



Oregon

John A. Kitzhaber, M.D., Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
(503) 598-7377
TTY (503) 603-7766
www.oregon.gov/pers

February 4, 2015

TO: Senate Judiciary Committee
FROM: Marjorie Taylor, Senior Policy Director
SUBJECT: Senate Bill 370

Senate Bill 370 establishes a new benefit in the Oregon Public Service Retirement Program (OPSRP) Pension Program. Currently, OPSRP provides a pre-retirement death benefit only to the surviving spouse of a vested member who dies before retiring. This bill proposes to provide a pre-retirement death benefit to former spouses as well, regardless of the member's marital status upon their death.

All benefits under the OPSRP Pension Program are employer funded, so adding a new benefit would increase the normal costs of that program that could in turn increase employer rates. Calculating that increased cost would require data elements that PERS does not and cannot determine, such as the number of members who will include this new benefit in a divorce award and the number of members who will marry and divorce during their employment history (we only know a member's marital status when a benefit application is submitted, not throughout their career).

Under the Tier One and Tier Two programs, if the member dies before retiring, their designated beneficiary receives the member's accumulated contributions and earnings in their regular and variable account, and the balance of the member's Individual Account Program (IAP) account.¹ In other words, the pre-retirement death benefit consists of all of the member's contributions and earnings on those contributions. If the member dies while still in PERS-covered employment (or within 120 days of separating), the employer matches the member's account balance.

When an employee establishes membership in the OPSRP Pension Program, they also establish membership in the IAP. Since inception of these programs in 2003, all employee contributions have been made into the IAP. The accumulated IAP contributions and earnings do provide a pre-retirement death benefit to OPSRP members equal to the balance of the member's account, regardless of marital status, but there is no provision for an employer match.

With regard to the current draft of the bill, PERS has some unresolved issues:

1. How will this benefit be allocated among a deceased member's surviving spouse and any former spouse(s) who are awarded this new benefit?
2. SB 370 does not appear to address the dissolution of registered domestic partners, who are accorded the OPSRP surviving spouse benefit.
3. Applying only to benefits accrued after the bill's effective date creates administrative challenges; e.g., OPSRP Pension benefits are based not only on years of service but also Final Average Salary, which changes over the course of a member's career, so which salary figure would be used?
4. PERS is currently restricted to charging a maximum of \$300 for administration of a divorce decree (ORS 238.465(9)). This fee was set in 1993 (SB 210). Should this bill move forward, we would appreciate the opportunity to consider an appropriate administrative fee (this bill's advocates report willingness to discuss an increase).

Thank you for the opportunity to provide information about this proposed new benefit.

¹ Tier One and Tier Two member contributions have been deposited into the IAP since January 1, 2004, as part of the 2003 PERS reform legislation.