

# Employer Considerations of State-Sponsored Pensions

House Finance

April 2, 2025



# Considerations

- Access to information is critical
- Not necessarily a question of DB or DC
- Not a critique of HB 78 or other pension bills
- Focused on solutions that improve conditions for:
  - System
  - Employers
  - Employees
- Role of ARM Board: Consistent with standards of prudence, the board has the fiduciary obligation to manage and invest these assets in a manner that is sufficient to meet the liabilities and pension obligations of the systems, plan, program, and trusts.

# Early History

Public Employees Retirement System (PERS) established by State of Alaska in 1961

- State has had sole administrative control over actuaries, actuarial methods and assumptions, investment of all assets, and establishment of employee rates

The State created the Retirement Reserve Account in 1971 (authorized 1974)

- Began paying retiree benefits with “blended” employee dollars
- Employers unaware of blended accounting until 2006

Blended accounting – instead of keeping individual employer accounts separate, funding was reallocated and comingled such that no single employer’s contribution can be accounted for accurately.

- The result being that one employer’s actions affect all other employer liabilities

# System Management

Between 1994 and 2006, the negative effects of blended accounting were compounded.

- The State stopped transferring employer contributions to the RRA as employees retired
- The State controlled the timing of employee “appointment” to retirement and the subsequent employee account transfers to the RRA
- The State reallocated each employer’s and employee’s RRA contributed assets, based upon RRA liabilities
- The State determined each employer’s unfunded obligation after reallocating the employer’s assets
- The State set the employer’s past service cost rates based upon the reallocated asset results
- The State set and paid prior normal cost rates that were lower than they should have been

During this period, municipalities and other employers followed the instructions of the State and paid into PERS what was required.

Actuarial errors discovered that identified a significant net pension liability.

# Middle History

- PERS Statutes were changed in 2006, in recognition of the State's responsibility for the majority of the unfunded pension and health benefit liability.
- The Administration and Legislature agreed to a 22% cap on employer contributions (TRS at 12.56%) to avoid litigation.
- The State agreed to pay any actuarially determined costs in excess of this amount, otherwise known as the “on behalf” payment or additional state contribution.
- The State set a fixed 25-year amortization period, during which the net pension liability would be paid down.
- In 2014, the Legislature invested an additional \$1 billion in PERS and \$2 billion to TRS, but also extended that amortization period to 2039.

# Addressing the Net Pension Liability

## Re-Amortization – from 2031 to 2039

- Increase in total state funding from FY 15 to 39 for PERS of \$2.1 billion and an increase in total state funding for TRS of \$595 million, or a total increase of \$2.7 billion
- Non-state employers' costs for PERS increased from \$2.9 billion to \$5.4 billion, or a net increase of \$2,529 million.

2013

Fiscal Year End	Baseline - Current ARM Board Funding Policy		
	PERS	TRS	Total
2013	\$310,528	\$298,101	\$608,629
2014	312,473	316,847	629,320
2015	519,676	455,904	975,580
2016	563,210	485,905	1,049,115
2017	555,103	492,448	1,047,551
2018	528,170	488,074	1,016,244
2019	517,221	489,890	1,007,111
2020	487,881	484,378	972,259
2021	466,935	483,595	950,530
2022	445,553	482,885	928,438
2023	424,549	482,733	907,282
2024	404,298	482,225	886,523
2025	383,915	481,478	865,393
2026	363,879	481,273	845,152
2027	342,312	480,405	822,717
2028	320,269	479,517	799,786
2029	296,545	478,207	774,752
2030	0	249,950	249,950
2031	0	0	0

2018

Fiscal Year	PERS	TRS	Total
2020	\$ 159,055,000	141,129,000	300,184,000
2021	279,155,000	143,929,000	423,084,000
2022	268,183,000	140,939,000	409,122,000
2023	267,817,000	143,034,000	410,851,000
2024	268,946,000	145,427,000	414,373,000
2025	270,688,000	148,265,000	418,953,000
2026	273,470,000	151,065,000	424,535,000
2027	276,331,000	154,084,000	430,415,000
2028	281,453,000	157,669,000	439,122,000
2029	285,780,000	161,287,000	447,067,000
2030	291,338,000	165,362,000	456,700,000
2031	297,661,000	164,634,000	462,295,000
2032	304,225,000	168,613,000	472,838,000
2033	311,336,000	172,894,000	484,230,000
2034	319,277,000	177,391,000	496,668,000
2035	327,764,000	181,858,000	509,622,000
2036	336,896,000	186,747,000	523,643,000
2037	346,041,000	191,619,000	537,660,000
2038	355,598,000	196,690,000	552,288,000
2039	364,697,000	202,053,000	566,750,000
	\$ 5,885,711,000	3,294,689,000	9,180,400,000

