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"Harmony in  
Diversity"

# PORTLAND CITY CLUB BULLETIN

"Active  
Citizenship"

VOLUME XIII

PORTLAND, OREGON, DECEMBER 2, 1932

NUMBER 31

**FRIDAY, DECEMBER 2**

**HOTEL BENSON; 12:10**

SPEAKER

**EUGENE J. COLTRANE**

*Representative, the National Committee on Education by Radio*

SUBJECT

## "Education By Radio"

"Colleges and Universities with radio broadcasting stations have in their possession one of the most powerful and effective tools for popular education that exists at the present time." Although the value of the radio for educational purposes is almost universally recognized this movement is still in its infancy. The City Club has taken a pioneer step in Portland by providing a pro and con radio discussion of the problems of public policy. Broadcasting the Symphony concerts appears as the next move. Discover the relationship of the local development to the national program of radio education.

### SPECIAL NOTICE

The time of the City Club radio broadcast has been changed to 4:15 p.m. Sunday afternoon, station K E X.

### SPECIAL NOTICE

## BUY CHRISTMAS SEALS

## PENSION SYSTEMS OF PORTLAND POLICE AND FIREMEN

*A Report by the Government Organization and Public Finance Section*

NOTE:—The first section of the committee report on the Police and Firemen's Pension Systems of Portland is presented in today's *Bulletin*. This report has been approved by the Board of Governors and will be submitted to the Club membership in this and subsequent issues of the *Bulletin*. Today's installment includes a survey of the Firemen's pension system. The members of the committee presenting this report are Guy E. Jacques, chairman, I. E. Herwin, Wm. L. Brewster, Rupert R. Bullivant, Fred Dozier, M. R. O'Blisk, Wm. G. Dunlap and Paul Newman.

To the Board of Governors of the City Club:

The committee at the time of its appointment was instructed to report not only upon the existing pension and relief funds for firemen and policemen in the City of Portland, but also upon the advisability of pensions for all municipal employees. Because of the evident necessity of avoiding new tax burdens, this report will be limited to a discussion of pensions for firemen and policemen. It contains as to each system (1) an analysis of the existing conditions and (2) a discussion of necessary changes in the present system and recommendations as to a new system.

### THE FIREMEN'S PENSION

By amendment of the city charter, June 2, 1913, there was created a "Firemen's Relief and

Pension Fund" for the benefit of the members of the fire department, their widows and children under 16 years of age. These charter provisions remained unchanged until 1928 when the voters of the city amended the charter to provide for substantially increased taxation to support the fund, for changes in the method of its administration, and for certain minor changes in the benefits payable to and the contributions from the firemen. There have been no changes since 1928.

### *Taxes Provide Two-third of Income*

The money for the support of the fund is derived, under the charter provision, from five sources: (1) Fines collected from firemen for breaches of discipline, (2) Gifts or bequests to any member for extraordinary services, (3) A monthly contribution from both permanent and temporary members of the fire department amount to 2½% of the monthly salary, deducted by the auditor from the pay warrants of each member, (4) The proceeds of an annual tax levy of 3/10 of a mill on each dollar of assessed valuation of property in the city for the years 1929 to 1954, inclusive, and (5) Interest on the investment of the fund. The monies re-

*Tune in KEX at 4:15 P. M. Sunday*

# PORTLAND CITY CLUB BULLETIN

Published Weekly by

## THE CITY CLUB

OF PORTLAND

Office of the Club . . . . . 606 Oregon Building

Telephone ATwater 6593

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Entered as Second Class Matter, October 29, 1920, at the postoffice at Portland, Oregon, under act of March 3, 1879.

City Club dues are \$1.00 per month, payable semi-annually on May 1st, and November 1st. There is no initiation fee.

The regular Friday luncheon meetings are held in the Crystal Room of the Benson Hotel.

