Date: Thursday, March 6, 2003

From: James Voytko, PERS Executive Director

To: House PERS Committee

**HB 2006 – Regarding the Deficit Account: Definition of “the call”**

ORS 238.255(1) presently allows a deficit account to be maintained for a period of five years. A deficit account is created when the earnings of the PERS Fund in any given year have not been sufficient to cover the mandatory payment of assumed earnings to Tier 1 regular accounts. The deficit account cannot be maintained beyond that five-year period, however the statute leaves the specifics of terminating that deficit account unstated.

Our reading of HB 2006 indicates the bill language provides a number of directives for the payment of the deficit account:

1. If multiple annual deficit accounts are created due to several years of lower than assumed earnings, each annual deficit account has its own individual maintenance period.
2. When the maintenance period has expired for a deficit account, the account is to be paid equally from employer and employee contributions.
3. The PERS Board shall establish a reserve account using future earnings from employers and Tier 1 members to be used in crediting earnings to Tier 1 regular accounts in years when earnings are below the assumed rate.

Our reading of HB 2006 leaves a number of questions unanswered, and thereby left, we presume, to the discretion of the PERS Board:

1. The specific employer and employee contributions that shall be used to contribute towards the pay off of a deficit account?
2. How a pay off of a deficit account is to occur – through amortization of contribution rates, or by immediate invoicing?