2025

Fiscal Year	PERS	TRS	Total
ARM Adopted Rate: 2026	\$ 79,807,000	\$ 138,982,000	\$ 218,789,000
2027	70,227,000	147,074,000	217,301,000
2028	74,200,000	150,476,000	224,676,000
2029	78,225,000	154,154,000	232,379,000
2030	83,570,000	159,131,000	242,701,000
2031	88,405,000	164,177,000	252,582,000
2032	93,623,000	169,396,000	263,019,000
2033	98,801,000	174,728,000	273,529,000
2034	104,086,000	180,176,000	284,262,000
2035	109,509,000	185,595,000	295,104,000
2036	114,262,000	191,274,000	305,536,000
2037	119,057,000	197,025,000	316,082,000
2038	123,769,000	202,805,000	326,574,000
2039	128,752,000	208,877,000	337,629,000
	\$ 1,366,293,000	\$ 2,423,870,000	\$ 3,790,163,000

# Participating Employers (2024 payroll)

- State of Alaska - 50%
- Next five largest
  - Municipality of Anchorage – 8.74%
  - University of Alaska – 6.62%
  - Anchorage School District – 3.93%
  - North Slope Borough – 3.26%
  - Bartlett Regional Hospital – 1.93%
- Smallest
  - City of Upper Kalskag at .0007%
- 62 municipal governments are 25% of total

## Other Employers

- Housing Authorities
- School Districts
- Inter Island Ferry Authority
- North Pacific Fisheries Management Council
- AGDC and AHFC
- Cordova and Petersburg Medical Centers
- Anchorage Parking Authority
- Ilisagvik College

*State of Alaska shed 2,940 jobs from 2014-18; about the size of Anchorage's employee base*

# Participating Employers – PERS Liability 2024

- School districts - \$30 million
- Local Governments - \$62 million
- Housing Authorities - \$3 million
- Hospitals - \$7.5 million

## No PERS DB employees

- Denali Borough School District
- City of Saxman
- City of Atka
- City of Kachemak
- City of Seldovia
- City of Shaktoolik
- City of Aniak
- City of Thorne Bay

Funded Ratios - PERS and TRS

30-Jun	PERS - Pension	TRS - Pension
2006	78.2%	67.8%
2007	77.8%	68.2%
2008	78.8%	70.2%
2009	63.0%	57.0%
2010	62.4%	54.3%
2011	61.9%	54.0%
2012	57.1%	49.9%
2013	54.5%	48.1%
2014	59.7%	54.5%
2015	67.0%	76.9%
2016	66.4%	75.8%
2017	66.7%	75.9%
2018	64.6%	76.2%
2019	63.7%	75.3%
2020	63.6%	75.0%
2021	67.9%	79.1%
2022	68.1%	78.2%
2023	67.0%	76.8%



# Participating Employers – Salary Floor

Impacted by Salary Floor

FY21 = \$6 million

FY24 = \$285,452

- Iditarod Area School District
- Nome City School District
- Pribilof School District
- Tanana School District
- Pelican City School District
- Yakutat School District
- Aleutians East Borough
- City of Atka
- City of Mekoryuk
- City of Toksook Bay
- City of Upper Kalskag
- Anchorage Community Development Authority
- Aleutian Housing Authority

*Can't rightsize government - downsizing or reorganization may result in additional and continued costs*

