



February 26, 2019

TO: Senate Workforce Committee
FROM: Marjorie Taylor, Senior Policy Director
SUBJECT: Senate Bill 555

Senate Bill 555

As drafted, Senate Bill 555 proposes to eliminate the option for members to choose an installment distribution of their Individual Account Program (IAP) account for retirements on or after January 1, 2021. Instead, members will be required to take a lump sum payment distribution of their IAP account balance.

At retirement, members may currently choose to take their IAP account as a lump sum payment, or installment payments over 5-, 10-, 15-, or 20-years on a monthly, quarterly, or annual basis. Members may also choose installment payments over an “anticipated life span option.”

PERS has observed that members who choose a lump sum payment generally roll into another investment vehicle or their voluntary Oregon Savings Growth Plan (OSGP) account. For each account on installment payment status, PERS must apply appropriate earnings and losses to the account, and then distribute a custom, annuitized payment to the member on the periodic basis they choose to receive it.

The table below shows the number of members choosing installment options vs. lump sum payouts since 2013. The average IAP account balance at retirement, for all retirements is also shown.

	2018	2017	2016	2015	2014	2013
Total Retirements	7,664	9,449	7,634	8,156	7,338	9,622
Total Lump Sum	6,158 (80.3%)	7,714 (81.6%)	6,239 (81.7%)	6,599 (80.9%)	5,979 (81.5%)	8,093 (84.1%)
Avg Acct Balance	\$55,498.89	\$55,006.05	\$41,368.74	\$35,487.74	\$29,182.76	\$26,580.32
	Number of accounts and % of the total members selecting installment payments/year (in aggregate)					
Total 5-Year	629 – 41.8%	781 – 45.0%	645 – 46.2%	719 – 46.1%	672 – 49.4%	773 – 50.6%
Total 10-Year	474 – 31.5%	536 – 30.9%	426 – 30.5%	461 – 29.6%	367 – 27.0%	422 – 27.6%
Total 15-Year	136 – 9.0%	146 – 8.4%	109 – 7.8%	128 – 8.2%	112 – 8.2%	102 – 6.7%
Total 20-Year	84 – 5.6%	102 – 5.9%	67 – 4.8%	90 – 5.8%	58 – 4.3%	52 – 3.4%
Total ALSO	183 – 12.2%	170 – 9.8%	148 – 10.6%	159 – 10.2%	149 – 11.0%	176 – 11.5%

If this legislation moves forward, PERS suggests an amendment that would require a member to designate a beneficiary or beneficiaries of the account when they retire. It may take 180 days to process the retirement application and distribute the lump sum payout. Members have been known to die within that timeframe. This suggested amendment would ensure clear direction to PERS as to where the remaining benefit should go in the event of a member death.