

employer contribution rates in 2009-11 is expected to cost employers \$600,000 per year or \$1.2 million per biennium.

The actuary also notes that the current break-in-service provision allows certain employees to “game” the system to increase total retirement benefits. The “gaming” is achieved when employees (mainly Tier 1 members) who, due to the reform legislation, will not accrue additional retirement income by working any more years, incur a break-in-service and, after six months, return to employment and begin accruing benefits under OPSRP. It should be noted that the “gaming” only works when employees are reasonably certain of gaining employment (or reemployment) after a six-month break-in-service. The actuary notes that, to the extent members “game” the system, employer contribution rates could increase by more than the .01 of one percent associated with eliminating the break-in-service provision. The actuary did not have sufficient data to estimate the number of employees that would, in fact, “game” the system to gain the increased benefits.

Sections 8-11 changes the manner in which retirement credit is accrued under OPSRP to closely mirror how retirement credit is accrued under Tiers 1 and 2. PERS estimates additional administrative cost of \$153,000 to implement the changes. The PERS actuary estimates this change could increase employer contribution rates by .34 of one percent on OPSRP payroll in 2009-11. Calendar 2005 OPSRP payroll amounted to \$681 million. Assuming an OPSRP payroll of \$750 million would indicate an annual cost to employers of \$2,550,000, or \$5.1 million per biennium.