

PERS SIDE ACCOUNT PROPOSAL



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PERS System Info

Public Employee Retirement System

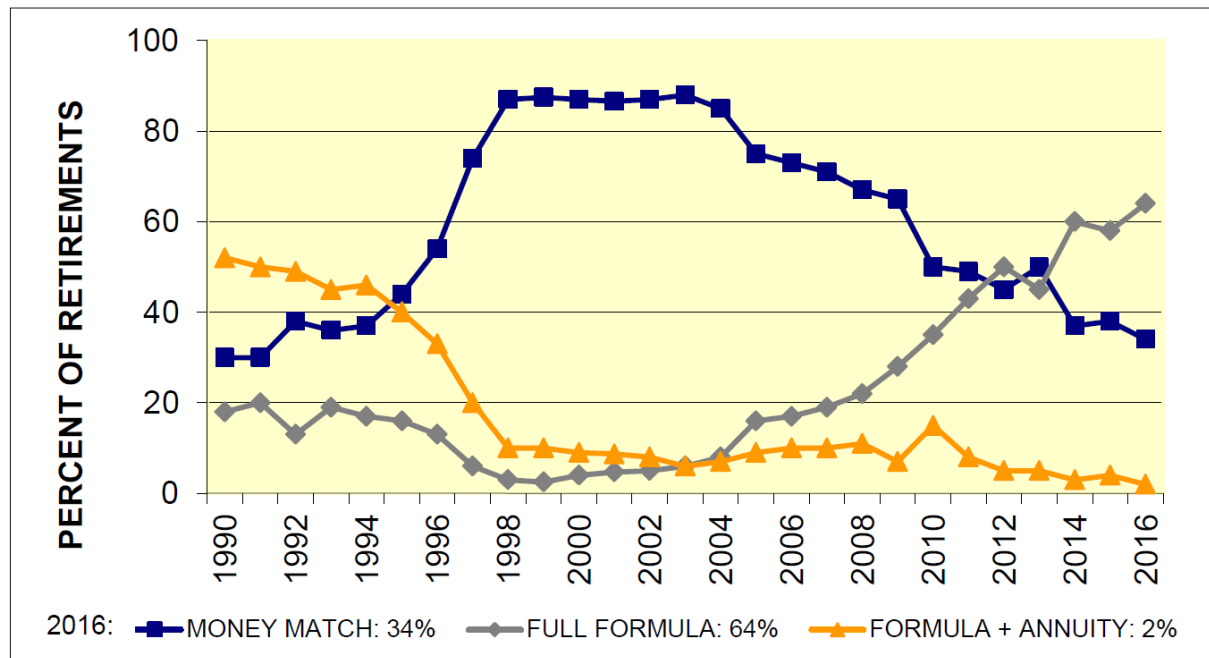
PERS Employers consist of 925 state agencies, universities and community colleges, school districts and most cities, counties and other local government units in Oregon.

PERS Participant Membership as of 12/31/2015:

		State Govt.	Local Govt.	School Districts	Total
Tier One	Active	8,577	9,986	11,732	30,295
	Inactive	3,818	5,236	6,146	15,199
Tier Two	Active	10,433	13,311	16,382	40,126
	Inactive	2,944	5,827	6,818	15,589
OPSRP	Active	28,321	31,365	38,070	97,756
	Inactive	3,228	4,393	4,440	12,061
Sub-total	Active	47,331	54,662	66,184	168,177
	Inactive	9,989	15,456	17,404	42,849
Retired*		31,767	38,905	65,626	136,298
TOTAL					347,324

PERS System Info

*Thru 2015: Average annual retiree benefit = \$28,109
(=54% of final average salary)*



PERS System Info

**Benefits = Contributions +
Earnings**

The equation has to balance
or unfunded liability!

Money for PERS benefit payments comes from three sources (1970-2015)

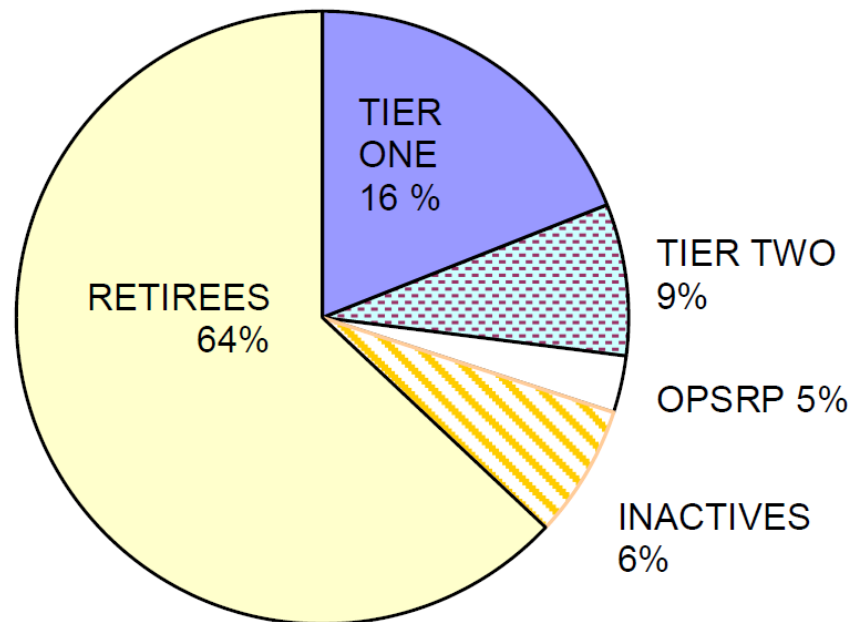


PERS System Funding Status

As of 12/31/2016, PERS System was 75% funded (not included side accounts).
Total system unfunded amount = **\$19.9 BILLION**

