

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



Senate Bill 1566 (2018) Report

Joint Committee on
Ways and Means
Subcommittee on
General Government

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PERS: Senate Bill 1566(2018) Report

Senate Bill 1566 was approved in 2018, in response to recommendations from the Governor's PERS Unfunded Actuarial Liability Task Force, which met in 2017

Senate Bill 1566 established

- The **Employer Incentive Fund** (EIF) which provides up to a 25% match for employers who make a qualifying lump-sum payment to a side account
- The **School Districts Unfunded Liability Fund** (SDULF) which is a pooled side account that will provide employer rate relief to public school districts, charter schools, and education service districts
- The **Unfunded Actuarial Liability Resolution Program** which provides information and resources to assist employers as they develop plans to improve their funded status and projected rate changes
- **Amortization options** allowing for shortened amortization periods

Senate Bill 1566 required reporting

- Senate Bill 1566 requires PERS to provide an update during each regular legislative session on the status of the Employer Incentive Fund, the School Districts Unfunded Liability Fund, and the Unfunded Actuarial Liability Resolution Program.

PERS: Senate Bill 1566(2018) Report (cont.)

Program status update as of December 2021

Employer Incentive Fund (EIF)

- 25% match for employers who make a qualifying lump-sum payment to a side account
- Prior application period (2020) results:
 - \$312.8 Million Employer funds received
 - \$64.8 Million EIF matching funds distributed
- Current EIF balance: \$7.3 Million (includes earnings)
- Oregon Scoreboard Lottery is anticipated to provide an additional \$9.5 million for a total of \$12.6 Million in the 2021-23 biennium to be used in the next application cycle
- Based on current budget projections, next application period is anticipated in 2023.
- Administrative challenges exist as a result of SB 846 (2021) that may effect timeliness of funds availability. PERS continues to work with stakeholders to mitigate these risks.

PERS: Senate Bill 1566(2018) Report (cont.)

School Districts Unfunded Liability Fund (SDULF)

- Pooled side account aimed to provide rate relief to all public school districts, public charter schools, and education service districts. The original legislation name five sources of revenue to capitalize this fund.

School Districts Unfunded Liability Fund Revenue

- Five Revenue Sources
 - 1) Interest on unclaimed property through Department of State Lands
 - Received \$45.5 Million in January 2022
 - 2) Certain proceeds from Capital Gains Tax
 - Revenue transfer not expected in 2021-23
 - 3) Certain proceeds from Estate Tax
 - \$74.9 Million forecast to be available in 2023
 - 4) Revenues from agency debt collection
 - Revenue transfer not expected in 2021-23
 - 5) Revenue from repatriation of corporate income taxes
 - Revenue source removed during second special session of 2020

PERS: Senate Bill 1566(2018) Report (cont.)

School Districts Unfunded Liability Fund Revenue (cont.)

- Revenue in the SDULF will be applied as an employer rate offset for all members of the School Districts Pool
- At this time, a 1% rate offset requires a fund balance of approximately \$535 Million
- PERS does not anticipate applying a rate offset to the SDULF this biennium

Unfunded Actuarial Liability Resolution Program (UALRP)

- Employers participating in the EIF commit to participating in the UALRP.
- Resources and information are on the Internet including the [Employer Rate Projection Tool](#)
- Tools enhancements continue based on employer feedback
- Series of 'Guides to understanding' have been published to help employers understand the system and aid in budgeting/forecasting

PERS: Senate Bill 1566(2018) Report (cont.)

Enhanced Amortization Options

- Employers may choose shortened amortization periods of 6, 10, or 16 years.
- Employers given option to choose to defer the year of rate offsets.
- 9 employers have now chosen shortened amortization periods.
- 1 employer has chosen to defer rate offsets

Summary

- EIF has been well received and utilized
- Uncertainty surrounding revenue streams for SDULF create challenges in planning for the amount and timing of rate relief. Administrative processes are in place, or have been outlined and are ready for deployment as soon as revenue is available to ensure rate relief at the earliest possible opportunity.
- UALRP continues to evolve working with all stakeholders to enhance this program in a way that meaningfully engages employers well into the future.

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Thank You

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