



PERS

Presented by
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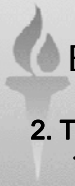


Background on PERS

1. PERS is a three tiered system

- a. Tier One (Hired prior to 1/1/96)
- b. Tier Two (Hired between 1/1/96 – 8/28/03)
- c. Tier Three, OPSRP(Hired after 8/28/03)

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Background on PERS

2. The PERS system gets funded with three sources

- a. Employee 6% contribution (in statute and does not fluctuate)
- b. Investment earnings (based on what the market is earnings which does fluctuate)
- c. Employer contribution, or payroll rate which fluctuates based on the funded status of the PERS system.

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Background on PERS

3. PERS is a "Hybrid System"

- a. It is both a Defined Benefit system and a Defined Contribution system
- b. Tier 1 and Tier 2 offer different calculation on the Defined Benefit (Tier 1 has a guaranteed rate of return)
- c. OSPRP is a formula benefit only

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More background

4. Employer rates are calculated every two years.

- a. 2013-2015 new rate – school districts approx 24%.

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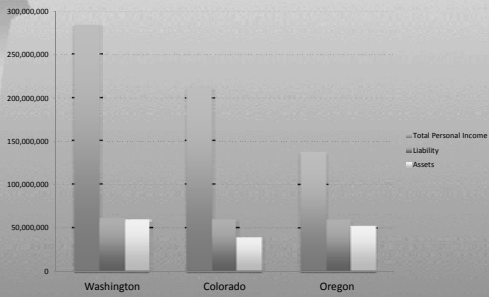


Why are changes needed?

- 1. System benefits are too expensive
- 2. 66% of liabilities already outside the system– paying for already retired members
- 3. Oregon cannot afford payments
- 4. High rates causing districts to make cuts; layoffs, class size and furlough days in order to balance district budgets

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3 States, 3 Economies, Similar Liabilities State-Sponsored Plans*, 2010, (in thousands)



Source: Pew 2012 and BEA. *All three states deliver pensions to state and local public employees primarily through state-sponsored plans (that is, 98% of membership in OR and 95% in WA and CO). In each state, a number of separate, local government plans exist and are not reported here.

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OSBA's push for change

1. Coalition formed –OSBA, Business Associations and Stand for Children
2. Educated legislators about why the changes needed

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Reform Principles

1. **Adequacy:** Beneficiaries should have an adequate retirement income.
2. **Legality:** The reform should stand a high likelihood of withstanding legal challenge.
3. **Sustainability:** The reform should support the plan's long-term viability.
4. **Fiscal Impact:** The collection of reforms should meaningfully reduce the system's unfunded liability and provide fiscal relief in 2013-15.

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Senate Bill 822

1. **Cost of Living Adjustments**
2. **Out of State Tax Remedy**
3. **Rate collar 1.9% - kick the can down the road.**

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District Impacts of PERS Reforms

1. **Rate reduction**-beginning with 2013-2015 rates. Approx 2.5% reduction in payroll rate.
2. **Will your district spend the savings?**
Some districts will hold any savings for future use when rates rise again with projections 2015-2017 rate change

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A look ahead

1. **PERS Board looking at reducing assumed rate to 7.5% - 7.75%**
 - a. Would increase employer rates
2. **Additional PERS changes possible?**
 - a. Money match
 - b. Additional cost of living changes

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