
MEMORANDUM

Legislative Fiscal Office
900 Court St. NE, Room H-178
Salem, Oregon 97301
Phone 503-986-1828
FAX 503-373-7807

To: *Capital Construction Subcommittee*

From: *John Borden, Legislative Fiscal Office*
(503) 986-1842

Date: April 3, 2013

Subject: *Senate Bill 822*
Public Hearing and Work Session Recommendations

Senate Bill 822 modifies the cost-of-living adjustment and supplementary tax remedy payments for non-Oregon residents under Public Employees Retirement System and directs the PERS Board to recalculate employer contribution rates for the 2013-15 biennium. The measure has an emergency clause and is effective on passage.

The measure is estimated to produce \$460 million of system wide saving, according to an actuarial analysis. In addition, a PERS Board administrative action, as directed by the following budget note, is estimated to produce \$350 million in one-time savings for the 2013-15 biennium.

Budget Note

The following budget note directs the PERS Board to undertake an administrative action that would reduce employer contribution rates by up to 1.9% for system wide savings of approximately \$350 million. The budget note will be included in the budget report for SB 822.

Section 18 of SB 822 directs the Public Employees Retirement System (PERS) Board to "recalculate the contribution rates of all employers, pursuant to ORS 238.225, to reflect the provisions of this 2013 Act." In addition to any employer rate increase that would be deferred in the 2013-15 biennium under the PERS Board's October 2012 rate smoothing methodology, the Legislature directs the PERS Board to undertake additional administrative action(s) to further reduce each PERS employer's rate by up to 1.9% of covered payroll to mitigate rate increases for the 2013-15 biennium, to the extent such administrative action(s) conform to sound accounting and actuarial practices, as determined by the PERS Board in consultation with the system's actuaries.

PERS is directed to report to the Joint Committee on Ways and Means during the 2014 session on the administrative action(s) undertaken by the PERS Board and an estimate of the amount of system wide savings resulting from the action(s).

Motion #1: Move the recommended budget note.

Amendment

There is a -6 amendment to the measure that provides for \$1.01 million in Other Funds expenditure limitation for PERS to implement the measure.

Motion #2: Move the -6 amendment to SB 822.

Measure as Modified

The measure, as amended, is recommended to be moved to the full Committee on Joint Ways and Means.

Motion #3: Move SB 822 to the full committee with a “do pass” recommendation, as modified.