Actuarial accrued liabilities (as of December 31, 2015)

Approximately 70% of PERS' total accrued liability is for members who are no longer working in PERS-covered employment (retired and inactive members).



Lane County's Funding Status

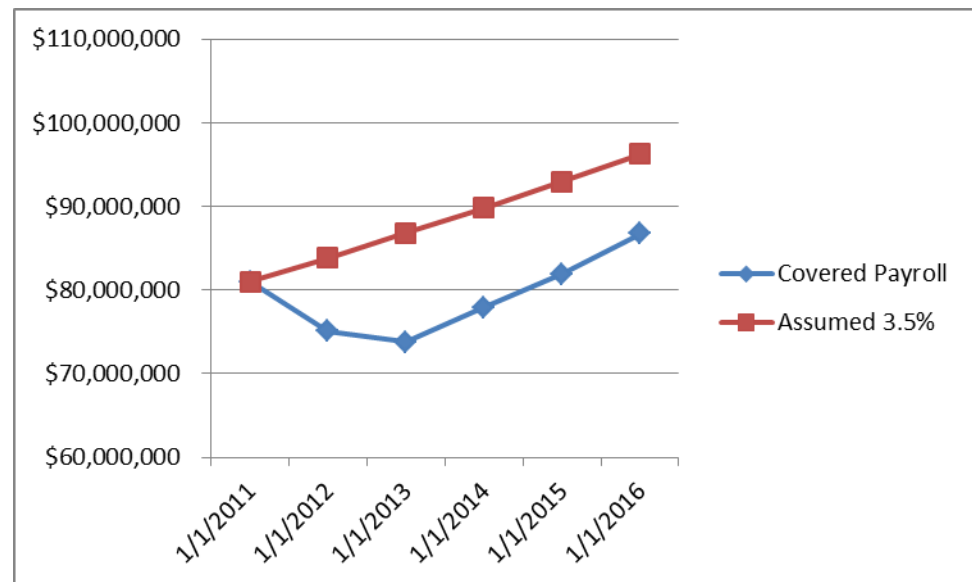
As of 12/31/2016, Lane County Funded Status was 73%.

Historical Funding status:

2007	2009	2010	2011	2012	2013	2014	2015	2016
111.24%	86%	87%	82%	90%	95%	95%	78%	73%

Why??

- * Market returns lower
- * Morro decision
- * Total Payroll decline



Employer Incentive Fund

SB 1566, relating to employer contributions to the PERS

Establishes an “Employer Incentive Fund” to match up to 25% of deposits into side accounts, with specifics to be worked out by the PERS board.

- Employer funds may not be from borrowed monies.
- Applications for match funds due by 12/31/19; funds must be paid by 7/1/23.
- 180 day period for applications for employers with unfunded liability of more than 200% of the employer’s payroll. Then open to all. Fund abolished 1/2/25.
- Unfunded Actuarial Liability (UAL) Resolution Program – technical expertise to manage rates.

Remaining Issues:

- **New valuation dated 12/31/2017 will change our UAL %**
- **Interpretation on State match amount (5% UAL or \$300k:greater or lesser?)**
- **No funding source has yet been identified for the State match**



Side Account

What is a Side Account??

Side accounts hold deposits from PERS employers of pension obligation bond proceeds and other advance lump-sum payments that are amortized to offset that employer's contribution. They are generally amortized over the same time period as the employer's associated UAL, providing the employer with an offset of its employer rate. The goal is for the side account to provide rate relief to the employer until the associated UAL is paid off.

Side account earnings

Side accounts are invested in the PERS Fund and receive the Fund's actual earnings or losses. These earnings or losses are posted to side accounts at the end of each year.