## Challenges - Delinquent Employers

State of Alaska, Dept of Administration, Division of Retirement & Benefits Summary of delinquent employer payroll reports for CFO As of December 31, 2024										
Fund	ER #	Employer Name	Last Payroll Received	Payroll Cycle	Approximate Number of Missing Payrolls	Estimated Contributions Due	Billed Late Fees and Accrued Interest	Salary Floor Contributions Due	Salary Floor Interest Due	Total Estimated Amount Due
PERS	156	PRIBILOF SD	4/15/2024	Semi-monthly	10	23,899	501	-	-	24,400
PERS	166	TANANA CITY SD	7/4/2023	Bi-weekly	37	19,633	1,550	29,617	-	50,800
PERS	168	HYDABURG CITY SD	10/31/2022	Semi-monthly	55	412,027	46,541	24,525	607	483,700
PERS	169	CITY OF TANANA	8/19/2018	Bi-weekly	165	103,830	35,530	194,122	81,818	415,300
PERS	193	CITY OF NENANA	1/21/2023	Bi-weekly	43	104,653	91,381	318,781	124,885	639,700
PERS	222	CITY OF SELAWIK	6/2/2002	Bi-weekly	588	88,747	108,653	-	-	197,400
PERS	231	CITY OF KIVALINA	4/30/2003	Monthly	259	194,046	205,254	-	-	399,300
PERS	241	CITY OF NOORVIK	10/17/2008	Bi-weekly	421	559,399	489,748	530,087	456,966	2,036,200
PERS	242	CITY OF ELIM	8/31/2016	Bi-weekly	318	62,415	27,899	786	-	91,100
PERS	243	CITY OF ATKA	2/29/2024	Semi-monthly	19	12,234	512	5,254	-	18,000
PERS	254	CITY OF MEKORYUK	9/15/2008	Monthly	194	60,465	53,435	-	-	113,900
PERS	256	CITY OF SAINT GEORGE	6/6/2009	Bi-weekly	405	689,139	580,810	237,169	285,282	1,792,400
PERS	259	CITY OF ALLAKAKET	10/26/2007	Bi-weekly	447	90,853	83,806	12,613	5,828	193,100
PERS	283	CITY OF ANDERSON	11/24/2019	Bi-weekly	132	430,740	117,860	-	-	548,600
PERS	285	CITY OF HOOPER BAY	11/4/2005	Bi-weekly	498	333,961	333,539	-	-	667,500
PERS	287	CITY OF KOYUK	9/21/2007	Monthly	206	108,295	100,305	-	-	208,600
PERS	291	CITY OF SHAKTOOLIK	6/30/2024	Monthly	5	4,893	207	-	-	5,100
TRS	775	TANANA CITY SD	5/26/2023	Monthly	19	97,921	7,879	-	-	105,800
PERS	192	CITY OF GALENA	(Note A)	N/A	N/A	-	-	1,099,699	248,901	1,348,600
PERS	278	SAXMAN SEAPORT	(Note A)	N/A	N/A	-	-	21,593	660	22,253
PERS	290	CITY OF UPPER KALSAG	(Note A)	N/A	N/A	-	-	2,400	-	2,400
DCP	607	TANANA SD	(Note B)	N/A	N/A	-	-	-	-	-
DCP	616	NORTHWEST ARCTIC BOROUGH	(Note B)	N/A	N/A	-	-	-	-	-
DCP	625	ALASKA GATEWAY SCHOOL DISTRICT	(Note B)	N/A	N/A	-	-	-	-	-
DCP	627	BRISTOL BAY HOUSING AUTHORITY	(Note B)	N/A	N/A	-	-	-	-	-
PERS	214	CITY OF SAINT MARY'S	(Note C)	Owed since: 6/1/2005		541,624	850,376	-	-	1,392,000
PERS	216	CITY OF RUBY	(Note C)	Owed since: 3/1/2005		241,854	384,746	-	-	626,600
PERS	252	CITY OF OLD HARBOR	(Note C)	Owed since: 12/1/2004		68,915	111,085	-	-	180,000
PERS	289	CITY OF ANGOON	(Note C)	Owed since: 8/1/2004		2,640	4,360	-	-	7,000

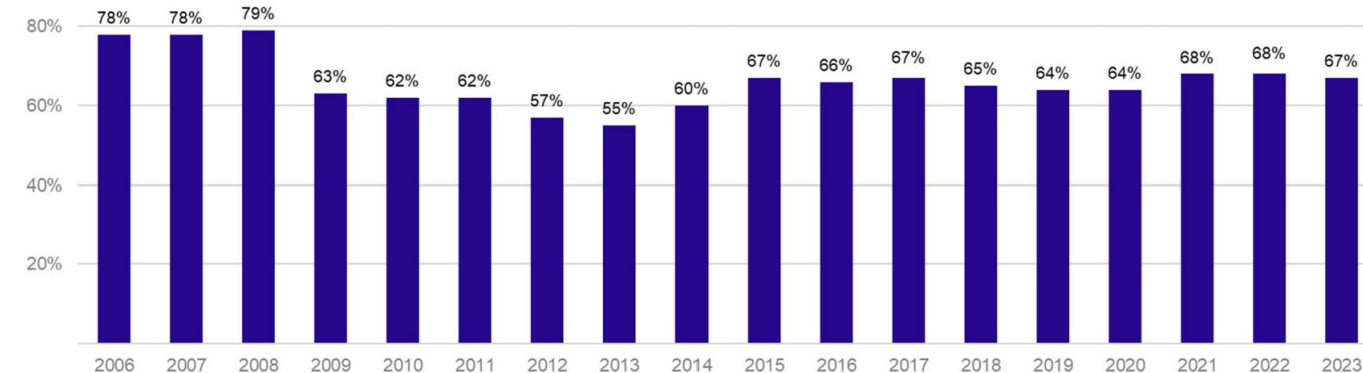
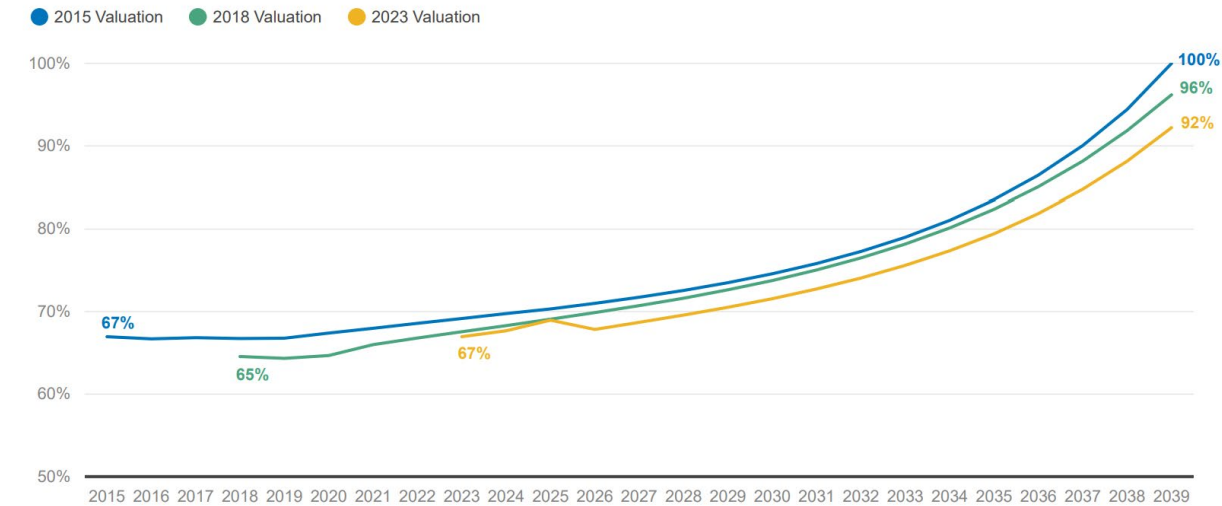
“Can’t afford to stay in, can’t afford to get out”

