



# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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**To:** Senate Committee on Finance and Revenue

**From:** Paul R. Cleary, Executive Director

**Date:** June 27, 2013

Amendments being considered today to Senate Bill 857 would revise the COLA structure approved in Senate Bill 822 and require use of a different annuitization rate for calculating Money Match benefits for certain inactive PERS members. The estimated impact of the plan design changes in the -3 and -6 amendments is as follows:

### SB 857 -3 and -6 amendments (Estimate)

	UAL Reduction	Employer Rate Reduction	13-15 Budget Impact
SB 822	\$2.6B	2.5% of payroll contributions	\$460M savings
COLA rates to 1.25%/0.15% (-3)	\$1.9B in addition to SB 822	1.9% in addition to SB 822	~\$355M savings in addition to SB 822
<b>Subtotal</b>	~\$4.5B	~4.4%	~\$815M
<b>4% annuitization rate for inactive members* (-6)</b>	\$400M-\$645M in addition to SB 822	0.3%-0.5% in addition to SB 822	~\$55M-\$90M savings in addition to SB 822
<b>Total Impact (-3 and -6)</b>	~\$4.9B-\$5.1B	~4.7%-4.9%	~\$870M-\$910M

COLA – SB 822 already reduced COLA for all benefits from 2% to 1.5% as of July 1, 2013

### \*Factors influencing projected savings associated with 4% annuitization for inactive members:

- The low end 0.3% rate reduction and \$55M in projected 2013-15 savings reflects only inactive members who are not eligible to retire and assumes all inactive members who are eligible will retire before the bill's effective date
- If certain inactive members elect not to retire prior to the effective date, the rate reduction could go as high as 0.5% and savings in 2013-15 could reach about \$90 million
- This estimate is very sensitive to actual retirement behavior because about 4% of the inactive members in this group represent about 40% of the liability; they average around 60 years old so could retire before the amended bill's effective date, so actual savings will be highly dependent on the actions of this small group