

**Public Employees Retirement System
Contingency Reserve Fund Allocation**

On March 26th, the General Government Subcommittee recommended acknowledging receipt of a report from the Public Employees Retirement System on the allocation of Contingency Reserve funds, with direction that the PERS Board re-evaluate the statutory requirements related to an adequately funded Contingency Reserve balance.

On March 9th, PERS reported to the General Government Subcommittee its preliminary plan to credit 2016 calendar year earnings of the Oregon Public Employees Retirement Fund. The PERS report noted an overfunding of the PERS Contingency Reserve by \$345.8 million out of the \$583.7 million balance; however, there was no specific recommendation as to which accounts the reserve funds should be deployed, the amounts, and the associated rationale.

On April 4th, the PERS Board approved a preliminary allocation of excess funds in the Contingency Reserve to the Benefits-in-Force Reserve. The Benefits-in-Force Reserve account is used to fund Tier One and Tier Two retiree benefits payments upon an individual's retirement. The account is funded with employer and retiree contributions and associated earnings. The amount of the Board's allocation was unspecified as was the estimated change to the accrued liability and employer rates.

The PERS Board had unanimously adopted a percentage basis funding level for the Contingency Reserve at 0.25% of the accrued liability. The current actuarial accrued liability is \$76.7 billion, as of December 2015, which would place the Contingency Reserve

balance at \$190.5 million; however, there are several PERS adjustments that bring that balance up to \$237.8 million.

The Board was directed to re-evaluate its adopted target policy considering the statutorily permissible uses of the Contingency Reserve account.

The General Government Subcommittee recommends approval.