### CITY CLUB PURPOSE

*"To inform its members and the community in public matters and to arouse them to a realization of the obligations of citizenship."*

ceived from the first two sources have been practically negligible in amount. The largest portion of the revenue for the fund comes from the annual tax levy, which, since the 1928 amendment, has provided over 2/3 of the total income. The dues from the members and the interest on the investment of the fund have, since 1928 provided the remaining 1/3 of the income. A detailed statement of the amounts and sources of the yearly income of the fund will be found further on in this report.

#### Board Administers the Fund

The administration of the fund is under the supervision and control of the "Board of Trustees of the Firemen's Relief and Pension Fund". This board is composed of the mayor, the city treasurer (who is treasurer of the board), the city auditor (who is secretary of the board), the chief engineer of the bureau of fire, and three members of the Bureau of Fire, elected annually by the regular members of the fire department. The chairman is elected by the board. The custody of the fund is given to the city treasurer, who is also the disbursing officer. The members of the board all serve without compensation.

The duties of the board are to hold monthly meetings; to invest all pension funds; to hear and determine all applications for pensions, provision being made for appeal from its decisions to the City Council; to select physicians to examine applications for pensions; to require applicants to submit to medical examinations; to administer oaths and subpoena witnesses; and to make annual reports to the city council of all their yearly transactions, of the amounts of receipts and disbursements, and of the esti-

mated receipts and disbursements for the ensuing year.

#### Classes of Benefits

The benefits of the pension fund are: (1) The retirement benefit paid to retired members of the department; (2) The benefit paid to widows and minor children of deceased members; (3) The benefit paid to members during temporary or permanent disability. In addition, the family of a deceased fireman is entitled to an allowance of \$100 from the fund for burial expense.

#### Retired at Half Salary

The so-called retirement or superannuation benefit becomes payable (1) on application of the member, when the applicant has served 25 years in the department, regardless of age, or when the applicant has reached age 50 and has been a member of the department for 20 years, and (2) on motion of the Board of Trustees, when a member has attained age 55, been in the service 20 years, and is found by the Board, after medical examination, to be aged, disabled, or infirm. In each case, the retiring or retired member received, for the remainder of his life a monthly payment equal to one-half his salary in the department one year prior to his retirement.

#### Same Benefit for Permanent Disability

Any member who, by reason of his service in the department, becomes permanently disabled, is entitled to be retired on one-half the amount of his salary at the time of retirement. Also, a member who by reason of service becomes wholly incapacitated from performing his duties, may be retired on half salary. As to either type of disability the benefit shall cease and the member restored to service upon the disability being removed.

#### Temporary Disability Benefits Are Uncertain

The exact benefits payable on temporary disability are not easily ascertained from the charter, owing to apparent conflicts caused by the 1928 charter amendment. The charter, both before and after the November 1928 election, provided that in case a member becomes temporarily disabled by reason of injury received in the course of duty, he shall receive, during the disability, but not exceeding one year, benefits equal to his monthly salary at the time of disability. In 1928 a section was adopted providing that a member who becomes "incapacitated from performing his duties on account of sick-

### APPLICATION FOR MEMBERSHIP

The following application for membership, having been approved by the Board of Governors, is hereby recommended to the Club.

If no objections are filed with the Board of Governors or the Executive Secretary prior to December 16, 1932, this applicant will, under the Constitution, stand elected.

LOUIS P. GAMBEE, M.D.

Surgeon

Medical Dental Building

Recommended by Dr. G. Norman

Pease

ness or injury" shall receive during his incapacitation a sum equal to 1/2 his monthly salary. No distinction was made between disability caused by reason of service and that not caused by service. Under the latter section no benefits are payable until the member is incapacitated 7 days. Presumably, though it is not at all certain, where the disability is received in line of duty, the full salary should be paid, and where the disability, whether sickness or injury is not so received, 1/2 the salary should be paid.

