



Oregon

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To: Senate Committee on Finance and Revenue

From: Paul R. Cleary, Executive Director

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PERS Evaluation of Senate Bill 857 Amendments

The various amendments to SB 857 reflect changes to the previously adopted SB 822, and to other PERS statutes. SB 822 reduced the annual cost-of-living adjustment (COLA) for PERS benefit recipients from a maximum of 2% to 1.5% for the 2013 COLA (calculated on the July 1 pension roll and paid August 1). The COLA for 2014 and beyond would vary by benefit level using a four-tiered marginal rate schedule under SB 822.

One proposed SB 857 amendment would further reduce the annual COLA for PERS benefit recipients for 2014 and beyond, by replacing the SB 822 four-tiered schedule with a two-tiered marginal rate schedule. The COLA provisions of SB 822 and the SB 857 amendment apply to all PERS benefit recipients, regardless of retirement date.

Other proposed SB 857 amendments would affect retirement benefits for certain inactive PERS members who retire under the Money Match benefit calculation. A member's retirement benefit is calculated under the method that provides the highest benefit, and many Tier One inactive members are currently projected to retire under Money Match.

An inactive member is someone no longer employed in a PERS qualifying position by a PERS-covered employer; but still vested and entitled to a PERS retirement benefit once age or service-time eligible. There are currently some 35,000 inactive PERS members and about 10,000 are inactive Tier One members who are already eligible to retire.

The SB 857 Money Match related amendments vary in how they define affected inactive members; how they impact benefits for those members; and when they first become effective. One amendment applies to retirements after August 1, 2013 (requiring a member to file for retirement no later than July 31 to not be impacted) and the others apply to retirements after September 1, 2013 (requiring a member to file for retirement no later than August 31 to not be impacted). Inactive members working in a non-PERS qualifying position for a PERS-covered employer would also have to terminate that employment prior to retirement.

Currently, an inactive member's Money Match retirement benefit is annuitized using the system's assumed earnings rate (currently 8%). A change to a 4% annuitization rate would reduce a 55-year old member's Money Match benefit by approximately 34%, while a 65 year-old member's Money Match benefit would be reduced by approximately 29%. A change to a 3% annuitization rate would reduce those same members' benefits by about 42% and 36%, respectively.