

SB 113 STAFF MEASURE SUMMARY

Senate Committee On Labor and Business

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Meeting Dates: 1/28, 3/11

WHAT THE MEASURE DOES:

Allows Public Employee Retirement Board to charge participating public employer accrued earnings for late payment of contributions to Oregon Public Service Retirement Plan (OPSRP) member account.

REVENUE: no impact

FISCAL: minimal impact

ISSUES DISCUSSED:

- Current practice of collecting accrued earnings for late payment of contributions
- Need for express parallel authority to address late payment of contributions for OPSRP members

EFFECT OF AMENDMENT:

No amendment.

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. Members hired after August 28, 2003 belong to the Oregon Public Service Retirement Plan (OPSRP), which offers less generous benefits than Tier I and II PERS plans but is more sustainable for employers.

Current law requires all PERS employers to contribute six percent of each member employee's salary to the board for distribution to the member's individual account and the pension stability account. The board has statutory authority to recover lost earnings if an employer makes late contributions that deprive Tier I and II members of accrued earnings, but does not have parallel authority to recover lost earnings for OPSRP members.

Senate Bill 113 grants the board express authority to charge a participating public employer accrued earnings for the late payment of contributions to an OPSRP member account.