

# Senate Bill 1561

Sponsored by Senator WINTERS; Senators BAERTSCHIGER JR, BOQUIST, DEBOER, GIROD, KRUSE, LINTHICUM, THOMSEN (Presession filed.)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Directs Public Employees Retirement Board to establish member pension contribution account for certain employee contributions of member of Public Employees Retirement System. Directs board to apply amounts in account to pay costs of pension or other retirement benefits payable to member earned on or after January 1, 2019.

Requires Public Employees Retirement Board and actuary to determine unfunded actuarial liability of Public Employees Retirement System by at least two methods, including and excluding side accounts.

Requires certain public bodies to calculate surplus revenue for each budget period by adjusting revenues for previous budget period by population and inflation factors. Requires public bodies to remit surplus revenue to State Treasurer for use in reducing unfunded actuarial liability of Public Employees Retirement System. Applies only if unfunded actuarial liability is \$1 billion or more.

Requires Oregon Department of Administrative Services to reduce allotments to state agencies to reflect positions that have remained vacant for continuous period of six months.

Limits amounts that state agency may spend for administrative costs in biennium beginning July 1, 2019, to 90 percent of amount state agency spent for administrative costs in biennium beginning July 1, 2017.

Limits amount that Legislative Assembly may appropriate for compensation of personnel of state agency in each biennium to 101 percent of amount appropriated for compensation of personnel of state agency in preceding biennium.

Provides that Governor's budget may not include standard inflation factor for services and supplies.

Requires legislative approval of collective bargaining agreements negotiated on behalf of state agencies.

Requires public employee collective bargaining agreements to be negotiated every even year.

Suspends cost-of-living increases, salary step increases, upward reclassifications, filling of vacant positions, creating new positions and out-of-state travel for certain state employees for current biennium and biennium beginning July 1, 2019.

Creates Task Force on Education Cost Reduction.

Declares emergency, effective on passage.

## A BILL FOR AN ACT

Relating to reducing state government costs; creating new provisions; amending ORS 238.605, 238A.320, 238A.330, 238A.335, 238A.340, 238A.350, 238A.375, 238A.410, 243.696, 243.800, 291.216, 291.263 and 341.551; and declaring an emergency.

**Be It Enacted by the People of the State of Oregon:**

### PUBLIC EMPLOYEES RETIREMENT SYSTEM

#### COST CONTAINMENT

#### (Employee contributions)

**SECTION 1.** ORS 238A.330 is amended to read:

238A.330. [(1) A member of the individual account program must make employee contributions to the individual account program of six percent of the member's salary.]

[(2) Employee contributions made by a member of the individual account program under this section shall be credited by the board to the employee account established for the member under ORS

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [italic and bracketed] is existing law to be omitted. New sections are in **boldfaced** type.

1 238A.350 (2).]

2 (1) A member of the individual account program shall make employee contributions to  
3 the individual account program of:

4 (a) Six percent of the member's salary, which the Public Employees Retirement Board  
5 shall credit to the employee account established for the member under ORS 238A.350 (2) and  
6 to the member pension contribution account established for the member under ORS 238A.350  
7 (3), as directed by the member under subsection (2) of this section; and

8 (b)(A) For a member who established membership in the Public Employees Retirement  
9 System before August 29, 2003, as described in ORS 238A.025, six percent of the member's  
10 salary, which the board shall credit to the member pension contribution account established  
11 for the member under ORS 238A.350 (3).

12 (B) For a member who established membership in the system on or after August 29, 2003,  
13 as described in ORS 238A.025, four percent of the member's salary, which the board shall  
14 credit to the member pension contribution account established for the member under ORS  
15 238A.350 (3).

16 (2) The board shall allow a member to direct that all or part of the employee contribution  
17 required under subsection (1)(a) of this section be used to make the employee contribution  
18 required under subsection (1)(b) of this section. The amount used from the contribution  
19 made under subsection (1)(a) of this section to make the employee contribution under sub-  
20 section (1)(b) of this section must be a percentage of salary, may not be less than one per-  
21 cent of salary and must be a whole number.

22 (3) A new member of the individual account program shall first make contributions under this  
23 section for those wages that are attributable to services performed by the employee during the first  
24 full pay period following the six-month probationary period required under ORS 238A.300, without  
25 regard to when those wages are considered earned for other purposes under this chapter.

26 **SECTION 2.** ORS 238A.335 is amended to read:

27 238A.335. (1) A participating public employer may agree, by a written employment policy or by  
28 a collective bargaining agreement, to pay the employee contribution required under ORS 238A.330  
29 (1)(a). The policy or agreement need not include all members of the individual account program  
30 employed by the employer.

31 (2) An agreement under this section to pay the required employee contribution may provide that:

32 (a) Employee compensation be reduced to generate the funds needed to make the employee  
33 contributions; or

34 (b) Additional amounts be paid by the employer for the purpose of making the employee contri-  
35 butions, and employee compensation not be reduced for the purpose of generating the funds needed  
36 to make the employee contributions.

37 (3) A participating public employer must give written notice to the Public Employees Retirement  
38 Board at the time that a written employment policy or collective bargaining agreement described  
39 in subsection (1) of this section is adopted or changed. The notice must specifically indicate whether  
40 the agreement is as described in subsection (2)(a) or (b) of this section. Any change in the manner  
41 in which employee contributions are to be paid applies only to employee contributions made on and  
42 after the date the notice is received by the board.

43 **SECTION 3.** ORS 238A.340 is amended to read:

44 238A.340. (1) A participating public employer may agree, by a written employment policy or  
45 agreement, to make employer contributions for members of the individual account program employed

1 by the employer. The percentage of salary paid as employer contributions may not be less than one  
 2 percent of salary or more than six percent of salary, and must be a whole number. A participating  
 3 public employer may make an agreement under this section for specific groups of employees em-  
 4 ployed by the public employer.

5 (2) If a participating public employer makes employer contributions under this section and the  
 6 member for which the contributions are made fails to vest in the employer account under the pro-  
 7 visions of ORS 238A.320, the Public Employees Retirement Board shall apply the contributions in  
 8 the employer account against other obligations of the employer under the Oregon Public Service  
 9 Retirement Plan.

10 **(3) Notwithstanding subsections (1) and (2) of this section, a participating public employer**  
 11 **may not make contributions under this section on or after the later of:**

12 **(a) January 1, 2019; or**

13 **(b) The expiration of any collective bargaining agreement in effect on January 1, 2019,**  
 14 **under which a participating public employer makes contributions under this section.**

15 **SECTION 4.** ORS 238A.350 is amended to read:

16 238A.350. (1) Upon any contributions being made to the individual account program by or on  
 17 behalf of a member of the program, the Public Employees Retirement Board shall create the account  
 18 or accounts described in this section. Each account shall be adjusted at least annually in accordance  
 19 with rules adopted by the board to reflect any net earnings or losses on those contributions and to  
 20 pay the reasonable administrative costs of maintaining the program to the extent the earnings on  
 21 the assets of the program are insufficient to pay those costs. The adjustments described in this  
 22 subsection shall continue until the account is distributed to the member [or], forfeited **or applied**  
 23 **to pay the costs of a pension or other retirement benefits under subsection (3) of this**  
 24 **section.**

25 (2)(a) The board shall establish an employee account, which shall consist of the employee con-  
 26 tributions made by or on behalf of the member **under ORS 238A.330 (1)(a)**, as adjusted under sub-  
 27 section (1) of this section, **that are not allocated under ORS 238A.330 (2) to the member pension**  
 28 **contribution account established for the member.**

29 (b) The board shall create a separate employee account for a member who becomes an active  
 30 member for the purpose of service in the Legislative Assembly under ORS 237.650, which shall  
 31 consist of the employee contributions made by or on behalf of the member that are attributable to  
 32 the member's legislative service, as adjusted under subsection (1) of this section.

