



Testimony in Support of Senate Bill 1566 and -5 Amendment

Chair Taylor and Members of the Committee, for the record my name is Lawrence Furnstahl, and I am Executive Vice President & Chief Financial Officer at Oregon Health & Science University. In full disclosure, I also serve on the PERS board and was a member of the UAL Task Force, but I'm here today in my OHSU capacity. I would like to express support for SB 1566 and speak in support of the dash-5 amendment.

Let me start by thanking this committee and the Governor for your efforts in tackling the state's PERS unfunded actuarial liability. We greatly appreciate the collaboration with the Governor's office and all of you to support finding solutions to this issue.

As a public corporation, OHSU recognizes that it is our responsibility to tackle our own liabilities within Oregon's public pension system, and we continue to be committed to decreasing that burden.

In 1996 we made institutional changes to deal with our future PERS impact: we changed our default retirement plan from PERS to OHSU's alternative retirement plan, the University Pension Plan (UPP). We have also worked to ensure the UPP remained an attractive retirement plan when compared to PERS. Today, over 85 percent of our new hires choose UPP. We worked closely with our employees and our labor organizations to transition the Individual Account Program (IAP) from employer paid to employee paid, over a 3 year transition period that helped to minimize negative impact to our employees. We have also already created a side account with PERS. We've made significant strides to manage OHSU's UAL and continue our commitment to reducing OHSU's unfunded liability.

As with many public employers feeling the effects of the UAL, OHSU anticipates our annual PERS costs to double over the next few years. We realize that it could be financially prudent to make greater side account payments to bring down our own liability as well as the greater system liability, and we appreciate the bill's intent to incentivize employers to increase these side account payments.

The dash-5 amendment is a technical amendment that will provide flexibility to public employers in our efforts to invest in side accounts and support reduction of Oregon's overall UAL. Specifically, it allows public employers choosing to make large lump-sum payments of \$10 million or more into side accounts to have some discretion in the amortization period for those payments. The amendment offers 4 alternative amortization periods of 6 years, 10 years, 16 years and 20 years from which a public employer can choose for these larger payments, depending on the public employer's own liability within the context of its overall financial situation, balance sheet and cash flows. This is especially the case for large side account deposits funded with equity or cash, rather than by borrowing or debt.

Again, we appreciate the collaboration with the Governor's office, Treasurer's office, and Legislature on this amendment. This amortization flexibility in statute provides OHSU additional certainty to allow us to move forward in evaluating the possibility of greater investment in side accounts.

Thank you again for your support and for your service to the State of Oregon in tackling the UAL challenge. I'm happy to answer any questions you may have.