*Dependents Receive Benefits*

If a member of the department dies before retirement, from any cause whatsoever, a monthly sum equal to 1/2 his salary at the time of death or of the contracting of his last illness, becomes payable either to his widow, minor children under 16 years of age, or to his parents, if dependent upon him. The widow receives the pension so long as she is unmarried and remains a resident of Oregon; if no widow survives, the monthly benefit is payable collectively to all children under 16 years of age; and, if no widow or children survive, the benefit is payable to the deceased member's parents, for such time as the board shall determine if the parents were wholly dependent on the deceased for their support. It is to be noted that this death benefit is payable regardless of whether or not death was caused by reason of employment.

*Widows of Pensioners Are Paid*

In the event a fireman dies, after retirement, and while receiving the so-called superannuation or pension benefit, it is required that the fund continue to pay the amount of such pension to the widow of the deceased, if married to the deceased at least five years prior to his retirement, so long as she remains unmarried and a resident of the State. No benefits are provided for minor children or dependent parents where death occurs during retirement.

**OPERATION OF THE FUND**

A pension system depends for its solvency upon the payment by each person of an amount necessary to build up for himself a sum which will be returned to him at the date when his benefit falls due. Unless each man in the pension system on the average builds up such an individual reserve fund for himself the system cannot pay him his benefit at maturity. A reserve fund is the aggregate of the individual funds so created and maintained. Applying this idea to the Portland pension systems, the city in its charter has promised certain benefits to firemen and policemen. These benefits are fixed and in order to meet them the payments by the men and the city must be sufficient to create a reserve fund to meet the benefits as they become due. Both the fire and police pensions have fallen down because too large benefits were promised as against the payments to be made into the funds. For the firemen the original plan went into the red in 1926 and for three years thereafter. Benefits were paid out of the reserve because more was spent each year than was received. Since the charter amendment of 1928 both the firemen and the city have paid more into the fund than formerly, but the benefits were also increased and such increase was greater than the increase of payments by the firemen and the city.

*Fund Is Headed For Disaster*

After a detailed study of the operation of the fund the committee finds that it is again headed for disaster. The findings are portrayed in the following charts and tables.

Chart A and Table No. 1 give by years the amount of revenue received by the fund and the source of this revenue.

CHART A.

*Sources of Income, 1918 to 1931, inclusive*

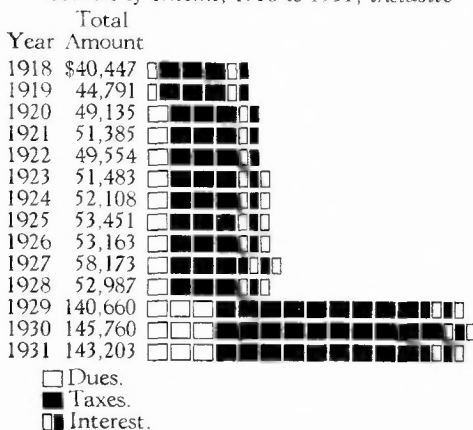


TABLE No. 1.

*Sources of Income—1918 to 1931*

Year	Taxes	Dues	Interest	Miscel	Total
1918	\$ 28,105	\$ 5,014	\$ 7,095	\$ 232	\$ 40,447
1919	29,649	6,659	8,390	91	44,791
1920	30,722	7,964	9,759	688	49,135
1921	31,715	8,189	11,373	107	51,385
1922	29,305	8,261	11,728	260	49,554
1923	29,247	8,464	13,375	395	51,483
1924	29,973	8,937	12,937	260	52,108
1925	30,692	9,320	13,106	331	53,451
1926	30,708	9,547	12,842	65	53,163
1927	33,966	11,568	12,097	541	58,173
1928	28,560	11,909	12,367	149	52,987
1929	97,163	30,477	12,795	224	140,660
1930	98,973	30,831	15,705	250	145,760
1931	94,229	30,929	18,012	30	143,203
Totals	\$623,015	\$188,076	\$171,589	\$3,627	\$986,308

The sharp increase in revenue from both taxation and dues in the year 1929 and following is due directly to the charter amendment adopted at the general election of November 6, 1928. Prior to this change, the fund was supported by a tax of 1/10 mills. By the amendment, the millage rate of taxation was raised to 3/10 of a mill, making the taxpayers actual contribution to the fund in dollars and cents approximately three times as large as it was in 1928. At this same election, the monthly contribution from the firemen was increased from 1% to 2 1/4%. In the last few years the taxpayers have been contributing around \$95,000.00 per year as compared with approximately \$30,000.00 per year contributed by the firemen.