33 **(3)(a) The board shall establish a member pension contribution account, which shall**  
 34 **consist of the employee contributions made by or on behalf of the member under ORS**  
 35 **238A.330 (1)(b), as adjusted under subsection (1) of this section.**

36 **(b) Unless the amounts in a member pension contribution account established under this**  
 37 **subsection are withdrawn under ORS 238A.375, the amounts in the account shall be applied**  
 38 **by the board to pay the costs of the pension or other retirement benefits payable to the**  
 39 **member or the member's beneficiary under this chapter or ORS chapter 238 that are earned**  
 40 **on or after January 1, 2019.**

41 **(c) If the amounts in the member pension contribution account established under this**  
 42 **subsection exceed the actuarially projected costs of the pension or other retirement benefits**  
 43 **payable to the member or the member's beneficiary under this chapter or ORS chapter 238**  
 44 **that are earned on or after January 1, 2019, the board shall refund the excess amounts to**  
 45 **the member upon retirement.**

1        [(3)] (4) If the public employer agrees to make employer contributions under ORS 238A.340, the  
 2 board shall establish an employer account, which shall consist of the employer contributions made  
 3 on behalf of the member as adjusted under subsection (1) of this section.

4        [(4)] (5) If the board accepts rollover contributions on behalf of the member, the board shall  
 5 establish a rollover account, which shall consist of the rollover contributions made by the member  
 6 as adjusted under subsection (1) of this section. Contributions and the earnings attributable to the  
 7 contributions must be accounted for separately.

8        [(5)] (6) The board shall provide an annual statement to each active and inactive member of the  
 9 program that reflects the amount credited to the accounts established under this section. The  
 10 statement shall reflect whether the member is vested in the employer account under the provisions  
 11 of ORS 238A.320.

12        **SECTION 5.** ORS 238A.320 is amended to read:

13        238A.320. (1) A member of the individual account program becomes vested in the employee ac-  
 14 count established for the member under ORS 238A.350 (2) on the date the employee account is es-  
 15 tablished.

16        (2) A member who makes rollover contributions becomes vested in the rollover account estab-  
 17 lished for the member under ORS 238A.350 [(4)] (5) on the date the rollover account is established.

18        (3) Except as provided in subsection (4) of this section, if an employer makes employer contri-  
 19 butions for a member under ORS 238A.340 the member becomes vested in the employer account es-  
 20 tablished under ORS 238A.350 [(3)] (4) on the earliest of the following dates:

21        (a) The date on which the member completes at least 600 hours of service in each of five cal-  
 22 endar years. The five calendar years need not be consecutive, but are subject to the provisions of  
 23 subsection (5) of this section.

24        (b) The date on which an active member reaches the normal retirement age for the member  
 25 under ORS 238A.160.

26        (c) If the individual account program is terminated, the date on which termination becomes ef-  
 27 fective, but only to the extent the account is then funded.

28        (d) The date on which an active member becomes disabled, as described in ORS 238A.155 (5).

29        (e) The date on which an active member dies.

30        (4) If on the date that a person becomes an active member the person has already reached the  
 31 normal retirement age for the person under ORS 238A.160, and the employer makes employer con-  
 32 tributions for the member under ORS 238A.340, the person is vested in the employer account es-  
 33 tablished under ORS 238A.350 [(3)] (4) on that date.

34        (5) If a member of the individual account program who is not vested in the employer account  
 35 performs fewer than 600 hours of service in each of five consecutive calendar years, hours of service  
 36 performed before the first calendar year of the period of five consecutive calendar years shall be  
 37 disregarded for purposes of determining whether the member is vested under subsection (3)(a) of this  
 38 section.

39        (6) Solely for purposes of determining whether a member is vested under subsection (3)(a) of this  
 40 section, hours of service include creditable service, as defined in ORS 238.005, performed by the  
 41 person before the person became an eligible employee, as long as the membership of the person  
 42 under ORS chapter 238 has not been terminated under the provisions of ORS 238.095 on the date  
 43 the person becomes an eligible employee.

44        **(7) A member becomes vested in the member pension contribution account established**  
 45 **for the member under ORS 238A.350 (3) on the date the account is established.**

1        **SECTION 6.** ORS 238A.375 is amended to read:

2        238A.375. (1)(a) An inactive member of the individual account program may elect to receive a  
3 distribution of the amounts in the member's employee account, rollover account and employer ac-  
4 count to the extent the member is vested in those accounts under ORS 238A.320 if the inactive  
5 member has separated from all service with participating public employers and with employers who  
6 are treated as part of a participating public employer's controlled group under the federal laws and  
7 rules governing the status of the system and the fund as a qualified governmental retirement plan  
8 and trust.

9        **(b)(A) An inactive member of the individual account program may elect to receive a dis-**  
10 **tribution of the amounts in the member's member pension contribution account established**  
11 **for the member under ORS 238A.350 (3) if:**

12        **(i) The inactive member has separated from all service with participating public employ-**  
13 **ers and with employers who are treated as part of a participating public employer's con-**  
14 **trolled group under the federal laws and rules governing the status of the system and the**  
15 **fund as a qualified governmental retirement plan and trust; and**

16        **(ii) The member is eligible to withdraw and withdraws from the pension program under**  
17 **ORS 238A.120.**

18        **(B) The withdrawal of the member's accounts under this paragraph cancels all member-**  
19 **ship rights in the Public Employees Retirement System.**

20        (2) If an inactive member of the individual account program who is not vested in the employer  
21 account receives a distribution under subsection (1) of this section, the employer account of the  
22 member is permanently forfeited as of the date of the distribution.

23        (3) A member may not make an election under this section for less than all of the member's in-  
24 dividual accounts described in ORS 238A.350 in which the member is vested.

25        (4) A member who is vested in the pension program established under this chapter and who is  
26 eligible to withdraw from the pension program under ORS 238A.120 may make an election under this  
27 section only if the member also withdraws from the pension program.

28        (5) A member who has a member account established under ORS chapter 238 may make an  
29 election under this section only if the member also withdraws that member account in the manner  
30 provided by ORS 238.265. A member who has an account established under ORS 238.440 may make  
31 an election under this section only if the member also withdraws the account established under ORS  
32 238.440.

33        [(5)] (6) If an inactive member receives a distribution under subsection (1) of this section and is  
34 subsequently reemployed by a participating public employer, any service performed before the date  
35 the member became an inactive member may not be used toward the period of service required for  
36 vesting in the employer account under ORS 238A.320.

