

HB 2906 -2 STAFF MEASURE SUMMARY

House Committee On Rules

Prepared By: Jan Nordlund

Meeting Dates: 4/22, 4/29

WHAT THE MEASURE DOES:

Directs Public Employees Retirement Board to study methods to allow PERS members to certify that they will earn less than \$30,000 in the calendar year and thus not be subject to having a portion of their salary redirected from their Individual Account Program contribution to their pension stability account. Requires Board to report results of the study to the appropriate committee of the Legislative Assembly by September 15, 2022.

ISSUES DISCUSSED:

- Legislative Assembly's intentions when Senate Bill 1049 was passed in 2019
- Administrative burden to redirect contribution based on annual salary
- Importance of retirement savings to low-wage workers
- Impact of measure on employer contribution rates
- Impact of Senate Bill 1049 (2019) on low-wage workers whose monthly salary fluctuates

EFFECT OF AMENDMENT:

-2 Replaces the measure. Increases the monthly salary threshold from \$2,500 to \$3,333 that triggers a portion of Public Employees Retirement System (PERS) member's salary to be redirected from the Individual Account Program (IAP) to the employee's pension stability account. Applies to calendar months beginning on and after the effective date.

Fiscal impact: Fiscal statement has been issued

Revenue impact: No revenue impact

BACKGROUND:

Senate Bill 1049 (2019) made several changes to the Public Employees Retirement System (PERS) to reduce the unfunded actuarial liability. One change requires a portion of a member's salary be redirected from their Individual Account Program (IAP) contribution to their pension stability account if their salary exceeds \$2,500 per month. For Tier 1 and Tier 2 members whose salary exceeds \$2,500 per month, 2.5 percent of monthly salary is redirected; for Oregon Public Service Retirement Plan (OPSRP) members whose salary exceeds \$2,500 per month, 0.75 percent is redirected. The redirect provision went into effect on July 1, 2020. In accordance with statute, the PERS board adjusts the salary threshold on January 1 of every year to reflect the impact of inflation. As of January 1, 2021, the threshold is \$2,535 per month.

PERS members who *on average* earn \$2,500 per month (\$30,000 annually) may experience a month or more during the year when they earn more than \$2,500. Advocates for these PERS members want to ensure that a worker who earns less than \$30,000 per year is not subject to the pension redirect and that their IAP retains the full 6 percent contribution.

House Bill 2906 directs the Public Employees Retirement Board to study methods to allow PERS members to certify that they will earn less than \$30,000 per year and thus not have any salary redirected from their IAP to their pension stability account.