

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2296 A

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Makes permanent provisions allowing retired member of Public Employees Retirement System to be reemployed by participating public employer for unlimited number of hours without reduction in pension benefits.

Government Unit(s) Affected:

Department of Justice, Judicial Department, Public Employees Retirement System

Summary of Fiscal Impact:

Costs related to the measure are indeterminate at this time - See explanatory analysis.

Analysis: The measure makes extends the provisions allowing retired members of the Public Employees Retirement System (PERS) to be reemployed by participating public employers for an unlimited number of hours without reductions in pension benefits. This is more commonly referred to as “Work After Retirement (WAR).” The measure clarifies other provisions of statute. The sunset is extended through the calendar year 2034.

The WAR provision was part of a 2019 legislative reform measure (SB 1049) and slated to sunset at the end of calendar year 2024. WAR was originally estimated by the PERS actuarial firm to save 0.80% of PERS-eligible payroll costs for 18 months of the 2019-21 biennium and with higher savings in future biennia up to the provision’s sunset. Employer contributions for WAR participants are used to paydown the Unfunded Actuarial Liability (UAL).

This measure extends WAR through calendar year 2034; however, PERS states that the extension will not result in any reduction to employer contributions and that 2023-25 Board adopted employer contributions rates do not account for any associated savings from WAR. With that said, PERS reports that the WAR provision has generated the following amounts of revenue: \$39.2 million for CY2020, \$42.3 million for CY2021, and \$46 million for CY2022. Based on the average of these three years (\$42.5 million), it could be anticipated that this measure would have a \$7.1 million impact to the 2023-25 biennium (final six months of the biennium) and an \$85 million impact for the 2025-27 biennium (24 months). Actual revenue would be used to reduce the UAL. In theory, any reduction to the UAL will reduce future employer contribution rates.

PERS would have a minimal fiscal impact to implement the measures. There is no fiscal impact to either the Department of Justice or the Judicial Department.