\$	4,228,284	\$	3,635,476	\$	2,476,646	\$	1,204,947	\$	11,545,353
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## Pension Fundedness

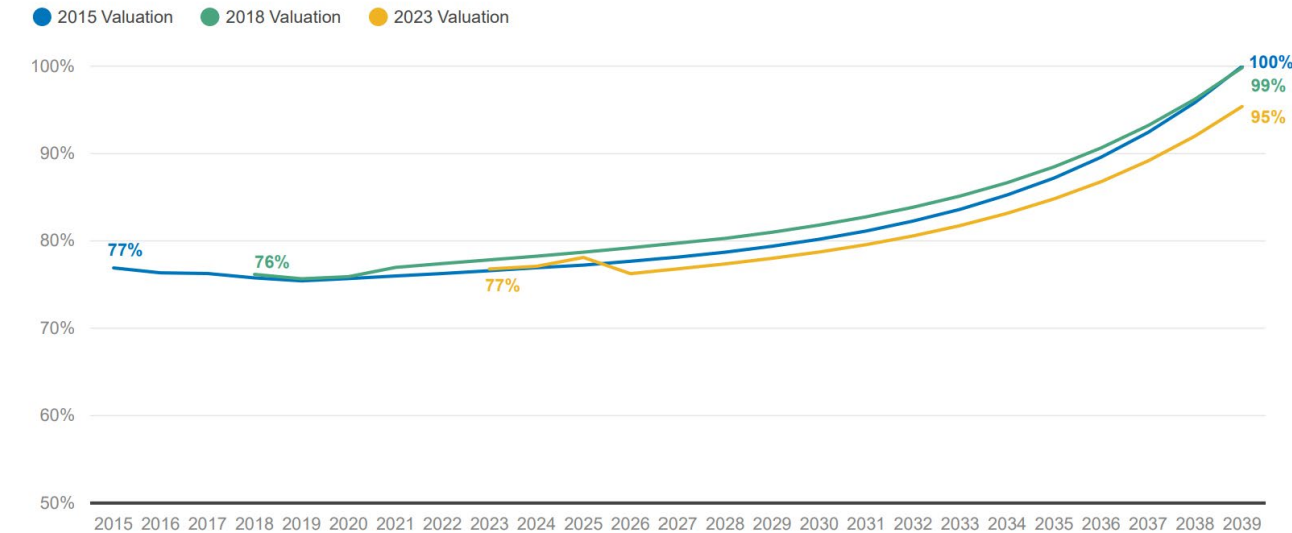
### Pension Funded Ratio Projections – PERS

as of June 30



### Pension Funded Ratio Projections – TRS

as of June 30



In 2014, the legislature reinstated the level-percent-of-payroll method, lowering near-term contributions but deferring substantial costs to later years. Total costs over 25 years are approximately 10% higher under level-percent-of-payroll due to deferred payments.

# Pension Fundedness

## 2023 Valuation Report

Expected FY26 Schedule of Past Service Cost Amortizations - Pension (\$'s in 000's)

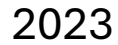
Layer	Amortization Period		Balances		Beginning-of-Year Payment for FY26
	Date Created	Years Remaining at 6/30/25	Initial	Outstanding at 6/30/25	
Initial Amount	6/30/2018	14	\$ 4,620,399	\$ 4,255,172	\$ 395,663
Change in Assumptions	6/30/2018	18	555,442	550,105	42,926
FY19 Loss	6/30/2019	19	297,539	297,013	22,370
FY20 Loss	6/30/2020	20	124,501	124,940	9,106
FY21 Gain	6/30/2021	21	(578,700)	(582,430)	(41,176)
Change in Assumptions	6/30/2022	22	205,891	207,386	14,252
FY22 Loss	6/30/2022	22	24,178	24,353	1,674
FY23 Loss	6/30/2023	23	498,751	502,012	33,600
Expected FY24 Loss	6/30/2024	24	20,029	20,110	1,313
Expected FY25 Gain	6/30/2025	25	(75,901)	(75,901)	(4,843)
<b>Total</b>			<b>\$ 5,322,760</b>	<b>\$ 474,885</b>	

### 2024-05 – Change in Actuarial Methodology

- Past practice has meant that ½ year's worth of interest is lost each year, due to contributions throughout the year and not at the beginning.
- each of these “contribution timing” losses is separately amortized (funded) over a 25-year period
- Add a ½ year interest adjustment to the Normal Cost and unfunded liability amortizations that are used to calculate the actuarially determined contribution rates for PERS and TRS.

