Support for -3 Amendment to SB 111

University Retirement Plan Default Presumption

Preserving Employee Choice and Realizing Savings for Oregon's Public Universities

Background:

Oregon's public universities offer the choice between two retirement plans for eligible employees: The Public Employees Retirement System (PERS/OPSRP) and the Optional Retirement Plan (ORP).

> **PERS/OPSRP (Oregon Public Service Retirement Plan)** is a defined benefit pension plus an individual account. Pension benefits are based on the date of hire, years of service and earnings and are generally available when an individual reaches typical retirement age and leaves their job. Vesting in the pension account occurs after 5 years of contributions or age 58 (PERS Tier One), 60 (PERS Tier Two), or 65 (OPSRP). Vesting in the individual account occurs immediately upon enrollment.
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> **ORP (Optional Retirement Plan)** is a defined contribution plan for **unclassified employees** and is easily portable, which is beneficial for those whose career mobility may take them outside public service employment. Participants select mutual funds and annuities through TIAA or Fidelity. If a vested employee leaves university employment, the account may remain invested in ORP or it may be rolled over into another employer's plan. Partial vesting occurs immediately upon enrollment with full vesting after 5 years of contributions or age 50.

The two plans function differently, and unclassified employees may have a preference of one plan over the other depending on their individual circumstances. It is important for eligible unclassified employees to consider both plans and select the plan that best meets their needs.

Current law:

As part of the hiring process, eligible unclassified employees have the opportunity to select which retirement plan they would like within six months of starting their position. A significant number fail to complete the necessary selection. When this occurs, under current law, universities enroll the employee in PERS/OPSRP as directed by a statutory default presumption.

The -3 amendment to SB 111 would change the default presumption and require universities to enroll eligible unclassified employees in the Optional Retirement Plan, should they choose not to complete the retirement enrollment paperwork.[1]

Benefits of -3 amendment to SB 111:

The -3 amendment to SB 111 preserves an eligible unclassified employee's right to choose a retirement plan and realizes savings for Oregon's public universities.

- The -3 would not take away any retirement option or benefit from university employees
- The -3 would, over time, result in measurable savings for our public universities. For example, if the -3 had been in place in 2019, it is estimated that universities would have saved between $1.7 million and $5 million over the calendar year.[2]

[1]The -3amendment would change the default presumption for eligible unclassified employees only. All eligible classified employees (such as those represented by SEIU Local 503) are statutorily required to participate in PERS/OPSRP.

[2] The savings would not be immediate. The -3 amendment is a measure to control long-term accelerating costs. Savings would be realized over time.

For More Information

Please contact the Dana Richardson, Oregon Council of Presidents, at richardsond@mail.wou.edu, or the government relations staff member from any of the seven public universities. Thank you for helping Oregon's students.