## SB 705 -1 STAFF MEASURE SUMMARY

**Senate Committee On Workforce**

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**Meeting Dates:** 2/7, 3/5, 3/7

**WHAT THE MEASURE DOES:**

Allows a public employer making a lump sum payment to a Public Employee Retirement System (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. Applies to lump sum payments made before January 1, 2024. Prohibits public employer who chooses when to begin the amortization period from applying for matching funds from the Employer Incentive Fund. Authorizes PERS to charge administrative expenses connected to lump sum payment program within limits yet to be determined. Repeals ability to choose amortization period after January 1, 2024.

**ISSUES DISCUSSED:**

- Application under tax-sheltered pension plans of accounting, actuarial, and tax rules regarding deferred amortization
- Relationship of side accounts to Unfunded Actuarial Liability (UAL)

**EFFECT OF AMENDMENT:**

-1 Requires Public Employees Retirement Board (Board) to begin using lump sum payment having a deferred amortization on July 1 of the year chosen with beginning contribution offset rate based on information in Board's required bi-annual actuarial report most recently published at time lump sum payment is made. Authorizes Board to begin using lump sum payment to offset contributions in earlier year than employer chose to ensure payments end no later than 20 years after date of actuarial report used to determine beginning contribution offset rate. Removes proposed limits on amount of administrative expenses charged by PERS Board and allows Board to set charges by rule.

**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 1566-B (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.