

# 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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# Senate Bill (SB) 1566 (2018) report

## About SB 1566

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), 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** (UALRP), 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 (2018) report

## SB 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.
- School Districts Unfunded Liability Fund.
- Unfunded Actuarial Liability Resolution Program.

# Senate Bill 1566 (2018) report

## Employer Incentive Fund

### Program status update as of November 2023

- 25% match for employers who make a qualifying lump-sum payment to a side account.
- Since inception:
  - \$96.4 million matching funds distributed.
  - 110 participating employers across 26 counties have received funds.
- Current EIF balance: \$12.5 million (includes earnings).
- Oregon Scoreboard Lottery anticipated to provide additional funding each quarter with most recent funding at \$3.6 million.
- Based on current budget projections, next application period anticipated in 2025 when fund balance reaches \$25 million.

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## School Districts Unfunded Liability Fund

### About SDULF

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

### SDULF revenue sources

1. Interest on unclaimed property through Department of State Lands.
  - No transfers expected in 2024; funding source sunsets in 2027.
2. Certain proceeds from capital gains tax.
  - Funding Source sunset in 2023.
3. Certain proceeds from estate tax.
  - Funding Source sunset in 2023.
4. Revenues from agency debt collection.
  - No transfers expected in 2024; funding source sunsets in 2024.
5. Revenue from repatriation of corporate income taxes.
  - Revenue source removed during second special session of 2020.

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## School Districts Unfunded Liability Fund

### SDULF status

- Revenue in the SDULF will be applied as employer rate offset for all members of School Districts Pool.
- Currently, a 1% rate offset requires a fund balance of approximately \$580 million — current balance is \$48.3 million.
- Received transfer from State Lands on January 25
- PERS does not anticipate applying a rate offset to SDULF this biennium.

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## Unfunded Actuarial Liability Resolution Program

### UALRP status

- All PERS employers must participate in UALRP.
- Resources and information are on PERS website, including Employer Rate Projection Tool.
- Tool enhancements continue based on employer feedback.
- PERS published a series of UALRP guides to help employers understand actuarial concepts and more accurately budget and forecast.

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## Enhanced amortization options

### Amortization options

- Employers may choose shortened amortization period of 6, 10, or 16 years.
- Employers can choose to defer year of rate offsets.

### Amortization status

- Nine employers have chosen shortened amortization periods.
- One employer has chosen to defer rate offsets.



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## Summary

- **EIF** has been well received and used.
- Uncertainty surrounding revenue streams for **SDULF** create challenges in planning for the amount and timing of rate relief.
  - Administrative processes are outlined to deploy as soon as revenue is available to provide rate relief.
- **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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