

PERS UPDATE

*****COBEA JULY 2017**

For Informational Purposes Only***

This information is being provided to assist COBEA members in researching, reviewing, and evaluating how proposed PERS reform and/or changes may impact retirement benefits.

Members are responsible for researching, verifying, and evaluating how these changes and reform measures may impact them and their retirement benefits.

Where to go for PERS Information

To follow these bills and/or any of the other bills in currently in the Legislature, visit the Oregon State Legislative [website](#).

To search bills - In the "Search Bills" box

(right handside of page)

. enter "retirement"

Overview

MEMBERS & EMPLOYERS (as of December 31, 2015)	213,455 active and inactive members	134,323 benefit recipients	~925 employers state, local governments, school districts
NON-RETIRED MEMBERSHIP BY TYPE (as of December 31, 2015)	46,209 Tier One	54,717 Tier Two	112,529 CPSRP
NON-RETIRED MEMBERSHIP BY EMPLOYER (as of December 31, 2015)	54,734 state & university	76,716 local government	82,006 school district
RETIRED MEMBER AVERAGES (for calendar year 2015 retirees)	\$2,362 average monthly benefit payment at retirement	24 years average length of public service	62 average age at retirement
SALARY REPLACED AT RETIREMENT	54% all retirees from 1990-2015	44% 2015 retirees	57% 2015 retirees with 30 years of service
ECONOMIC IMPACT (calendar year 2015)	\$3.5 billion benefit payments to PERS retirees living in Oregon	\$3.9 billion in total economic value to Oregon	36,427 Oregon jobs sustained by PERS benefit payments

System funding

	2009	2010	2011	2012	2013	2014	2015
Funded Status							
Including side accounts	86%	87%	82%	91%	96%	84%	79%
Excluding side accounts	76%	78%	73%	82%	86%	76%	71%
Unfunded Actuarial Liability							
Including side accounts (\$B)	\$8.1	\$7.7	\$11.0	\$5.5	\$2.6	\$12.1	\$16.2
Excluding side accounts (\$B)	\$13.6	\$13.2	\$16.3	\$11.1	\$3.5	\$18.0	\$21.8

Funding sources (1970-2015)

Money for benefit payments comes from three sources



Impact of the Supreme Court PERS Decisions

LESSONS FROM *MORO AND STRUNK*

- Benefits attributable to service already provided are fully protected and cannot be changed.
- Benefits attributable to future service and salary may also be protected depending on the terms of the PERS Contract. They cannot be changed if they:
 - Involve core benefits and
 - The terms of the PERS Contract make them “expressly” or “impliedly” irrevocable.

WHERE DOES THAT LEAVE US?

- Retirees are fully protected and service already provided by Tier 1, Tier 2, and OPSRP members is fully protected.
- This means that the legislature will be looking at active Tier 1, Tier 2, and OPSRP member future benefits to deal with this shortfall.
- OPSRP members are already receiving a lower pension formula and have a higher retirement age and should not be asked to sacrifice more benefits for a problem that they did not create and are not contributing to with their lower cost benefits.

2017 Legislative Concepts

FINAL AVERAGE SALARY CONCEPTS

- **\$100,000 limit on Final Average Salary** would apply prospectively beginning January 1, 2018 for members with service after that date and would apply to the calculation of all OPSRP pension benefits and for Tier 1/Tier 2 benefits determined under the Full Formula or Formula Plus Annuity calculation methods. Tier 1/Tier 2 benefits determined under the Money Match calculation would not be affected. The limit would not be indexed in future years. For members with salary over \$100,000 as of January 1, 2018, the limit on Final Average Salary would apply to service after that date. The member's Final Average Salary calculated as of January 1, 2018 would apply to service earned prior to that date.
- **5-Year Average Salary** would apply to the calculation of all OPSRP benefits and also to Tier 1/Tier 2 benefits determined under the Full Formula or Formula Plus Annuity Calculation methods. Tier 1/Tier 2 benefits determined under the Money Match calculation method would not be affected. The change from a 3-year Final Average Salary to a 5-year Final Average Salary would apply prospectively beginning January 1, 2018 for members with service after that date.

MULTIPLIER CONCEPTS

- **1.00%/1.20% Multiplier** would change the pension multiplier to 1.00% of Final Average Salary per year for general service members and 1.2% for police and fire service after January 1, 2018. Service earned prior to January 1, 2018 would continue to receive the current pension multiplier in benefit calculations.
- **0.25%/0.30% Multiplier** would change the pension multiplier to 0.25% of Final Average Salary per year of service for general service members and 0.30% of Final Average Salary for police & fire members for service after January 1, 2018. Service earned prior to January 1, 2018 would continue to receive the current pension multiplier in benefit calculations.

MONEY MATCH RATE CONCEPTS

- **Change in Money Match Interest Rate** used to convert account balances to monthly lifetime annuities from the current PERS Board long-term investment return assumption of 7.50% to an illustrative interest rate of 3.5%, first effective for 2018 retirements. The rate would be made independent of the PERS Board's long-term investment return assumption.

