

## SB 268: FIXING HIGHER EDUCATION SUPPLEMENTAL RETIREMENT PLAN FORFEITURES

### Summary of SB 268 Issue

Senate Bill 268 creates a way to disburse forfeited employee retirement contributions and earnings that were not transferred to TIAA-CREF because employee participants never vested. This is a **housekeeping amendment** to add to the statute a way of using forfeited plan assets to help cover the employer's PERS liabilities (under ORS 238.225). SB 268 will provide those provisions, and amounts in the forfeiture account will be used by OUS to offset employer contribution amounts.

The **requested amendment to SB 269** was jointly developed by the Oregon University System and the Public Employees Retirement System, both of which concur with the approach and need to disburse the legacy forfeiture account as an offset to future PERS contributions.

### Need for Statutory Amendment

In 1995, the Oregon University System (OUS) closed a 1966 vintage retirement plan to new employees. The Oregon Health and Science University (OHSU) began participation in this plan prior to separating from the OUS. OUS and OHSU jointly administer the plan for their respective participants.

This plan operates in conjunction with PERS. Each participant established a "limited" PERS account and also a supplemental annuity contract through the plan established under ORS 243.910-243.945. Until a participant had five years of service, PERS held the employer contributions intended for the annuity plan in a segregated account, and then transferred the funds to TIAA-CREF when the participant vested. Each year, contributions held in the segregated account received PERS interest earnings. Not all participants vested before separating from employment with OUS, and thus some of these contribution amounts and earnings remained in the account as forfeited since employees were not eligible to receive them.

In 2008, when PERS requested that OUS take possession of the assets in the segregated account, it was discovered that ORS 243.930 included no provisions for disbursement of forfeited, non-vested assets held by PERS. SB 268 will provide those provisions, and amounts in this account will be used by OUS to offset employer contribution amounts.

### Key Components of SB 268

- Total forfeited plan assets available for transfer totaled \$3,022,444 (as of 6-29-12).
- Forfeited plan assets cannot revert to the employer except to offset liabilities for employer contributions under ORS 238.225.
- This amendment will permit a one-time offset of OUS contributions that is required to respond to PERS' request to close out that agency's management of the legacy forfeitures account.