

SB 849 -1 STAFF MEASURE SUMMARY

Senate Committee On Labor and Business

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Meeting Dates: 1/23, 3/4

WHAT THE MEASURE DOES:

The measure eliminates the requirement that the Public Employees Retirement Board (board) establish an account in the Public Employees Retirement Fund for moneys in the School Districts Unfunded Liability Fund. The measure provides the 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. Makes conforming amendments.

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

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

ISSUES DISCUSSED:

- Creation of the School Districts Unfunded Liability Fund (fund) through Senate Bill 1566 in 2018
- Funding sources
- Current intended purpose of the fund
- Current amount contained in the fund
- Sufficiency of the fund to offset employer contribution rate through a side account
- Potential uses of the fund

EFFECT OF AMENDMENT:

-1 The amendment specifies that by June 30, 2025, the Public Employees Retirement Board (board) shall apply all moneys in the School Districts Unfunded Liability Fund (fund) as of February 28, 2025 against all school district employers' individual 2025-2027 employer contribution rates, in equal amounts. The amendment specifies that the board shall apply any moneys credited to the fund after February 28, 2025 against all school district employers' individual employer contribution rates for the biennium following the crediting, in equal amounts.

The amendment declares an emergency, effective on passage.

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

REVENUE: No revenue impact

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 funds 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

This summary has not been adopted or officially endorsed by action of the committee.

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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 (fund). Funding for this fund 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 fund ended in 2023. The final funding source, interest on unclaimed property, expires in 2027.

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.