



Testimony for SB 1049
Port of Portland
May 14, 2019
Joint Committee on Ways and Means
Subcommittee on Capital Construction

Co-Chair Girod, Co-Chair Holvey, Members of the Committee, thank you for the opportunity to speak with you today in support of a concept to allow a qualifying employer more flexibility in selecting the time period over which to receive rate relief from a PERS side account.

My name is Bob Burket and I am the Controller at the Port of Portland. I have been responsible for monitoring, accounting, and planning for the Port's PERS pension liability for well over a decade.

Today my brief comments will be focused on the relatively small, technical change which sections 20 and 21 of the proposed -1 amendment to SB1049 would make to the use of lump sum payments, or side accounts. I'll also point out that this language is contained in SB705-A, which is with the Joint Committee on Ways and Means and is working its way through the process. Currently, the Port has two side accounts placed with PERS. We believe side accounts are a useful tool that can help employers better address and plan for their future PERS pension liabilities. Side accounts established with PERS have the effect of reducing a PERS employer's pension rates. Under current rules, a PERS employer making a qualifying lump sum payment can choose various lengths of time to receive rate relief from a side account, but that rate relief from the side account must commence shortly after the deposit is made with PERS.

The proposed change would provide PERS employers making a lump sum payment of at least \$10 million with the flexibility to selectively target, within limits, the time period during which a qualifying side account will provide rate relief. Said another way, the ability to place a side account with PERS now, but delay the start of the PERS rate relief to a future date, will enable some employers to better plan for their projected future PERS obligations by focusing rate relief during years when the employer contribution rate is anticipated to be at its highest.

I'd like to draw your attention to a graph that illustrates the benefit of such flexibility using the Port as an example.

Thank you for the opportunity to speak to this amendment and I'd be happy to take any questions.

Port contacts:

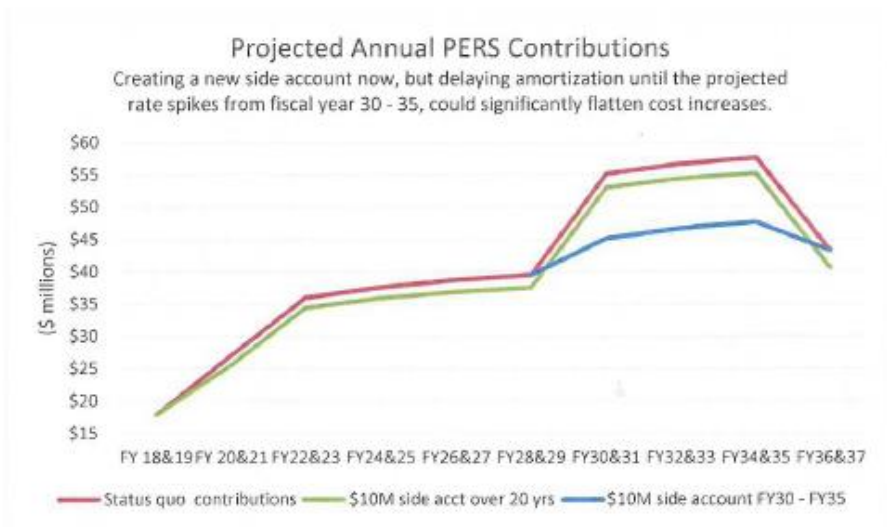
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Attachment A – PERS cost chart demonstrating benefits of amortization flexibility



Case for Additional PERS Side Account Amortization Flexibility

When a PERS employer deposits funds with PERS to create a side account, they have the option to choose the length of time the side account is amortized over, but there is no option to pick *when* the amortization period starts. This does not give employers the flexibility to establish a side account that can be used to address a period of spiking rates out in the future. Granting employers the ability to delay the start of amortization would create a powerful tool to enable employers to focus on addressing specific periods of PERS cost increases.



Note: status quo rate projections are based on the PERS employer rate projection tool using PERS rate assumptions and Port-specific data. Impacts of side accounts are estimates and have not been validated by PERS' actuaries.