



Oregon State
University

TAB F

Strategic Financial Opportunities



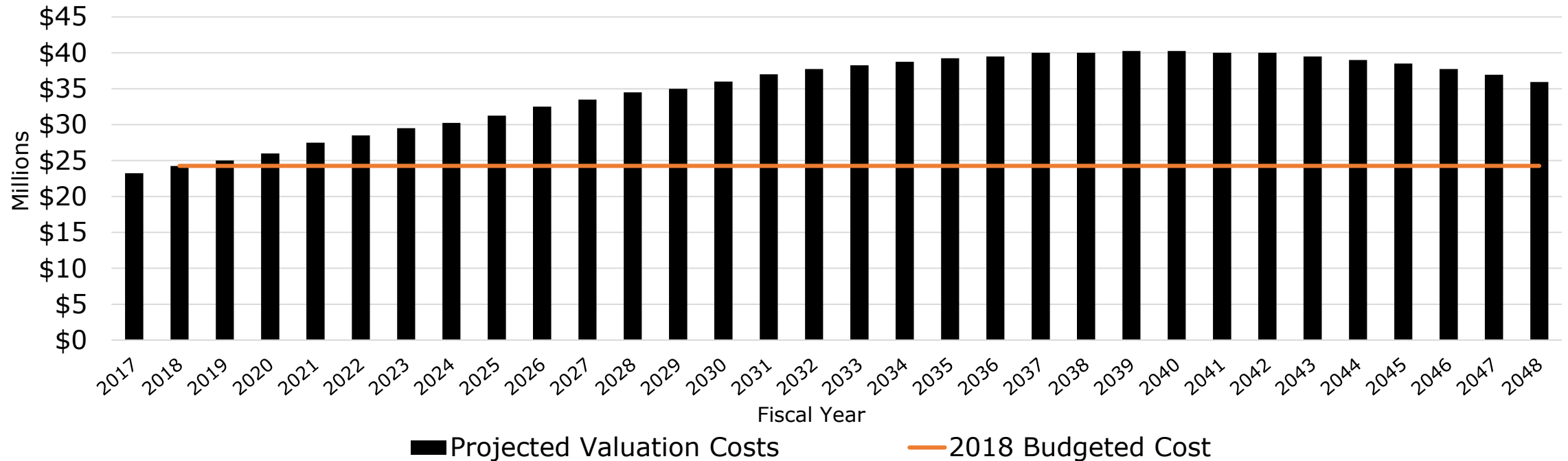
Discussion goals

- Set the stage for future conversations regarding OSU's pension liabilities.
- Raise awareness of potential large increases in pension contributions.
- Provide update on recent state legislation regarding pension liability.
- Share some initial approaches to level out potential cost increases.
- Gather Trustees' input on these approaches.

OSU's projected pension contributions

- State's Retirement System projects pension contributions based on actuarial valuations.
- OSU's proportion represents approximately 0.5% of the statewide pension plan and is shown below.

Estimated OSU Contribution*



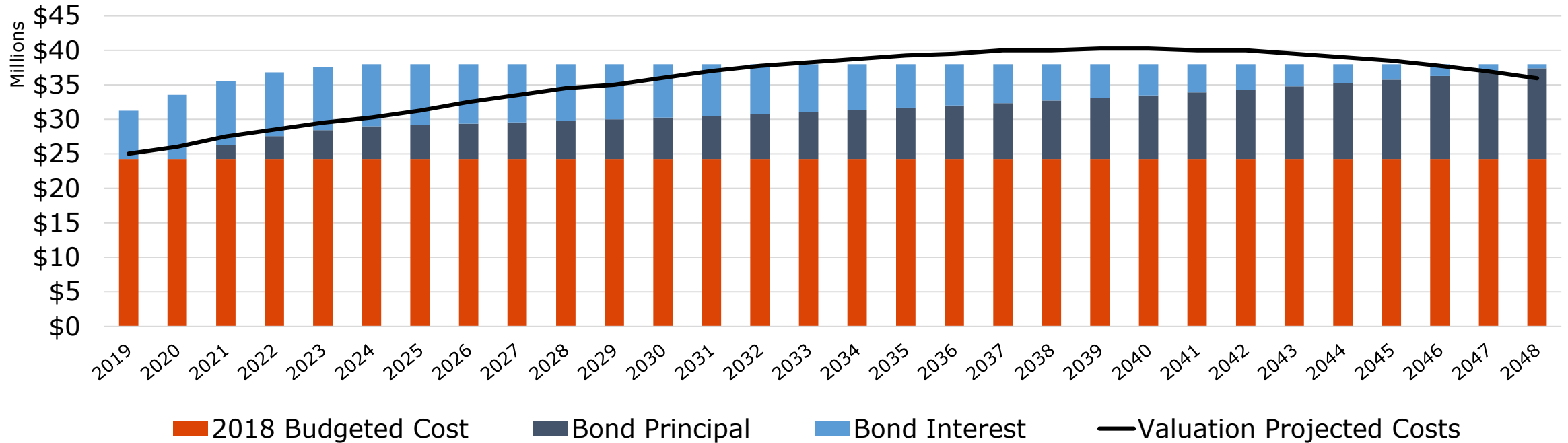
*Represents 0.50% of annual projected state benefit payments. State expense figures from Milliman Actuarial Valuation dated December 31, 2015
PERS: Oregon Public Employees Retirement System; OPSRP: Oregon Public Service Retirement Plan

