SB 705 STAFF MEASURE SUMMARY

Senate Committee On Workforce

Prepared By: Ellen Osoinach, LPRO Analyst
Meeting Dates: 2/7

WHAT THE MEASURE DOES:

Allows a public employer making a lump sum payment to a Public Employee Retirement Sysytem (PERS) side account to choose when the amortization period begins provided the period ends no later than twenty years after the first day the payment is made. Prohibits public employer choosing when to begin the amortization period from applying for matching funds from the Employer Incentive Fund. Authorizes PERS to charge administrative expenses.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Public Employees Retirement System (PERS) enables public employers to provide their employees with retirement benefits. The retirement benefits paid to PERS members are funded by a combination of participating employer contributions and earnings on invested funds. Participating employers can make advance lump sum contributions into a side account to offset future PERS expenses.

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). Side accounts can reduce the UAL.

In 2018, the Oregon Legislature enacted SB 1566B (2018) creating the Employer Incentive Fund (EIF). The EIF matches portions of an employer's side account not to exceed twenty-five percent of a qualifying lump sum payment. In addition, employers depositing advance lump sums of $10 million or more in a side account can choose an amortization period of six, ten, sixteen, or twenty years. SB 705 allows employers depositing $10 million or more in a side account to choose the date on which the amortization period begins.