

HB 4159 -1 STAFF MEASURE SUMMARY

House Committee On Business and Labor

Prepared By: Jan Nordlund, LPRO Analyst

Meeting Dates: 2/12, 2/14

WHAT THE MEASURE DOES:

Directs the Public Employees Retirement Board to adopt rules that allow members to choose how their individual account program (IAP) is invested among available options. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Variation in members' tolerance for risk
- Choice available in Oregon Savings Growth Plan
- Whether legislation is needed or if changes could be made through agency rulemaking
- Technology needed to implement member choice

EFFECT OF AMENDMENT:

-1 Modifies language regarding rulemaking by PERS Board to implement this measure. Requires State Treasurer's Office to review legal and fiduciary standards applicable to its office and the Oregon Investment Council with regard to annual election by member to change investment of their IAP. Requires State Treasurer to notify PERS Board by December 31, 2018, if legal and fiduciary standards prohibit implementation.

BACKGROUND:

The individual account program (IAP) is the benefit PERS members have in addition to a traditional pension. Six percent of a member's salary is placed in their IAP; some employees make the contribution while others have their employer pay the contribution. Prior to January 2018, the money in all of the IAP accounts was invested in the same way. Members nearing retirement age had the same investment risk exposure as younger workers. The Oregon Investment Council decided in 2017 to reduce the risk exposure of members as they aged by investing each member's IAP in a target-date fund based on the member's year of birth.

House Bill 4159 allows members to choose which target-date fund in which to invest their IAP or to choose to invest with the other assets of the Public Employees Retirement Fund. The measure allows members to make an election once per calendar year. To implement a program allowing members to select an investment fund, the Public Employees Retirement Board may contract with a private provider with an exemption from public contracting requirements.