

## **SB 111 A STAFF MEASURE SUMMARY**

### **House Committee On Business and Labor**

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**Prepared By:** Jan Nordlund, LPRO Analyst

**Meeting Dates:** 5/3, 5/10

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

Clarifies and standardizes when member retiree may be reemployed for purposes of the Public Employees Retirement System (PERS). Clarifies conditions for inactive member withdrawals and requires Public Employees Retirement Board to deny or recover distributions if member's separation is not bona fide separation. Requires employee to repay amount withdrawn from employee pension stability fund in order to restore forfeited credit.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 death benefit. 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.

Revises definition of "salary" to include remuneration paid to active member which would be taxable under Oregon law if the member were an Oregon resident. Applies this provision to remuneration paid or after January 1, 2020.

Provides that remuneration paid to employees of public charter schools and Oregon Health and Science University between August 29, 2003, and January 1, 2020, is considered "salary" for purposes of PERS if the payment would be taxable under Oregon law if the member were an Oregon resident.

Fiscal: Minimal impact

Revenue: No impact

Senate vote: 24-6 (Nays: Girod, Heard, Linthicum, Robinson, Thatcher, Thomsen)

#### **ISSUES DISCUSSED:**

- Impact of working from home when home is not in Oregon
- Fair and equal provision of death benefits

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

No amendment.

#### **BACKGROUND:**

The Public Employees 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.

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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.

Senate Bill 111 A contains several fixes suggested by the PERS board to address the implementation of SB 1049 (2019) and amends the definition of "salary." The measure also increases the spousal death benefit for PERS members who die after the earliest retirement date while still employed or within 120 days of 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.