

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

Prepared by: Theresa McHugh  
Reviewed by: John Borden  
Date: February 13, 2018

**Measure Description:**

Directs Public Employees Retirement Board to adopt rules providing that, if Oregon Investment Council invests assets of individual account program in multiple risk categories depending on characteristics of individual member, member of individual account program may direct investment of individual accounts in any risk category or with other assets of Public Employees Retirement Fund.

**Government Unit(s) Affected:**

Oregon State Treasurer (OST), Public Employees Retirement System (PERS)

**Summary of Expenditure Impact:**

Costs related to the measure are indeterminate at this time - See explanatory analysis.

**Analysis:**

The bill provides that members have a choice in directing the investment of their Individual Account Program (IAP) accounts; such direction is not available today. The bill directs the Public Employees Retirement Board (PERS) to work with the Oregon State Treasury to establish such a process.

On September 20, 2017, an administrative decision by the Oregon Investment Counsel moved the IAP to a target-date fund solution beginning January 2, 2018, but without providing IAP member choice to make individual investment decisions. This measure provides that member choice or election is effective on January 1, 2019.

PERS outlines several operational issues that will need to be addressed to implement such a program. These include developing a new IAP model and a process for allowing members to change how their accounts are invested, technology changes to support the new model, and staffing and contracting needs to provide member education and communication related to the new model. Given the January 1, 2019 member election date, the measure exempts PERS, for the purposes of this change, from public contracting law. PERS indicates that with that exemption they would likely partner with the current IAP third party administrator to implement the changes.

While it is clear there will be (continued) costs associated with the measure and the PERS Board’s implementation of the OIC decision, such costs are indeterminate at this time. PERS and the Oregon State Treasury would need to first develop the implementation plan in order to derive the costs of the change. A funding request would likely need to be submitted to and considered by the Emergency Board in May 2018.