

**FISCAL IMPACT OF PROPOSED LEGISLATION****Measure: HB 2701 - 3**

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Legislative Fiscal Office

*Only Impacts on Original or Engrossed Versions are Considered Official*

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Prepared by: Tim Walker  
Reviewed by: John Borden, Steve Robbins, Amanda Beitel, John Terpening  
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**Measure Description:**

Increases retirement benefits and lowers normal retirement age under Oregon Public Service Retirement Plan for telecommunicators and employees of Oregon State Hospital.

**Government Unit(s) Affected:**

Public Employees Retirement System, Department of State Police, Oregon Health Authority, Department of Justice, Special Districts Association of Oregon, Cities, Counties, Judicial Department, Department of Emergency Management

**Summary of Fiscal Impact:**

Costs related to the measure may require budgetary action - See analysis.

**Analysis:** The measure would create an entirely new classification of Public Employees Retirement System (PERS) membership called "Hazardous Position" by including it as a defined term under ORS Chapter 238A.005. An Oregon Public Service Retirement Plan member would only qualify as a member of the "Hazardous Position" class if the member's job meets the general definition of a "Hazardous Position" and the member is employed by one of the listed employers in the definition of a "Hazardous Position." This new classification would provide, to those who qualify, the same multiplier for final average salary as police and fire (P&F) members and a normal retirement age of 60 or age 58 with 25 years of service with the last five continuous years of service being in a hazardous position. For the purposes of the five continuous years, an individual employee of the Oregon State Hospital or as a telecommunicator from 2019 forward would be counted. For the purposes of actuarial determination on employer pension contributions and disability benefit funding, the employers and the PERS Board are required to treat this population of members separately. Key provisions of the measure become operative on January 1, 2025, however, PERS may take action before the operative date of the measure.

The measure creates a new classification of PERS membership that would provide some of the enhanced benefits like those available to the P&F members. Creating a new member classification would require updating computer applications, forms, and training materials, among other costs. PERS estimates the one-time administrative cost to implement the measure to be \$3.8 million Other Funds and 28 positions (14.50 FTE). PERS estimates 2025-27 ongoing costs to be \$2.2 million Other Funds, 29 positions and 14.75 FTE. ORS 238.610 directs that the administrative operations expenses for the agency are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

PERS anticipates the actuarial cost increase to select employer contributions to be up to \$7.5 million annually or \$15 million per biennium. Because hazardous position members can use prior service in the same position to qualify for the reduced retirement age, this will create an amount of Unfunded Actuarial Liability (UAL), as those increased benefits will not have time to be funded within the plan. This portion of the UAL would be charged directly to the affected employers rather than spread across the entire UAL pool. The actual impact to UAL is indeterminate at this time.

Special Districts Association of Oregon, Cities, and counties anticipate an increase in PERS rates due to the measure and this increase will depend on the number of participants.

The Department of State Police, Oregon Health Authority, Department of Justice, Cities, Counties, Judicial Department, Department of Emergency Management anticipate a minimal fiscal impact.