PERS rate increases have been an ongoing challenge in recent years.
The rates and required contributions have seen dramatic increases.
Recent Oregon Supreme Court ruling will exacerbate the problem.
Remember that General Fund salaries are over $100 million per year so for every percent that the PERS rate increases over a million more dollars will have to be sent to PERS.
PERS has 80 cents in assets for every $1.00 in liabilities after court decision.
$13.75 billion deficit – again

Source: PERS/Oregonian research

- '03 - '04: Strong investment returns
- '05 - '07: Start of financial crisis
- '08 - '11: Strong investment returns
- '12 - '13: Legislative reforms
- May: $13,750

Oregon Supreme Court rejects COLA reform
A 46 percent increase in costs in 2017-19

Millions of dollars

$1,500

$1,610*

Annual government payments post court decision

1,130

$633

Annual government payments under 2013 reforms

0 '07 '08 '09 '10 '11 '12 '13 '14 '15 '16 '17 '18

*Assumes full rate increase in 2017 and ongoing payroll growth of 3.75 percent

Source: PERS/Oregonian research

DAN AGUAYO/STAFF
PERS Employer Contribution Rate

- Established by PERS every two years.
- Our 2017-19 required contribution rate will be based on the status of PERS as of December 2015 with rates announced in the fall of 2016.
- Previous communication from PERS has indicated that if the Oregon Supreme Court overturned all the legislative initiatives we could expect a 5.5% increase in the 2017-19 biennium.
- Other factors, such as the strength of PERS investment returns, will also impact the rate.
## PERS Rate History

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1/Tier 2</td>
<td>.29%</td>
<td>7.1%</td>
<td>12.72%</td>
<td>8.32%</td>
<td>11.23%</td>
</tr>
<tr>
<td>OPSRP</td>
<td>.19%</td>
<td>5.44%</td>
<td>10.82%</td>
<td>6.42%</td>
<td>5.68%</td>
</tr>
</tbody>
</table>
PERS Employee Contribution

- Through the collective bargaining process PCC has agreed to pay the 6% required employee contribution to PERS.
- The advantage to PCC of paying the employee PERS contribution as opposed to paying a higher salary is the college does not have to pay FICA or PERS on the PERS contribution but would have to pay these taxes if the compensation is in the form of salary.
- Saves PCC approximately $2 million per year.
PERS Bonded Debt

- In June 2003 PCC issued $119,995,000 in limited tax pension bonds and deposited the funds with PERS to prepay the unfunded actuarial liability (UAL)
- PERS had been charging an interest rate of 8% on the balance of the UAL and the true interest cost of the issued debt was 4.698%
- The estimated savings to the college was $46,624,799.
- Debt will be paid off in 2027 per the following table.
- Salary % increase of 4.25% per year required to keep rate stable.
# PERS Debt Repayment Schedule

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$4,060,000</td>
<td>$4,551,252</td>
<td>$8,611,252</td>
</tr>
<tr>
<td>2017</td>
<td>$4,590,000</td>
<td>$4,385,198</td>
<td>$8,975,198</td>
</tr>
<tr>
<td>2018</td>
<td>$5,165,000</td>
<td>$4,192,877</td>
<td>$9,357,877</td>
</tr>
<tr>
<td>2019</td>
<td>$5,810,000</td>
<td>$3,944,441</td>
<td>$9,754,441</td>
</tr>
<tr>
<td>2020</td>
<td>$6,505,000</td>
<td>$3,664,980</td>
<td>$10,169,980</td>
</tr>
<tr>
<td>2021</td>
<td>$7,250,000</td>
<td>$3,352,089</td>
<td>$10,602,089</td>
</tr>
<tr>
<td>2022</td>
<td>$8,050,000</td>
<td>$3,003,364</td>
<td>$11,053,364</td>
</tr>
<tr>
<td>2023</td>
<td>$8,910,000</td>
<td>$2,616,159</td>
<td>$11,526,159</td>
</tr>
<tr>
<td>2024</td>
<td>$9,825,000</td>
<td>$2,187,588</td>
<td>$12,012,588</td>
</tr>
<tr>
<td>2025</td>
<td>$10,810,000</td>
<td>$1,715,006</td>
<td>$12,525,006</td>
</tr>
<tr>
<td>2026</td>
<td>$11,860,000</td>
<td>$1,195,045</td>
<td>$13,055,045</td>
</tr>
<tr>
<td>2027</td>
<td>$12,985,000</td>
<td>$624,579</td>
<td>$13,609,579</td>
</tr>
</tbody>
</table>
PCC Total PERS Rate 2015-17

- In addition to the required employer contribution PCC also has bargained to pay the 6% employee contribution, and also has to repay the PERS bonds principal and interest.
- Total PERS rate for 2015-17 is 21.6%
PERS Reserve Fund

- No budgeted drawdowns for 2015-17 budget.
- Anticipated unrestricted fund balance of $29 million at the end of 2015-17.
- Could draw down $2.9 million annually for 2017-2027, when PERS bonds are completely retired, to offset PERS rate increases.
Salary Adjustment

- Bargained salary settlements for 2013-15 were increased due to the legislative actions lowering the cost of living allowances and thereby the PERS rate.

- It was known from the outset that these legislative reforms would receive a strong legal challenge so the following contingency language was added to the agreement:

- If a final legal decision, including exhaustion of appeals, overturns the SB822 changes in cost of living adjustments for PERS retirees, general salary adjustments will be reduced as follows: a. If the negative impact to PCC’s budget for the biennium is more than $1.5 million in one or both years, salaries will be reduced by 1% per year in the following biennium.  b. If the negative impact to PCC’s budget for the biennium is between $.75 to $1.5 million in one or both years, salaries will be reduced by .5% per year in the following biennium.

- Should trigger a salary reduction in the 2019-21 biennium.
Other Considerations

- Collective Bargaining-Salaries and benefits accounted for 83.4% of General Fund expenditures in 2013-14 up from 78.5% in Fiscal year 2008.
- Strategic planning initiatives—may need to focus on initiatives that do not have an ongoing cost element.
- Other funds-PERS increase will also have significant impact on other funds (Food Services, Grant programs etc.)
- Forewarning-We have the upcoming biennium to address our budgeting process and try to identify other cost reduction alternatives.