PRELIMINARY ANALYSIS
PUBLIC EMPLOYEES RETIREMENT SYSTEM PROPOSAL
79th Oregon Legislative Assembly – 2017 Regular Session

This form provides an outline for the preliminary analysis of proposals submitted to the Senate Committee on Workforce to address the rising costs and long-term sustainability of the Public Employees Retirement System (PERS). A technical team, including but not limited to individuals from Legislative Counsel, Legislative Fiscal, and PERS, will analyze each proposal under the following criteria for the Committee's consideration.

- Constitutionality
- Order of Magnitude in Savings
- Actuarial Soundness
- Impact on Employer Contribution Rates
- Impact on State and Local Budgets
- Impact on Public Employee Benefits
- Impact on public Employee Workforce
- Equitability of Costs & Benefits to Public Employees
- Administrative Feasibility

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Measure Numbers/LC (if any): Senate Bill 560 -5 amendment

Summary of Proposal: The proposed amendment raises the normal retirement age to 67 for General Service and educational OPSRP members and eliminates the option of retiring with 30 years of service at age 58 or older for General Service OPSRP members. The amendment also raises the early retirement age to 57 for non-Police & Fire OPSRP members. All changes apply to members who establish membership on or after the effective date of the measure.

Summary of Current Law: For OPSRP members, the normal retirement age is 65, or 58 with 30 years of service. OPSRP members may retire early, at age 55, with an actuarially reduced benefit.

Has a detailed actuarial analysis been completed for this proposal? No.

ANALYSIS

The analysis should address each of the following criteria to the extent that information is available.

1. **Constitutionality**
   Legislative Counsel – No constitutional concerns. Raises retirement age only for members who establish membership in PERS on or after the effective date of the Act.

2. **Order of Magnitude in Savings (for next three biennia, if possible)**
   Legislative Fiscal –
   PERS – No actuarial analysis has been completed, so there are no projected savings from this concept.

   LFO – In the absence of an actuarial analysis, the preliminary impact of the amendment is difficult to ascertain; however, given the comments by PERS, there may be minimal to no financial impact for the next several biennia until actual experience is observed and incorporated into future employer rates.

3. **Actuarial Soundness**
   PERS – Within the context of whether this concept would, over the time period considered, allow projected employer contributions and investment income to fully fund the system, this concept would reduce that period (or lower costs during that period) as if it in fact reduces the benefits to be paid.

4. **Impact on Employer Contribution Rates (for next three biennia, if possible, including normal costs, unfunded actuarial liability (UAL), Individual Account Program/employee contributions, state agencies, school districts, and other PERS employers)**
   PERS – Please note that 2017-19 employer contribution rates have already been adopted, and those rate increases were limited by the PERS Board's rate collar policy. Cost reductions, if any, from this concept would be carried over to future biennia when the collar is fully implemented absent specific direction from the legislature to apply those savings in the next cycle. Doing so would postpone the full implementation of non-collared rates.

   As to whether this concept would in fact reduce system costs, we have not conducted an actuarial analysis on this concept so we cannot represent that there would or would not be cost savings. Actual experience would have to be observed over several cycles to see whether this in fact decreases the number of members who become eligible for PERS or the total years of service credit that members acquire.

   LFO – In the absence of an actuarial analysis, the preliminary impact of the amendment is difficult to ascertain; however, given the comments by PERS, there may be minimal to no financial impact for the next several biennia until actual experience is observed and incorporated into future employer rates.

5. **Impact on State and Local Budgets (cost savings and cost shifts, impact on General/Lottery Fund, and potential financial impact on collective bargaining)**
   PERS – See the comment on item 4.

   LFO – In the absence of an actuarial analysis, the preliminary impact of the amendment is difficult to ascertain; however, given the comments by PERS, there may be minimal to no financial impact for the next several biennia until actual experience is observed and incorporated into future employer rates.

6. **Impact on Public Employee Benefits (Tier 1, Tier 2, Oregon Public Service Retirement Plan (OPSRP))**
   PERS – No impact on Tier One or Two benefits as the concept only applies to new members in the system, who join OPSRP. As to those new members who would be affected, any impact is so far into the future (at the end of the careers of people who would join OPSRP after this law's effective date) that any assessment of impact would be speculative.

7. **Impact on Public Employee Workforce (rate of retirements, employers' ability to recruit and retain employees)**
   PERS – As this concept only affects new entrants to the workforce, there's probably no impact on rate of retirements. While no one can reliably predict the impact this will have on the public workforce, we would note that, as of December 31, 2016, over 32% of non-retired members across all Tiers and employer groups (70,335 of 219,220) were eligible to retire based on age or years of service.

8. **Equitability of Costs and Benefits to Public Employees (costs/benefits)**
   PERS – As this concept only affects new entrants to the workforce, but would extend the age at which they would be eligible to retire beyond that for current employees.

9. **Administrative Feasibility**
   PERS – There will be a fiscal impact to the agency to reprogram benefit calculation software to accommodate the new calculation. Additionally, the agency will revise member education material in all formats to reflect the new calculation.

Technical Issues of Note:
Legislative Fiscal – The measure may require clarification to ensure that budgetary savings, if any, begin with the 2017-19 biennium and reduce the recalculated 2017-19 employer contribution rates adopted by the PERS Board. Also, a more complete fiscal analysis will be prepared as the measure advances through the legislative process.