*Expenditures Mount Rapidly*

Table No. 1 shows that the total income will probably be rather uniform. There is no expectation of an increase in property values in the near future and this determines the amount of the tax. Neither will the income from the men increase unless there is an increase in salary or in the number on the force.

On the other hand, the expenditures as shown

in Chart B and Table No. 2 indicate a rapid increase with no probability of diminution.

CHART B.

Expenditures, 1918 to 1931, inclusive

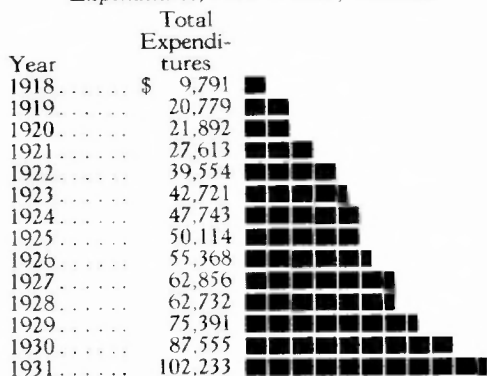


TABLE No. 2.  
Income, Expenditures and Net Income  
1918 to 1931, inclusive

Year	Income	Expenditures	Net Income
1918	\$ 40,447	\$ 9,791	\$ 30,655
1919	44,791	20,779	24,012
1920	49,135	21,892	27,242
1921	51,385	27,613	23,771
1922	49,554	39,554	10,000
1923	51,483	42,721	8,761
1924	52,108	47,743	4,365
1925	53,451	50,114	3,337
1926	53,163	55,368	* 2,204
1927	58,173	62,856	* 4,682
1928	52,987	62,732	* 9,745
1929	140,660	75,391	65,268
1930	145,760	87,555	58,205
1931	143,203	102,233	40,969

Totals.....\$986,308 \$706,348 \$279,959

Note.—The \* indicates a deficit. Also the "Net Income" per year does not exactly agree with the increase (or decrease) in total resources per year because all transactions pertaining to securities, for instance premiums and discounts, have been omitted in the preparation of statements of Income and Expense.

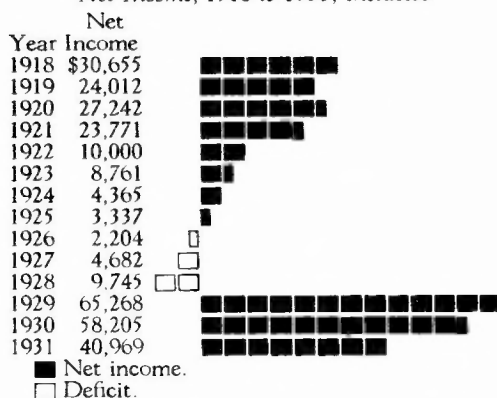
These yearly expenditures increased steadily from approximately \$10,000.00 in 1918 to in excess of \$100,000.00 in 1931, or an increase of approximately 1000% in 13 years. The yearly income, as shown by Chart A, reached a peak of approximately \$140,000.00 in 1930 and in 1931 showed a decrease. Thus it appears highly probably that in the next few years, with income remaining nearly constant and expenditures increasing, that expenses will soon exceed the income and the reserves will steadily decline as they are increasingly resorted to to make good the deficiency.

Net Income Again Declines

It will be noted that the net income in 1918 was approximately \$30,000.00 and that this decreased regularly each year until in 1926 the expenditures were more than the income. In 1927 and 1928 the expenditures were more than the income and then in 1928 the charter was amended increasing the annual income very materially. The net income of 1929 was therefore very much higher, but in 1930 the net income again decreased due to increased expenditures. The 1931 net income decreased nearly 30% and at this rate it will only be a few years until the expenditures will again exceed the income and another adjustment will become necessary.

