

## SB 1049 – PERS Rate Reduction/Savings Summary

SB 1049 makes several changes to provide PERS rate relief to public employers. The bill does not impact 2019-21 PERS rates but will have the effect of reducing expected system-wide employer rate increases in the 2021-23 biennium by an estimated 5.43% or \$1.2 to \$1.8 billion a biennium. This is accomplished by changing the amortization period for existing Tier 1/2 liabilities, modifying future retiree benefits by redirecting employee Individual Account Program (IAP) contributions and limiting final average salary calculations, allowing retirees to work after retirement without limitation but requiring employers to continue to make employer contributions to apply toward existing unfunded liabilities. The bill also provides Individual Account member choice in selecting investment options, adds new requirements before local governments may issue Pension Obligation Bonds, and requires the PERS Board to report to the Legislature on changes to actuarial methods and assumptions. SB 1049 includes a \$100 million General Fund appropriation and directs the transfer of Lottery Funds from sports betting games to be used as state matching funds for employer contributions into new or existing side accounts created through the Employer Incentive Funds program created in 2018. The bill provides for expedited review by the Supreme Court if challenged. The bill is effective on passage to allow PERS to begin work on implementation related issues but there are various operative and sunset dates as noted below.

Enrolled bill - <https://olis.leg.state.or.us/liz/2019R1/Downloads/MeasureDocument/SB1049/Enrolled>

Provision	Section/s	Effective Date	Summary of Provision
<b>Employee IAP Contribution Redirect to PERS System</b>	1, 4 to 19	July 1, 2020	<ul style="list-style-type: none"> <li>• Until PERS funded status reaches 90%, a portion of employee IAP 6% defined contribution benefit is redirected to the employee’s defined benefit/pension account (Employee Pension Stability Account).</li> <li>• Applies to employees with earnings of more \$2,500/mo (\$30,000/year)</li> <li>• Employees can contribute add’l funds to IAP on after-tax basis</li> <li>• Redirected PERS-eligible salary/wages differ as follows:               <ul style="list-style-type: none"> <li>• Tier 1/2 employees – 2.5%</li> <li>• OPSRP employees - .75%</li> </ul> </li> </ul>

<b>Employer Lump Sum Payments</b>	20-21	Section 20 – payments prior to January 1, 2024; Section 21 – effective January 1, 2024	For a specified period, allows employers to making lump sum payments equal to or greater than \$10 million to a side account to choose the starting date for amortization period used for the lump sum payment to offset contributions to PERS. Use cannot exceed 20 years. If employer chooses start date to apply to lump sum payment, it will not qualify as a lump sum payment to the EIF (see below).
<b>Pension Obligation Bonds</b>	22	When Governor signs	Before issuing pension obligation bonds, requires a public body to obtain a statistically based assessment from an independent economic or financial consulting firm regarding the likelihood that investment returns on bond proceeds will exceed the interest cost of the bonds under various market conditions. A report must be made available to the public that describes the results of the assessment, and discloses whether the public body retained the services of an independent SEC-registered advisor (as defined by federal law). The report must be submitted to the State Treasurer at least 30 days prior to issuing bonds. The State Treasurer must report annually to the State Debt Policy Advisory Commission.
<b>UAL Re-amortization</b>	27-28	“In year 2019”; repealed January 1, 2020	Provides one-time re-amortization of 2019 Tier 1/2 unfunded actuarial liability from 20 years to 22 years. Results in rate reduction of 3.9% in 2021-23 biennium.
<b>Employee Investment Choice</b>	29-30	January 1, 2021	Allows PERS members to choose investment options for IAP accounts. Currently there is no choice and accounts are invested in age-based target-date funds.
<b>Work After Retirement</b>	35-38	Calendar years 2020-2024; repealed January 2, 2025	Allows Tier 1/2 and OPSRP retirees to continue to work for public employer for unlimited hours while still drawing a pension. Public employer determines if continued work is “in the public interest.” Employer must continue to make percentage of wages contribution to PERS as if employee was still an active member. This contribution is considered in addition to the normal contribution and is applied toward existing liabilities of the employer. The employee does not accrue additional retirement benefits.

<b>Final Average Salary Limitation</b>	39-40	January 1, 2020	For Tier 1/2 and OPSRP employees retiring under Formula Plus Annuity and Full Formula benefit plans, Final Average Salary is limited to \$195,000 when calculating benefit. The cap is indexed annually based on CPI.
<b>Employer Incentive Fund</b>	46-55, 58	When Governor signs; proceeds diversion repealed December 31, 2041.	Appropriates \$100 million in one-time funds to Employer Incentive Fund established in 2018 as up to 25% match of employer funds. Proceeds from new sports betting lottery are also directed to the EIF as state match to employer lump sum contributions.
<b>Reporting by PERS Board</b>	57	When Governor signs	PERS Board must provide a report to the Legislature's Joint Ways and Means Committee at least 30 days prior to adopting changes to actuarial methods and assumptions. The report must detail proposed changes and the associated, actuarially determined impact to the total liability of the system, the accrued liability of the system and employer contribution rates.
<b>Supreme Court Expedited Review</b>	65	When Governor signs	Provides for direct expedited review by Supreme Court. Petition challenging the law must be filed within 60 days of effective date.