



Program #10028 - PERS Pension Bond Sinking Fund 7/14/2022

Department: Nondepartmental **Program Contact:** Eric Arellano
Program Offer Type: Existing Operating Program **Program Offer Stage:** As Adopted
Related Programs:
Program Characteristics:

Executive Summary

The PERS Pension Obligation Bond Sinking Program accounts for principal and interest payments on pension obligation revenue bonds issued December 1, 1999 in the amount of \$184,548,160 to retire the County’s unfunded actuarial accrued pension liability. Revenues that support debt payments are derived from charge backs to departments based on their departmental personnel cost.

Program Summary

The County passed Resolution No. 99-218 on November 4, 1999 authorizing the issuance of up to \$200,000,000 of bond proceeds to finance the estimated unfunded accrued actuarial liability (UAL) of the County to the Oregon Public Employees Retirement System (PERS).

Senate Bill 198-B, effective October 23, 1999, authorized the County to pledge taxes that the County may levy within the limitations of sections 11 and 11b, Article XI of the Oregon Constitution not subject to annual appropriation. On December 1, 1999 the County issued \$184,548,160 in Pension Obligation Bonds to fund its PERS unfunded liability. The bonds have a final maturity date in FY 2030.

Debt service payments are supported by a surcharge against payroll. The surcharge rate has fluctuated, on average, between 6% and 9% of payroll. A reserve has been established to support future escalating debt payments in order to maintain the surcharge at a constant level.

To mitigate rising PERS rates, in FY 2017, the County Board approved a plan to set up four PERS side accounts over a four year period (\$25 million each year). In FY 2020, the County established its fourth side account, total side accounts \$100 million. Side accounts increase an employer's actuarial assets, reducing the difference between actuarial assets and actuarial liabilities, the PERS UAL. Side accounts reduce employer contributions/rates over time by paying down pension obligation. The County participated in the State of Oregon's SB 1049 PERS Employer Incentive Fund (EIF) match program, which provided for a 25% match on one qualifying side account (\$6.2 million). The County plans to establish a new \$25 million PERS side account in FY 2023, though rate of relief can vary, the relief is estimated to be between .6%-.7% of payroll.

Performance Measures

Measure Type	Primary Measure	FY21 Actual	FY22 Budgeted	FY22 Estimate	FY23 Offer
Output	Moody's Rating of Aa1 or Better	1	1	1	1
Outcome	Debt Service Payments Made as Scheduled	100%	100%	100%	100%

Performance Measures Descriptions

Maintaining an investment grade bond rating limits the amount the County might otherwise have to pay towards annual debt service. (1)-indicates Moody's Aa1, (0)-represents a rating lower than Aa1. All principal and interest payments are made on time in order to maintain an investment grade rating on the bond issue. Multnomah County has never defaulted on a debt payment.

Legal / Contractual Obligation

Principal and interest on the PERS Pension Obligation Bond are a binding debt obligation. The County passed Resolution No. 99-218 on November 4, 1999 authorizing the issuance of up to \$200,000,000 of bonds as authorized by state statute.

Revenue/Expense Detail

	Adopted General Fund	Adopted Other Funds	Adopted General Fund	Adopted Other Funds
Program Expenses	2022	2022	2023	2023
Contractual Services	\$0	\$461,495	\$0	\$25,461,495
Debt Service	\$0	\$28,110,000	\$0	\$29,675,000
Unappropriated & Contingency	\$0	\$33,654,725	\$0	\$40,092,116
Total GF/non-GF	\$0	\$62,226,220	\$0	\$95,228,611
Program Total:	\$62,226,220		\$95,228,611	
Program FTE	0.00	0.00	0.00	0.00

Program Revenues				
Other / Miscellaneous	\$0	\$34,462,926	\$0	\$35,082,027
Financing Sources	\$0	\$0	\$0	\$25,000,000
Interest	\$0	\$332,000	\$0	\$315,000
Beginning Working Capital	\$0	\$27,431,294	\$0	\$34,831,584
Total Revenue	\$0	\$62,226,220	\$0	\$95,228,611

Explanation of Revenues

Interest earnings on the fund balance and service charges are assessed to departments as a percentage of payroll. In FY 2023, departments will pay 7.35% of payroll costs toward the retirement of the Pension Obligation Bonds.

Significant Program Changes

Last Year this program was: FY 2022: 10028 PERS Pension Bond Sinking Fund

The County plans to establish a PERS side account (amount \$25 million) with Oregon PERS in FY 2023. The side account will help mitigate rising PERS costs by providing PERS rate relief. FY 2023 budgeted expenses also include \$450,000 to account for the County's obligations to members of the Oregon Public Service Retirement Program (OPSRP) who belong to labor unions covered by collective bargaining agreements.