37        **SECTION 7.** ORS 238A.410 is amended to read:

38        238A.410. (1)(a) If a member of the individual account program dies before retirement, the  
39 amounts in the member's employee account, rollover account and employer account, to the extent  
40 the member is vested in those accounts under ORS 238A.320, shall be paid in a lump sum to the  
41 beneficiary or beneficiaries designated by the member for the purposes of this section.

42        **(b) If a member of the individual account program dies before retirement, the amounts**  
43 **in the member pension contribution account established for the member under ORS 238A.350**  
44 **(3) shall be applied by the Public Employees Retirement Board to pay the costs of any benefit**  
45 **payable under ORS 238A.230. If the amounts in the member pension contribution account**

1 **exceed the costs of the benefit payable under ORS 238A.230, the excess amounts shall be paid**  
 2 **in a lump sum to the beneficiary or beneficiaries designated by the member for the purposes**  
 3 **of this section.**

4 (2) If a member of the individual account program is married at the time of death, or there exists  
 5 at the time of death any other person who is constitutionally required to be treated in the same  
 6 manner as a spouse for the purpose of retirement benefits, the spouse or other person shall be the  
 7 beneficiary for purposes of the death benefit payable under this section unless the spouse or other  
 8 person consents to the designation of a different beneficiary or beneficiaries before the designation  
 9 has been made and the consent has not been revoked by the spouse or other person as of the time  
 10 of the member's death. Consent and revocation of consent must be in writing, acknowledged by a  
 11 notary public, and submitted to the [*Public Employees Retirement*] board in accordance with rules  
 12 adopted by the board. If the member's spouse is designated as the member's beneficiary and the  
 13 marriage of the member and spouse is subsequently dissolved, the former spouse shall be treated as  
 14 predeceasing the member for purposes of this section, unless the member expressly designates the  
 15 former spouse as beneficiary after the effective date of the dissolution or the former spouse is re-  
 16 quired to be designated as a beneficiary under the provisions of ORS 238.465.

17 (3) For purposes of this section and ORS 238A.400 (3), if a member fails to designate a benefi-  
 18 ciary, or if the person or persons designated do not survive the member, the death benefit provided  
 19 for in this section shall be paid to the following person or persons, in the following order of priority:

20 (a) The member's surviving spouse or other person who is constitutionally required to be treated  
 21 in the same manner as a spouse;

22 (b) The member's surviving children, in equal shares; or

23 (c) The member's estate.

24 (4) The entire amount of a deceased member's vested accounts must be distributed by December  
 25 31 of the fifth calendar year after the year in which the member died. Notwithstanding any other  
 26 provision of this chapter, distributions of death benefits under the individual account program must  
 27 comply with the minimum distribution requirements of 26 U.S.C. 401(a)(9) and the regulations im-  
 28 plementing that section, as in effect on December 31, 2016. The [*Public Employees Retirement*] board  
 29 shall adopt rules implementing those minimum distribution requirements.

30 **SECTION 8.** ORS 243.800 is amended to read:

31 243.800. (1) Notwithstanding any provision of ORS chapter 238 or 238A or ORS 243.910 to  
 32 243.945, the governing board of a public university listed in ORS 352.002 shall establish and admin-  
 33 ister an Optional Retirement Plan for administrative and academic employees of the public univer-  
 34 sity. The Optional Retirement Plan must be a qualified plan under the Internal Revenue Code,  
 35 capable of accepting funds transferred under subsection (7) of this section without the transfer being  
 36 treated as a taxable event under the Internal Revenue Code, and willing to accept those funds.  
 37 Retirement and death benefits shall be provided under the plan by the purchase of annuity contracts,  
 38 fixed or variable or a combination thereof, or by contracts for investments in mutual funds.

39 (2) An administrative or academic employee who is eligible to remain or become a member of  
 40 the Public Employees Retirement System may elect to participate in the Optional Retirement Plan  
 41 upon completion of:

42 (a) Six hundred hours of employment, or the equivalent as determined by the governing board;  
 43 and

44 (b) Six months of employment that is not interrupted by more than 30 consecutive working days.

45 (3) An administrative or academic employee who is eligible to remain or become a member of

1 the Public Employees Retirement System, including an administrative or academic employee who  
 2 previously participated in the Optional Retirement Plan because of employment in a position clas-  
 3 sified as a post-doctoral scholar position under ORS 350.370, may make an irrevocable election to  
 4 participate in the Optional Retirement Plan within six months after being employed. An election  
 5 under this subsection is effective on the first day of the month following the completion of the re-  
 6 quirements of subsection (2) of this section.

7 (4) An administrative or academic employee who is eligible to remain or become a member of  
 8 the Public Employees Retirement System and who does not elect to participate in the Optional Re-  
 9 tirement Plan:

10 (a) Remains or becomes a member of the Public Employees Retirement System in accordance  
 11 with ORS chapters 238 and 238A; or

12 (b) Continues to be assisted by the governing board under ORS 243.920 if the employee is being  
 13 so assisted.

14 (5) Except as provided in subsection (6) of this section, employees who elect to participate in the  
 15 Optional Retirement Plan are ineligible for active membership in the Public Employees Retirement  
 16 System or for any assistance by the governing board under ORS 243.920 as long as those employees  
 17 are employed in the public university and the plan is in effect.

18 (6)(a) An administrative or academic employee who elects to participate in the Optional Retirement  
 19 Plan, who has creditable service under ORS chapter 238 as defined by ORS 238.005 and who  
 20 is not vested shall be considered by the Public Employees Retirement Board to be a terminated  
 21 member under the provisions of ORS 238.095 as of the effective date of the election, and the  
 22 [amount] **amounts** credited to the member [account] **accounts** of the member **established under**  
 23 **ORS 238.250 and 238.260** shall be transferred directly to the Optional Retirement Plan by the Public  
 24 Employees Retirement Board in the manner provided by subsection (7) of this section.

25 (b) An administrative or academic employee who elects to participate in the Optional Retirement  
 26 Plan, who has creditable service under ORS chapter 238 as defined by ORS 238.005 and who is  
 27 vested shall be considered to be an inactive member by the Public Employees Retirement Board and  
 28 shall retain all the rights, privileges and options under ORS chapter 238 unless the employee makes  
 29 a written request to the Public Employees Retirement Board for a transfer of the amounts credited  
 30 to the member [account] **accounts** of the member **established under ORS 238.250 and 238.260** to  
 31 the Optional Retirement Plan. A request for a transfer must be made at the time the member elects  
 32 to participate in the Optional Retirement Plan. Upon receiving the request, the Public Employees  
 33 Retirement Board shall transfer all amounts credited to the member [account] **accounts** of the  
 34 member **established under ORS 238.250 and 238.260** directly to the Optional Retirement Plan, and  
 35 shall terminate all rights, privileges and options of the employee [under ORS chapter 238] **as pro-**  
 36 **vided in ORS 238.095.**

