

# CORBETT WATER DISTRICT

## APPROVED MINUTES

Special Meeting: 6:00 P.M.

Tuesday, January 23, 2006  
Corbett, Oregon

**Commissioners Present:** Malcolm Freund, Lee Wyatt, Bob Colclessor, and Marion Kirkham.

Also present were District Manager Frank Sterzinar and District Clerk Jamie Simms.

**Audience Members Present:** Brian James

Chairman Freund called the meeting to order at 6:01 p.m. at the Corbett Water District, to have a teleconference with a Public Employees Retirement System (PERS) representative Debra Hembree.

Chairman Freund made the introduction among those present.

Chairman Freund asked Debra if she could give a run down of PERS.

Debra Hembree said PERS was a prepaid retirement system that attempted to project into the future what benefits would cost in the future based on a percent of payroll. There are two major components in the employer contribution rate:

1. Normal cost, which is the expected cost of the active employees working today.
2. The truing up rate, which is the difference between what PERS thought benefits would cost and what they truly did cost. This is the past liability that had not been anticipated but incurred by the District.

If PERS allowed participating employers to leave the system there would be no way to collect from those ex-participants the truing up piece of the employer contribution. If a participant was allowed to leave the system then the other employers would have to pick up the additional cost and essentially fund for folks that had never worked for them.

There is no specific statute that said that once you're in the system you couldn't get out. There is however a statutory requirement that requires the PERS Board to maintain funds in a manner that is stable and sustainable over the long term and in order to do that they have to have a mechanism to keep collecting from employers their liabilities. This fiduciary responsibility prohibits PERS from providing a way for employers to exit out of PERS for employers that decide the system is not working for them anymore.

Debra said that funding member benefits was the heart and soul of the PERS fund. She said that PERS does have a responsibility to employers to keep the cost manageable and they recognize that in the last couple of years it has become unmanageable for many employers and they are working to correct this in the future.

Commissioner Colclessor asked about stock investments and what would happen if there was a surplus return. Debra said that PERS's assumed rate of return was 8%, which has historically been proven true.

If returns are greater than 8% rates go down and if returns are less than 8% rates would go up to make up for the shortfall. It has been rare that rates have gone down but it has happened before in the late 1990s.

Debra explained that Corbett Water District had a rate increase in 2005 because of the decrease in staff size. The District is still contributing the same dollar amount but because payroll was smaller the percent of the contribution increased. The District was paying 12.16% and the rate increased to 19.57%. She said that if the District filled the vacant positions then the percent would go back down.

Chairman Freund said the District signed for PERS in 1977 and that none of those employees currently worked for the District and a couple of those employees have passed away. Debra said the liabilities would continue until the last beneficiary had passed away.

Chairman Freund asked how PERS operates when dealing with schools. Debra said that school participation into PERS was mandated by statutes.

Brian James asked what the monthly PERS rate would be if the employees elected not to participate in PERS. Debra said that the employees did not have a choice to elect not to participate in PERS. But, hypothetically if that had occurred then the District would still be required to pay the 8.3% for the unfunded liability piece.

Debra said that looking into the future it looked like the rates for July of 2007 would probably go up again, as much as 5.6%.

Debra explained the difference between the old PERS plan and the new plan. In 2003 the legislature created a new public retirement plan called the Oregon Public Service Retirement Plan (OPSRP) that provided a lower level of benefits at a lower expense to the employer. Employees who entered into PERS on or after August 29, 2003 participate in the new system. As old plan members leave the system rates will decrease.

Chairman Freund understood that the District could offer a different plan to the employees as long as it was equal to or better than the current PERS plan. Debra said that was not an option. This option referred to police officers and firefighters and did not apply to a District already participating in PERS. Chairman Freund asked if this was why only about 95% of public services are in PERS. Debra said PERS participation was only mandated for State Agencies, Community Colleges and Public School Districts, while local governments, cities, counties, and special districts have the option of participating in PERS, but once they join PERS they have to stay with PERS.

Debra spoke about a pension obligation bond. This option allows PERS members to issue a bond in order to pay down their PERS obligations, in hopes that overall they would pay a lower interest on the bond rather than what they would have paid on a monthly basis to PERS directly.

Commissioner Kirkham asked about the employee investment return. Debra said there was a 4% COLA and if the employee was not drawing on their account then there was an 8% rate of return on their monies.

Chairman Freund asked about being a part of the pooling system. Debra said the rate pool had started in 2001, of which the District had joined. The rate pool allows for all funds to be combined into one larger pool, which allows for better accuracy.

The Board thanked Debra for her time. Chairman Freund adjourned the workshop at 6:50 p.m.