SICK LEAVE & VACATION CONCEPTS

- **Reducing Sick Leave and Vacation Payouts** that are included in Tier 1/Tier2 members Final Average Salary calculation, beginning with 2018 retirements.
 - **Halving Sick Leave and Vacation Payments** that are included in a Tier 1/Tier 2 member's FAS calculation, beginning with 2018 retirements.
 - **Eliminating Sick Leave and Vacation Payments** that are included in a Tier 1/Tier 2 member's FAS calculation, beginning with 2018 retirements.

MEMBER SIX PERCENT CONTRIBUTIONS

- **Redirecting member contributions** from the defined contribution Individual Account Plan (IAP) to fund Tier 1/Tier 2 and OPSRP benefits beginning in January 2018. Redirected contributions would not add to the Money Match-eligible account balance of Tier 1/Tier 2 members.

PERS ACTUARY FINANCIAL IMPACT ESTIMATE

	12/31/2015 Total Liability (\$B)	12/31/2015 Accrued Liability (\$B)	2017-2019 Uncollared Base Pension Employer Contribution Rates (% of Payroll)		
			Normal Cost	UAL	Total
12/31/2015 Pension Valuation Results	\$83.8	\$76.2	11.79%	17.29%	29.08%
\$100,000 Limit on Final Average Salary	(\$3.3)	(\$2.0)	(1.30%)	(1.55%)	(2.85%)
5-year Final Average Salary	(\$0.7)	(\$0.5)	(0.25%)	(0.40%)	(0.65%)
1.00%/1.20% Multipliers	(\$2.8)	(\$1.8)	(1.20%)	(1.35%)	(2.55%)
0.25%/0.30% Multipliers	(\$6.5)	(\$4.0)	(2.85%)	(3.00%)	(5.85%)
Change in Money Match Interest Rate	(\$0.9)	(\$0.8)	(0.20%)	(0.60%)	(0.80%)
Halving Sick Leave & Vacation Payments	(\$0.35)	(\$0.3)	(0.08%)	(0.22%)	(0.30%)
Eliminating Sick Leave & Vacation Payments	(\$0.7)	(\$0.6)	(0.15%)	(0.45%)	(0.60%)
Redirecting Member Contributions	(\$0.0)	(\$0.0)	(6.00%)	(0.00%)	(6.00%)

ANALYSIS OF PERS PROPOSALS

You can access initial analysis of the 2017 PERS Proposals at the Oregon Legislature's Website

HOW TO SEARCH LEGISLATIVE BILLS

- Go to the Oregon State Legislature website
- From the "Bills and Laws" tab,
- Select "Current Session Details"
- Select "Bills" icon (in the top blue header)
- Type in word/phrase to search; or
- If you know the bill number, select it from the list of Senate or House bills

2017 PERS and Legislative Analysis of Bills and/or Amendments

- [PERS analysis of \\$100,000 Salary Limit](#)
- [PERS analysis of 5-year Average Annual Salary](#)
- [PERS Analysis of Potential 2017 Legislative Concepts](#)
- [PERS Overview of October 2016 Legislative Concepts](#)
- [PERS analysis of Reduction of Pension Multipliers](#)
- [Legislative Staff review of 560 Amendments](#)
- [Legislative Staff review of 560 Amendments - 4.12.2017](#)
- [Legislative Staff review of 560 Amendments - 4.17.2017](#)
- [Legislative Staff review - Fiscal Impact SB560 - 4.17.2017](#)
- [Legislative Counsel Committee review of 560 Amendment #15](#)

RESOURCES

- [Legality of PERS proposals](#) - Legislative Counsel Committee, August 2016
- [Actuarial Analysis of Accelerated Disbursement Option \(ADO\) Concept](#)
- [Bipartisan PERS Solutions Workgroup Meeting](#)
- [Oregon State Legislature](#) website
- [PERS Solutions Work Group](#) website
- [Federal Pension Benefit Guaranty Corporation \(PBGC\)](#)
- [PBGC Interest Rate Archive](#)

HOW TO CALCULATE YOUR PERS PENSION BENEFIT

- **Request written estimate:**
 - **Form**
 - Use the written benefit estimate request if your pension estimate needs to be processed by the PERS divorce unit
 - Maximum vacation payout for an Unclassified employee is 180 hours
 - OSU does participate in the PERS sick leave program
 - Retirement date is always the first of the month, regardless of last day worked
 - **ORP members (Optional Retirement Plan with Valic, Fidelity or TIAA) –**
 - use salary data from date last in a PERS position (i.e., 1996)
 - use sick leave balance at the time membership changed from PERS to ORP (i.e., 1996)
 - do NOT use a vacation balance because unused vacation (if applicable) was not paid out when you changed to the ORP pension program
- Fax (503-598-0561) or mail form directly to PERS
- PERS processes request in the order of retirement date (not in the order requests are received). Recommend using the earliest retirement date possible.

Online Pension Estimate

- >click on Online Member Services
- > Select “Log In”
- >"Open a New Account" and then login.
- > You're now on the Account Home Page.
- > Scroll down and click on "Member" in the "Account Plan" section, you are now on the Account Summary Page.
- > Click on "Benefit Estimate" (on the left hand side of the screen)
- > Click on "Create a New Benefit Estimate", the system will ask a series of questions (i.e., retirement date, beneficiary, etc.)