

## **PERS Tier Four – the Better Plan (currently -5 amendment)**

Establish a new Defined Contribution (DC) plan in a new chapter of law (ORS 238B is suggested)

- 6.00% of salary Employer contribution to General Service members plus 4.00% employee contribution for a total of **10%** (6.00% to Employer DC account and 4% to Employee DC account)
- 8.00% of salary Employer contribution to Police/Fire members plus a 4.00% employee contribution for a total of **12%** (8.00% to Employer DC account and 4.00% to employee DC account)

Additional **2%** Employer contribution **IF** member makes a **2%** contribution (for a total of 8.00% to DC and 6.00% to employee DC account for General Service) (for a total of 10.00% to DC and 4.00% to employee DC account for Police and Fire)

\*\*\*In the event that the Collective Bargaining Agreement (CBA) requires the employer to “pick-up” the 4.00% the plan caps the total employer side plus “pick-up” at 12.00% for general service and 14.00% for Police and Fire.

New Tier 4 members will have benefits similar to OPSRP – death, divorce, disability, PHIP etc. Members will not have a monthly pension benefit, but will have the lump-sum DC account, at retirement.

Members will immediately vest in their DC benefit (no wait time and employers make contributions immediately).

### **Tier Four DC Account Details**

- The Tier 4 member DC accounts should be invested in Target Date Funds (TDF) similar to Tier 1, 2, OPSRP IAP accounts are currently invested - based on member birth year.
- All Tier 1, 2, OPSRP and Tier 4 members should have “member choice” option for which TDF they want to be in – based on risk tolerance, not birth year.
- All Tier 1, 2, OPSRP and Tier 4 members will be required to take a “lump sum” IAP/DC distribution at retirement.

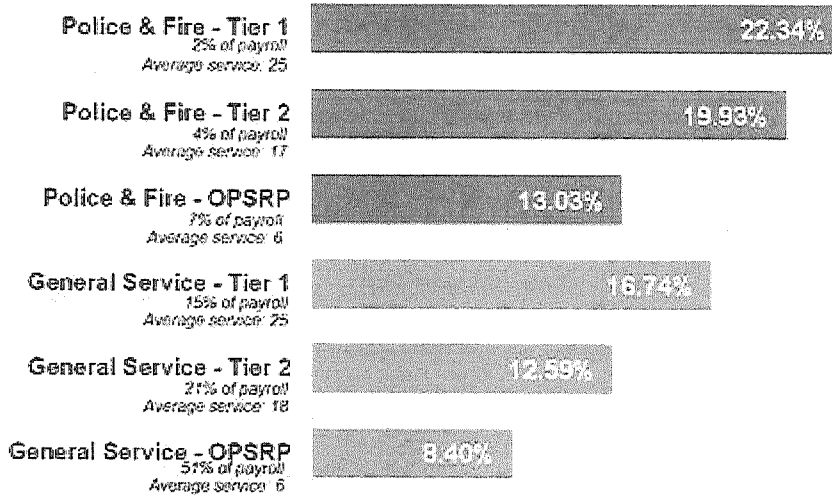
### **Employer Rates on Tier Four**

- Employers pay, **at maximum**, the blended net collar OPSRP rate on Tier 4 salary. Balance of the employer rate (after the 10-14% contribution to the member DC account) goes to the Tier 1, 2, OPSRP UAL until such time as it is eliminated, then the rate falls to 18%.
- Employers pay, **at minimum**, 18% employer rate on Tier 4, (10-14% to DC account) Balance of the employer rate (after the 10-14% contribution to the member DC account) goes to the Tier 1, 2, OPSRP UAL.
- In addition to the rate above, Employers pay a contribution related to PERS Health Insurance Program.

### **Work After Retirement**

- Eliminate all Tier 1, 2, OPSRP work after retirement hour limits and exceptions.
- Employer will pay the average collard normal rate on retiree salary. Payments should go to employer UAL.

- The 2019-21 system average normal cost rate is **11.59%** of payroll
- Contribution rates for the IAP, RHIA, and RHIPA programs are in addition to the normal cost rates shown below



The proposal the actuaries were requested to study offered employer-paid DC benefits for general service members of 10%-12% of payroll as a replacement for the employer-paid 8.40% of pay DB benefit under OPSRP. The proposal studied also capped total contribution rates on the tier 4 payroll so that tier 4 payroll had the same total employer contribution rate (new benefits plus unfunded liability amortization) as OPSRP payroll.

If you hold the total contribution rate level, but you increase the contribution toward the employee's benefits by increasing the value of those benefits, you have, by definition, lowered the amount of the payroll contribution going to amortize the unfunded liability. This is an irrefutable mathematical fact.

### Work After Retirement

Milliman's analysis on rehired retiree payroll and the potential effect of charging PERS contribution rates on that payroll was completed separately. While there could be a potential increase in contributions coming into PERS of approximately \$100m per biennium in the 2019-21 biennium this amount is not, in the long-term, sufficient to bridge the contribution gap noted above. This would be due to the Tier 4 pay increasing as new entrants join PERS and that payroll grows.

Projected Rehired Retiree Biennial Payroll and Base Contributions (\$Millions)										
Biennium	2017-19	2019-21	2021-23	2023-25	2025-27	2027-29	2029-31	2031-33	2033-35	2035-37
Payroll	\$568.2	\$608.7	\$652.0	\$698.5	\$748.2	\$801.5	\$858.6	\$919.7	\$985.2	\$1,055.4
Contributions	\$0.0	\$106.8	\$184.4	\$208.4	\$223.3	\$243.5	\$296.3	\$321.1	\$338.0	\$320.0

### Pooling Risk

One important point in your written document is your statement: "that tier 4 employees do not contribute to the growth of the UAL created by 'pooling' of retirement risk". This statement