDITOR

*On July 26, 2006, the Portland City Council passed and referred the following measure to be decided by voters at the municipal General Election on November 7, 2006.*

**Caption:** Amends Charter: Changes Fire and Police Disability and Retirement System.

**Question:** Shall system be changed to require independent, qualified experts to decide disability claims and limit additional unfunded pension liability?

**Summary:** This measure amends the City Charter for the Fire and Police Disability and Retirement System so independent experts decide disability claims, independent audits are conducted, and the retirement system for new employees is changed.

The Board of Trustees' role and composition will change. The Board will no longer decide disability claims. A qualified administrator will deny or approve claims. Appeals will be made to independent hearings officers with disability experience.

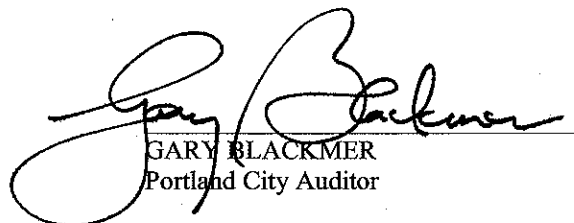
The number of Board members will be reduced from eleven to five. Two members of the Board will be citizens with relevant experience, one member will represent the City, and two members will represent the members of the system.

The retirement system for new employees will change to limit additional unfunded pension liability by placing new employees in the Oregon Public Service Retirement System. These changes are expected to increase the existing property tax levy rate in the short-term and decrease the rate in the long-term.

Audits by independent auditors will be conducted to evaluate the efficiency and finances of the Fund.

*I hereby certify that the ballot title above is true and complete, which includes completion of the ballot title challenge process.*

8/17/06  
DATE

  
GARY BLACKMER  
Portland City Auditor

## Explanatory Statement

This measure would make changes to the Fire and Police Disability and Retirement system in the Portland City Charter. The measure would change components of both the disability system and the retirement system.

This measure would require that independent audits of the disability system would be conducted. The measure would also change the current structure of the disability claims process to require that independent and neutral experts make disability claims decisions. In addition, the retirement system for new public safety officers would change, thereby limiting additional unfunded property tax liability.

An independent expert in disability systems will conduct an initial audit of the disability system within 9 months of the effective date of this measure. A subsequent audit will also be conducted by an independent expert in disability systems 12 months after the initial audit.

The changes to the disability system are expected to continue providing benefits to injured public safety officers while requiring that independent expert hearing officers make claims decisions regarding firefighters and police officers. The Board of Trustees would no longer make disability claims decisions. The number of members of the Board of Trustees would be reduced from 11 members to 5 members, including two citizens with expertise in disability or retirement systems, one City representative, and two representatives of members of the system.

The changes to the retirement system are expected to improve the future financial health of the City. Currently, the City faces a \$1.64 Billion dollar unfunded property tax liability for the Fire and Police Disability and Retirement system. Unless changes are made to the retirement system, this liability is expected to increase to over \$8 Billion dollars in 40 years time.

To change the retirement system, this measure would move all new police and firefighters into a funded retirement system. A funded retirement system means that property tax dollars would be collected and invested to reduce future property taxes. Changing the retirement system for new public safety officers is expected to increase the existing property tax levy rate in the short-term and decrease the rate in the long-term. The average annual residential property tax bill is expected to increase gradually by a maximum of \$111 in 26 years. Thereafter the average annual residential property tax bill will decline, decreasing by \$399 in year 40.