

## **SB 111 -1, -2, -3, -4 STAFF MEASURE SUMMARY**

### **Senate Committee On Labor and Business**

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**Meeting Dates:** 1/28, 2/23

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

Clarifies and standardizes when member retiree may be reemployed. Clarifies conditions for inactive member withdrawal and requires board to deny or recover distributions when conditions are not met. Requires payment to employee pension stability fund for restoration of forfeited credit. Removes requirement for board to support development of funding plans for individual employers. Clarifies criteria for approval of employer application for Employer Incentive Fund. Clarifies calculation of additional death benefit. Revises definition of "salary" to include remuneration paid to active member which would be taxable under Oregon law if member were an Oregon resident.

#### **ISSUES DISCUSSED:**

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

- 1 Clarifies determination of salary paid between August 29, 2003, and January 1, 2020, for employees of Oregon Health and Sciences University who are PERS members.
- 2 Clarifies determination of salary paid between August 29, 2003, and January 1, 2020, for PERS members employed by public charter schools.
- 3 Requires administrative or academic employee of public university to make irrevocable election to participate in either PERS or the Optional Retirement Plan within six months of being employed. Provides that administrative or academic employee who fails to make election is deemed to have elected to participate in the Optional Retirement Plan.
- 4 Increases spousal death benefit for PERS member who dies after earliest retirement date and while employed in the service of a participating public employer or within 120 days after termination from service from 50 percent of the actuarial equivalent to the full actuarial equivalent of the service retirement allowance that would otherwise have been paid to the deceased member.

#### **BACKGROUND:**

The Public Employee Retirement System (PERS) provides retirement benefits for state agencies and approximately 900 units of local government. PERS is overseen by a five-member board that appoints an executive director to manage the agency's daily operations including the management of benefits for more than 378,000 active, inactive, and retired members and beneficiaries. PERS is a hybrid pension plan that includes a defined benefit plan and a defined contribution plan. Upon retirement, all PERS members receive both a life pension (defined benefit) and the balance of the member's individual account (defined contribution). The pension is funded primarily by employer contributions. Members contribute six percent of their monthly salary to their PERS retirement, with up to two and one-half percent used to offset the cost of member pensions and the remainder going to the member's individual account.

Current law defines salary for certain PERS members as remuneration paid to an active member that is includable in the employee's taxable income under Oregon law. Senate Bill 1049 (2019) made several changes to PERS, including redirecting a portion of member contributions toward pension benefits, capping the maximum salary for pension calculation, and allowing PERS retirees to work unlimited hours.

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Senate Bill 111 contains several fixes from the PERS board to address the implementation of SB 1049 (2019) and the definition of "salary." First, the measure clarifies and standardizes requirements for the reemployment of a retiree member. Second, the measure addresses the redirect requirements by clarifying how certain withdrawal and redeposit mechanisms operate. Third, the measure clarifies the criteria for approving employer applications for the Employer Incentive Fund and removes the requirement for the board to provide technical assistance for the development of individual employer funding plans. Fourth, the measure clarifies how death benefits options enacted in 2019 are funded in light of changes made in SB 1049 (2019). Finally, the measure amends the definition of salary to capture PERS members who are not subject to the Oregon income tax.