

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: HB 2906 - 2**

81st Oregon Legislative Assembly – 2021 Regular Session  
Legislative Fiscal Office

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

Prepared by: Kim To  
Reviewed by: Paul Siebert, John Borden, Laurie Byerly, Theresa McHugh  
Date: April 23, 2021

**Measure Description:**

Changes the monthly earning threshold amount from \$2,500 to \$3,333 for Individual Account Program contributions redirected to Employee Pension Stability Account.

**Government Unit(s) Affected:**

Statewide, Department of Administrative Services (DAS), Public Employees Retirement System (PERS)

**Summary of Fiscal Impact:**

Costs related to the measure are anticipated to be minimal - See explanatory analysis.

**Analysis:**

Under current law, a portion of an employee’s 6% Individual Account Program (IAP) contributions is redirected to an Employee Pension Stability Account (EPSA) to partially fund an employee’s defined benefit or pension plan, if the PERS funded status is less than 90% funded and if an employee’s earnings is more than \$2,500/month. The monthly threshold amount is updated annually in January based on changes in the Consumer Price Index. Redirected funds, which vary by benefit plan, reduce the defined contribution benefit of an employee but are then used to partially fund an employee’s defined pension benefit. Redirected funds lower or offset the employer contribution.

HB 2906 with the -2 amendment changes the monthly earning threshold amount from \$2,500 to \$3,333. The measure stipulates that when a member earns less than \$3,333 in a month, the PERS Board would credit all of the employee contributions made by the member under ORS 238A.330 to their IAP account.

PERS estimates that the measure will have a \$10 million per biennia reduction to the amount of contributions brought in via the Member Redirect with the increased monthly threshold and a corresponding \$10 million increase in employer contributions rates. The last actuarial estimate, when PERS set the 2021-2023 contribution rates, anticipated a \$295 million per biennia Member Redirect offset. With passage of this measure, this amount will be reduced to \$285 million per biennia. This \$10 million reduction to Member Redirect contributions will be reflected in the 2023-2025 rate setting process where the Member Redirect offset will reduce slightly from 2.44% to 2.40% for Tier One/Tier Two members and from 0.69% to 0.66% for OPSRP members, thereby increasing employers rates by 0.04% for Tier One/Tier Two members and by 0.03% for OPSRP members based on current actuarial assumptions.

The fiscal impact on PERS to administer the requirements of this measure is anticipated to be minimal.

There would be a fiscal impact to participating PERS employers in the form of higher employer contribution rates.