



# PERS UAL Paydown

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# Governor's PERS Plan

## ▶ 2017

- ▶ Secure more internal investment officers
- ▶ Redirect excess reserves and investments to pay down the UAL (\$533 million)
- ▶ Make side accounts more accessible
- ▶ Ensure every employer understands their rates, effect of side accounts
- ▶ Obtain agreement by 95%+ State Employees to contribute to PERS

## ▶ 2018

- ▶ Create side account for schools
- ▶ Create Employer Incentive Fund

## ▶ 2019

- ▶ Convene conversation around employee contributions

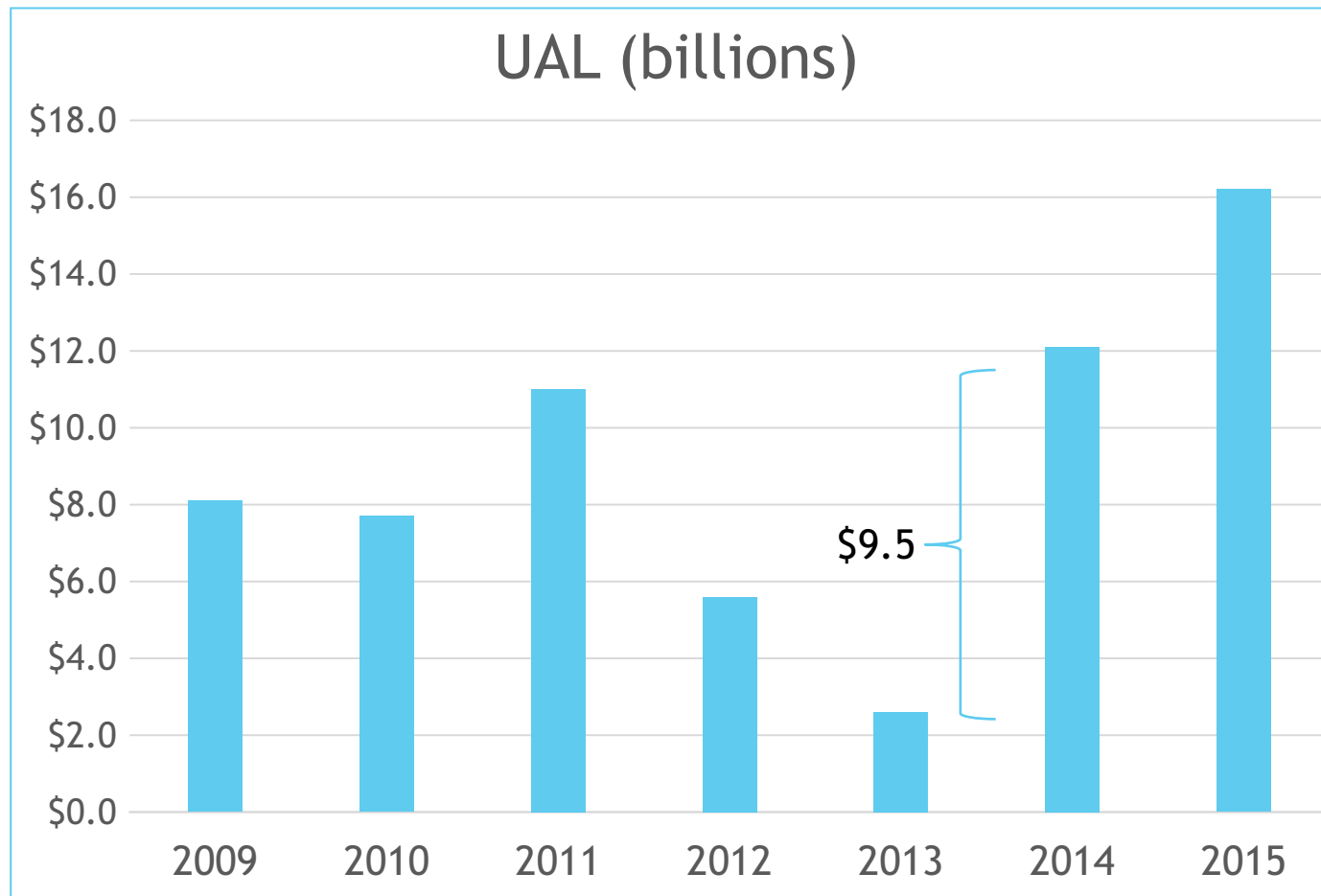


# New Side Account Rules

- ▶ Minimum UAL lump-sum payment required to establish a new side account:
  - ▶ 25% of UAL or \$250,000
- ▶ Administration fee:
  - ▶ \$1,500 for the initial year, \$500 per year thereafter
- ▶ Additional deposits:
  - ▶ Allowed, limited to no more than two additional payments per side account per calendar year