CHART C.

Net Income, 1918 to 1931, inclusive



Condition of the Reserves

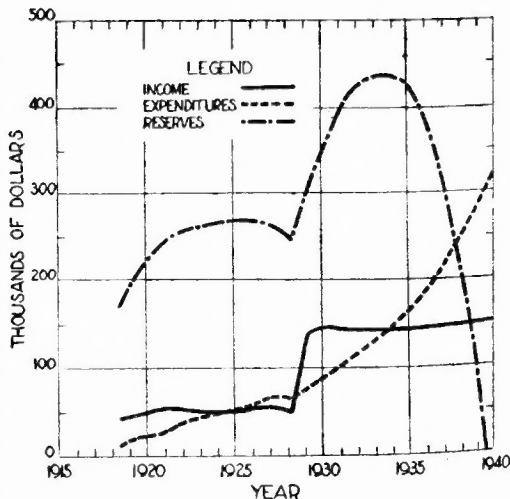
In spite of this very substantial yearly income, the fund is apparently headed for insolvency, when its expenditures and potential liabilities are compared with receipts and reserves as indicated by Chart D.

Table No. 3 gives by years the net amount of reserves on hand at the end of each fiscal year, as shown by the report of the City Auditor.

TABLE No. 3.  
Investments, Cash and Total Reserves  
1918 to 1931, inclusive

Year	Investments	Cash	Total Reserves
1918	\$168,798	\$ 2,177	\$170,976
1919	160,591	34,341	194,932
1920	210,341	11,710	222,051
1921	231,838	14,000	245,838
1922	252,838	1,883	254,721
1923	255,838	5,943	261,781
1924	262,838	2,269	265,108
1925	259,838	8,114	267,953
1926	257,841	7,650	265,491
1927	212,500	47,850	260,350
1928	238,000	7,722	245,722
1929	279,500	29,053	308,553
1930	329,000	35,143	364,143
1931	372,000	30,080	402,080

CHART D.  
Income, Expenditures and Reserves  
1918 to 1932, inclusive  
Estimated for 1932 to 1940



A sudden increase in reserves shown in the years 1929 and 1930, was due, as was the increased income for the last three years, to the substantial increase in the tax levy, provided by the charter amendment of 1928.

Chart D shows the reserves, income and expenses. Assuming that expenses increase as they have in the past, and that the income remains nearly constant, as appears probable, the expenses will exceed the income in 1934 or 1935 and it will then become necessary to draw on the reserves. The reserves must inevitably decrease and in the vicinity of the year 1940, the reserves will be completely exhausted and the entire fund will become insolvent. We do not believe our predictions as to the future financial condition to be unduly pessimistic when account is taken of the rapidly increasing liabilities of the fund.

*The Fund Supports Eighty*

The accrued liabilities, in the form of pensions to retired and disabled members and to dependents have been increasing at an alarming rate. From 3 pensioners on the payrolls in 1915, the number has steadily and sharply increased, until, in 1931, the fund is found to be supporting eighty pensioners. During the same period from 1913 to 1930, the total number of firemen in the department increased from less than 400 to over 510.

This rapid rise in the number of pensions paid to members and to dependents is shown in Table No. 4.

TABLE No. 4.

*Number of Members, Dependents and Funerals and Amount in Dollars Paid to Members and Dependents 1915 to 1931, inclusive*

Year	MEMBERS		DEPENDENTS		Funerals
	No.	Amount Paid	No.	Amount Paid	
1915	2	\$ 752	1	\$ 251	1
1916	3	1,357	3	992	2
1917	8	3,520	3	1,680	2
1918	9	5,077	6	2,642	1
1919	13	7,176	9	5,438	5
1920	16	11,045	12	7,327	2
1921	20	14,875	12	7,234	1
1922	25	17,694	16	11,212	7
1923	25	17,333	19	15,146	5
1924	25	21,861	22	16,470	3
1925	22	20,455	25	21,049	3
1926	22	20,936	24	22,257	1
1927	22	21,185	26	22,148	1
1928	23	22,477	28	24,107	6
1929	29	21,070	32	26,600	3
1930	29	29,295	31	30,152	2
1931	43	39,489	35	37,326	6