37 (c) [An administrative or academic employee who elects to participate in the Optional Retirement  
 38 Plan, and who is not a vested member of the pension program of the Oregon Public Service Retirement  
 39 Plan as described in ORS 238A.115] **An administrative or academic employee who elects to**  
 40 **participate in the Optional Retirement Plan and who is a member of the pension program**  
 41 **of the Oregon Public Service Retirement Plan as described in ORS 238A.100 on the date that**  
 42 **the election becomes effective, but who has not vested in the program under ORS 238A.115**  
 43 on the date that the election becomes effective, shall be considered to be a terminated member of  
 44 the pension program by the Public Employees Retirement Board as of the effective date of the  
 45 election. **The board shall transfer the amounts credited to the member accounts of the**

1 **member directly to the Optional Retirement Plan in the manner provided by subsection (7)**  
2 **of this section.**

3 (d) An administrative or academic employee who elects to participate in the Optional Retirement  
4 Plan, and who is a vested member of the pension program of the Oregon Public Service Retirement  
5 Plan as described in ORS 238A.115 on the date that the election becomes effective, shall be consid-  
6 ered an inactive member of the pension program by the Public Employees Retirement Board as of  
7 the effective date of the election. An employee who is subject to the provisions of this paragraph  
8 retains all the rights, privileges and options of an inactive member of the pension program. If the  
9 actuarial equivalent of the employee's benefit under the pension program at the time that the  
10 election becomes effective is \$5,000 or less, the employee may make a written request to the Public  
11 Employees Retirement Board for a transfer of the employee's interest under the pension program to  
12 the Optional Retirement Plan. The request must be made at the time the member elects to partic-  
13 ipate in the Optional Retirement Plan. Upon receiving the request, the Public Employees Retirement  
14 Board shall transfer the amount determined to be the actuarial equivalent of the employee's benefit  
15 under the pension program directly to the Optional Retirement Plan, and shall terminate the mem-  
16 bership of the employee in the pension program.

17 (e) An administrative or academic employee who elects to participate in the Optional Retirement  
18 Plan, and who is a vested member of the individual account program of the Oregon Public Service  
19 Retirement Plan as described in ORS 238A.320 on the date that the election becomes effective, shall  
20 be considered an inactive member of the individual account program by the Public Employees Re-  
21 tirement Board as of the effective date of the election. An employee who is subject to the provisions  
22 of this paragraph retains all the rights, privileges and options of an inactive member of the indi-  
23 vidual account program. An administrative or academic employee who elects to participate in the  
24 Optional Retirement Plan, and who is a member of the individual account program of the Oregon  
25 Public Service Retirement Plan, may make a written request to the Public Employees Retirement  
26 Board that all amounts [*in the member's employee account, rollover account and employer account*]  
27 **credited to the member accounts of the member established under ORS 238A.350**, to the extent  
28 the member is vested in those accounts under ORS 238A.320, be transferred to the Optional Retire-  
29 ment Plan. The request must be made at the time the member elects to participate in the Optional  
30 Retirement Plan. Upon receiving the request, the Public Employees Retirement Board shall transfer  
31 the amounts directly to the Optional Retirement Plan, and shall terminate the membership of the  
32 employee in the individual account program upon making the transfer.

33 (f) Notwithstanding paragraphs (b), (d) and (e) of this subsection, the Public Employees Retire-  
34 ment Board may not treat any employee as an inactive member under the provisions of this sub-  
35 section for the purpose of receiving any benefit under ORS chapter 238 or 238A that requires that  
36 the employee be separated from all service with participating public employers and with employers  
37 who are treated as part of a participating public employer's controlled group under the federal laws  
38 and rules governing the status of the Public Employees Retirement System and the Public Employees  
39 Retirement Fund as a qualified governmental retirement plan and trust.

40 (7) Any amounts transferred from the Public Employees Retirement Fund under subsection (6)  
41 of this section shall be transferred directly to the Optional Retirement Plan by the Public Employees  
42 Retirement Board and may not be made available to the employee.

43 (8) An employee participating in the Optional Retirement Plan who was hired before July 1,  
44 2014, shall contribute monthly an amount equal to the percentage of the employee's salary that the  
45 employee would otherwise have contributed as an employee contribution to the Public Employees

1 Retirement System if the employee had not elected to participate in the Optional Retirement Plan.

2 (9) For an employee participating in the Optional Retirement Plan who was hired before July  
3 1, 2014, the governing board shall contribute monthly to the Optional Retirement Plan the percent-  
4 age of salary of the employee equal to the percentage of salary that would otherwise have been  
5 contributed as an employer contribution on behalf of the employee to the Public Employees Retire-  
6 ment System, before any offset under ORS 238.229 (2), if the employee had not elected to participate  
7 in the Optional Retirement Plan.

8 (10) For an employee participating in the Optional Retirement Plan who was hired on or after  
9 July 1, 2014, the governing board shall contribute monthly to the Optional Retirement Plan:

10 (a) Eight percent of the employee's salary; and

11 (b) A percentage of the employee's salary equal to the percentage of salary contributed by the  
12 employee to the public university's Tax-Deferred Investment 403(b) Plan under ORS 243.820, up to  
13 four percent of the employee's salary in each pay period.

14 (11)(a) Unless otherwise prohibited by law, a person employed in a position classified as a  
15 post-doctoral scholar position under ORS 350.370 is an academic employee under subsection (1) of  
16 this section and becomes a participant in the Optional Retirement Plan when the person participates  
17 in the public university's Tax-Deferred Investment 403(b) Plan under ORS 243.820.

18 (b) Participation in the Optional Retirement Plan under this subsection becomes effective on the  
19 first day of the month following the later of:

20 (A) Enrollment in the public university's Tax-Deferred Investment 403(b) Plan under ORS  
21 243.820; or

22 (B) Completion of:

23 (i) Six hundred hours of employment, or the equivalent as determined by the governing board;  
24 and

25 (ii) Six months of employment that is not interrupted by more than 30 consecutive working days.

26 (c) For a post-doctoral scholar participating in the Optional Retirement Plan, the governing  
27 board shall contribute monthly to the Optional Retirement Plan a percentage of the post-doctoral  
28 scholar's salary equal to the percentage of salary contributed by the post-doctoral scholar to the  
29 public university's Tax-Deferred Investment 403(b) Plan under ORS 243.820, up to four percent of the  
30 post-doctoral scholar's salary in each pay period.

31 (d) A post-doctoral scholar is an academic employee who elects to participate in the Optional  
32 Retirement Plan for purposes of subsection (6) of this section.

33 (e) Subsections (8) to (10) of this section do not apply to a post-doctoral scholar participating in  
34 the Optional Retirement Plan.

35 (12) Both employee and employer contributions to an Optional Retirement Plan shall be remitted  
36 directly to the companies that have issued annuity contracts to the participating employees or di-  
37 rectly to the mutual funds.

38 (13) Benefits under the Optional Retirement Plan are payable to employees who elect to partic-  
39 ipate in the plan and their beneficiaries by the selected annuity provider or mutual fund in accord-  
40 ance with the terms of the annuity contracts or the terms of the contract with the mutual fund.  
41 Employees electing to participate in the Optional Retirement Plan agree that benefits payable under  
42 the plan are not obligations of the State of Oregon or of the Public Employees Retirement System.

