

HB 2906 A STAFF MEASURE SUMMARY**Carrier:** Sen. Wagner**Senate Committee On Rules**

Action Date: 05/27/21
Action: Do pass the A-Eng bill.
Vote: 3-1-1-0
Yeas: 3 - Burdick, Manning Jr, Wagner
Nays: 1 - Girod
Exc: 1 - Thatcher
Fiscal: Fiscal impact issued
Revenue: No revenue impact
Prepared By: Leslie Porter, LPRO Analyst
Meeting Dates: 5/25, 5/27

WHAT THE MEASURE DOES:

Increases monthly salary threshold from \$2,500 to \$3,333 that triggers portion of Public Employees Retirement System (PERS) member's salary to be redirected from their Individual Account Program (IAP) to their pension stability account. Applies to calendar months beginning on and after effective date.

ISSUES DISCUSSED:

- Public Employees Retirement System (PERS) employer contributions
- PERS employee monthly salary cap versus annual salary cap
- Limits of current software used

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Senate Bill 1049 (2019) made several changes to the Public Employees Retirement System (PERS) to reduce the unfunded actuarial liability. One change requires a portion of a member's salary be redirected from their Individual Account Program (IAP) contribution to their pension stability account if their salary exceeds \$2,500 per month. For Tier 1 and Tier 2 members whose salary exceeds \$2,500 per month, 2.5 percent of monthly salary is redirected; for Oregon Public Service Retirement Plan (OPSRP) members whose salary exceeds \$2,500 per month, 0.75 percent is redirected. The redirect provision went into effect on July 1, 2020. In accordance with statute, the PERS board adjusts the salary threshold on January 1 of every year to reflect the impact of inflation. As of January 1, 2021, the threshold is \$2,535 per month.

PERS members who *on average* earn \$2,500 per month (\$30,000 annually) may experience a month or more during the year when they earn more than \$2,500. Advocates for these PERS members want to ensure that a worker who earns less than \$30,000 per year is not subject to the pension redirect and that their IAP retains the full six percent contribution.

House Bill 2906 A increases the monthly salary threshold from \$2,500 to \$3,333 that triggers a portion of PERS member's salary to be redirected from their Individual Account Program (IAP) to their pension stability account. As per existing statute, the monthly salary threshold will be adjusted annually to reflect the impact of inflation.