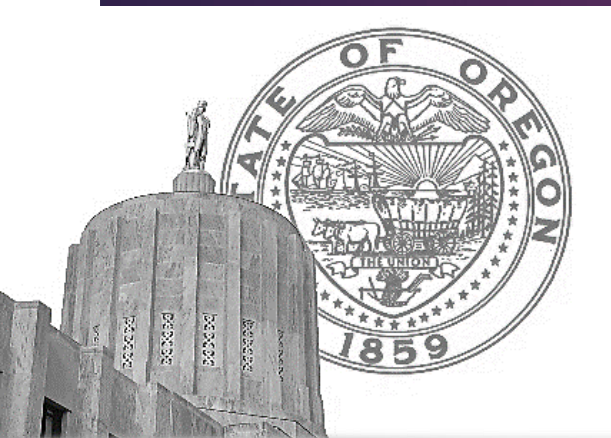


Proposals from the Public on the Public Employees Retirement System (PERS)



General Concepts

1. Replace PERS with 401k plan
2. Eliminate pension plan (defined benefit)
3. Expand Individual Account Program (IAP) (defined contribution)
4. Redirect or add employee contributions to pension fund
5. Provide new funding sources for PERS
6. Offset employer PERS costs
7. Reduce employee retirement benefits
8. Limit growth of Unfunded Actuarial Liability (UAL)
9. Change PERS investment management practices
10. Calculate contribution rates by category of employee

1. Replace PERS with 401k plan

- ▶ Transfer all PERS accounts to 401k
- ▶ Move all elected officials and judges to 401k with mandatory contribution

2. Eliminate pension plan (defined benefit)

- ▶ Discontinue pension program prospectively
- ▶ Offer PERS and OPSRP members cash investment incentive of \$8,000 to \$10,000 to suspend further investment in their pension account

3. Expand Individual Account Program (IAP) (defined contribution)

- ▶ Allow employees to contribute more than 6% to IAP
- ▶ Allow employees more investment options re IAP level of investment risk
- ▶ Move all future OPSRP members to defined contribution model, in which employee contributes 6% and employer contributes 6%, with employee option to pay up to additional 6% to IAP; cap employer match at 12% (same as current max), allowing employee to invest up to 18% or more into IAP

4. Redirect or add employee contributions to pension fund

- ▶ Redirect all or portion of IAP contributions to pension plan (possibly vary percentage of IAP contributions redirected to pension plan by percentage of funded status of system, e.g., divert entire IAP contribution if funded status is below 80%, half of IAP contribution if funded status is above 80%)
- ▶ Require employee contributions to pension plan in addition to contributions to IAP (potentially differentiate contribution rate by tier level—e.g., higher for Tier 1 and Tier 2 than for OPSRP—or by salary—e.g., no contribution on first \$30,000 of salary; allow employees to direct portion of IAP to cover contribution to pension plan)
- ▶ Eliminate IAP for Tier 1 and Tier 2 members; direct their employee contributions to reduce UAL and fund reserve that reduces volatility in employer rates

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4. Redirect or add employee contributions to pension fund

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- ▶ Temporarily redirect Tier 1 and Tier 2 employee contributions into general PERS fund to help fund base retirement benefits until funded ratio reaches 95% or above
 - ▶ Require PERS to establish and fund “employer rate stabilization reserve” with annual earnings exceeding annual earnings rate, and use funds prior to increasing employer contribution rates
 - ▶ Redirect employee contributions paid directly by employer into employee account for purposes of funding employee pension; include funds in actuarial calculations as employer funds for setting employer rates
 - ▶ Redirect employee contributions withheld from employee pay, depositing 50% into employee account for purposes of funding employee pension and 50% into employee’s IAP account
- ▶ Increase employee contribution rate by 1 to 2 percent a year until rate reaches 12 to 14%, for purposes of redirecting a portion or all to employee account created to fund employee pension

5. Provide new funding sources for PERS

- ▶ Fund UAL with savings from furlough days
- ▶ Fund UAL 2% sales tax to fund PERS
- ▶ Fund UAL with tax revenue from sale of marijuana
- ▶ Fund UAL with Oregon State Lottery funds
- ▶ Devote income from revenue reform to system-wide PERS side accounts for rate relief to all employers

6. Offset employer PERS costs

- ▶ Require employees to pay their half of social security taxes
- ▶ Require employees to pay for their share of health care benefits
- ▶ Require employees to share costs for employee disability retirement plan benefit

7. Reduce employee retirement benefits

- ▶ Change calculation of FAS from final three years to five or ten years*
- ▶ Cap annual salary at \$100k for calculation of FAS*
- ▶ Exclude lump sums for sick leave, vacation leave, or overtime from calculation of FAS*
- ▶ Reduce multiplier for calculation of pension benefit under Full Formula*
- ▶ Raise retirement age*
- ▶ Reduce Money Match annuitization rate from 7.5% to 3.5%*
- ▶ Increase years of service required for full retirement from 30 to 32 years
- ▶ Prohibit employees from drawing on PERS benefits until age 62
- ▶ Prohibit double-dipping

* *These concepts are also included in SB 559, SB 560, and SB 913.*

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7. Reduce employee retirement benefits

(continued)

- ▶ Prohibit agencies from raising employee compensation in return for paying their own health care for purpose of artificially increasing FAS
- ▶ Eliminate annual 2% COLA
- ▶ Suspend COLA until PERS is 90% funded
- ▶ Cap total monthly retirement benefits
- ▶ Direct PERS actuary to use risk-free rate of return in calculating Tier 1 Money Match benefit
- ▶ Set annuity rate for Money Match on real market condition instead of on Assumed Interest Rate
- ▶ Eliminate tax remedy benefit for out-of-state PERS retirees
- ▶ Align prospective benefits of Tier 1 and Tier 2 members with OPSRP members, except for earlier retirement ages for Tier 1 and Tier 2

8. Limit growth of Unfunded Actuarial Liability (UAL)

- ▶ Offer PERS members voluntary buyout of pension benefits
- ▶ Offer PERS members paid insurance until age 65 upon early retirement

9. Change PERS investment management practices

- ▶ Reduce investment management costs by managing investments internally

10. Calculate contribution rates by category of employee

- ▶ Establish separate “pots” for funding different categories of PERS members, such as athletic director, teachers, doctors and nurses, first responders, and public works employees