	PERS		TRS	
	6/30/39	FY Reach 100%	6/30/39	FY Reach 100%
Current	92%	FY83*	95%	FY52
Proposed	94%	FY51	96%	FY51

\* Reflects a change in the amortization period to 15 years beginning in FY61 and 5 years beginning in FY71.



# Assumptions Matter

## Evolving Assumptions

- Inflation Rate
- Rate of Return
- Total investment return
- Payroll growth rate
- Changes in demographic assumptions
- Funding method – from level dollar to level % of pay
- Inclusion of admin expenses
- Extended amortization
- FY 15 - Smoothing
- 25-year layered amortization

Adopted Assumption	2004	2009	2013	2017	2021
Investment Return	8.25%	8.00%	8.00%	7.38%	7.25%
Inflation	3.50%	3.12%	3.12%	2.50%	2.50%
Payroll Growth	4.00%	3.62%	3.62%	2.75%	2.75%

*Four-year lag between actuals, experience, and changes*

Year	PERS Payroll (\$000's)				TRS Payroll (\$000's)			
	DB	DCR	Total	% change	DB	DCR	Total	% change
6/30/24	779,613	2,020,924	2,800,537	1.082	255,949	523,401	779,350	1.033
6/30/23	792,805	1,796,078	2,588,883	1.060	276,417	477,857	754,274	0.994
6/30/22	796,666	1,645,341	2,442,007	1.015	303,011	455,927	758,938	1.012
6/30/21	858,641	1,548,116	2,406,757	1.014	326,551	423,783	750,334	1.013
6/30/20	930,061	1,443,017	2,373,078	1.011	349,236	391,854	741,090	1.021
6/30/19	1,004,467	1,342,839	2,347,306	1.035	366,037	359,622	725,659	0.982
6/30/18	1,049,152	1,218,186	2,267,338	0.990	392,609	346,044	738,653	0.980
6/30/17	1,159,599	1,131,441	2,291,040	0.993	425,841	327,765	753,606	1.004
6/30/16	1,247,884	1,059,791	2,307,675	1.012	449,629	300,750	750,379	1.002
6/30/15	1,322,925	958,135	2,281,060	1.002	473,734	274,892	748,626	1.036
6/30/14	1,412,237	865,146	2,277,383		490,667	232,051	722,718	
10-year geometric average				1.021				1.008

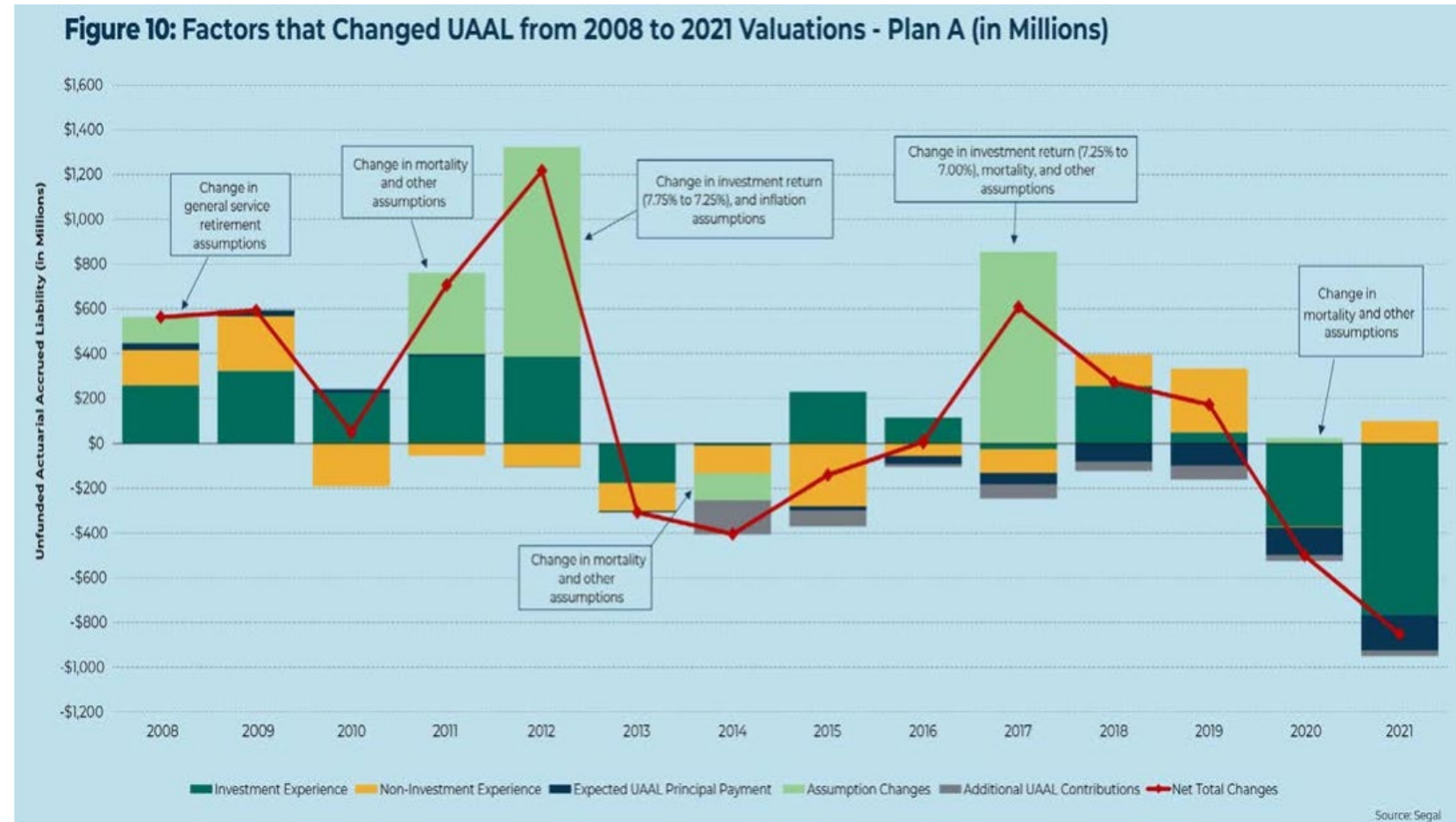
Impact of 14% vacancy rate at the State = approximately \$36 million not being paid to net pension liability.



