PRELIMINARY ANALYSIS
PUBLIC EMPLOYEES RETIREMENT SYSTEM PROPOSAL
79th Oregon Legislative Assembly – 2017 Regular Session

This form provides an outline for the preliminary analysis of proposals submitted to the Senate Committee on Workforce to address the rising costs and long-term sustainability of the Public Employees Retirement System (PERS). A technical team, including but not limited to individuals from Legislative Counsel, Legislative Fiscal, and PERS, will analyze each proposal under the following criteria for the Committee's consideration.

- Constitutionality
- Order of Magnitude in Savings
- Actuarial Soundness
- Impact on Employer Contribution Rates
- Impact on State and Local Budgets
- Impact on Public Employee Benefits
- Impact on public Employee Workforce
- Equitability of Costs & Benefits to Public Employees
- Administrative Feasibility

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Measure Numbers/LC (if any): Senate Bill 560 -6 Amendment

Summary of Proposal: Requires public employer that hires retired member of Public Employees Retirement System on or after effective date of Act to contribute percentage of retired member's salary to Public Employees Retirement Board that would have been contributed if retired member were active member.

Summary of Current Law: Current law is silent; PERS does not currently charge an employer contribution as a retired member who returns to public employment accrues no further retirement benefit.

Has a detailed actuarial analysis been completed for this proposal? No.

ANALYSIS

The analysis should address each of the following criteria to the extent that information is available.

1. **Constitutionality**
   Legislative Counsel – No constitutional concerns.

2. **Order of Magnitude in Savings (for next three biennia, if possible)**
   PERS – No actuarial analysis has been completed, so there are no projected savings from this concept.

   LFO – In the absence of an actuarial analysis, the preliminary impact of the amendment is difficult to ascertain; however, given the comments by PERS, there may be minimal to no financial impact for the next several biennia until actual experience is observed and incorporated into future employer rates.

3. **Actuarial Soundness**
   PERS – Within the context of whether this concept would, over the time period considered, allow projected employer contributions and investment income to fully fund the system, the concept would marginally expand the salary base on which employer contributions are assessed, so the employer UAL rate would decrease minimally or the amortization period would slightly shorten.

4. **Impact on Employer Contribution Rates (for next three biennia, if possible, including normal costs, unfunded actuarial liability (UAL), Individual Account Program/employee contributions, state agencies, school districts, and other PERS employers)**
   PERS – This concept would marginally expand the PERS-covered payroll on which employer contributions are assessed. Currently, the 2017-19 projected payroll is $20 billion; salary paid to retired members runs to about $168 million in a calendar year, or less than 1% of the covered payroll. Expanding that $20 billion payroll by $168 million would marginally reduce the UAL portion of the employer contribution rate, but only slightly.

   LFO – In the absence of an actuarial analysis, the preliminary impact of the amendment is difficult to ascertain; however, given the comments by PERS, there may be minimal to no financial impact for the next several biennia until actual experience is observed and incorporated into future employer rates.

5. **Impact on State and Local Budgets (cost savings and cost shifts, impact on General/Lottery Fund, and potential financial impact on collective bargaining)**
   PERS – See comment on item 4.

   LFO – In the absence of an actuarial analysis, the preliminary impact of the amendment is difficult to ascertain; however, given the comments by PERS, there may be minimal to no financial impact for the next several biennia until actual experience is observed and incorporated into future employer rates.

6. **Impact on Public Employee Benefits (Tier 1, Tier 2, Oregon Public Service Retirement Plan (OPSRP))**
   PERS – No impact on member benefits.

7. **Impact on Public Employee Workforce (rate of retirements, employers' ability to recruit and retain employees)**
   PERS – Public employers currently are not assessed a PERS contribution on salary paid to retired members. If this concept were adopted, the incentive to hire a retired member (and therefore not pay a contribution on their salary) would be removed. The extent to which that cost differential affects an individual employer's hiring decision cannot be assessed.

8. **Equitability of Costs and Benefits to Public Employees (costs/benefits)**
   PERS – To the extent that contributions would be assessed against retired members' salary under this concept, the cost differential as compared to an active PERS member is removed and therefore makes the hiring decision more equitable.

9. **Administrative Feasibility**
   PERS – There will be a fiscal impact to the agency to institute a process to modify contribution assessment criteria and expand collections to capture these new contributions.

Technical Issues of Note:
Legislative Fiscal – The measure may require clarification to ensure that budgetary savings, if any, begin with the 2017-19 biennium and reduce the recalculated 2017-19 employer contribution rates adopted by the PERS Board. Also, a more complete fiscal analysis will be prepared as the measure advances through the legislative process.