

# PERS Reform Options Outlined in SB 754

Following is a breakdown of the PERS reform options contained in Senate Bill 754, drafted by the Oregon School Boards Association.

## 1. Cap Cost of Living Adjustments

- a. 2013-15 savings for school districts: Approximately \$245 million
  - i. Capping the COLA will still allow all PERS retirees some level of a COLA on their retirement benefits.

## 2. Eliminate the PERS Tax Adjustment for Out-of-State Retirees

- a. 2013-15 savings for school districts: Approximately \$16.7 million
  - i. PERS retirees receive extra money to offset the effect of state taxation on their retirement plans. PERS makes these payments to the pension whether or not the retiree lives or pays taxes in Oregon.

## 3. Redirect the 6% Individual Account Plan (IAP) for Tier 1 and Tier 2 Members

- a. 2013-15 savings for school districts: Approximately \$173 million
  - i. State law requires PERS Tier 1 and Tier 2 and OPSRP members to contribute 6% of their salary to retirement, although 70% of public employers “pick up” the employees’ share [Hillsboro School District does NOT do this]. The 6% is placed into an individual account where it behaves like a 401k, which the member will receive at retirement in addition to their standard pension formula. This proposal would redirect the 6% from Tier 1 and Tier 2 members back into the PERS fund so members have “buy-in” into the system.

## 4. Reduce the Money Match Annuity Rate

- a. 2013-15 savings for school districts: Approximately \$67 million
  - i. The “Money Match,” which is a unique benefit only to Oregon’s pension plan, has generated increased benefits for most retirees who receive it. Under “Money Match,” a member’s individual account balance grows at 8% each year, guaranteed. At retirement, the account balance is doubled, and the resulting balance is converted to an annuity, which also grows at 8% annually. Money Match retirees also receive the 2% COLA.

## 5. Prevent Pension “Spiking”

- a. 2013-15 savings for school districts: Approximately \$39 million
  - i. Government employees about to retire can apply overtime, vacation pay, unused sick pay and other adjustments to boost the level of final average salary (FAS; used in pension formulas) of near-term retirees. The recommended reform would tighten the definition of FAS to mitigate pension spiking.

For more information, please listen to the [OSBA Webinar on PERS](#), linked from our website on the [Budget Matters](#) webpage.