



Oregon

Theodore R. Kulongoski, Governor

Department of Administrative Services

Human Resource Services Division

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To: All State Employees

From:  Susan B. Wilson, Administrator
Human Resource Services Division

Subject: PERS Update and Beneficiary Designations

There were numerous changes to the Public Employees Retirement System (PERS) during the last legislative session that went into effect January 1, 2004. The most significant change was the creation of the new Oregon Public Service Retirement Plan (OPSRP). If you were hired on or after August 29, 2003, you are a member of the new OPSRP. If you were hired prior to August 29, 2003, and have not had a break in service with a PERS-participating employer of six months or more, you are a PERS member.

Regardless of whether you are a PERS or OPSRP member, you now have an Individual Account Program (IAP) account. The IAP is the defined contribution portion of the State's retirement plan that applies to all active members.

As a PERS member, you retain your existing PERS member account. However, as of January 1, 2004, your employee contributions (the six percent paid by the State on your behalf) are being deposited in your IAP Employee Account. Your IAP account is credited with earnings and losses.

As an OPSRP member, your employee contributions are also deposited in your IAP Employee Account and are credited with earnings and losses, but you are not eligible for any benefits under the previous Tier 1 and Tier 2 system.

As a PERS or OPSRP member with an IAP account, you should have an "IAP Beneficiary Designation" form on file with PERS to ensure that your retirement benefits under the IAP are paid to the appropriate beneficiary in the event that you die prior to retirement. The payment of death benefits from the IAP is governed by statute and has different provisions than those governing the Tier 1 and Tier 2 system. **You need to submit an "IAP Beneficiary Designation" form even if you previously submitted a PERS beneficiary designation form. However, this designation will not replace any previous designation you made for the Tier 1 and Tier 2 retirement system.**

The attached packet includes an "IAP Beneficiary Designation" form and instructions for completing the form. Please read the instructions and complete and return the appropriate form to PERS immediately to ensure your IAP retirement benefit is paid to the appropriate beneficiary, if necessary. Completed forms should be mailed to:

PERS - IAP Beneficiary
P.O. Box 23700
Tigard, OR 97281-3700

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If you are a PERS member and you are unsure who you have selected as the beneficiary on your PERS account or want to change the beneficiary, you can submit a separate beneficiary designation form for that account. The "Designation of Beneficiary" form for the Tier 1 and Tier 2 retirement system is available on the PERS website at: www.pers.state.or.us/member/section/persplan/forms.

For more information on the PERS and OPSRP retirement plans, please go to the PERS website at: www.pers.state.or.us/member/.



Oregon Public Service Retirement Plan

The 72nd Oregon Legislature created the Oregon Public Service Retirement Plan (OPSRP). Public employees hired on or after August 29, 2003 become part of OPSRP, unless membership was previously established in PERS.

OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components: the Pension Program (defined benefit) and the Individual Account Program (defined contribution). A defined benefit plan is benefit-based and uses predictable criteria such as a pension determined by salary x length of service x factor. A defined contribution plan has no guarantee. Members make contributions; employers may or may not also make contributions. When a member retires, he or she receives the contributions plus any earnings or losses that have accrued.

A Tier One or Tier Two PERS member who has a six-month service break becomes a member of OPSRP for any subsequent employment upon rehire. (Note: There are certain exceptions to the service break rule, such as military service).

Beginning January 1, 2004, PERS member contributions will go into the Individual Account Program (IAP) portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions will be deposited in the member's IAP, not into the member's PERS account.

OPSRP is administered by PERS, the agency. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS review purposes. The Oregon Investment Council will invest plan assets.

Pension Program

This portion of OPSRP provides a life pension funded by employer contributions.

~~Benefits are calculated with the following formula for members who attain normal retirement age:—~~

Police and fire (P&F): 1.8 percent x final average salary x years of service. Normal retirement age for P&F members is age 60 or age 53 with 25 years of retirement credit. To be classified as a P&F member, the individual must have been employed continuously as a P&F member for at least five years immediately preceding retirement.

General service: 1.5 percent x final average salary x years of service. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

~~"Final average salary" is the higher of the average of the highest three consecutive years (or less if the member was employed for less than three years) or 1/3 of total salary in the past 36 months. In~~

determining final average salary, "excess" overtime is not included. Excess is defined as overtime paid above the "average" paid to employees of that class during the time period being averaged, as established by PERS rule.

Years of service are earned by working 2,000 hours or more per calendar year. Working 600 to 2,000 hours per year provides a prorated share of a year's retirement credit (i.e., hours worked divided by 2,000). (Note: A special provision for school teachers provides a pro rata credit for years where the teacher works between 600 hours and whatever the maximum a given district declares to be a full-time equivalent for that district).

Individual Account Program (IAP)

Effective January 1, 2004 for current PERS member, the 6 percent contribution will be made to the IAP account rather than the existing PERS account.

For OPSRP members a 6 percent of salary contribution will be paid to the IAP account. An employer picking up, paying, or assuming member contributions must continue to do so until December 31, 2005. Thereafter, the employer must continue to do so unless the employer notifies the PERS Board in writing of a change in the employer's policy.

Member contributions are to be placed in an "employee account." Accounts are to be credited with earnings and losses. Administrative costs of the plan are to be charged to these accounts.

At retirement, the member may receive the IAP as a lump-sum payment or in equal installments over a 5, 10, 15, or 20-year period. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Public Employees Retirement Web Site

Additional information can now be found on the internet about the different programs, policies, and forms relating to state employees retirement.

Main Site <http://www.oregon.gov/PERS/>

Department of Corrections Personnel Records

If you have any questions regarding the Public Employees Retirement System please contact Personnel Records