



Oregon

Kate Brown, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
(503) 598-7377
TTY (503) 603-7766
www.oregon.gov/pers

April 22, 2021

TO: House Committee on Rules

FROM: Kevin Olineck, Director, PERS

SUBJECT: HB 2906 Public Hearing Testimony, April 22, 2021

This bill addresses an outcome of SB 1049 (2019) where, in its initial form, the salary threshold was set at \$30,000 per annum. However, using an annual threshold makes administering this legislative element almost impossible. I believe it was the -2 amendment of SB 1049 that changed the salary threshold to \$2,500 per month at PERS' request so that we could appropriately administer this.

Over the course of this legislative session, we have had discussions with legislators to find a workable/administrable solution and the proposed -2 amendment to HB 2906, which raises the monthly limit effective January 1, 2022 allows for that. PERS has to update the monthly amount each January 1st to allow for CPI increases so, instead of increasing the current monthly amount of \$2,535 to \$2,535 plus applicable CPI, PERS would change the monthly amount to \$3,333 and then adjust that amount on a yearly basis with CPI going forward without incurring an internal resource/fiscal impact.

There will be an impact to the amount of contributions brought in via the Member Redirect element of SB 1049 with the increased monthly threshold. We have estimated that there will be a \$5 million per year or \$10 million per biennia impact. The last actuarial estimate, when we set the 2021-2023 contribution rates, anticipated a \$295 million per biennia Member Redirect offset. That will now be reduced to \$285 million per biennia.

Contextually, we anticipate bringing in a total of \$4.67 billion in contributions over the course of the 2021-2023 biennia. This \$10 million reduction to Member Redirect contributions will be reflected in the 2023-2025 rate setting process where the Member Redirect offset will reduce slightly from 2.44% to 2.40% for Tier One/Tier Two members and from 0.69% to 0.66% for OPSRP members, thereby increasing employers rates by 0.04% for Tier One/Tier Two members and by 0.03% for OPSRP members based on current actuarial assumptions.

Sincerely,

Kevin Olineck
PERS Director