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Police union pledges to fight pension reform

Recommendations - A citizens committee proposes dismantling the pension and disability system to reduce future costs

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The Oregonian

"The head of Portland's police union warned the City Council Tuesday that if it placed proposed disability and pension reforms on a May ballot the union would spend as much money as necessary to defeat it. Robert King, president of the Portland Police Association, attacked a citizen committee's recommendation to dismantle the \$87 million-a-year system that provides pension and disability payments to about 3,300 active and retired city police and firefighters." It is the only pay-as-you-go pension and disability plan in the country, meaning the money comes straight from Portland residents' property taxes.

King called scrapping the system a drastic move," because it will eliminate the predictability and reliability of the longstanding model.' If the council adopted the recommended plan, King predicted it will be a "deal-breaker' for voters.

"If we go to them (voters) then we will win," King said. That will be unfortunate for all of us. King as well as other police and firefighter union representatives, made it clear to city commissioners that they will face a huge battle to make changes to a system that analysts predict will threaten the city's financial stability.

Commissioner Dan Saltzman, who said he expected union opposition, is pressing for a May vote, confident he'll get the three votes he needs on the council to send reforms to voters

But Commissioners Erik Sten and Randy Leonard, a former head of the firefighters union, clamored for more information and analysis, seeking to understand the full legal and financial impact of the reform proposals. They said they have too many unanswered questions and are wary about Saltzman's timeline. "Citizen groups need to see what were proposing before we refer it," Sten said.

The comments came after the Independent Review Committee, a nine-member citizen group that spent nearly 50 hours over nine months studying the public safety fund, presented its inch-thick report to the council. The committee recommended that Portland's risk management division administer all police and firefighter disability claims, and process new claims under Oregon's workers' compensation system. Now such

claims are reviewed by a board made up of mostly fire and police bureau members or their representatives.

It recommended a so-called "workers compensation-plus package" for Portland police and firefighters to ensure that they retain their existing level of benefits. That would allow police and firefighters to be awarded disability payments equal to 75 percent of gross pay for up to one year, for example. It would also mean that Portland police and firefighters would continue to be covered for a broader range of occupational diseases, such as hepatitis, heart disease and pneumonia.

The committee found that the average cost per disability claim under Portland's public safety fund was more than three times higher than the average disability claim for all other city employees. It also found that Portland's fund denied only 02 percent of its claims between 2000 and 2005, compared with 13.7 percent of claims denied for all other city employees under workers' compensation.

The committee did not bear any advantage to maintaining a separate FPD&R system,' said Jeff Furnish, committee chairman. Leonard and Mayor Tom Poller, a former police chief, said they wanted to know exactly what a "workers' compensation-plus" package of benefits would look like and how its' costs would compare to the current system. Union members fear the workers compensation system is not worker-friendly. They also said they believe some committee members made up their minds before having all the facts before them. "I think the workers' compensation system is there to deny claims, not to approve them", said Officer Leo Painton, who sat on the committee and is on the public safety fund's board of trustees. A deputy city attorney told the council that the proposed changes would not require negotiations with the union. Leaders of the police and fire unions disagreed.

New officers get PERS. The citizen panel also urged the city to begin funding pension benefits for new police officers or firefighters by placing them in the state public employee retirement system. This would help the city slowly reduce and eventually payoff a \$1.6 billion unfunded liability the fund has accumulated.

Each year, the city levies a property tax in an amount equal to the fund's administrative expenses and benefits costs. The current approach is irresponsible Furnish told the council.

Under the proposal, current police and firefighters would retain their existing pension plan and benefits. The committee also suggested the city pick up the estimated six percent in employee contributions for new hires. Ken Rust, the chief financial officer, said the proposal to fund new hires would mean increased tax bills over the next three decades before they level off. We're going to increase costs in the next 30 years Rust said, "but your children's children are going to have a lot less liability." For example, if the pension and disability system continued to be paid out of property taxes alone, by 2045, the funds' unfunded liability would reach \$9.8 billion. "Doing nothing results in an absolutely massive unfunded liability," Furnish said. If the city placed new hires in the state's pension system, the city's unfunded liability would drop to \$1.4 billion in 40 years.

At the funds board of trustees meeting this month, Sten said "the reform would be hard to sell. Im not sure voters are going to support increases in taxes now to save money in 30 years," he said. On Tuesday, Sten said he also was concerned how assets would grow under the state pension system. He expressed frustration that the committee didn't decide whether new hires placed in the state pension system would be covered by Social Security. All public safety members of the current disability and pension fund are not in Social Security. City finance officials advised the committee that police and firefighters would have to ask the council to allow them to opt into Social Security. Furnish said "social security benefits aren't financially favorable for well-compensated employees such as police and firefighters." But Leonard and union leaders disagreed. Sten said "he'd expect police and firefighters to seek Social Security coverage."

The council will hold another work session next month and an evening public hearing Jan. 18. If the council wants to place charter reforms on the May ballot, t would have to vote on a package by Feb. 7.

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