The number of pensioners, classed as "dependents" has also been getting steadily larger. Compared with retired or disabled firemen each year since 1925 there have been more "dependent" beneficiaries than "firemen" beneficiaries, and that this class of pensioners has ever since 1925 grown constantly greater, until in 1929, there were 32 in the "dependent" class as compared with 29 in the class composed of retired and disabled firemen.

*Large Sum Paid To Non-Members*

The rapid increase in the payments to these two classes of permanent pensioners is readily apparent. In 1915, the total annual expenditure for all pensions was \$1,004.11. This sum increased steadily until, in 1931, it amounted to

\$76,790.83. Table No. 4 shows that the pensions to non-members of the department for the 5 years preceding 1931 exceeded the pensions to members. It seems obvious that this class of liability of the fund must increase steadily, and the load upon the fund, from this source alone, must eventually result in its insolvency.

Another factor materially contributing to the rapidly increasing payments from the fund, has been the steady rise in the amount of the retirement benefit paid to each permanent member of the fund. It will be recalled that the sum paid to each permanent member is determined as 1/2 the salary of the fireman, at the time of his death, if killed or disabled in service, or one year prior to retirement, if retired because of age or number of years of service. The salary of firemen has steadily increased from the time the fund was set up, and because the salary is usually a very substantial amount, where the man has been in service 20 or more years, the amount of this benefit has steadily increased.

Table No. 5 shows the average amount paid to pensioners pensioned each year and shows the average to be double what it was when the fund went into operation. This table also shows the number of men pensioned each year.

TABLE No. 5.

*Average Amount Paid to Pensioners and Number Pensioned Each Year 1915 to 1931, inclusive*

Year	Average Monthly Amount Paid Pensioners Retired Each Year	Number of Men Retired Each Year
1915	\$ 50.00	3
1916	55.00	3
1917	57.50	5
1918	67.50	3
1919	67.50	7
1920	87.50	6
1921	80.00	7
1922	80.00	9
1923	80.00	9
1924	78.00	6
1925	78.00	3
1926	82.00	2
1927	87.00	3
1928	149.00	5
1929	95.00	11
1930	100.00	7
1931	98.75	8

Table No. 6 shows the different amounts paid annually to pensioners because of disability, length of service and age.

TABLE No. 6.

*Total Amounts Paid Annually to Pensioners Pensioned Because of Age, Length of Service and Disability*

Year	Due to Age	Length of Service	Disability
1915			\$ 752
1916			1,357
1917		\$ 50	3,470
1918		600	4,477
1919	\$ 375	600	6,201
1920	750	1,140	9,155
1921	750	3,150	10,975
1922	1,800	4,197	11,697
1923	2,082	4,612	10,638
1924	4,202	5,550	12,108
1925	4,770	5,550	10,135
1926	4,770	6,571	9,655
1927	4,770	6,700	9,715
1928	4,770	7,752	9,955
1929	4,863	7,618	8,589
1930	6,723	14,016	8,556
1931	9,552	20,742	9,195

The potential liabilities of the fund are enormous. At present, the average age of the

active members of the department is 41 years and the average length of service 11 years. In the next ten years, assuming there are no resignations or dismissals, there will be 183 men eligible for retirement on account of age, or 186 on account of length of service. Charts E and F show that 60 men, now active, could retire today on application, by reason of age, or 70 by reason of length of service.

CHART E.

