

HB 2861 A STAFF MEASURE SUMMARY

House Committee On Business and Labor

Action Date: 04/08/19

Action: Without recommendation as to passage, with amendments, and be referred to Ways and Means. (Printed A-Eng.)

Vote: 11-0-0-0

Yeas: 11 - Barker, Barreto, Boles, Bonham, Boshart Davis, Bynum, Clem, Doherty, Evans, Fahey, Holvey

Fiscal: Fiscal impact issued

Revenue: No revenue impact

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Meeting Dates: 4/3, 4/8

WHAT THE MEASURE DOES:

Directs Public Employees Retirement Board to provide member of individual account program (IAP) with written disclosure statement about available investment options. Provides that State of Oregon, Oregon State Treasurer, Oregon Investment Council, and Board are not liable for losses suffered by member because of member's investment selection. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Legislation in 2018 (House Bill 4159) to allow member choice of IAP investment
- Implementation of HB 4159 halted after State Treasurer raised concerns

EFFECT OF AMENDMENT:

Modifies what must be contained in written disclosure statement. Modifies scope of Board rulemaking. Modifies language limiting liability.

BACKGROUND:

The Individual Account Program (IAP) of the Public Employee Retirement System (PERS) includes over 250,000 member accounts for Tier One, Tier Two, and Oregon Public Service Retirement Plan (OPSRP) benefit plans. The IAP, an account-based plan nearly identical to a defined contribution plan, is funded with member contributions, equivalent to six percent of a member's salary. The member contribution can be paid by the employee or assumed and paid by the employer; generally, the contribution is made on a pre-tax basis. Since inception on January 1, 2004, the IAP has been invested no differently than other assets in the Oregon Public Employees Retirement Fund. The IAP earns a market rate of return.

In 2017, the Oregon Investment Council (OIC) mandated a move of the Individual Account Program to a target-date fund solution beginning January 2, 2018. Members were not given a choice in making individual investment decisions. This change has implications to a member's IAP benefit, the administration of PERS (including an ongoing IAP information technology project), as well as State Treasury's Investment Division.

House Bill 4159 (2018) was enacted in response to OIC's administrative action. That measure provided for IAP member choice in investment options beginning on January 1, 2019. The measure gave the Office of the State Treasurer authority to determine whether legal or fiduciary standards prohibit implementation of member choice. The Treasury subsequently raised concerns and, consequently, the Public Employee Retirement Board did not adopt rules to implement member choice.

House Bill 2861-A allows member choice to be implemented; individual elections can begin January 1, 2020. The measure directs the Board to provide each member with a written disclosure statement that contains information

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regarding investment options, including the risk and return characteristics of the investment options, that members should consider when making an option. The measure limits the liability of the state, State Treasurer, Oregon Investment Council, and Board, and their officers and employees, related to a member's choice of IAP investment options.