43 **SECTION 9.** ORS 341.551 is amended to read:

44 341.551. (1) Notwithstanding any provision of ORS chapter 238 or 238A, the Office of Community  
45 Colleges and Workforce Development may establish and administer an optional retirement plan for

1 administrative employees of community college districts who are eligible for membership in the  
 2 Public Employees Retirement System. Any community college district may participate in the plan  
 3 by giving written notice to the office.

4 (2) An administrative employee may make an election to participate in the optional retirement  
 5 plan if the community college district that employs the employee is participating in the plan. The  
 6 election must be made in the following manner:

7 (a) An administrative employee who is an active member of the Public Employees Retirement  
 8 System may make an election to participate in the plan within 180 days after the community college  
 9 district commences participation in the plan, effective on the first day of the month following the  
 10 election.

11 (b) An administrative employee who is hired after the community college district commences  
 12 participation in the plan may make an election to participate in the plan within the first six months  
 13 of employment, effective on the first day of the month following six full months of employment.

14 (3) An administrative employee who does not elect to participate in the optional retirement plan  
 15 remains or becomes a member of the Public Employees Retirement System in accordance with ORS  
 16 chapters 238 and 238A.

17 (4) An administrative employee may elect to participate in the optional retirement plan only if  
 18 at the time the election becomes effective the employee is not concurrently employed in a position  
 19 with any participating public employer other than the community college district in a position that  
 20 entitles the employee to membership in the Public Employees Retirement System. Except as pro-  
 21 vided in subsection (9) of this section, employees who elect to participate in the optional retirement  
 22 plan are ineligible for active membership in the Public Employees Retirement System for as long as  
 23 those employees are employed by a community college district that participates in the plan, whether  
 24 by reason of employment by the district or any other participating public employer.

25 (5)(a) An administrative employee who elects to participate in the optional retirement plan, who  
 26 has creditable service under ORS chapter 238 as defined by ORS 238.005 and who is not vested shall  
 27 be considered by the Public Employees Retirement Board to be a terminated member under the  
 28 provisions of ORS 238.095 as of the effective date of the election, and the *[amount]* **amounts** credited  
 29 to the member *[account]* **accounts** of the member **established under ORS 238.250 and 238.260** shall  
 30 be transferred directly to the optional retirement plan by the Public Employees Retirement Board  
 31 in the manner provided by subsection (6) of this section.

32 (b) An administrative employee who elects to participate in the optional retirement plan, who  
 33 has creditable service under ORS chapter 238 as defined by ORS 238.005 and who is vested shall  
 34 be considered to be an inactive member by the Public Employees Retirement Board and shall retain  
 35 all the rights, privileges and options under ORS chapter 238 unless the employee makes a written  
 36 request to the Public Employees Retirement Board for a transfer of the amounts credited to the  
 37 member *[account]* **accounts** of the member **established under ORS 238.250 and 238.260** to the op-  
 38 tional retirement plan. A request for a transfer must be made at the time the member elects to  
 39 participate in the optional retirement plan. Upon receiving the request, the Public Employees Re-  
 40 tirement Board shall transfer all amounts credited to the member *[account]* **accounts** of the member  
 41 **established under ORS 238.250 and 238.260** directly to the optional retirement plan and shall ter-  
 42 minate all rights, privileges and options of the employee *[under ORS chapter 238]* **as provided in**  
 43 **ORS 238.095.**

44 (c) *[An administrative employee who elects to participate in the optional retirement plan and who*  
 45 *is not a vested member of the pension program of the Oregon Public Service Retirement Plan as de-*

1 *scribed in ORS 238A.115*] **An administrative employee who elects to participate in the optional**  
2 **retirement plan and who is a member of the pension program of the Oregon Public Service**  
3 **Retirement Plan as described in ORS 238A.100 on the date that the election becomes effec-**  
4 **tive, but who has not vested in the program under ORS 238A.115** on the date that the election  
5 becomes effective, shall be considered to be a terminated member of the pension program by the  
6 Public Employees Retirement Board as of the effective date of the election. **The board shall**  
7 **transfer the amounts credited to the member accounts of the member directly to the op-**  
8 **tional retirement plan in the manner provided by subsection (6) of this section.**

9 (d) An administrative employee who elects to participate in the optional retirement plan and  
10 who is a vested member of the pension program of the Oregon Public Service Retirement Plan as  
11 described in ORS 238A.115 on the date that the election becomes effective shall be considered an  
12 inactive member of the pension program by the Public Employees Retirement Board as of the ef-  
13 fective date of the election. An employee who is subject to the provisions of this paragraph retains  
14 all the rights, privileges and options of an inactive member of the pension program. If the actuarial  
15 equivalent of the employee's benefit under the pension program at the time that the election be-  
16 comes effective is \$5,000 or less, the employee may make a written request to the Public Employees  
17 Retirement Board for a transfer of the employee's interest under the pension program to the optional  
18 retirement plan. The request must be made at the time the member elects to participate in the op-  
19 tional retirement plan. Upon receiving the request, the Public Employees Retirement Board shall  
20 transfer the amount determined to be the actuarial equivalent of the employee's benefit under the  
21 pension program directly to the optional retirement plan and shall terminate the membership of the  
22 employee in the pension program.

23 (e) An administrative employee who elects to participate in the optional retirement plan and  
24 who is a vested member of the individual account program of the Oregon Public Service Retirement  
25 Plan as described in ORS 238A.320 on the date that the election becomes effective shall be consid-  
26 ered an inactive member of the individual account program by the Public Employees Retirement  
27 Board as of the effective date of the election. An employee who is subject to the provisions of this  
28 paragraph retains all the rights, privileges and options of an inactive member of the individual ac-  
29 count program. An administrative employee who elects to participate in the optional retirement plan  
30 and who is a member of the individual account program of the Oregon Public Service Retirement  
31 Plan may make a written request to the Public Employees Retirement Board that all amounts [*in the*  
32 *member's employee account, rollover account and employer account*] **credited to the member ac-**  
33 **counts of the member established under ORS 238A.350**, to the extent the member is vested in  
34 those accounts under ORS 238A.320, be transferred to the optional retirement plan. The request  
35 must be made at the time the member elects to participate in the optional retirement plan. Upon  
36 receiving the request, the Public Employees Retirement Board shall transfer the amounts directly  
37 to the optional retirement plan and shall terminate the membership of the employee in the individual  
38 account program.

39 (f) Notwithstanding paragraphs (b), (d) and (e) of this subsection, the Public Employees Retire-  
40 ment Board shall not treat any employee as an inactive member under the provisions of this sub-  
41 section for the purpose of receiving any benefit under ORS chapter 238 or 238A that requires that  
42 the employee be separated from all service with participating public employers and with employers  
43 who are treated as part of a participating public employer's controlled group under the federal laws  
44 and rules governing the status of the Public Employees Retirement System and the Public Employees  
45 Retirement Fund as a qualified governmental retirement plan and trust.

1 (6) Any amounts transferred from the Public Employees Retirement Fund under subsection (5)  
 2 of this section shall be transferred directly to the optional retirement plan by the Public Employees  
 3 Retirement Board and shall not be made available to the employee.

