FROM THE DESK OF Rep. WALLY HICKS

Wally Hicks

Oregon

John A. Kitzhaber, MD, Governor

Department of Corrections
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Dave Dotterrer
900 Court St. NE
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RE: Impacts of SB 754 on PERS cost at DOC

Dear Mr. Dotterrer,

This is a letter to follow up to our conversation on February 27 regarding the impacts SB 754 would have on the Department of Corrections (DOC) PERS expenses.

It is important to note that the projected savings estimated in the Governor's Balanced Budget is less than the projected savings estimated for SB 754. The difference in projected savings is due to the additional components calculated in SB 754, such as "tax remedy" benefits elimination for beneficiaries who are not Oregonians, Money Match, and Tier 1 and 2 member contributions to help fund ORS 238.

With that, DOC estimates the total 2013-15 savings amount will be between $33.5M and $37.1M General Fund. DOC's calculations are based on the information we received from Marjorie Taylor at PERS which is based on an analysis of SB 754 performed by Milliman, an actuarial firm retained by PERS.

PERS staff believe the best way to estimate the 2013-15 savings for DOC is to multiply our salaries by a 4.6% savings rate. However, they suggest using a reduced 3.9% savings rate if we think that retirements will accelerate due to the PERS reforms. The dollar range above accounts for the difference in the two rates so this is essentially an estimated maximum and minimum amount of savings. DOC believes this accounts for a full 24 month implementation for 2013-15 as this bill has an emergency clause.

A second cost savings portion of the bill has to do with the re-direction of the IAP contributions for Tier 1 and 2 members. PERS can't calculate this for DOC but the actuaries have identified a system-wide estimate of 2.6% reduction of payroll cost. This is dependent on how many Tier 1 and 2 versus the Oregon Public Service Retirement Plan (OPSRP) members are at DOC. This portion is based on an implementation date of January 1, 2014 (so 18 months out of the biennium). DOC's savings estimates above include the estimated 2.6% savings.

This analysis assumes the PERS changes are legally feasible. The Milliman analysis included this statement: "The cost savings projections are very dependent upon the particular provisions contained in SB 754, and any modifications in the assumptions used or in terms of the bill would affect these projections."

I hope this information is helpful. If you have additional questions about the information provided, please let me know.

Sincerely,

Colette S. Peters

Colette S. Peters
Director