SB 849 A STAFF MEASURE SUMMARY

House Committee On Labor and Workplace Standards

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Meeting Dates: 4/16, 4/21

WHAT THE MEASURE DOES:

The measure requires the Public Employees Retirement (PERS) Board apply all moneys in the School Districts Unfunded Liability Fund (SDULF), as of February 28, 2025, against all school district employers' individual 2025-2027 employer contribution rates. The measure requires the moneys in the SDULF be applied by June 30, 2025 and be applied to school districts in equal amounts. The measure applies any money that comes into the SDULF after February 28, 2025 to the school district contribution rates for the biennium after the distribution. The measure declares an emergency and is effective upon passage.

Fiscal impact: Fiscal Impact issued
Revenue impact: No revenue issued

Senate Vote: 26 aye; 4 no

ISSUES DISCUSSED:

- Creation of the School Districts Unfunded Liability Fund (Fund) through Senate Bill 1566 in 2018
- Current amount contained in the Fund
- Sufficiency of the Fund to offset employer contribution rates through a side account
- Collaboration between stakeholders
- Impact of PERS costs on school districts budgets
- One-time source of money for school districts
- Expiration of school districts side account and impact on future PERS rates

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). PERS members who work in positions that meet the definitions for "police officer" and "firefighter" are eligible for special benefit provisions, such as retiring at an earlier age and calculating their retirement benefit with a higher statutory factor.

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

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.