4 (7) An employee participating in the optional retirement plan shall contribute monthly an  
 5 amount equal to the percentage of the employee's salary that the employee would otherwise have  
 6 contributed as an employee contribution to the Public Employees Retirement System if the employee  
 7 had not elected to participate in the optional retirement plan.

8 (8) A participating community college district shall contribute monthly to the optional retire-  
 9 ment plan the percentage of salary for each employee participating in the plan that is equal to the  
 10 percentage of salary that is required to be made as the employer contribution under ORS 238A.220,  
 11 less any contributions made by reason of unfunded liabilities. The district may make contributions  
 12 under this subsection only during periods of time in which the employee would be eligible for  
 13 membership in the Public Employees Retirement System if the employee had not elected to partic-  
 14 ipate in the optional retirement plan.

15 (9) An administrative employee who elects to participate in the optional retirement plan may  
 16 make an election to withdraw from the plan. An employee may make an election under this sub-  
 17 section only once. Upon withdrawing from the plan:

18 (a) All contributions made to the plan before the effective date of the withdrawal remain cred-  
 19 ited to the employee;

20 (b) The employee becomes a member of the Public Employees Retirement System under ORS  
 21 chapter 238A if the member meets all requirements for membership under ORS chapter 238A; and

22 (c) The employee is barred from ever again electing to participate in the optional retirement  
 23 plan.

24 (10) For the purposes of this section, "administrative employee" means a president, vice presi-  
 25 dent or dean, or a person holding a position that is the equivalent of a president, vice president or  
 26 dean.

27 **SECTION 10. (1) The amendments to ORS 238A.320, 238A.330, 238A.335, 238A.340, 238A.350,**  
 28 **238A.375, 238A.410, 243.800 and 341.551 by sections 1 to 9 of this 2018 Act become operative**  
 29 **on January 1, 2019.**

30 **(2) The Public Employees Retirement Board may take any action before the operative**  
 31 **date specified in subsection (1) of this section to enable the board to exercise, on and after**  
 32 **the operative date specified in subsection (1) of this section, all the duties, functions and**  
 33 **powers conferred on the board by the amendments to ORS 238A.320, 238A.330, 238A.335,**  
 34 **238A.340, 238A.350, 238A.375, 238A.410, 243.800 and 341.551 by sections 1 to 9 of this 2018 Act.**

35  
 36 **(Determination of unfunded actuarial liability)**

37  
 38 **SECTION 11.** ORS 238.605 is amended to read:

39 238.605. (1) At least once every two years the Public Employees Retirement Board shall cause  
 40 a competent actuary familiar with public systems of retirement and death benefits to prepare a re-  
 41 port evaluating the current and prospective assets and liabilities of the system and indicating its  
 42 current and prospective financial condition. In preparing the report the actuary shall investigate the  
 43 mortality, disability, service and other experience of the members of, and employers participating in  
 44 the system, shall state fully the condition of the system, and shall make such recommendations as  
 45 the actuary deems advisable to facilitate administering it properly. The board shall publish and

1 distribute a summary of the report to all the public employers participating in the system. The board  
 2 may authorize the transfer of any portion of the funds collected under the provisions of ORS 238.225  
 3 to carry out the recommendations of the actuary.

4 *[(2) For the purpose of evaluating the system under this section and for the purpose of issuing re-*  
 5 *ports on the system, the actuary and the board shall determine the unfunded actuarial liability of the*  
 6 *system by calculating the difference between the actuarial value of the current and prospective liabilities*  
 7 *of the system and the actuarial value of the assets of the system, including any lump sum payments*  
 8 *made under ORS 238.229. When reporting on the unfunded actuarial liability in any official documen-*  
 9 *tation or report, the board shall report on the unfunded actuarial liability as determined under this*  
 10 *subsection.]*

11 **(2)(a) For the purpose of evaluating the system under this section and for the purpose**  
 12 **of issuing reports on the system, the actuary and the board shall determine the unfunded**  
 13 **actuarial liability of the system by at least the following two methods:**

14 **(A) The board shall calculate the difference between the actuarial value of the current**  
 15 **and prospective liabilities of the system and the actuarial value of the assets of the system,**  
 16 **including any lump sum payments made under ORS 238.229; and**

17 **(B) The board shall calculate the difference between the actuarial value of the current**  
 18 **and prospective liabilities of the system and the actuarial value of the assets of the system,**  
 19 **excluding any lump sum payments made under ORS 238.229.**

20 **(b) When reporting on the unfunded actuarial liability in any official documentation or**  
 21 **report, the board shall provide the results of both calculations of the unfunded actuarial li-**  
 22 **ability as described in this subsection.**

23  
 24 **(Surplus funds above inflation and population)**  
 25

26 **SECTION 12. As used in sections 12 to 15 of this 2018 Act:**

27 **(1) “General government revenue” means revenue other than revenue the expenditure**  
 28 **of which is dedicated or restricted to certain purposes by a constitutional provision, statute,**  
 29 **charter or other law.**

30 **(2) “Population growth ratio” means the ratio of the projected population of the public**  
 31 **body in the upcoming budget period to the population of the public body in the current**  
 32 **budget period.**

33 **(3) “Qualified public body” means any entity in this state that has employees that are**  
 34 **members of the Public Employees Retirement System, except for an entity that is a school**  
 35 **district.**

36 **(4) “Unfunded actuarial liability” means the aggregate unfunded actuarial accrued liabil-**  
 37 **ity, if any, of the Public Employees Retirement System using the actuarial cost allocation**  
 38 **method and assuming a rate of return on investments of assets of no more than the average**  
 39 **rate of return for the previous ten years.**

40 **SECTION 13. (1) No later than three months before the beginning of each budget period,**  
 41 **a qualified public body shall calculate a general budget limit for the upcoming budget period**  
 42 **as described in this section.**

43 **(2) A general budget limit is determined by multiplying the general government revenue**  
 44 **projected to be available to the qualified public body for expenditure in the current budget**  
 45 **period by the population growth ratio of the public body, then adding the product of the total**

1 and the percentage change in the U.S. City Average Consumer Price Index for All Urban  
 2 Consumers (All Items) as published by the Bureau of Labor Statistics of the United States  
 3 Department of Labor from January 1 of the preceding year to January 1 of the current year  
 4 or, if such index is not available, a substantially similar index.

5 **SECTION 14.** (1) At the end of each budget period, a qualified public body shall remit all  
 6 general government revenue that it collected in excess of its general budget limit determined  
 7 under section 13 of this 2018 Act to the State Treasurer.

8 (2) A qualified public body shall make the remittance required by subsection (1) of this  
 9 section within 90 days of the end of the budget period.

10 (3) The State Treasurer shall transfer the moneys remitted under this section to the  
 11 Public Employees Retirement Fund established under ORS 238.660, to be applied against the  
 12 unfunded actuarial liability of the system.

13 **SECTION 15.** (1) Before February 1 of each year, the State Treasurer shall calculate, or  
 14 cause to be calculated, the unfunded actuarial liability.

15 (2) Sections 13 and 14 of this 2018 Act do not apply if the liability calculated under sub-  
 16 section (1) of this section is less than \$1 billion.

