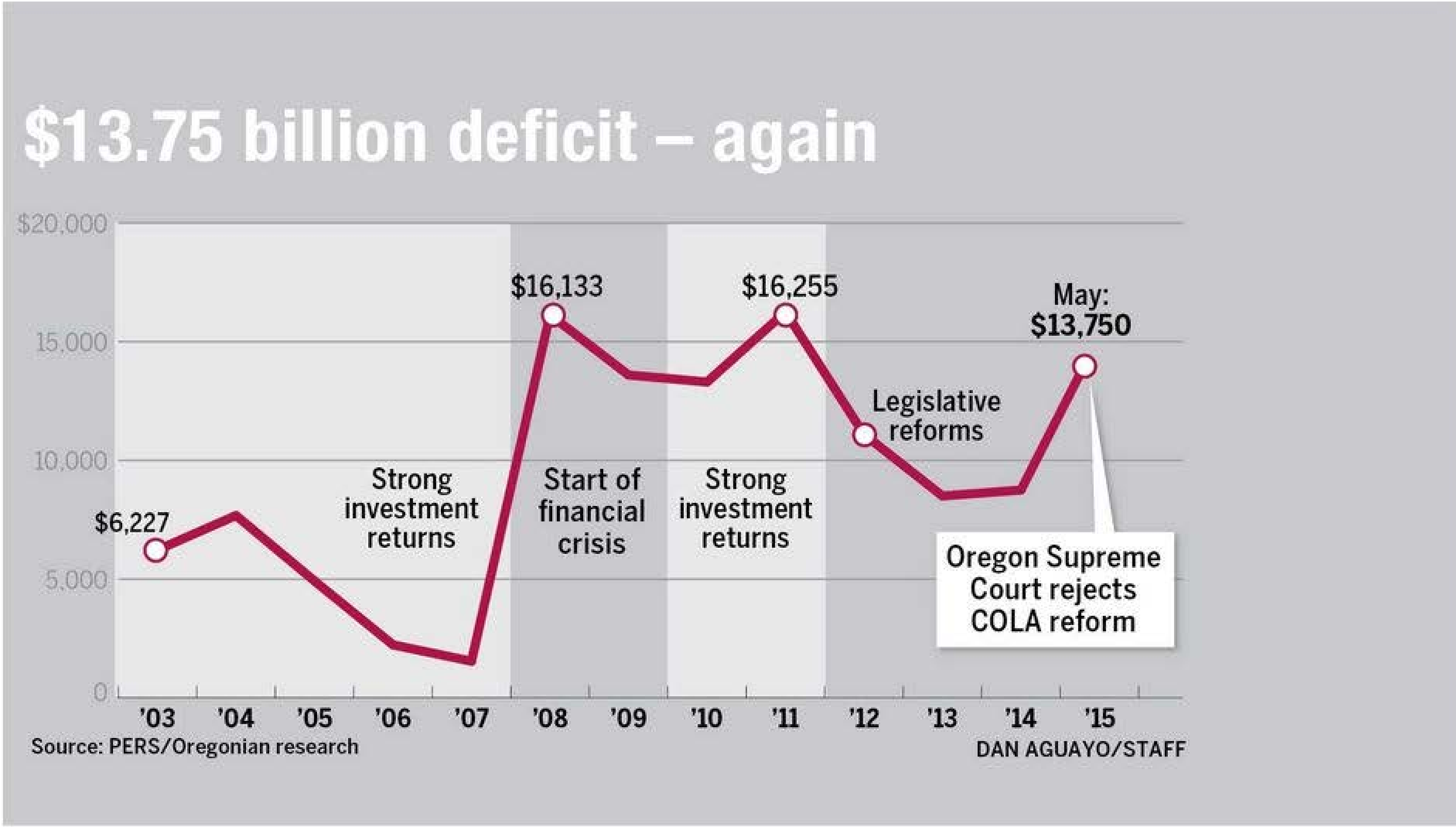
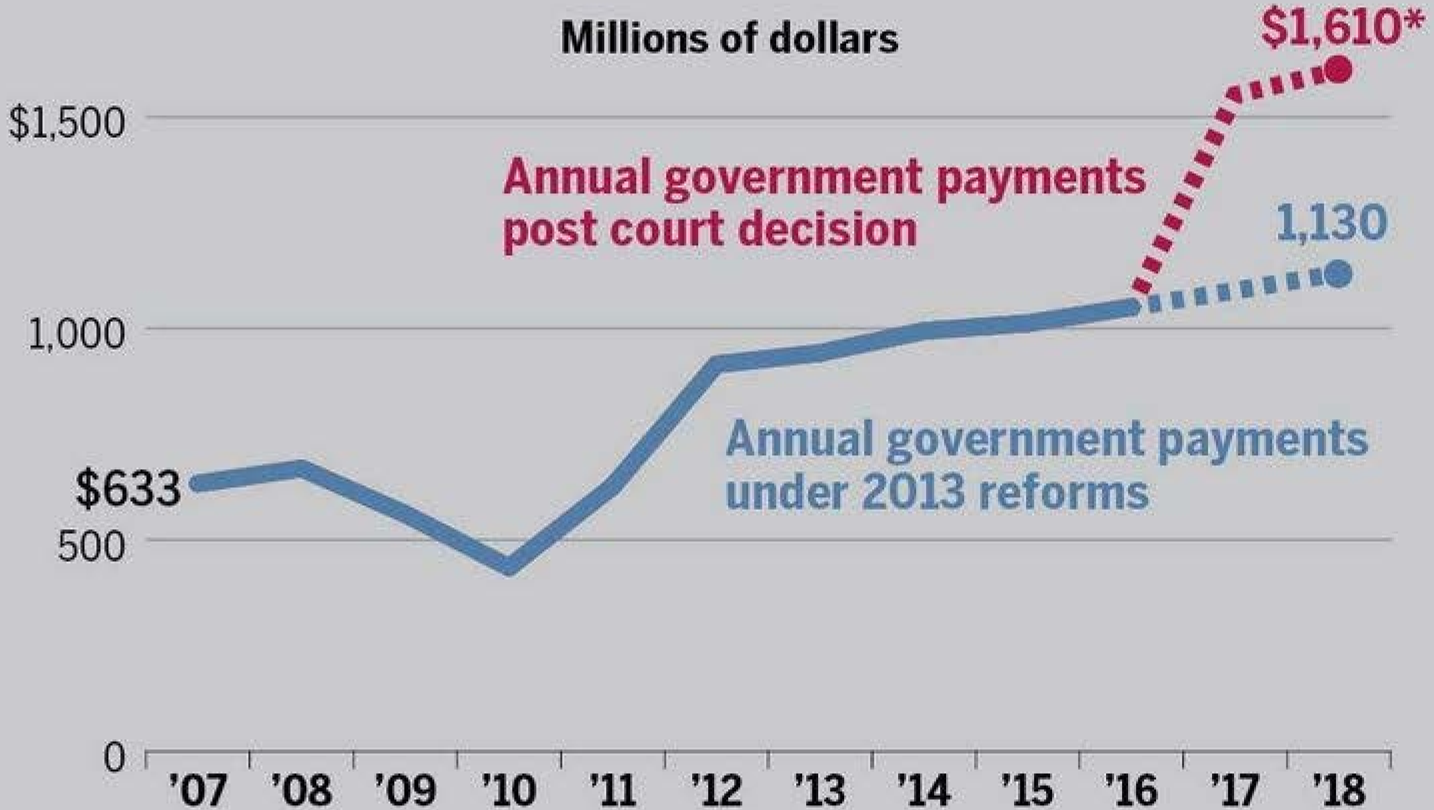
PERS

- 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
$20,000
15,000
10,000
5,000
0
$6,227
Strong investment returns
$16,133
Start of financial crisis
Strong investment returns
$16,255
Legislative reforms
May: $13,750
Oregon Supreme Court rejects COLA reform
'03
'04
'05
'06
'07
'08
'09
'10
'11
'12
'13
'14
'15
Source: PERS/Oregonian research
DAN AGUAYO/STAFF

A 46 percent increase in costs in 2017-19



*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

	2009-11	2011-13	2013-15	2013-15 Revised	2015-17
Tier 1/Tier 2	.29%	7.1%	12.72%	8.32%	11.23%
OPSRP	.19%	5.44%	10.82%	6.42%	5.68%

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

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

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.