



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Carlson, Mital, Simpson, and Helgeson  
FROM: Sue Fahey, Chief Financial Officer; Deborah Hart, Fiscal Services Supervisor  
DATE: April 3, 2018  
SUBJECT: PERS Employer Incentive Fund Application  
OBJECTIVE: Board Action and Approval of Resolution No. 1812

---

## Issue

The Oregon Legislative Assembly, during their 2018 regular session, established an incentive fund for PERS side accounts. Employers are required to submit an application to reserve matching funds on qualifying lump sum deposits. Those applications will be evaluated as they are received.

## Background

Financial Policy 1.4 - Retirement Benefits Funding Policy requires that if the funded status of EWEB's pension plan drops to 70% or less, an assessment of accelerated funding will be performed. The December 31, 2016 actuarial advisory valuation prepared for EWEB by the Oregon Public Employees Retirement System (OPERS) actuary indicated that EWEB's Unfunded Actuarial Liability (UAL) was in excess of \$129 million and funded at 66%.

In December 2017, the Board approved EWEB's entry to the OPERS State & Local Government Rate Pool. The transition liability associated with joining the pool will not be known until late in 2018. However, as of EWEB's 2016 advisory valuation, it was \$25.7 million. Using reserves to pay down that liability would provide an immediate PERS savings. The Board is next scheduled to have a discussion on the use of reserves at the May, 1<sup>st</sup> Board meeting.

Recent legislative action has created additional opportunity for EWEB to use a portion of cash reserves to further reduce PERS costs. During the 2018 regular session, the Oregon Legislative Assembly established an Employer Incentive Fund for the purposes of providing a match for portions of certain lump sum deposits of employer contributions to a PERS side account. Key provisions include:

- The PERS Board will begin taking applications as soon as they determine that there are sufficient moneys in the Employer Incentive Fund. For the first 180 days after the application window opens, only employers with an unfunded actuarial liability of more than 200% of payroll may apply. As of EWEB's last valuation, EWEB would qualify for

the first round of applications. Qualifying applications will be approved in the order in which they are received.

- The maximum amount that may be reserved by an employer is 5% of the unfunded actuarial liability (UAL) attributable to the employer. As of the 2016 valuation, 5% of EWEB's UAL is \$6.3 million.
- The PERS Board will establish a matching percentage, however it shall not exceed 25% of a qualifying deposit.

## **Discussion**

Depositing funds into a side account with PERS has several favorable benefits for EWEB. It reduces PERS liability, reduces O&M costs, has a positive impact on debt service coverage, reduces rate pressure, and provides an opportunity to earn PERS returns on excess funds which are historically higher than what is available to EWEB due to legal restrictions on deposits. With the new legislation, it also creates an opportunity for EWEB to earn matching funds of up to 25%.

The Public Employees Retirement Board has been directed to establish a process for distributing the moneys in the Employer Incentive Fund established in the 2018 legislative session, the key provisions of which are outlined above. Although all of the details are not yet known, employers will be required to apply to reserve matching funds. Management would like to be prepared to apply for matching funds as soon as the Public Employees Retirement Board begins accepting applications. Prior to depositing any funds, Management will discuss the final rules and provide side account options to the Board. Funds must be deposited no later than July 1, 2023.

## **Recommendation and Requested Board Action**

Management is requesting that the Board approve Resolution No. 1812 authorizing the General Manager to apply to reserve matching funds in the Employer Incentive Fund, up to the maximum amount allowed by statute.

**RESOLUTION NO 1812  
APRIL 2018**

**EUGENE WATER & ELECTRIC BOARD  
PERS EMPLOYER INCENTIVE FUND APPLICATION TO MAKE DEPOSIT**

**WHEREAS**, the Eugene Water & Electric Board is the body designated by the Eugene City Charter and City Code to administer the Electric and Water Utilities of the City of Eugene;

**WHEREAS**, the 2018 Oregon Legislative Assembly adopted Senate Bill 1566 to establish an Employer Incentive Fund for the purpose of matching portions of certain lump sum payments of employer contributions to the Public Employees Retirement System; and

**WHEREAS**, the Board of Trustees of the Public Employees Retirement System has been directed to establish a process for distributing the moneys in the Employer Incentive Fund; and

**WHEREAS**, the percentage of a lump sum payment that may be matched by distributions from the fund shall not exceed 25% of the qualifying lump sum payment; and

**WHEREAS**, the maximum matching amount that may be reserved by a participating public employer is not to exceed the greater of: Five percent of the unfunded actuarial liability attributable to the employer; or \$300,000; and

**WHEREAS**, EWEB is an OPERS employer, number 2132;

**NOW, THEREFORE, BE IT RESOLVED** that the Eugene Water & Electric Board, authorizes the General Manager to apply to reserve matching funds up to the maximum amount allowed by statute.

DATED this 3rd day of April, 2018.

THE CITY OF EUGENE, OREGON  
Acting by and through the  
Eugene Water & Electric Board

\_\_\_\_\_  
President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its April 3, 2018 Board Meeting.

\_\_\_\_\_  
Assistant Secretary