

REVENUE: No revenue impact
FISCAL: Fiscal statement issued

Action: Do Pass as Amended and Be Printed Engrossed and Be Referred
to the Committee on Ways and Means

Vote: 7 - 0 - 1

Yeas: Berger, Edwards C., Garrard, Gelser, Jenson, Read, Roblan

Nays: 0

Exc.: Nolan

Prepared By: Jerry Watson, Administrator

Meeting Dates: 5/18, 5/20, 5/27

WHAT THE MEASURE DOES: Allows a public employer participating in the Public Employees Retirement System (PERS) to request that excess amounts in a side account established for lump sum payments be applied to offset contributions to an individual account program if the PERS Board determines that amounts in the account exceed amounts necessary to fund the employer's actuarial liabilities. Permits excess amounts to be applied to offset contributions only to extent that the application will not result in the account balance being reduced to less than the outstanding principal balance owned on the bonds issued to fund the account. Directs the PERS Board to offset contributions only if board determines that applying excess amounts does not cause loss of qualification as a qualified governmental retirement plan and trust under Internal Revenue Code and regulations adopted pursuant to the Internal Revenue Code. Requires PERS Board to seek ruling from Internal Revenue Service on whether application of excess amounts as provided by the Act would cause loss of governmental retirement plan qualifications. Declares an emergency, effective upon passage.

ISSUES DISCUSSED:

- Clarification of uses of side accounts
- Some school districts have no savings in their PERS accounts; Some districts have more in their side accounts than their bonding liabilities
- Oregon Investment Council manages the side accounts as well as the PERS accounts
- Possible loss of favorable tax status on account
- PERS Board concurrence with measure and amendment language
- Fiscal impact analysis and referral to Ways and Means Committee

EFFECT OF COMMITTEE AMENDMENT: Eliminates option in original measure for public employer to request that excess amounts in account established for lump sum payments be refunded to the employer. Permits excess amounts to be applied to offset contributions only to extent that the application will not result in the account balance being reduced to less than the outstanding principal balance owned on the bonds issued to fund the account. Directs the Public Employees Retirement System (PERS) Board to offset contributions only if board determines that applying excess amounts does not cause loss of qualification as a qualified governmental retirement plan and trust under Internal Revenue Code and regulations adopted pursuant to the Internal Revenue Code. Requires PERS Board to seek ruling from Internal Revenue Service on whether application of excess amounts as provided by the Act would cause loss of governmental retirement plan qualifications.

BACKGROUND: Public employers who participate in the Public Employees Retirement System (PERS) can make lump sum payments to the system to pre-fund employer obligations; typically, done after issuing pension obligation bonds or savings from internal operations. In turn, PERS establishes a separate account for the lump sum amount and amortizes the account to offset contributions made over a specified period. Once these payments are paid into the system, the employer cannot direct how the funds in the separate account are used within the system, or request a refund of those funds. According to PERS, as of December 2008, 142 employers have established side accounts. The majority of participating employers are school districts, followed by community colleges. As of December 2007, 34 employers have multiple side accounts: one city, one special district, two community colleges, and 30 school districts.

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