# Assumptions Matter

Salary increases for continuing active members during FY23 were higher than expected based on the valuation assumptions, resulting in a liability loss of approximately \$94 million.

The CPI-based postretirement pension adjustments (PRPA) were more than expected, resulting in a liability loss of approximately \$366 million.



## Earnings Assumptions

Period	Assumption	Actual 1	Actual 2
2000-2010	8.25%	4.13%	4.15%
2011-2017	8.00%	9.85%	9.44%
2018-2021	7.38%	11.87%	11.87%
2022-2024	7.25%	3.33%	3.31%

The difference between the actual rate of return and the assumed actuarial earnings rate, if added up over this period, equals -29.1.

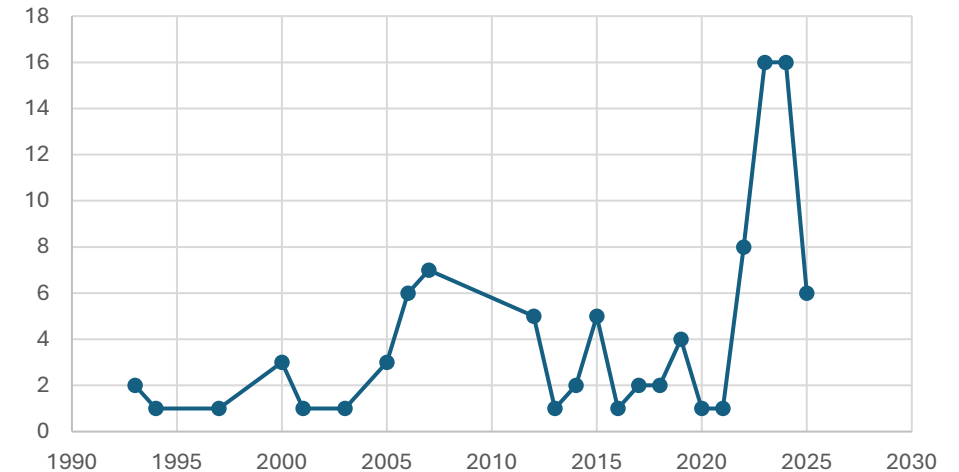
Fiscal Year End 30-Jun	Assumed Actuarial Earnings Rate	Actual Rate of Return	Actuarial Funded Ratio	Actuarial Valuation of Assets (AVA)	Actuarial Accrued Liabilities (AAL)
		PERS		(\$millions)	
2000	8.25%	10.16%	101.1%	\$7,455	\$7,377
2001	8.25%	-5.37%	100.9%	\$7,942	\$7,869
2002	8.25%	-5.48%	75.2%	\$7,413	\$9,860
2003	8.25%	3.67%	72.8%	\$8,008	\$10,562
2004	8.25%	15.08%	70.2%	\$8,030	\$11,444
2005	8.25%	8.95%	65.7%	\$8,443	\$12,845
2006	8.25%	11.74%	78.2%	\$6,331	\$8,094
2007	8.25%	18.93%	77.8%	\$6,739	\$8,662
2008	8.25%	-3.13%	78.8%	\$7,211	\$9,154
2009	8.25%	-20.53%	63.0%	\$6,109	\$9,702
2010	8.25%	11.39%	62.4%	\$6,470	\$10,372
2011	8.00%	21.18%	61.9%	\$6,762	\$10,919
2012	8.00%	0.46%	57.1%	\$6,530	\$11,429
2013	8.00%	12.50%	54.5%	\$6,511	\$11,946
2014	8.00%	18.56%	59.7%	\$7,731	\$12,948
2015	8.00%	3.29%	67.0%	\$8,931	\$13,338
2016	8.00%	-0.36%	66.4%	\$9,057	\$13,633
2017	8.00%	13.35%	66.7%	\$9,230	\$13,832
2018	7.38%	9.61%	64.6%	\$9,430	\$14,606
2019	7.38%	6.40%	63.7%	\$9,577	\$15,039
2020	7.38%	3.83%	63.6%	\$9,714	\$15,280
2021	7.38%	27.62%	67.9%	\$10,467	\$15,420
2022	7.25%	-4.08%	68.1%	\$10,961	\$16,094
2023	7.25%	7.03%	67.0%	\$11,272	\$16,836
2024	7.25%	7.03%	68.0%	\$11,608	\$17,060
30-year average rate of return:		7.77%			



