

SB 1566 A STAFF MEASURE SUMMARY

Senate Committee On Workforce

Action Date: 02/13/18

Action: Do pass with amendments. Refer to Ways and Means by prior reference. (Printed A-Eng).

Vote: 5-0-0-0

Yeas: 5 - Gelser, Hansell, Knopp, Monnes Anderson, Taylor

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

Prepared By: Debra Maryanov, LPRO Analyst

WHAT THE MEASURE DOES:

Directs funds from multiple sources to the Public Employees Retirement System (PERS) for the purpose of crediting side accounts of school districts, community colleges, and public universities. Creates and appropriates moneys to Employer Incentive Fund to match portions of side accounts of participating public employers' contributions to PERS. Directs Department of Revenue to calculate the excess proceeds of state debt collection and transfer to PERS Fund for crediting to side accounts of school districts. Directs Department of Administrative Services to calculate, and Department of Revenue to transfer excess proceeds of capital gains taxes and estate taxes to PERS Fund for crediting to side accounts of school districts. Directs Department of Administrative Services to calculate the excess proceeds of marijuana tax and wine, cider, and malt beverage privilege tax, and Department of Revenue to transfer the excess proceeds to PERS Fund for crediting to side accounts of school districts. Directs transfer of State Lottery Fund revenues that exceed estimates to PERS fund for crediting to side accounts of school district, community colleges, and public universities, after payment of constitutionally required distributions from the Fund. Directs transfer of proceeds received by Department of Justice on behalf of state agencies from settlement of a lawsuit, in which proceeds are not dedicated by settlement agreement or law to a specific purpose, to PERS Fund for crediting to side accounts of school districts. Directs Department of State Lands (DSL) to transfer all or part of interest earned by unclaimed property deposited in Common School Fund Account in previous calendar year, to which state has not taken title, to PERS Fund for crediting to side accounts of school districts. Repeals section concerning DSL on January 2, 2027. Allows participating public employer who contributes \$10 million or more to PERS side account to choose amortization period for use of that payment to offset employer's required contributions to PERS. Directs State Treasurer to study feasibility and prudence of borrowing monies from Short Term Fund for investments in PERS Fund, and to report results to Legislative Assembly no later than September 30, 2019. Provides direct review by Supreme Court. Takes effect on 91st day after adjournment *sine die*.

ISSUES DISCUSSED:

- Impacts on public education from costs of Public Employee Retirement System (PERS) Unfunded Actuarial Liability (UAL)
- Findings of Governor's 2017 PERS UAL Task Force
- Estimates of amounts to be transferred to PERS side accounts under measure
- Method of allocating funds among schools
- Delayed capitalization for Employee Incentive Fund
- Explanation of -1, -2, -5, and -6 amendments

EFFECT OF AMENDMENT:

Deletes proposed Tax Amnesty Program. Allow public employer who contributes \$10 million or more to PERS side account to choose amortization period of six, 10, 16, or 20 years for use of that payment to offset employer's required contributions to system. Clarifies use of Employer Incentive Fund. Clarifies provisions regarding debt collection. Clarifies provisions regarding capital gains and estate taxes. Clarifies provisions regarding marijuana tax

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and wine, cider, and malt beverage privilege tax. Clarifies provisions regarding lottery revenues. Clarifies provisions regarding lawsuit settlements. Clarifies provisions regarding unclaimed property.

BACKGROUND:

The Public Employees Retirement System (PERS) enables public employers to provide their employees with retirement benefits. State government, public schools, community colleges, and many local governments participate in PERS, including approximately 925 employers and covering about 95 percent of all public employees in Oregon. PERS includes approximately 347,000 members, including 168,000 active, 43,000 inactive, and 136,000 retired. Approximately 32 percent of members are currently eligible to retire by age or years of service.

The retirement benefits paid to PERS members are funded by a combination of participating employer contributions and earnings on invested funds. Some employers have made advance payments on their contributions, deposited in side accounts. 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). At the end of 2016, the UAL was \$19.9 billion. Not including the \$5.4 billion in employer side accounts at the end of 2016, the PERS liability was estimated to be 75 percent funded (79 percent funded with side accounts).

In 2017, Governor Kate Brown appointed a task force to identify options to generate additional funding to reduce the PERS UAL by up to \$5 billion dollars over the next five years. The task force report, submitted to the Governor on November 1, 2017, did not present recommendations but outlined a series of options and related considerations for the Governor's review. Following review of the task force report, the Governor proposed this measure to provide additional funding for PERS by creating an Employer Incentive Fund to match side account contributions by participating PERS employers and directing proceeds from various sources of revenue to side accounts for schools.