EMPLOYER NEWSLETTER

October 2019

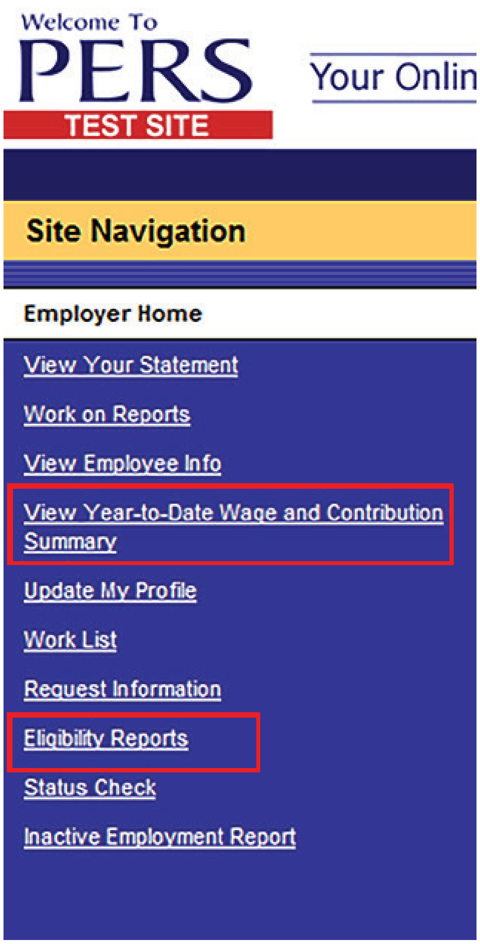
- 2019 year-end reconciliation
- Employer Incentive Fund FAQs and other SB 1049 updates

2019 year-end reconciliation

Are you ready for year-end PERS reporting? Phase One of the 2019 Annual Reconciliation process began October 1, 2019, and ends December 31, 2019.

During this phase, employer reporters are asked to focus on clearing suspended records and reports for calendar year 2019. Phase One would also be an ideal timeframe for education employers, for example, to review their substitute teaching staff to identify those who are likely to reach 600 hours of total service for 2019.

Remember that reaching 600 hours of total service in any calendar year will change non-qualifying position types to active service (qualifying) position types for members who established membership in 2019 or in a prior year. Please submit a demographic correction request (DCR) to PERS requesting that the position type is changed from non-qualifying service to active service for employees who reached 600 hours this year. If an employee is not projected to reach 600 hours of total service in 2019, and the employee's position type is currently active service, this also must be changed to non-qualifying service by submitting a DCR to PERS.



EDX Tools

Year-to-Date Wage and Contribution Summary

- Wage, hour, and contribution information for employees with posted DTL2 records.
- Concurrent total hours worked with additional PERS employers.

Eligibility Reports

Members Approaching Qualifying Hours Report

Displays members who:

- Have 550 or more posted hours with all employers in the specified year, and
- Have two or more DTL2-non-qualifying wage records posted in the specified year, and
- Are not retired in the specified year.

Members with Contributions Who May Not Qualify Report

Displays members who:

- Have less than 600 hours with all employers in the specified year, and
- Have contributions reported in the specified year, and
- Are not retired in the specified year.

Note: This tool does not look at partial-year rules.

Contact your ESC Account Team representative if you have any questions on this topic: https://www.oregon.gov/pers/EMP/Pages/ESC-Representatives.aspx

Employer Incentive Fund FAQs

Numerous PERS-participating employers are taking advantage of the Employer Incentive Fund (EIF), a key opportunity for employers to proactively manage their employer rates over time and increase their actuarial assets.

The EIF will provide a 25% match on qualifying employer lump-sum payments made after June 2, 2018. **Employers must apply to receive matching funds**.

The first 90 days of the application cycle (which began September 3, 2019) are reserved for employers with an unfunded actuarial liability (UAL) that exceeds 200% of their payroll as of the December 31, 2017 actuarial valuation. PERS will accept EIF applications from all employers beginning **December 2, 2019**.

Find the latest information about the EIF at:
https://www.oregon.gov/pers/EMP/Pages/Employer-Incentive-Fund.aspx.

1) How much money has been matched to date?
As of September 27, 2019, the EIF has matched over $14.5 million. There is $85.4 million remaining in the fund for this EIF cycle. Find full details and the latest data on the PERS website.

2) How many applications have been approved?
We have approved 35 applications from 33 employers so far. This includes:

- 16 school district pool members: 10 school districts, five charter schools, and one education service district.
- 11 state and local government pool members: nine special districts, one city, and one county.
- Six independent employers: two cities, one water district, and two rural fire protection districts.

3) Can the state or the legislature use the funds we pay to PERS for any other non-PERS purpose?
No. PERS is a trust fund, separate and distinct from the General Fund and can only be used for the purposes outlined in ORS Chapters 238 and 238A (See ORS 238.660(1)). The PERS Board is the trustee of the fund and has a fiduciary duty to use the funds for the exclusive benefit of the members and their beneficiaries. PERS funds cannot be used or diverted for any other purpose until all the liabilities of the system have been satisfied (ORS 238.660(2)). Employer side accounts will be used solely to reduce the individual employer's contribution rates (see ORS 238.229).

4) How can I show my board or governing body how much a side account could save us over time?
One option is to use the PERS Employer Rate Projection Tool, which employers can use to estimate their own potential employer contribution rates and amounts for planning purposes over the next several biennia. Employers may also use the tool to determine the potential impact of establishing new side accounts.

The tool has a field which shows the total estimated cumulative contribution reduction from a new side account for the years 2019-2037. This could compare how much you are estimated to pay each biennium with that side account, versus how much you would pay each biennium without the side account. Please note the tool is for planning purposes only and data will change each year based on actual experience. The data in the tool are as of the December 31, 2017 actuarial valuation and do not reflect any changes due to Senate Bill 1049.

The example below, generated by the tool, demonstrates the potential impact of a $500,000 side account (or, an employer's investment of $400,000 with a 25% match of $100,000 from EIF).

Cumulative Contribution Reduction From New Side Account:	**$865,046.80**

This is for demonstration purposes only. Side account rate offsets are determined based on an employer's lump-sum contribution, combined valuation payroll, amortization period, and interest; actual cumulative contribution reduction will vary based on these factors.

5) What is a transition liability, and why do I need to pay it before participating in EIF?
Transition liabilities only apply to some members of the State and Local Government Rate Pool (SLGRP). When an employer joins the SLGRP, their UAL as a percentage of payroll is compared to the pool's UAL as a percentage of payroll. If the employer's individual UAL as a percentage of payroll is higher than the pool's UAL as a percentage of payroll, the excess is charged separately to the individual employer as a "transition liability." This can be found on page 10 of your actuarial valuation, if applicable.

This practice prevents other members of a pool from having to pay for a UAL not associated with the pool. Transition liabilities are amortized over 18 years and are charged interest at the assumed rate. **Paying your transition liability permanently removes this additional rate from your total employer contribution and, in some cases, can be a significant rate reduction**.

Note that Oregon Administrative Rule 459-009-0086 requires an employer to pay their transition liability prior to establishing a side account. Therefore, any funds received from an employer with a transition liability will first go toward paying the transition liability, and the remaining amount will go into the side account. **Funds from the EIF will only be used to match the funds in the side account; the amount used to pay the transition liability will not be matched**.

Need help? Want more information?
If you have any comments, questions, or concerns, please email:
Side.Account.Legislation@pers.state.or.us

Other Senate Bill 1049 information
View the latest information about Senate Bill 1049 for employers at:
https://www.oregon.gov/pers/EMP/Pages/SB1049.aspx