Option A – Bond funding through 2048

- Issue approximately \$214 million in debt to fund contributions above 2018 budgeted costs
- Bond proceeds to be invested in U.S. Treasuries and pay for the contributions above the 2018 level

Bond Debt Service Payments	
2019	\$7,000,000
2020	\$9,320,000
2021	\$11,320,000
2022	\$12,550,000
2023 – 2048	\$13,750,000

Option A- Bond Funding



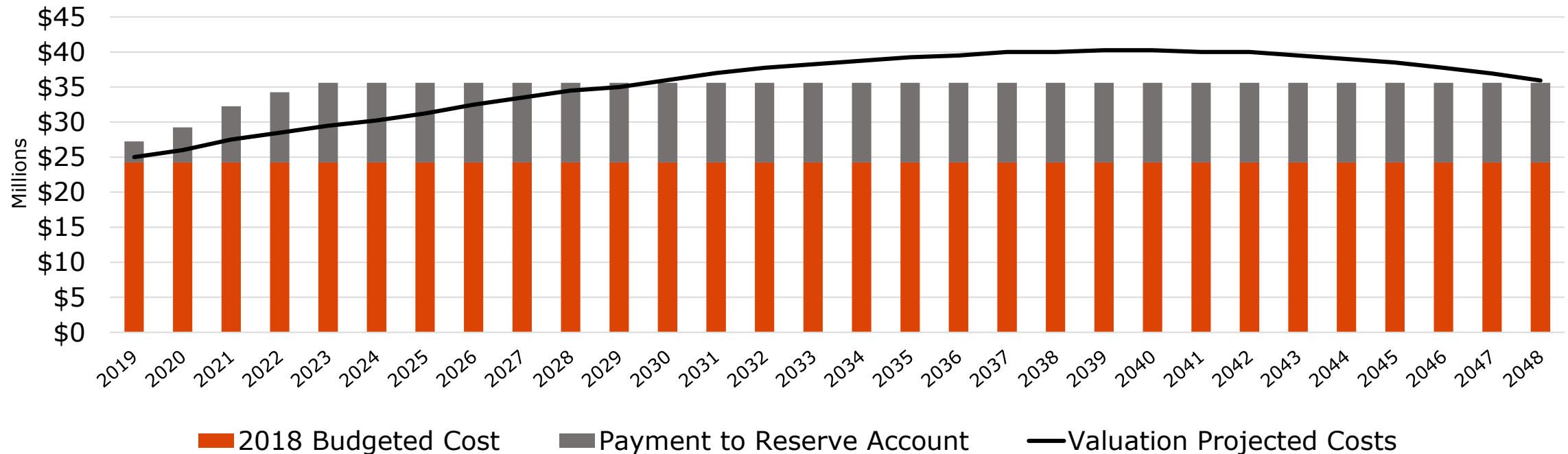
Assumes taxable Aa3 MMD rates as of 2/16/2018 plus a 50 basis point cushion

Option B – Reserve funding

- Build a reserve through annual contributions above the projected costs incurred in the earlier years.
- Reserve fund balances are assumed to be invested in U.S. Treasuries and pay for the contributions above the 2018 level.

Reserve Deposits	
2019	\$3,000,000
2020	\$5,000,000
2021	\$8,000,000
2022	\$10,000,000
2023 - 2048	\$11,350,000

Option B - Reserve Funding



Potential state employer incentive fund

2018 Senate Bill 1566 established an Employer Incentive Fund

- Potential lump sum payment to a PERS side account to offset future required employer contributions.
- State incentive match possible.
- Key limits and guidelines are contained in the Senate Bill.
- Rules are to be developed by the PERS Board.

Summary of potential tools

OPTIONS	Required Transfer To State by 2023 (million)	Total Projected Costs (million)	Benefit (Cost) Variance (million)
Actuarial Projection (2019-2048)		1,068.2	-
A - Bond funding		1,124.3	(56)
B - Reserve Funding - OSU Held Account		1,046.6	21
C1 - Reserve and Employer Incentive Program (\$5.8m)	23.4	1,038.7	29
C2 - Reserve and Employer Incentive Program (Max) (\$16.1m)	64.4	1,006.7	62

Variance from Actuarial Projection

