



Oregon

Kate Brown, Governor

Public Employees Retirement System

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TO: House Committee on Business and Labor
FROM: Steven Patrick Rodeman, Executive Director
Public Employees Retirement System
SUBJECT: Senate Bill 370A

Senate Bill 370A 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 “protect” spousal benefits for former spouses of OPSRP members that divorce. Contrary to the characterization that this bill “protects” a benefit after divorce, the bill can only have effect if it instead entitles a former spouse to a benefit that the current law does not.

As all OPSRP Pension benefits are funded solely by employers, adding a new entitlement will increase the normal cost for that program. The extent of that increase on employer costs cannot be determined, as we do not know how many members will marry and divorce during their career. PERS does not track a member’s marital status throughout their career, nor the impact of a divorce decree, until the member or beneficiary submits a benefit application.

This table shows the pre-retirement death benefits under both retirement programs we administer:

	Tier One/Two	OPSRP
Pension Benefit:	Regular/Variable Account Balance (Matched if death within 120 days)	50% of the pension that would have been paid to the member
IAP Benefit ¹ :	Account Balance	Account Balance
Payable To:	Designated Beneficiary	Surviving Spouse (Pension) Designated Beneficiary (IAP)

Individual member circumstances will undoubtedly result in disparate results under different structures: the last cadre of Tier Two members have no account balances, and consequently no pension benefit if they die before retirement, whereas an OPSRP member hired the next month would have 50% of their pension paid to a surviving spouse. Senate Bill 370A purports to address one difference, but what is really needed is a more comprehensive consideration of the nature and cost of death benefits provided under both programs.

PERS can certainly participate in such a discussion, but Senate Bill 370A does not resolve the concerns raised about the appropriateness or adequacy of OPSRP Pension pre-retirement death benefits.

Thank you for the opportunity to provide information about this proposed new benefit. Also, please note that a fiscal impact statement was issued on this bill. That fiscal impact is only related to the system programming we foresee to be needed to administer the bill as we understand it; that fiscal impact does not pertain to the additional employer costs that this bill may create.

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; all OPSRP members have contributed to the IAP.