



Oregon

Tina Kotek, Governor

Public Employees Retirement System

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March 11, 2025

TO: Senate Committee on Labor and Business

FROM: Kevin Olineck, Director, PERS

SUBJECT: SB 902 Written Testimony, March 11, 2025

SB 902, as amended, lowers the OPSRP Police & Fire *service* retirement age from 53 to 50. As the committee is likely aware, HB 4045 in the 2024 session changed the *normal* OPSRP Police & Fire retirement age from 60 to 55. A service retirement age is the age a member can retire with a certain amount of PERS service credit. In the case of OPSRP police and fire members, they can currently retire with full benefits at age 53 if they have 25 years or more of service credit. The agency takes no position on this bill, but we would like to testify regarding the impacts to the PERS plan, and administrative impacts to the agency.

The proposed legislative change is estimated to increase the Actuarial Accrued Liability for OPSRP Police & Fire members by \$80 million.

Benefits payable at a lowered normal retirement age result in higher contribution costs for employers, both for the ongoing value of new benefits earned (Normal Cost) and benefits for service already earned. Due to this, the Unfunded Actuarial Liability (UAL) will increase by \$80 million, since this potential change in benefits has not been reflected in prior contribution rates.

Estimated contribution cost increases would be:

0.04% of pay on all payroll system-wide, including general service and Tier One/Tier Two payroll (this increase would be for all PERS covered employers), which, based on the total OPSRP payroll of approximately \$12 billion equates to \$4.8 million in additional contributions. For those employers with OPSRP Police & Fire payroll, on top of the 0.04% UAL increase, they would experience an average of an additional 0.43% employer contribution rate increase. Based on the total OPSRP Police & Fire payroll, which is approximately \$1.46 billion, this increase would equate to \$6.3 million across all of those employers.

The value of the proposed changes would only accrue to members who were hired young enough to benefit from lower service-based normal retirement age provisions. A member must begin work in a PERS position before age 28 in order to potentially earn 25 years of service prior to age 53, at which point they would qualify for service retirement under current provisions, and therefore wouldn't be able to take advantage of this bill.

The agency is in the middle of implementing the OPSRP police & fire normal retirement age change from HB 4045 right now. We anticipate our administrative costs to plan and implement the proposed changes within SB 902 would be very similar.

If SB 902 passes with the effective date of January 1, 2026, this would apply for retirement dates on or after January 1, 2026. Retirees can submit their applications for retirements up to 90 days in advance of their anticipated retirement date. Therefore, the agency has to be ready by October 2025 to accept and process applications for OPSRP P&F members age 50-52 with 25

years of service as normal service retirements, rather than early retirements. We would do this by beginning a manual processing of those applications, and as that is happening, work on changing system programming to accommodate the new age change. This similar implementation from HB 4045 is set to cost the agency just over 3 million dollars. We anticipate the cost to implement this bill to be of similar magnitude.

The administrative impact of this proposed change will affect how we manage our ongoing projects and programs. The cumulative impact of this proposed benefit change will have an effect on the planning and timing of our Modernization program, and, consequently, our implementation of the Hazardous Position member classification created by HB 4045 which has an effective date of January 1, 2030.

Due to the nature of implementation, while funding for additional positions will be requested as part of our Fiscal Impact Statement, we would need to shift Modernization technical and project management resources to ensure implementation of this legislative mandate by the effective date of January 1, 2026.

Sincerely,

A handwritten signature in dark ink, appearing to read "Kevin Olineck", written in a cursive style.

Kevin Olineck
PERS Director