



March 17, 2015

TO: Members of the Ways and Means General Government Subcommittee
FROM: Steven Patrick Rodeman, Executive Director
SUBJECT: PERS Budget (House Bill 5034) – Day One Responses

Thank you for the opportunity to present an overview of the Public Employees Retirement System to you yesterday. Below are responses to the questions that were raised during that presentation:

SCHOOL DISTRICT PERS SAVINGS

Employer rates for School Districts overall were reduced by 2.7% of payroll, starting July 1, 2015. Based on our actuary's projections of School District payroll for the 2015-17 biennium, that reduction in employer rates should save schools roughly \$158 million in PERS costs over that time. Those savings will of course vary by school district depending on their individual rate.

PERSONAL SAVINGS PARTICIPATION RATES

For a successful retirement, public employees will need to balance their "three-legged stool" of PERS defined benefits, Social Security (for those that participate), and personal savings. PERS administers the Oregon Savings Growth Plan (OSGP), for which all state employees are eligible to participate. As of December 31, 2014, 37.5% of state employees (14,671 out of 39,151) participate in OSGP.

OSGP is also available to employees in higher education and participating local governments and school districts. Those entities offer their employees additional savings plans beyond OSGP. Those participation rates are much lower, ranging from 3-6%. On a broader scale, the National Association of Government Defined Contribution Administrators pegs participation rates in the 22-29% range over the past five years.

As you will hear in the Day Two presentation, member retirement education and life-long preparation are special areas of focus for our agency as we emphasize our role in preparing our members for a successful retirement.

LUMP SUM VACATION AND UNUSED SICK LEAVE IN FINAL AVERAGE SALARY

One of the methods we use to calculate member benefits is Full Formula, an element of which is the member's Final Average Salary (FAS). For Tier One members, any lump sum vacation payout or unused sick leave (for employers that chose to participate in that program) is used to increase the member's FAS. Tier Two members can use unused sick leave but not the lump sum vacation payout. OPSRP members do not receive either increase.

We are currently compiling a table for the number of retirements over the last three years that were affected by these increases and the size of the increase. Until we present that table tomorrow, PERS' actuary, Milliman, created a table in connection with their most recent Experience Study

(as of 12/31/2012) which shows the assumed increase to a member’s FAS from including the lump sum vacation payout and unused sick leave:

	Assumed Percent Increase (%)
Unused sick leave (Tier One and Tier Two)	
State general service male	6.25
State general service female	3.75
School district male	7.75
School district female	5.75
Local general service male	4.75
Local general service female	3.00
State police & fire	4.75
Local police & fire	7.50
Dormant members	2.25
Vacation pay (Tier One)	
State general service	0.70
School district	0.25
Local general service	1.00
State police & fire	0.80
Local police & fire	2.00

AVERAGE BENEFIT AMOUNT FOR YEARS OF SERVICE

Slide 8 of the Day One presentation showed an average benefit across the entire retired member population. More detail was requested on the average benefit for members broken out by how many years of service they provided. The table below shows the average monthly retirement benefit for retirees with various years of credited service in fiscal year 2014.

	Years of Credited Service						
	0-5	6-10	11-15	16-20	21-25	26-30	31+
Final average salary (\$)	3,554	3,616	4,205	4,744	5,414	5,821	6,184
Average monthly benefit (\$)	713	1,002	1,311	1,661	2,337	3,384	4,889