#### 17 18 **REDUCTION OF FUNDING DUE TO LONG-TERM VACANCIES**

19  
20 **SECTION 16.** ORS 291.263 is amended to read:

21 291.263. (1) As used in this section, "state agency" includes any state officer, department, board,  
 22 commission or court, the Legislative Assembly, its committees, officers and employees.

23 (2) A state agency shall inform the Oregon Department of Administrative Services of any posi-  
 24 tion that has remained vacant for a continuous period of six months by including a report on the  
 25 position in the estimate submitted to the department under ORS 291.242. The department [*may*] **shall**  
 26 consider the vacancy in its determinations under ORS 291.244 and [*may*] **shall** reduce the amount  
 27 allotted to the state agency.

28 (3) The department shall, on or before February 1 of each year, provide a report to the Legis-  
 29 lative Fiscal Officer of any position that has remained vacant for a continuous period of at least six  
 30 months. The department shall include in the report the amount and source of funds for the position.  
 31 For each position included on a previous report under this subsection, the department shall notify  
 32 the Legislative Fiscal Officer of conditions that affect the position, including recruitment actions,  
 33 filling the position or using the position for purposes other than what was anticipated in the  
 34 legislatively approved budget. The Legislative Fiscal Officer shall review the list and make recom-  
 35 mendations on adjustments to agency position authority to the Joint Committee on Ways and Means.

#### 36 37 **REDUCTION OF ADMINISTRATIVE COSTS**

38  
39 **SECTION 17.** (1) As used in this section:

40 (a) "Administrative costs" means expenses of a state agency that are related to man-  
 41 agement, supervision, budgeting or execution of the affairs of the state agency and that are  
 42 not directly related to carrying out the core functions and duties of the state agency.

43 (b) "State agency" has the meaning given that term in ORS 291.227, except that the term  
 44 also includes school districts, as defined in ORS 332.002.

45 (2) In the biennium beginning July 1, 2019, each state agency may spend an amount for

1 administrative costs that is no greater than 90 percent of the amount the state agency spent  
 2 for administrative costs in the biennium beginning July 1, 2017.

3 (3) The Oregon Department of Administrative Services may, by rule, determine which  
 4 expenses of a state agency constitute administrative costs.

5  
 6 **LIMITATION ON COMPENSATION INCREASES**

7  
 8 **SECTION 18.** (1) For each biennium, the Legislative Assembly may not approve a total  
 9 amount of appropriations for compensation of personnel of state agencies that is greater  
 10 than 101 percent of the total amount of appropriations for compensation of personnel of state  
 11 agencies in the preceding biennium.

12 (2) As used in this section:

13 (a) "Appropriations" has the meaning given that term in ORS 291.357 (3).

14 (b) "State agency" has the meaning given that term in ORS 291.002.

15  
 16 **ELIMINATION OF STANDARD INFLATION**

17  
 18 **SECTION 19.** ORS 291.216 is amended to read:

19 291.216. (1) The Governor's budget shall include a budget message prepared by the Governor,  
 20 including recommendations of the Governor with reference to the fiscal policy of the state govern-  
 21 ment for the coming biennium, describing the important features of the budget, embracing a general  
 22 budget summary setting forth the aggregate figures of the budget so as to show a balanced relation  
 23 between the total proposed expenditures and the total anticipated income, with the basis and factors  
 24 on which the estimates are made, the amount to be borrowed, and other means of financing the es-  
 25 timated expenditures for the ensuing biennium, compared with the corresponding figures for at least  
 26 the last completed biennium and the current biennium.

27 (2) The Governor's budget shall be supported by explanatory schedules or statements, classifying  
 28 the expenditures reported in the budget, both past and proposed, by organization units, objects and  
 29 funds, and the income by organization units, sources and funds, and the proposed amount of new  
 30 borrowing as well as proposed new tax or revenue sources, including a single comprehensive list  
 31 of all proposed increases in fees, licenses and assessments assumed in the budget.

32 (3) The Governor's budget shall be submitted for all dedicated funds, as well as the state Gen-  
 33 eral Fund, and shall include the estimated amounts of federal and other aids or grants to state  
 34 agencies or activities provided for any purpose whatever, together with estimated expenditures  
 35 therefrom.

36 (4) The Governor's budget shall embrace the detailed estimates of expenditures and revenues.  
 37 It shall include:

38 (a) Statements of the bonded indebtedness of the state government, showing the actual amount  
 39 of the debt service for at least the past biennium, and the estimated amount for the current  
 40 biennium and the ensuing biennium, the debt authorized and unissued, the condition of the sinking  
 41 funds and the borrowing capacity.

42 (b) The Governor's recommendations concerning tax expenditures identified under ORS 291.214.

43 (c) Any statements relative to the financial plan which the Governor may consider desirable or  
 44 which may be required by the Legislative Assembly.

45 (5) The Governor's budget shall use the estimated revenues under ORS 291.342 for the fiscal

1 year in which the budget is submitted as the basis for total anticipated income under subsection (1)  
2 of this section, subject to adjustment as may be necessary to reflect accurately projections for the  
3 next biennium.

4 (6)(a) The Governor's budget shall present information regarding the expenses of the state in the  
5 following categories:

6 (A) Personnel expenses, including compensation and benefits for state employees, but excluding  
7 costs of services contracted out and temporary service costs.

8 (B) Supplies, equipment and the costs of services contracted out.

9 (C) Special payments.

10 (D) Capital construction.

11 (E) Capital outlay.

12 (F) Debt service.

13 (b) For each category described in paragraph (a) of this subsection, the budget shall show actual  
14 expenditures for the prior biennium and estimated expenditures for the current biennium.

15 (c) As supplemental information to the budget, the Governor shall include an estimate of the  
16 projected costs of continuing currently authorized programs in the next biennium. The estimate shall  
17 include, but is not limited to the projected costs of:

18 (A) Removing one-time expenditures;

19 (B) Program phase-ins and phase-outs;

20 (C) Personnel expenses compared to existing compensation plan agreements, including position  
21 vacancy experience calculations;

22 (D) Inflation [*for services, supplies and medical costs*], **except for standard inflation for ser-**  
23 **vices and supplies;**

24 (E) Transfers between state funds or accounts;

25 (F) Mandated caseload changes; and

26 (G) Debt service for previously issued debt.

27 (d) The budget shall show the total increase in the cost of salaries and benefits for all state  
28 positions.

29 (7) The Governor's budget shall include:

30 (a) The total number of positions and full-time equivalent positions included in the budget.

31 (b) The average vacancy rate in the present biennium.

32 (c) The number of permanent, full-time equivalent vacancies as of July 1 of even-numbered years.

33 (8) The Governor's budget shall include computations showing budget figures as a percentage  
34 of the total General Fund, federal fund, fee or other source category, as may be appropriate.

35 (9) The Governor's budget shall include, in a format that provides side-by-side comparison with  
36 the State Debt Policy Advisory Commission report of net debt capacity, a six-year forecast, by debt  
37 type and repayment source, of:

38 (a) That portion of the capital construction program required to be reported by ORS 291.224 that  
39 will be financed by debt issuance.

