

SUBCOMMITTEE RECOMMENDATION

SB 1566

**Relating to employer contributions
to the Public Employees Retirement System**

SB 1566 contains a number of provisions to address the Public Employee Retirement System Unfunded Accrued Liability. This measure does not impact PERS member defined pension or defined contribution benefits, but does provide a new source of financing for member pension benefits.

The measure establishes an Employer Incentive Fund to be used for a 25% match program. All PERS entities, including school districts, community colleges, and public universities, are eligible to participate in the matching funds program under the conditions outlined in the bill. The fund is capitalized with an estimated \$25 million in one-time funding from SB 1529.

The measure establishes a School Districts Unfunded Liability Fund. The PERS Board is planning to create a school districts pooled side account and proportionately distribute the side account among all school districts as an offset to employer contribution rates. The fund is capitalized with an estimated \$115 million in one-time funding from SB 1529. Additional revenue transfers that may become available include excess revenues from: debt collection, capital gains, estate taxes, and interest on unclaimed property.

The measure allows an entity making a lump-sum cash payment into a side account of \$10 million or more to choose an amortization period of six years, 10-years, 16-years, or 20-years.

The measure creates an Unfunded Accrued Liability Resolution program to assist an employer in the development of a plan to improve the employer's funded status.

The recommended amendment resolves a conflict with SB 1529, which relates to connection to federal tax law. An amended version of that bill established the Employer Incentive Fund and the School Districts Unfunded Liability Fund. The recommended amendment for this measure repeals those two funds in order to eliminate the conflict of these same funds being established in SB 1566.

The measure includes various repeal dates, or date-specific limitations on sources of revenue, and directs various reporting to the Legislature.

PERS may need to request additional Other Funds expenditure limitation and position authority from the Emergency Board or the Legislature in 2019 for administrative and reporting costs related to this measure.

The Capital Construction Subcommittee recommends SB 1566 be amended by the –A11 amendment and be reported out do pass, as amended.