Average Side Account Earnings 2006 to 2015	
Calendar Year	Average Earnings/Loss
2006	14.98%
2007	9.46%
2008	-26.75%
2009	18.47%
2010	12.13%
2011	2.15%
2012	14.09%
2013	15.59%
2014	7.39%
2015	1.82%

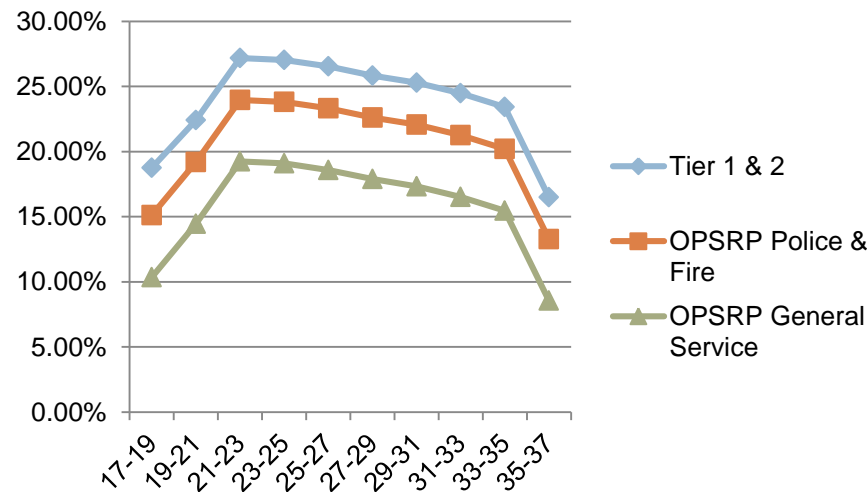
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Assuming the projected system wide rate changes - PERS Rate projections for Lane County indicate significant rate increases through the 21-23 biennium, followed by slow decreases until 35-37 biennium.

Each 1% increase in the County's PERS employer rate currently equates to just under \$1 million expense annually.

State Biennium	Current 17-19	Projected 19-21	Projected 21-23	Projected 23-25	Projected 25-27	Projected 27-29	Projected 29-31	Projected 31-33	Projected 33-35	Projected 35-37
Tier 1 & 2	18.74%	22.41%	27.18%	27.04%	26.54%	25.83%	25.28%	24.47%	23.41%	16.50%
OPSRP General Service	10.34%	14.46%	19.23%	19.09%	18.59%	17.88%	17.33%	16.52%	15.46%	8.55%
OPSRP Police & Fire	15.11%	19.19%	23.96%	23.82%	23.32%	22.61%	22.06%	21.25%	20.19%	13.28%



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Source of Funds for Lane County Side Account:

Self-Insurance Risk Fund (\$4.1 million)

Decreasing Claims; external actuary identified reserve levels

Unemployment Reserve (\$1 million)

Decreasing Claims; strong employment market

Self-Funded Health Insurance Reserve (\$3.1 million)

Claims growth lower than market; external actuary identified reserve levels.

TOTAL Lane County Contribution: \$8.2 million

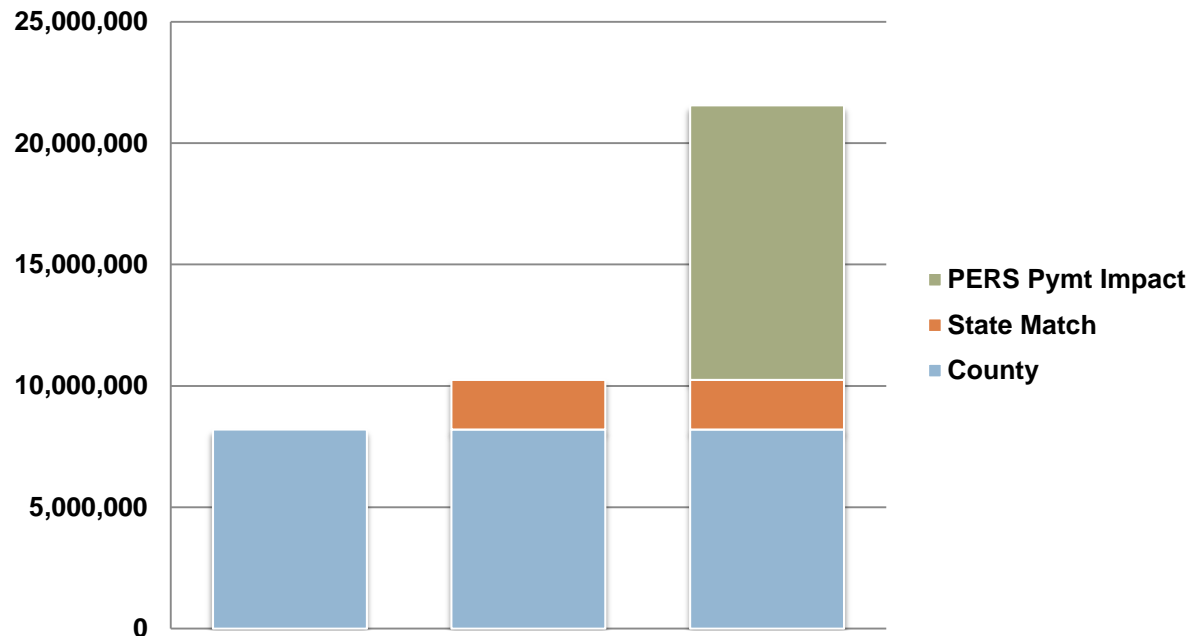


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- Lane County's plan = \$8.2 million + matching 25% State funds + long-term investment earnings over the 20 year life of Side Account.

Leveraged Funds from Side Account Example:



Questions?

□ *Up Next: U of O Policy Lab*

