



PORTLAND PUBLIC SCHOOLS
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Date: November 19, 2019
To: School Board
From: Cynthia Le, Chief Financial Officer
Subject: Application for PERS Employer Incentive Fund (EIF)

BACKGROUND

In 2018, the Legislature (SB 1049) established a 25% matching fund to encourage employers to prepay their future pension obligations. The money is available on a first-come, first-served basis, and the first round of applications to PERS, from September 3 thru December 1, 2019, was opened for employers whose individual unfunded liabilities exceed 200% of their payroll. PERS will accept matching fund applications from all members as of December 2, 2019. PPS will qualify to apply on December 2, 2019.

Employers lump-sum payments are deposited in side accounts at PERS and invested alongside regular pension assets. If payments are made before December 31, 2019, they will provide an offset pension contribution in the 2021-23 biennium.

RELATED POLICIES/BEST PRACTICES

N/A

ANALYSIS OF SITUATION

History:

PPS issued limited tax pension bonds in 2002, 2003 and 2012 to finance the estimated unfunded liability of the district, resulting in significant savings to PPS. The bond proceeds were deposited in a PERS side account and the accumulated earnings helped to reduce the district's PERS contribution rate, sometimes to zero for a biennium.

In 2011, the district's PERS contribution rate increased from zero percent to 1.29% for Tier One / Tier Two members, and remained at zero percent for OPSRP members. On July 2017, the district's PERS contribution rate increased from zero percent to 6.16% for Tier One/Tier Two members and .90% for OPSRP members. For these periods, PPS paid the contractual percentage, while PERS continued to reduce the PPS side account, resulting in double payments. So now PPS has an approximately \$9.5 million credit with PERS.

FISCAL IMPACT

N/A

COMMUNITY ENGAGEMENT (IF APPLICABLE)

N/A

TIMELINE FOR IMPLEMENTATION / EVALUATION

N/A

BOARD OPTIONS WITH ANALYSIS

N/A

STAFF RECOMMENDATION

Staff recommends the Board authorize PPS to apply for the PERS Employer Incentive Fund (EIF), matching a total of approximately \$9.5 million from the PERS credit.

As a member of the PPS Executive Leadership Team, I have reviewed this staff report.



_____ (Initials)

ATTACHMENT