SB 849 STAFF MEASURE SUMMARY

Senate Committee On Labor and Business

Prepared By: Whitney Perez, LPRO Analyst
Meeting Dates: 1/23

WHAT THE MEASURE DOES:
The measure provides the Public Employees Retirement Board with authority to determine the appropriate timing to apply funds in the School Districts Unfunded Liability Fund against the school district employer's liabilities within the Public Employees Retirement System.

FISCAL: May have fiscal impact, but no statement yet issued

REVENUE: May have revenue impact, but no statement yet issued

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:
No amendment.

BACKGROUND:
The Public Employees Retirement System (PERS) provides retirement benefits for state agencies and approximately 900 units of local government. PERS is overseen by a five-member board that appoints an executive director to manage the agency's daily operations, including the management of benefits for more than 393,000 active, inactive, and retired members and beneficiaries. PERS members are in one of three plans, depending on when they first became a member. The three plans are: Tier One, Tier Two, and the Oregon Public Service Retirement Plan (OPSRP).

The retirement benefits paid to PERS members are funded by a combination of participating employer contributions and earnings on invested funds. Some employers have made advance payments on their contributions, deposited in side accounts. When the amount of PERS duns anticipated to be available falls below the amount necessary to pay projected benefits, the shortfall is called the Unfunded Actuarial Liability (UAL). At the end of 2015, the UAL was $19.9 billion. Not including the $5.4 billion in employer side accounts at the end of 2016, the PERS liability was estimated to be 75 percent funded (79 percent funded with side accounts).

In 2018, the Legislative Assembly enacted Senate Bill 1566. SB 1566, in part, created the School Districts Unfunded Liability Fund (SDULF). Funding for the SDULF was provided for in SB 1566 from various sources such as the accrued interest on unclaimed property and a portion of the estate tax proceeds that the state collects each year. This funding is currently required to be used to create a pooled side account to help offset all school district employers' individual PERS contribution rates. Most of the funding sources for the SDULF ended in 2023. The final funding source, interest on unclaimed property, expires in 2027. The SDULF currently has $87 million in funds.

Senate Bill 859 provides the Public Employees Retirement Board with authority to determine the appropriate timing to apply funds in the School Districts Unfunded Liability Fund against the school district employer's liabilities within the Public Employees Retirement System.