2009 Regular Legislative Session FISCAL ANALYSIS OF PROPOSED LEGISLATION

Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 399 **STATUS:** A Engrossed

SUBJECT: Allows PERS members restoration of forfeited creditable service or acquiring retirement

credit

GOVERNMENT UNIT AFFECTED: Public Employees Retirement System

PREPARED BY: John Terpening **REVIEWED BY:** Laurie Byerly

DATE: April 29, 2009

	2009-2011	2011-2013
EXPENDITURES:		
IT Professional Services – (Limited Other Funds)	\$ 156,250	\$ 0

EFFECTIVE DATE: January 1, 2010

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: The measure provides for a member of the Public Employees Retirement System (PERS) that also participates in an eligible retirement plan to transfer all or part of the deferred amount be paid for purposes of restoring forfeited creditable service or acquiring retirement credit. The requested amount may not be made available to the member, must be used only for the purposes of restoring forfeited creditable service or acquiring retirement credit, and may not exceed the amount necessary for those purposes. If the amount transferred is not sufficient to restore the forfeited creditable service or purchase retirement credit, the member must pay the difference. The measure directs PERS to adopt rules and establish procedures related to eligibility of members to participate in the transfer, and to ensure the transfers do not adversely affect the Public Employees Retirement Fund.

The measure defines governmental deferred compensation plans, as described in section 457 of the Internal Revenue Code, and tax sheltered annuities, as described in section 403(b) of the Internal Revenue Code, as retirement plans eligible for transfer. The measure has an operative date of September 1, 2011.

PERS states that the measure requires updates to the financial system, jClarety, to calculate the purchases of forfeited creditable service or retirement credits. The calculation would be required to distinguish between pre-tax and after-tax member purchases when determining the payment of retirement benefits and tax coding. This one-time cost is estimated to be \$156,250 for Information Technology Professional Services. The system updates would be completed in 2009-2011 to meet the operative implementation date of the measure.

The Legislative Fiscal Office (LFO) notes that actual costs to update the system may exceed estimates provided by PERS and may vary based on other legislation potentially impacting the agency's financial system.