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Bill Title: Relating to public employee retirement.

Government Unit(s) Affected: Department of Corrections, Cities, Counties, Department of Justice, Department of State Police, Higher Education Coordinating Commission, Oregon Military Department, Oregon Youth Authority, Public Employees Retirement System

Summary of Fiscal Impact: Costs related to the measure are indeterminate at this time - see explanatory analysis.

Measure Description
The measure modifies select Public Employee Retirement System (PERS) pension benefits by recategorizing the following position classifications from General Service to Police and Fire members in Tier One, Tier Two, and OPSRP pension plans, which would provide higher benefit multipliers and a lower normal retirement age.

1. Assistant attorneys general (AAG) of the Criminal Justice Division of the Department of Justice (DOJ)
2. Juvenile custody services specialists and juvenile court counselors of a county juveniles department who perform specified duties;
3. Employees of the Department of State Police (OSP), a county sheriff, a municipal police department or university police department who are classified as forensic scientists or evidence technicians by the employer, or who are responsible for obtaining, classifying and verifying fingerprints;
4. Certified medicolegal death investigators employed or appointed by the county sheriff, a municipal police department, a county health department, or a university police department; and
5. Force protection officers and leaders employed by the Oregon Military Department (OMD) whose duties include patrolling and protecting state/federal property, personnel and essential military operational resources on an Oregon Air National Guard installation.

Of the recategorizations, there is an estimated 20 eligible AAG positions within DOJ, 14 force protection officers and leaders within OMD, 28 fingerprint technicians within OSP, and two forensic scientist/evidence technicians within public universities that would qualify. The exact number of local government positions that may be affected is currently unknown and will depend on whether an employer determines the position meets the specified recategorizations.

This benefit becomes operative on January 1, 2027 (2025-27 biennium) and will be reflected in employer contribution rates during the 2029-31 biennium (2027 actuarial valuation). The recategorization of benefits apply only to individuals who are employed and classified in one of these positions on the effective date of this measure or becomes employed and classified in one of these positions after the effective date of the measure. The measure does not apply to current inactive non-retired members.

Upon retirement, active and inactive PERS member with accrued General Service pension benefits would, under the modified benefits provided by this measure, receive a “hybrid” benefit comprised of any prior General Service benefit and the enhanced Police and Fire benefit or a hazardous position benefit.

PERS is a qualified governmental defined benefit plan under Internal Revenue Code (IRC §401(a)). Any change to the PERS defined benefit plan therefore needs to be compliant with federal code to avoid having the plan’s tax qualified status revoked and exposing PERS members to an additional tax liability. Therefore, any benefit changes related to providing enhanced benefits must substantively fall within the Internal Revenue Service definition of a “qualified public safety employee,” under the IRC 72(t).

Fiscal Analysis
There is no fiscal impact for the 2025-27, as no changes will be made to PERS employer contribution rates. The fiscal impact is indeterminate for the 2027-29 biennium and is dependent on the number of positions that would qualify and be recategorized by their employer under the specifications listed in the measure. Additional costs are anticipated to occur beyond the standard two-biennia scope of the fiscal impact statement due to the measure’s effective date and the actuary cycle of PERS rate adoption.

PERS does not collect job classifications and job titles for PERS members. Instead, PERS must rely upon employers to report to PERS whether an employee is a General Service or a Police and Fire employee. Under this measure, the number of affected employees is an administrative decision of the employer and whether that employee meets the criteria and falls under the recategorized job classifications. Therefore, the exact number of individuals affected is currently unknown.

The changes to select employer contribution rates under this measure by the five benefit recategorizations represent the change of reducing General Service pension contribution rates and increasing Police and Fire pay classification pension contribution rates. Any employee identified as meeting the specific requirements would subsequently move from General Service to Police and Fire and therefore, the amount the employer contributes based on that employees’ payroll will increase.

Employer contribution rates have been adopted and published by the PERS Board for the 2025-27 biennium. These rates will remain unchanged for the 2025-27 biennium regardless of the passage of this measure. In the fall of 2025, the PERS Board, released advisory employer contribution rates for the 2027-29 biennium with final rates planned for adoption in the fall of 2026. The measure will not begin to impact employer contribution rates until the 2029-31 biennium, as PERS, and the agency’s consulting actuary, will need time to collect employee data from affected employers.

A preliminary estimate of the incremental normal cost increase between the General Service and Police and Fire rates, based on current 2025-27 employer contribution rates, is that future rates may increase by 6.99% (+47% change) of PERS-eligible payroll for Tier One/Tier Two pension plan members and 5.27% (+50% change) for OPSRP pension plan members. The Unfunded Actuarial Liability (UAL) portion of employer rates may also increase by an indeterminate amount given the lag in updating employer contribution rates. The dollar impact of the increased employers paying the incremental increase is indeterminate at this time.

There is anticipated to be a de minimis increase to the PERS UAL due to the prospective implementation of this measure; however, any future variances from PERS’ actuarial assumptions, including adding a new group to Police and Fire, may increase the UAL and/or employers’ contribution rates.

State Agencies

The changes to employer contribution rates under this measure represent the incremental change of reducing General Service pension employer contribution rates and increasing Police and Fire employer contribution rates for DOJ, OMD, and OSP is indeterminate. The incremental increase will be funded by each agency with a combination of General Fund, Other Funds, and Federal Funds. There is no fiscal impact to the Department of Corrections and Oregon Youth Authority that do not have any positions that fall within the recategorizations.

Counties and Cities

There is an indeterminate impact to counties and cities. While the exact number of positions affected by the recategorization is unknown and dependent on whether an employer determines a position meets the definition as specified by statute, a survey by the Association of Oregon Counties of 10 non-Metro counties and three Portland Metro counties indicates there is a potential impact of at least 620 positions. Depending on the actual number, this could equate to a biennial fiscal impact of approximately $44,000 for smaller populated counties up to $1.5 million for larger populated counties, based on 2025-27 biennium employer contribution rates for PERS. The incremental increase will likely be funded by local General Fund resources. There will be a cost to all employers for associated information technology changes and reporting costs, which are also indeterminate.

This will indirectly impact select county governments that do not participate in the PERS system, but instead independently operate and fund their own retirement system under the statutory condition that the county retirement system is equal-to or better-than the PERS benefit.

Public Employee Retirement System

The fiscal impact to PERS, the agency, is minimal, assuming that PERS is able to make the recategorizations required under this measure to the agency's existing legacy systems as well as update other agency processes and procedures.

Employer contributions received by PERS, and benefit payments made by the agency, are not subject to expenditure limitation (i.e., Nonlimited) and whose impact is indeterminate. Nonlimited Other Funds will be adjusted to account for the impact of the measure beginning with the 2027-29 biennium.

Higher Education Coordinating Commission

There is a minimal fiscal impact to the Higher Education Coordinating Commission (HECC). While HECC does not employ any positions that would be affected by the recategorizations, there are two public universities (University of Oregon and Portland State University) who have employees that would be affected.

Relevant Dates

The measure takes effect on January 1, 2027.