# ARM Board

- 2025-06 Repeal of Resolution 2012-32
- 2025-05 EGWP Smoothing Strategy - 5 Year
- 2025-04 Actuarial Amortization Policy ←
- 2025-03 Renaming\_Descriptions-AK Balanced Trust\_AK Long-Term Balanced Trust\_Stable Value Fund
- 2025-02 DCR-Eligibility for Retirement and Medical Benefits-Years of Service
- 2025-01 DCR-Eligibility for Retirement and Medical Benefits-12 Month Req. & HRA Interest
- 2024-16 Private Equity Partnerships Portfolio Policies and Procedures\_w.attachment
- 2024-15 Private Equity Annual Tactical Plan\_w.attachments\_FINAL
- 2024-14 Real Assets Investment Guidelines\_w.attachment
- 2024-13 Real Assets Annual Plan\_w.attachment
- 2024-12 FY 2026 NGNMRS Contribution Amount
- 2024-11 FY 2026 TRS DCR ODD Rate
- 2024-10 FY 2026 TRS DCR RMMI Rate
- 2024-09 FY 2026 TRS Employer Contribution Rate
- 2024-08 FY 2026 PERS DCR ODD Rate
- 2024-07 FY 2026 PERS DCR RMMI Rate
- 2024-06 FY 2026 PERS Employer Contribution Rate
- 2024-05 Change in Actuarial Methodology for PERS & TRS valuations FINAL
- 2024-04 ARMB Delinquent Employers Resolution FINAL
- 2024-03 NGNMRS Asset Allocation FINAL

Resolutions



The ARMB asserts its authority to amortize new layers of unfunded liabilities over shorter periods of time, less than 25 years, in alignment with actuarial best practices. This flexibility is supported by the absence of prohibitions in the 2014 legislation on addressing new unfunded liabilities. ARMB recognizes that while layering is a valuable tool for managing fluctuations in liabilities, locking all new layers into 25-year amortization periods is neither efficient nor prudent.

# Employer Rates

## Totals – PERS non-State employer contributions

- DB 8.65%
    - Health ~~7.96%~~ 0%
    - Pension 8.65%
  - DC 9.17%
    - Retirement 5%
    - ODD, RM, HRA 4.17%
  - Past Service Cost 19.29%
- 

## Totals - PERS

- FY26 DB non-State payroll = \$323,113,000;
- FY26 DC non-State payroll = \$983,061,000
- 22%
  - DB normal cost – 2.14%
  - DB past service cost – 12.96%
  - DC cost – 6.9%
- Full actuarial rate of 27.67%
  - 22% + 6.33% state contribution

## Totals – TRS employer contributions

- DB 8.65%
    - Health ~~7.34%~~ 0%
    - Pension 7.55%
  - DC 9.17%
    - Retirement 7%
    - ODD, RM, HRA 3.82%
  - Past Service Cost 21.47%
- 

## Totals - TRS

- TRS DB payroll = \$224,658,000;
- TRS DC payroll = \$542,354,000
- 12.56%
  - DB normal cost – 2.21%
  - DB past service cost – 2.7%
  - DC cost – 7.65%
- Full actuarial rate of 31.33%
  - 12.56% + 18.77% state contribution

# Other Proposals

Adding Social Security - +6% of payroll – SB55

- 27 local governments
  - School districts (about \$1.7 million)
  - University of Alaska (more than half of impact)
  - Housing Authorities
- = Employers and employees each pay \$19.7 million
- = If increased salary, employers pay \$42 million



