SB 705 A STAFF MEASURE SUMMARY

Senate Committee On Workforce

Action Date:	03/07/19
Action:	Do pass with amendments and requesting referral to Ways and Means. (Printed A-Engrossed.)
Vote:	5-0-0-0
Yeas:	5 - Golden, Hansell, Knopp, Monnes Anderson, Taylor
Fiscal:	Has minimal fiscal impact
Revenue:	No revenue impact
Prepared By:	Ellen Osoinach, LPRO Analyst
Meeting Dates:	2/7, 3/5, 3/7

WHAT THE MEASURE DOES:

Allows a public employer making lump sum payment to Public Employees Retirement System (PERS) side account to choose when amortization period begins provided period ends no later than twenty years after first day payment is made. Applies to lump sum payments made before January 1, 2024. Prohibits public employer who chooses when to begin amortization period from applying for matching funds from Employer Incentive Fund. Authorizes Public Employees Retirement Board to adjust end date of the amortization period if side account exceeds employer's Unfunded Actuarial Liability (UAL). Authorizes PERS to charge administrative expenses connected to lump sum payment program. Repeals ability to choose amortization period after January 1, 2024.

ISSUES DISCUSSED:

- Application of accounting, actuarial, and tax rules for tax-sheltered pension plans regarding deferred amortization
- Relationship of side accounts to UAL
- Need for flexibility to ensure period does not exceed twenty years

EFFECT OF AMENDMENT:

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 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 pension 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 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 Legislative Assembly enacted SB 1566 to create 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. Senate Bill 705-A allows employers depositing

$10 million or more in a side account to choose the date on which the amortization period begins. Senate Bill 705-A also allows the 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.