

SB 913 STAFF MEASURE SUMMARY

Senate Committee On Workforce

Prepared By: Debra Maryanov, LPRO Analyst

Meeting Dates: 3/15

WHAT THE MEASURE DOES:

Requires Public Employees Retirement Board (PERB) to adopt actuarial equivalency factor tables for computing payments to members and others as needed, at least every two years, and no later than January 1, 2018. Requires board to use tables for retirements effective between effective date of Act and January 1, 2018. Changes assumed interest rate to lesser of rate determined by board or current rate at time of adoption for valuing annuity benefits by federal Pension Benefit Guaranty Corporation. Allows board to determine effective date of actuarial equivalency factor tables.

For new members of Oregon Public Service Retirement Plan (OPSRP), not including police officers or firefighters, increases normal retirement age to 67 years of age, and early retirement age to 57 years of age, regardless of number of active service years.

Requires PERB to establish member contribution accounts for each active Public Employees Retirement System (PERS) member. Redirects employee contributions to individual account program on or after January 1, 2018, to those accounts and applies amounts accruing on or after January 1, 2018, to costs of member's pension or other retirement benefits. Prohibits employers from contributing on employee's behalf on or after later of January 1, 2018, or after expiration of collective bargaining agreement in effect on January 1, 2018.

For PERS members retiring on or after January 1, 2018, changes calculation of final average salary for purposes of determining member's full formula benefit. Calculates greater of member's average annual salary paid by participating public employers in five calendar years of member's highest annual salary before member's retirement, or one-fifth of total salary paid by participating employers to member in last 60 months of active membership.

Establishes that person, other than member of Legislative Assembly or judge, who is not a PERS member when appointed or elected to elected public office may not become PERS member for purpose of that position, but may participate in state deferred compensation plan in certain circumstances.

Requires recalculation of employer contribution rates to reflect savings attributable to Act and makes corrected rates effective July 1, 2017.

Provides for expedited Supreme Court review of petitions by adversely affected persons.

Establishes that Act does not constitute statutory contractual promise.

Declares emergency; effective on passage.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

BACKGROUND:

PERS enables public employers to provide their employees with retirement benefits. State government, public schools, community colleges, and many local governments participate in PERS, including approximately 925 employers and covering about 95 percent of all public employees in Oregon. PERS contains approximately 347,000 members, including 168,000 active, 43,000 inactive, and 136,000 retired. Approximately 32 percent of members are currently eligible to retire by age or service.

This Summary has not been adopted or officially endorsed by action of the committee.

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PERS is a hybrid pension plan that includes a defined benefit and a defined contribution. Upon retirement, all PERS members receive both a life pension (defined benefit) and the balance of the member's individual account (defined contribution). The pension is funded in part by employer contributions (and employee contributions made before 2003), and the member's individual account is funded through the required employee contribution of six percent of the member's salary.

The Oregon legislature created the Individual Account Program (IAP) in 2003. Since 2004, all active member contributions have been placed into members' individual accounts. Earnings and losses are credited annually to IAP accounts, and they are subject to earnings and losses until the member removes the funds. At retirement, a member may receive the IAP as a lump-sum payment or in equal installments over a specified number of years.

Senate Bill 913 makes several changes to PERS, which impact both the pension plan and the IAP. Changes include requiring PERB to adopt actuarial equivalency factor tables with greater frequency to maintain actuarial equivalency, establishing new standards to set the assumed interest rate for purposes of calculating member payouts, increasing the normal and early minimum retirement ages for certain PERS members, redirecting employee contributions from their IAP accounts into newly created individual member contribution accounts for purposes of funding their pensions, establishing a new method of calculating a member's final average salary that averages five, rather than three, years of the member's annual salary, and excluding certain elected officials from PERS membership.