CITY OF KENAI  
 CITY OF SOLDOTNA  
 CITY OF FAIRBANKS  
 CITY OF BETHEL  
 PETERSBURG BOROUGH  
 BRISTOL BAY BOROUGH  
 CITY OF TANANA  
 CITY OF SAND POINT  
 CITY OF SEWARD  
 CITY OF NORTH POLE  
 CITY OF WHITTIER  
 CITY OF THORNE BAY  
 NORTHWEST ARCTIC BOROUGH  
 ALEUTIANS EAST BOROUGH  
 CITY OF KIVALINA  
 CITY OF KALTAG  
 CITY OF ATKA  
 CITY AND BOROUGH OF YAKUTAT  
 CITY OF MEKORYUK  
 CITY OF SAINT GEORGE  
 CITY OF ALLAKAKET  
 CITY OF KACHEMAK  
 CITY OF HOOPER BAY  
 CITY OF KOYUK  
 CITY OF UPPER KALSKAG  
 CITY OF SHAKTOOLIK

All pay the full Actuarial rate (FY23) – SB 81

- PERS employers = \$96,698,174
- TRS employers = \$87,649,058

# Immediate

## **State to compensate 32,000 public sector workers in Alaska whose retirement contributions were delayed**

By Iris Samuels

Published: February 9, 2025

Using this calculator, we have estimated the cost to make participants whole to be \$2.7 million if we can process all late payrolls by the end of April. To accomplish this, employers must submit all outstanding payrolls to the Division **no later than April 30, 2025**. Payrolls submitted after that date will be considered delinquent by the Division and employers shall be subject to interest payments on employee contributions and, potentially, penalties outlined in the Alaska Statutes. The Division has posted instructions to our website for the most efficient method of submitting the backlog of payrolls due to the outage [below](#).

- PERS - 31 employers current right now
- TRS – 13 employers current right now
- **What about reimbursing the system for lost earnings during eReporting outage?**

# Long-Standing Employer Requests

- Update to the 2008 floor: move forward / rolling average / remove
- Address challenges of termination studies for State and by employee (+ evaluate vacancy rates)
- 22% is a cap not a floor – it can be decreased
- Retiree hiring ability without accrued liability
- Exit strategy for small or stressed employers
- Five-year audit of terminated employer net pension liability
- Remove high interest rate on past due payments
- Locked in net pension liability option, ability to pay down, and exit date
- Pay off the net pension liability, transferring available assets, or naming an account

# Employer Rate Relief Program - Oregon

## Employee Pension Stability Account (EPSA)

- **Employer Incentive Fund** - For approved employers who make an eligible lump-sum payment of at least \$25,000 into a new side account or as an additional payment into an existing side, the [EIF program](#) matches 25% of that lump-sum amount, not to exceed the greater of 5% of an employer's unfunded actuarial liability (UAL) or \$300,000.
- **Employer Rate-Projection Tool** - Employers can estimate their own potential employer contribution amounts and rates over several biennia.
- **Member Redirect** - The Member Redirect program eases employer rates by requiring PERS members to contribute to their future pensions. PERS members whose gross pay in a month exceeds the [monthly salary threshold](#) in effect for that calendar year have a portion of their 6% Individual Account Program (IAP) contributions redirected to their Employee Pension Stability Account (EPSA). Each member's invested EPSA will help fund their pension when they retire. The program only operates when the PERS Fund is less than 90% funded.

**Rate pooling** - Rate pooling allows individual employers to be grouped with other employers for the purpose of determining pension costs and contribution rates. Pooling stabilizes employer rates by spreading the cost of financial and demographic changes across multiple employers rather than assigning the entire cost to a single employer.

- **Salary Limit** - The Salary Limit program limits the amount of an employee's salary (including a rehired retiree) that PERS can use to calculate an employee's benefits.

**School Districts Unfunded Liability Fund (SDULF)** - The SDULF is a pooled side account that provides rate relief for public education.

- **Side Accounts** - When an employer makes a lump-sum payment to prepay all or part of your pension unfunded actuarial liability (UAL), the money is placed in a special account called a "side account." This account is attributed solely to the employer making the payment and is held separate from other employer reserves. The money is invested in the [Oregon Public Employees Retirement Fund](#) (OPERF) and is subject to earnings and losses.
- **Work After Retirement** - If you choose to hire (or continue employing) any PERS service retiree during 2020 through 2034, most of those retirees can work an unlimited number of hours in those calendar years while continuing to receive their pension benefit.

**Employer contributions** - From 2020 through 2034, you are required to pay your [PERS employer contribution rate](#) on any service retiree's wages as if they were an active member.

- **Unfunded Actuarial Liability Resolution Program (UALRP)** - The purpose of the UALRP is to provide resources and tools to educate employers about the different factors that affect their contribution rate, such as unfunded actuarial liability, actuarial valuation, and pooling. By understanding these factors, employers can better manage their contributions.

# Collaborative Problem Solving

- What do employees need? Do all types of employees need the same thing?
- What do 157 employers need?
  - How do we differentiate between the needs of employers?
  - How do we manage accountability?
- What is the role of the State as the plan sponsor?
  - How does the plan sponsor engage with employers?
- What components of the system do we need to focus on?
  - Who is responsible and how do we hold them accountable?
- How do we explain opportunity cost to current employees?
- What is fair allocation of liability and cost in a pooled system?
- What are the full suite of options available for retirement?
  - e.g.; SBS, Social Security, other types of annuities, deferred compensation, pay.



**Nils Andreassen**

Executive Director

**THANK YOU!**