

I am writing to request that you include my comments in support of HB4155, which addresses a critical issue for governmental agencies in Oregon, as part of the official record. Beginning with the June 30, 2015 audit, the State and local governments across Oregon will be required to report their “share” of unfunded liabilities/overfunded surpluses in their pension plans on the face of the financial statements. This requirement is known as GASB 68. In order to meet this reporting requirement, each governmental entity either needs certain pieces of actuarially sound and audited data directly from their pension system provider (PERS), or the State and each of the 900+ local governments will have to send their auditors to the pension system to obtain and audit the information. Clearly, a centralized approach to develop and audit the information will eliminate redundant government work and reduce costs to all governments.

Why is this bill needed? Legislation is required to authorize PERS staff to expend funds to complete the required GASB 68 analysis. The additional costs to provide this analysis would come from Employer earnings on the system and should thus avoid affecting future PERS rates. An unofficial estimate of the cost of this analysis is roughly \$500,000, a drop in the bucket on even a mediocre earnings year. I seriously doubt that all 900+ governmental agencies could independently get such an analysis done on their own for roughly \$500 per entity. This means a centralized approach just makes good sense for all of us. This bill will not change pension payments for anyone and does not pass costs to employees or to member’s pension accounts – costs will be borne solely by the governmental units that need the information.

If no legislation is passed a number of consequences could arise for governmental agencies, most detrimental of which could be an incomplete audit. An incomplete audit would lead to:

- A “qualified” audit opinion for non-compliance with GASB 68;
- The likely downgrade in credit ratings affecting bond costs for taxpayers or ratepayers;
- Additional direct audit costs for each of our 900+ local governments;
- Inconsistent pension reporting which could lead to further citizen confusion;

South Umpqua School District has plans to go for a bond in the near future for much needed capital improvements. The last thing we need is for it to come at a higher rate to the taxpayers because we got an incomplete audit for something we could not control.

Why this has not already been dealt with I do not know. Maybe there is fear because the word “PERS” is involved and people want to avoid anything else to with PERS. However, this is not a PERS issue. This is a governmental reporting issue, a statewide issue, affecting agencies of all types. This will eventually have a negative effect on constituents from both parties if nothing is done.

This is an important issue for every governmental entity in Oregon and I hope that it is support and moved forward.

Respectfully,

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