# Why is the Unfunded Liability the Immediate Problem?



## Major causes of 2014 UAL growth:

- *Moro* decision: \$5.1
- Reduced rate of return: \$1.7
- Update mortality assumptions: \$1.8



# Unfunded Liability by Employee Status

- ▶ Retirees and inactive members: **70%**
- ▶ Tier 1 (not yet retired): 16%
- ▶ Tier 2 (not yet retired): 9%
- ▶ OPSRP (not yet retired): 5%

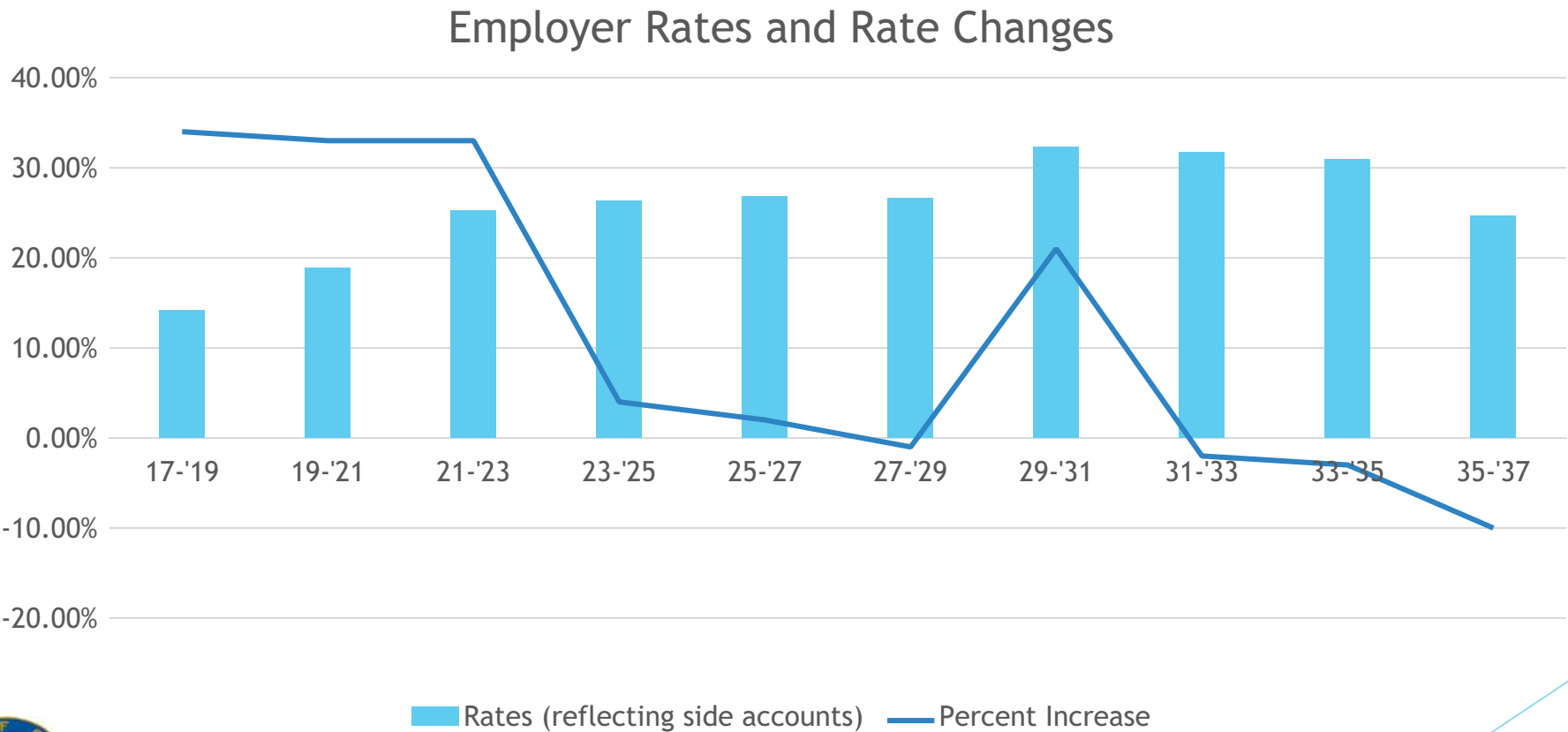


# Unfunded Liability by Employer Type

Employer group	UAL (billions)	UAL (% of payroll)
Community colleges	\$0.52	125%
Universities	\$1.09	155%
Special districts	\$1.36	154%
Counties	\$1.96	175%
Cities	\$1.99	162%
State	\$3.26	155%
School districts	<u>\$5.38</u>	<u>176%</u>
Total:	\$15.56	163%



# Employer Rates Over 20 Years



# UAL Pay Down Bill Principles

- ▶ Help all employers meet their PERS obligations in the best way possible - allowing flexibility to use side accounts or continue on their current track.
- ▶ Use percent of budget directed to payroll, total UAL as percent of payroll, to gauge impact of increases.
- ▶ 3 biennium time frame





# Legislative Focus

- ▶ Education, particularly K-12
- ▶ Assisting all employers



# Education Side Accounts

- ▶ Unclaimed property
- ▶ Debt collection, lawsuit settlements, and other one-time funds
- ▶ Excess revenues above average
- ▶ Lottery



# Assisting All Employers

- ▶ Employer Incentive Fund
- ▶ Direct deposits into the Benefits in Force Reserve



