

SB 555 STAFF MEASURE SUMMARY

Senate Committee On Workforce

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Meeting Dates: 2/26

WHAT THE MEASURE DOES:

Requires retiring PERS member to take distribution of Individual Account Program funds as lump sum rather than installments. Takes effect on January 1, 2021.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Individual Account Program (IAP) is an account-based benefit for all Tier One/Tier Two and Oregon Public Service Retirement Plan (OPSRP) members of the Public Employees Retirement System. The Oregon Legislature created the IAP in 2003 to provide an individual account-based retirement benefit in addition to the member's defined pension benefit. The IAP was established to receive member contributions on salary paid beginning January 1, 2004, and all member contributions (6 percent of covered salary) have been deposited in the IAP since that date.

Upon retirement, a member can receive their IAP account balance as a lump sum payment or in equal installments over 5, 10, 15, 20 years or over the member's actuarially expected lifetime. If a retired member dies before all installment payments are completed, the beneficiary is entitled to receive the remaining installment payments and may choose to receive the remaining amount in a lump sum payment. By some estimates, 85 percent of retired PERS members chose a lump sum payment.

Senate Bill 555 requires retiring PERS members to take a lump sum payment for their IAP account balance, eliminating the option of the member or member's beneficiary to take installment payments over a specified time period.