

Joint Committee on Ways and Means

Carrier – House: Rep. Nathanson
Carrier – Senate: Sen. Schrader

Revenue: No revenue impact

Fiscal: Fiscal statement issued

Action: Do Pass

Vote: 15 – 6 - 1

House

Yeas: Buckley, Edwards, C., Edward D., Galizio, Kotek, Nathanson, Shields, Smith G.

Nays: Garrard, Gilman, Jenson, Richards

Exc:

Senate

Yeas: Bates, Nelson, Verger, Walker, Monroe, Johnson, Carter

Nays: Whitsett, Girod

Exc: Winters

Prepared By: Laurie Byerly, Legislative Fiscal Office

Meeting Date: 6/18, 6/22

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 action would not cause the system or the PERS Fund to lose its status as a qualified governmental retirement plan and trust under federal tax laws; requires PERS Board to seek associated ruling from Internal Revenue Service. Declares an emergency, effective upon passage.

ISSUES DISCUSSED:

- Trying to give employer flexibility in challenging budget times
- Impact of investment earnings on side account balances
- Concern about funded status of PERS in general

EFFECT OF COMMITTEE AMENDMENT: No amendment.

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.