

## **HB 2861 -2 STAFF MEASURE SUMMARY**

### **House Committee On Business and Labor**

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**Meeting Dates:** 4/3

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#### **WHAT THE MEASURE DOES:**

Directs the Public Employees Retirement Board to provide member of individual account program (IAP) with written disclosure statement about investment options available under the program. Prohibits civil action against the state, the Treasury, the OIC, or the Board by reason of losses suffered because of a member's choice of an investment option. Declares emergency, effective on passage.

#### **ISSUES DISCUSSED:**

##### **EFFECT OF AMENDMENT:**

-2 Modifies what must be contained in written disclosure statement. Modifies scope of Board rulemaking. Modifies language limiting liability.

##### **BACKGROUND:**

The Individual Account Program (IAP) of the Public Employee Retirement System (PERS) includes over 250,000 member accounts for Tier One, Tier Two, and Oregon Public Service Retirement Plan (OPSRP) benefit plans. The IAP, an account-based plan nearly identical to a defined contribution plan, is funded with member contributions, which is six percent of a member's salary. The member contribution can be paid by the employee or assumed and paid by the employer; generally, the contribution is made on a pre-tax basis. Since inception on January 1, 2004, the IAP has been invested no differently than other assets in the Oregon Public Employees Retirement Fund. The IAP has no guaranteed rate of return and earns a "market" rate of return.

In 2017, the Oregon Investment Council (OIC) mandated a move of the Individual Account Program to a target-date fund solution beginning January 2, 2018. Members were not given a choice in making individual investment decisions. This change has implications to a member's IAP benefit, the administration of PERS, including an ongoing IAP information technology project, as well as State Treasury's Investment Division.

In 2018, legislation was enacted (House Bill 4159) in response to OIC's administrative action. That measure provided for IAP member choice in investment options beginning on January 1, 2019. The measure gave the Office of the State Treasurer authority to determine if legal or fiduciary standards prohibit implementation of member choice. The Treasury subsequently raised concerns and, thus, the Public Employee Retirement Board did not adopt rules to implement member choice.

House Bill 2861 will allow member choice to be implemented; individual elections will begin January 1, 2020. The measure directs the Board to provide each member with a written disclosure statement that contains information regarding the available investment options, including the probable income and probable safety of the moneys invested, that persons of reasonable prudence and discretion require when determining the permanent disposition of their funds. The measure limits the liability of the state, State Treasurer, Oregon Investment Council, and Board, and their officers and employees, related to a member's choice of IAP investment options.