OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Senate Bill 1566 (2018) Report

Joint Committee on
Ways and Means
Subcommittee on
General Government

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Senate Bill (SB) 1566 (2018) report

About SB 1566

Senate Bill 1566 was approved in 2018, in response to recommendations from the Governor's PERS Unfunded Actuarial Liability Task Force, which met in 2017.

Senate Bill 1566 established:

- The **Employer Incentive Fund** (EIF), which provides up to a 25% match for employers who make a qualifying lump-sum payment to a side account.
- The **School Districts Unfunded Liability Fund** (SDULF), a pooled side account that will provide employer rate relief to public school districts, charter schools, and education service districts.
- The **Unfunded Actuarial Liability Resolution Program** (UALRP), which provides information and resources to assist employers as they develop plans to improve their funded status and projected rate changes.
- **Amortization options** allowing for shortened amortization periods.

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SB 1566 required reporting

Senate Bill 1566 requires PERS to provide an update during each regular legislative session on the status of the:

- Employer Incentive Fund.
- School Districts Unfunded Liability Fund.
- Unfunded Actuarial Liability Resolution Program.

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Employer Incentive Fund

Program status update as of December 2022

- 25% match for employers who make a qualifying lump-sum payment to a side account.
- 2022–2023 application period:
  - $36.8 million matching funds available.
  - $30.1 million matching funds distributed.
- Current EIF balance: $2.49 million (includes earnings).
- Oregon Scoreboard Lottery anticipated to provide additional $21.7 million in 2023-25 biennium to be used in next application cycle.
- Based on current budget projections, next application period anticipated in 2025 when fund balance reaches $25 million.

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School Districts Unfunded Liability Fund

About SDULF

Pooled side account aimed to provide rate relief to all public school districts, public charter schools, and education service districts. Original legislation names five sources of revenue to capitalize this fund.

SDULF revenue sources

1. Interest on unclaimed property through Department of State Lands.
   - No transfers expected in 2023.
2. Certain proceeds from capital gains tax.
   - Revenue transfer not expected in 2023.
3. Certain proceeds from estate tax.
   - $89.0 million forecast to be available in 2023.
4. Revenues from agency debt collection.
   - Revenue transfer not expected in 2021-23.
5. Revenue from repatriation of corporate income taxes.
   - Revenue source removed during second special session of 2020.

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School Districts Unfunded Liability Fund

SDULF status

- Revenue in the SDULF will be applied as employer rate offset for all members of School Districts Pool.
- Currently, a 1% rate offset requires a fund balance of approximately $580 million — current balance is $46.3 million.
- PERS does not anticipate applying a rate offset to SDULF this biennium.

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Unfunded Actuarial Liability Resolution Program

UALRP status

- All PERS employers must participate in UALRP.
- Resources and information are on PERS website, including Employer Rate Projection Tool.
- Tool enhancements continue based on employer feedback.
- PERS published a series of UALRP guides to help employers understand actuarial concepts and more accurately budget and forecast.

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Enhanced amortization options

Amortization options

- Employers may choose shortened amortization period of 6, 10, or 16 years.
- Employers can choose to defer year of rate offsets.

Amortization status

- Nine employers have chosen shortened amortization periods.
- One employer has chosen to defer rate offsets.

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Summary

- **EIF** has been well received and used.
- Uncertainty surrounding revenue streams for **SDULF** create challenges in planning for the amount and timing of rate relief.
  - Administrative processes are in place or outlined and are ready to deploy as soon as revenue is available to ensure rate relief.
- **UALRP** continues to evolve.
  - Working with all stakeholders to enhance this program in a way that meaningfully engages employers well into the future.

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Thank you

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