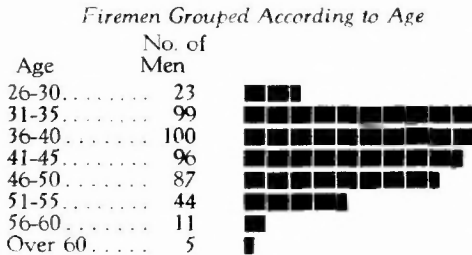
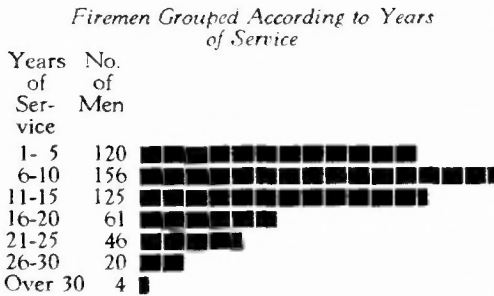


CHART F.



At the present time a fireman is entitled to retire when he has reached age 50 and has been a member of the department twenty years. There appears to be no good reason why a fireman should retire at age 50 as Chart E shows that 60 men over 50 years of age have not retired but are still working. Twenty years of service does not seem sufficient as seventy men at the present time have over twenty years of service and are still working, as shown by Chart F.

Another very substantial outlay from the

fund is that made for sickness and injury both in and out of line of duty.

Table No. 7 which follows shows the steady increase in the number of claimants for this type of benefit, from 19 in 1915 to 63 in 1931.

TABLE No. 7.  
*Number of Beneficiaries, Injury and Sickness*

	Injury	Sickness
1915	4	15
1916	2	6
1917	2	10
1918	2	18
1919	2	76
1920	4	17
1921	4	12
1922	2	19
1923	6	20
1924	4	20
1925	6	17
1926	5	22
1927	1	25
1928	7	25
1929	2	59
1930	2	47

Table No. 8 shows the steady increase in yearly payments for temporary benefits. This has increased from less than \$200.00 in 1913, to almost \$8,000.00 in 1929, the peak. The same table shows the comparison between such benefits paid for disability caused by duty and that not caused by duty.

TABLE No. 8.  
*Amount of Money Paid Annually for Injury and Sickness*

Years	In Line of Duty	Not in Line of Duty	Total for Temporary
1913	\$ 162	\$ 78	\$ 240
1914	769	672	1,342
1915	791	889	1,680
1916	271	406	678
1917	306	600	907
1918	501	831	1,332
1919	544	2,205	2,750
1920	787	1,037	1,824
1921	1,174	589	1,764
1922	1,452	1,212	2,664
1923	2,672	1,082	3,754
1924	1,283	960	2,243
1925	1,565	986	2,552
1926	1,679	1,259	2,939
1927	1,816	1,447	3,263
1928	2,545	2,145	4,691
1929	3,799	2,964	6,764
1930	2,608	2,588	5,196
1931	1,688	1,545	3,234

Table No. 9 shows the total yearly expenditures of the fund. A large percentage of the total going to pensions.

TABLE No. 9.  
*Total Expenditures from 1918 to 1931, inclusive*

Year	Pensions	Injury	Sickness	Funerals	Miscel.	Total
1918	\$ 7,346	\$ 1,465	\$ 716	\$ 200	\$ 63	\$ 9,791
1919	12,096	4,223	3,851	500	108	20,779
1920	17,294	2,212	2,088	200	96	21,892
1921	22,549	3,282	1,580	200		27,613
1922	30,507	5,571	2,783	600	92	39,554
1923	34,993	5,305	1,773	600	49	42,721
1924	42,121	3,761	1,536	300	23	47,743
1925	45,479	2,098	1,464	400	671	50,114
1926	47,308	5,094	2,678	100	186	55,368
1927	49,445	10,451	2,621	300	38	62,856
1928	51,099	8,011	3,014	600	8	62,732
1929	57,279	9,402	8,231	400	78	75,391
1930	65,264	12,632	9,213	200	244	87,555
1931	76,790	16,534	8,182	600	124	102,233
Totals	\$ 559,576	\$ 90,048	\$ 49,735	\$ 5,200	\$ 1,787	\$ 706,348