



## **Testimony in Support of Senate Bill 705**

Chair Taylor, Vice-Chair Knopp and Members of the Committee,

Thank you for the opportunity to express our support for Senate Bill 705.

As a public corporation, OHSU recognizes that it is our responsibility to tackle our own liabilities within Oregon's public pension system, and we continue to be committed to decreasing that burden. We greatly appreciate efforts by the committee and the Governor in tackling the state's PERS unfunded actuarial liability (UAL), and look forward to continuing to collaborate on solutions to this issue.

In 1996 we made institutional changes to deal with our future PERS impact: we changed our default retirement plan from PERS to OHSU's alternative retirement plan, the University Pension Plan (UPP). We have also worked to ensure the UPP remained an attractive retirement plan when compared to PERS. Today, over 85 percent of our new hires choose UPP. We worked closely with our employees and our labor organizations to transition the Individual Account Program (IAP) from employer paid to employee paid, over a 3-year transition period that helped to minimize negative impact to our employees. In 2018, we created a side account with PERS as an additional tool in our tool box.

OHSU made a lump-sum supplemental payment of \$10 million to PERS in June 2018 prepay part of its unfunded actuarial liability in the form of a side account. The impact of that funding through a side account reduced the amount of the PERS unfunded liability attributed to OHSU.

Through these initiatives, we've made significant strides to manage OHSU's UAL and continue our commitment to reducing OHSU's unfunded liability.

As with many public employers feeling the effects of the UAL, OHSU anticipates our annual PERS costs to double over the next few years. We realize that it could be financially prudent to make greater side account payments to bring down our own liability as well as the greater system liability, and we appreciate the intent of Senate Bill 705 to incentivize employers to increase these side account payments.

This bill will provide flexibility to public employers in our efforts to invest in side accounts and support reduction of Oregon's overall UAL. Specifically, it allows public employers choosing to make large lump-sum payments of \$10 million or more into side accounts to have some discretion in the amortization period for those payments.

This amortization flexibility in statute would provide OHSU additional certainty and allow us to consider greater investment in side accounts to make greater strides in reducing OHSU's unfunded liability.

Thank you again for your support and for your service to the State of Oregon in tackling the UAL challenge. We are happy to take any follow up questions you have on the efforts OHSU has made to mitigate our organization's PERS liability.