40 (b) The acquisition of equipment or technology in excess of \$500,000 that will be financed by  
41 debt issuance.

42 (c) Other state agency debt issuance for grant or loan purposes.

43 (10) The Governor's budget shall include the outcomes-based budgeting information required by  
44 ORS 291.217 (2) and (3).

45 (11) The Governor's budget shall include recommendations regarding available funds that could

1 be used to make lump sum payments to the Public Employees Retirement System under ORS 238.229.

2 **(12) The Governor’s budget may not include a standard inflation factor for services and**  
 3 **supplies.**

4  
 5 **COLLECTIVE BARGAINING**

6  
 7 **SECTION 20. Section 21 of this 2018 Act is added to and made a part of ORS 243.650 to**  
 8 **243.782.**

9 **SECTION 21. A collective bargaining agreement entered into under ORS 243.650 to 243.782**  
 10 **shall:**

11 **(1) Be negotiated and entered into no later than October 1 of the even year immediately**  
 12 **preceding the biennium in which the agreement takes effect;**

13 **(2) Take effect on July 1 of the year immediately following the date on which the agree-**  
 14 **ment was entered into; and**

15 **(3) Remain in effect for a period no longer than two years, but may be renewed.**

16 **SECTION 22. Section 21 of this 2018 Act applies to collective bargaining agreements en-**  
 17 **tered into or renewed on or after the effective date of this 2018 Act.**

18 **SECTION 23. ORS 243.696 is amended to read:**

19 243.696. (1)(a) The Oregon Department of Administrative Services shall represent all state  
 20 agencies which have bargaining units in collective bargaining negotiations with the certified or re-  
 21 cognized exclusive representatives of all appropriate bargaining units of exempt, unclassified and  
 22 classified employees, except those unclassified employees governed by the provisions of ORS 240.240.  
 23 The department may delegate such collective bargaining responsibility to operating agencies as may  
 24 be appropriate.

25 **(b) The Director of the Oregon Department of Administrative Services shall submit any**  
 26 **collective bargaining agreement negotiated by the department to the Legislative Assembly**  
 27 **for approval. If the negotiated agreement is not approved by three-fifths of the members**  
 28 **servng in each house of the Legislative Assembly, the negotiated agreement shall be re-**  
 29 **turned to the director for further bargaining.**

30 (2) The Chief Justice of the Supreme Court shall represent the judicial department in collective  
 31 bargaining negotiations with the certified or recognized exclusive representatives of all appropriate  
 32 bargaining units of officers and employees of the courts of this state who are state officers or em-  
 33 ployees. The Chief Justice may delegate such collective bargaining responsibility to the state court  
 34 administrator.

35  
 36 **STATE AGENCY EMPLOYMENT**

37  
 38 **SECTION 24. (1) As used in this section, “state agency” means the:**

- 39 **(a) Bureau of Labor and Industries;**
- 40 **(b) Department of Consumer and Business Services;**
- 41 **(c) Department of Education;**
- 42 **(d) Department of Environmental Quality;**
- 43 **(e) Department of Land Conservation and Development;**
- 44 **(f) Department of Transportation;**
- 45 **(g) Oregon Department of Administrative Services; and**

1 (h) State Department of Energy.

2 (2) Notwithstanding any other provision of law, for the biennium ending June 30, 2019,  
3 and the biennium beginning July 1, 2019:

4 (a) All cost-of-living increases to salaries of state agency employees are suspended;

5 (b) All step increases within the salary range of each state agency employee are sus-  
6 pended;

7 (c) All upward reclassifications of state agency employees are suspended;

8 (d) Vacant positions within a state agency may not be filled except when necessary to  
9 protect essential services of the state agency;

10 (e) New positions within a state agency may not be created except when necessary to  
11 protect essential services of the state agency;

12 (f) If allowed by terms of the agreement or contract and notwithstanding any other law,  
13 the terms of any collective bargaining agreement or services contract entered into by a state  
14 agency concerning cost-of-living increases, salary step increases, reclassifications and the  
15 filling of vacant positions are suspended;

16 (g) Payments by state agencies for out-of-state travel by employees of the state agency  
17 are prohibited;

18 (h) Purchases of goods and supplies for which payment is not already obligated are sus-  
19 pended; and

20 (i) Expenditures by the state agency may not exceed the levels of expenditures allowed  
21 under the legislatively approved budget for the agency during the biennium ending June 30,  
22 2017.

23 (3) When a salary increase suspension under this section is no longer in effect, the salary  
24 increase applies only prospectively. A state agency may not retroactively pay a salary in-  
25 crease suspended under this section for any period during which the salary increase was  
26 suspended.

27 (4) This section does not apply to state officers elected by popular vote, or appointed to  
28 fill vacancies in elective offices, whose salaries are fixed by law.

29 SECTION 25. Section 24 of this 2018 Act is repealed on June 30, 2021.

30  
31 **TASK FORCE ON EDUCATION COST REDUCTION**

32  
33 SECTION 26. (1) The Task Force on Education Cost Reduction is established.

34 (2) The task force consists of nine members appointed as follows:

35 (a) The President of the Senate shall appoint one member from among members of the  
36 Senate;

37 (b) The Senate Minority Leader shall appoint one member from among members of the  
38 Senate;

39 (c) The Speaker of the House of Representatives shall appoint one member from among  
40 members of the House of Representatives;

41 (d) The House Minority Leader shall appoint one member from among members of the  
42 House of Representatives; and

43 (e) The Deputy Superintendent of Public Instruction shall appoint five members who  
44 represent public school teachers, public school administrators, district school board members  
45 and personnel of education service districts.



1 the Public Employees Retirement Board, the Attorney General and the Governor.

2 (4) Proceedings for review under this section shall be given priority over all other mat-  
3 ters before the Supreme Court.

4 (5) The Supreme Court shall allow public employers participating in the Public Employees  
5 Retirement System to intervene in any proceeding under this section.

6 (6)(a) The Supreme Court shall allow members of the Legislative Assembly to intervene  
7 in any proceeding relating to this 2018 Act. After a member intervenes in a proceeding re-  
8 lating to this 2018 Act, the member has standing to participate in the proceeding even if the  
9 member ceases to be a member of the Legislative Assembly.

10 (b) A member of the Senate or the House of Representatives who intervenes in or par-  
11 ticipates in a proceeding under this subsection may not use public funds to pay legal ex-  
12 penses incurred in intervening in or participating in the proceeding.

13 (7) In the event the Supreme Court determines that there are factual issues in the peti-  
14 tion, the Supreme Court may appoint a special master to hear evidence and to prepare re-  
15 commended findings of fact.

16  
17 CAPTIONS

18  
19 SECTION 29. The unit captions used in this 2018 Act are provided only for the conven-  
20 ience of the reader and do not become part of the statutory law of this state or express any  
21 legislative intent in the enactment of this 2018 Act.

22  
23 EMERGENCY CLAUSE

24  
25 SECTION 30. This 2018 Act being necessary for the immediate preservation of the public  
26 peace, health and safety, an emergency is declared to exist, and this 2018 Act takes effect  
27 on its passage.

28 \_\_\_\_\_