



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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TO: Interested Parties  
FROM: Heather Case, Senior Policy Director  
SUBJECT: LC 588 (2021) Summary – SB 1049 (2019) and PERS Administration Refinements

### **BACKGROUND**

SB 1049 (2019) is a complex and comprehensive piece of legislation that, among other things, allows PERS retirees to work unlimited hours, redirects a portion of member contributions to a new account to help fund the member's pension benefit, and revised provisions of the Employer Incentive Fund (EIF) and the Unfunded Actuarial Liability Resolution Program (UALRP). During 2019 legislative discussions, PERS acknowledged that we may need to refine portions of SB 1049 to more effectively implement the legislative intent of the measure. As PERS has worked through implementation, the following revisions have been identified.

This concept also addresses one non-SB 1049 administration issue. The definition of salary in Chapter 238A (i.e. for OPSRP members) is based on the member's salary being subject to Oregon income taxes. With many members who are residents of neighboring (or other) states working from home due to the COVID-19 pandemic, the salary earned by these individuals while working from home (because the work is not performed in Oregon) is not subject to Oregon income tax and, therefore, not considered subject salary for PERS purposes.

### **PROPOSED SOLUTION**

The agency-requested Legislative Concept proposes the following changes:

- Work after retirement provisions of SB 1049 (2019)
  - Clarify that all early retirees must be absent from all PERS employment for six months to be eligible to work unlimited hours
  - Remove language from the unlimited hour provisions that requires an hourly limit for Social Security recipients until they attain full social security age (Note: This language remains in the existing statute (ORS 238.082) for when PERS is reverted back to the hourly standard (or for anyone who may be subject to the hourly standard in the interim) in 2025.
  - Equalize the unlimited hour standard for T1/T2 and OPSRP members (T1/T2 elected officials are still limited under the original SB 1049 language)
- Member redirect provisions of SB 1049 (2019)
  - Clarify that termination of membership on OPSRP Pension withdrawal applies to all OPSRP members, not just vested members
  - Clarify that the new Employee Pension Stability Account is required to be repaid if a member either elects, or is required to, redeposit their member account

- Employer programs provisions of SB 1049 (2019)
  - Clarify requirements of application process by removing reference to funds "projected to become" so application cycles can be clearly identified
  - Remove the misleading "improve the employer's funded status" from the UAL resolution program language, as pooled employers cannot individually improve their funded status
- Coordination of SB 1049 and HB 2417 (both 2019)
  - Add language to clarify how the new death benefit option provided under HB 2417 will be funded in light of the new EPSA established in SB 1049
- Definition of salary for Chapter 238A (OPSRP members)
  - Amend the definition of salary for OPSRP members so salary earned by a member that is currently non-PERS salary because it is not subject to OR income tax, will still be salary for PERS purposes.

The above amendments will assist PERS in implementing the long term effects and administration of SB 1049. In addition, PERS is requesting a retroactive effective date for the amendment to the definition of salary for OPSRP members in order to avoid any unintended consequences that may otherwise result from the COVID-19 pandemic. This will allow employers to continue providing PERS benefits (service time and contributions) that employees were promised, while following the Governor's COVID-19 mandates.