# Unclaimed Property

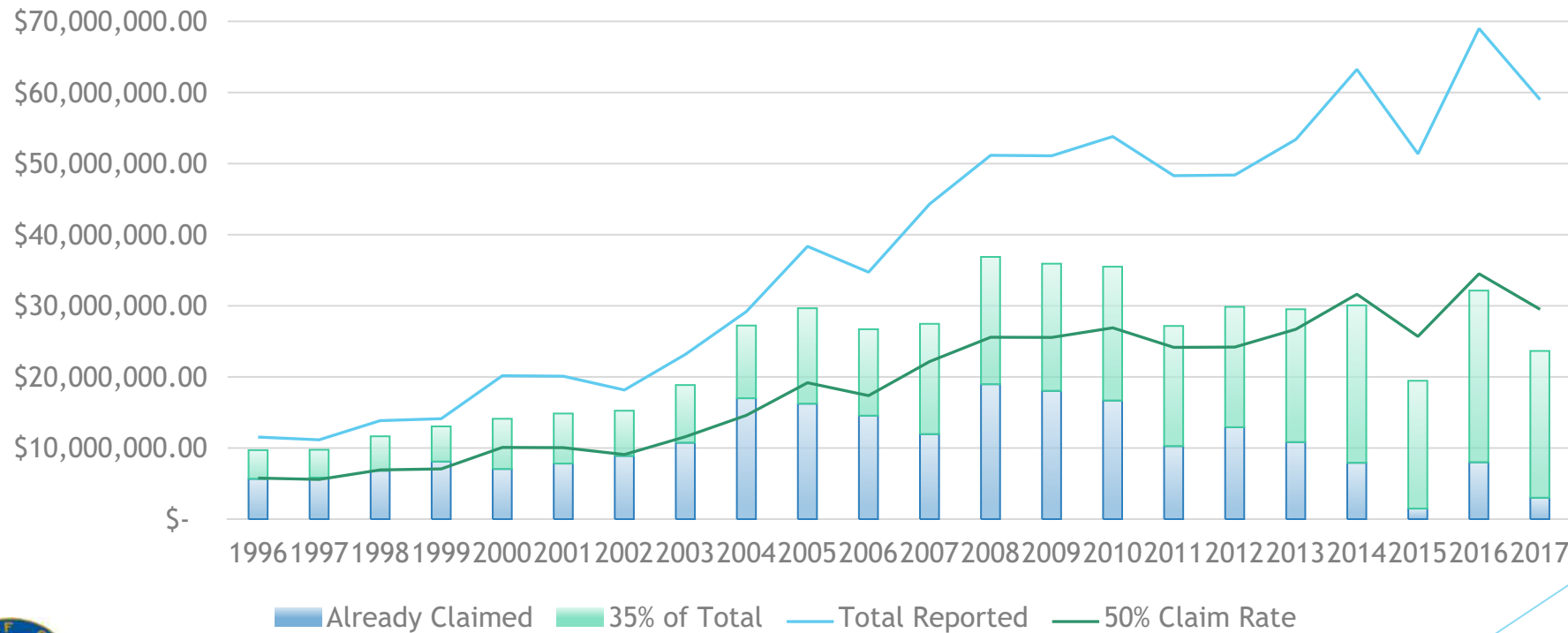
*At 35% of total reported since 1996:*

**\$139,441,157.20**

*At 35% of total ever reported:*

**\$265,556,033.90**

Unclaimed Property Claim Rate + 35%



# One Time Revenue Streams

- ▶ Debt Collection: Established goal to increase 10% above 2017 collection by July 1, 2019

***\$50 million***

- ▶ Lawsuit Settlements

***\$unknown***

- ▶ Tax Amnesty Bill- last done in 2009

***\$19.6 (\$39.8) million***



# Revenue Upsides

- ▶ Focused on volatile revenue streams: capital gains and estate taxes
- ▶ Upside above a multi-year average plus escalator
- ▶ Suspended if the kicker kicks
- ▶ Revenue potential unknown, especially in light of federal tax reforms
- ▶ Retrospectively, once in last ten years, 2011-13 for \$192 million from capital gains

***\$192 million +***



# Lottery

- ▶ Directed mainly to K12 with some revenue dedicated to Universities and Community Colleges
- ▶ Upsides from growth in users, game types, based on increases above latest projections which include annual escalator
- ▶ After constitutional obligations
- ▶ Governor's bill will not address lottery policy questions



# What Does This Add Up To?

- ▶ REALLY ROUGH NUMBERS
- ▶ \$200 million deposited in 2017 would lead to .37% rate reduction cross institutions, if amortized over 20 years.
- ▶ With a 16 year amortization period we expect that \$500m would reduce rate increases by 1%. We are looking for any way we can increase this number.
- ▶ On average, K-12 districts will see rates rise by 5-6% next biennium.





# Employer Incentive Fund

- ▶ \$0.25 on the \$1 match
- ▶ Available for asset capital
- ▶ Available to employers with largest debt and smallest budgets first
- ▶ Eventually available to all
- ▶ Commitment of dollars within a short period of time followed by deposits within side accounts within next five years
- ▶ Cap for each individual employer
- ▶ Not currently capitalized, goal of \$400m



# Deposits to the Benefits in Force Reserve

- ▶ Additional PERS dollars available to transfer to the BIF
- ▶ Treasurer's Office study of reinvestments of Short Term Fund



# Will Any of This Help Me?

The screenshot shows the Oregon PERS website with the following elements:

- Browser Tabs:** Restore Session, State of Oregon: EMPLOYERS - X
- Address Bar:** www.oregon.gov/pers/EMP/Pages/index.aspx
- Navigation Bar:** Home, News, Contact Us, OSGP Deferred Comp, Financials, Most Requested Forms, PERS Health Insurance
- Search Bar:** Search
- EDX Login Section:** EDX Login, Password Reset, EDX Availability, Report EDX Problem, Contact ESC, Employer News, EAG
- Footer:** Contact your Account Representative Monday-Friday, 8 a.m. - 5 p.m.
- Resource Grid:**
  - EDX:** Troubleshoot EDX Reports, Late Reporting Issues, Quick References, Automated Data Upload, Test Site/Instructions
  - Resources:** Find Your Account Representative, Employer Tools, Laws, Rules, & Policies, Training & Presentation Schedules, Oregon Savings Growth Plan (OSGP) Employer Participation
  - Financials:** Understanding Your Statement, Contribution Rates, Actuarial & Financial Information for Employers, Employer Rate Projection Tool
  - Get Help:** Employer Appeal Rights, Publications, Coverage Changes, General Plan Information, More Help
- Taskbar:** Windows Start button, Internet Explorer, Firefox, Outlook, Word, PowerPoint, and system tray showing 10:35 PM 1/16/2018.



# Questions?



Office of Governor Kate Brown - 1/9/18