



Oregon

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Public Employees Retirement System

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November 21, 2014

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Adoption of Oregon Savings Growth Plan (OSGP) Rules:
OAR 459-050-0076, *In-Plan Roth Conversion*
OAR 459-050-0120, *Self-Directed Brokerage Option*

OVERVIEW

- Action: Adopt modifications to the OSGP rules.
- Reason: Update the rules to reflect changes to federal law and proposed improvements in the program.
- Policy Issue: No policy issues were identified.

SUMMARY OF RULE PROVISIONS

OAR 459-050-0076, *In-Plan Roth Conversion*, allows plan participants to convert their pre-tax dollars in OSGP to after-tax and move their money to the Roth 457 account. Initially, the Internal Revenue Code only allowed this option after plan participants had a severance from employment. However, with the passage of the American Taxpayer Relief Act of 2012, plan participants are now eligible to convert any pre-tax money in their OSGP account to the Roth 457 account while still employed.

Paragraph (1)(a)(A) of the rule has been modified and paragraph (B) has been deleted because plan participants no longer need a severance of employment to be eligible for an In-Plan Roth Conversion. Paragraph (1)(a)(E) has been deleted because the IRS has not provided guidance that non-spouse beneficiaries are eligible for In-Plan Roth Conversion.

Finally, subsection (3)(a) has been modified because only plan participants who are making a Roth conversion after a severance from employment are required to receive a written explanation on the rollover eligibility of their Roth conversion amount.

OAR 459-050-0120, *Self-Directed Brokerage Option*, was adopted in 2011 to implement the new option added to the OSGP. Previously, the Oregon State Treasury required that participants have at least \$20,000 in their OSGP account before they could participate in the Self-Directed Brokerage Option. Treasury has now agreed to lower the restriction to a \$10,000 account balance. This change was approved by the Oregon Investment Council (OIC) at its July 30, 2014 meeting. Subsection (2)(a) of the rule was modified to reflect the new dollar amount.

SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

No modifications were made to the rules.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held October 21, 2014 at 2:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The public comment period ended October 30, 2014 at 5:00 p.m. No public comment was received.

LEGAL REVIEW

The attached rules were submitted to the Department of Justice for legal review and any comments or changes are incorporated in the rules as presented for adoption.

IMPACT

Mandatory: Yes, to comply with IRS Code and OIC policy changes.

Impact: Edits to improve administration of the OSGP for members and staff.

Cost: There are no discrete costs attributable to the rule changes.

RULEMAKING TIMELINE

September 15, 2014	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
September 26, 2014	PERS Board notified that staff began the rulemaking process.
October 1, 2014	<i>Oregon Bulletin</i> published the Notice. Notice was sent to employers, legislators, and interested parties. Public comment period began.
October 21, 2014	Rulemaking hearing held at 2:00 p.m. at PERS in Tigard.
October 30, 2014	Public comment period ended at 5:00 p.m.
November 21, 2014	Board may adopt the permanent rule modifications.

BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt modifications to the OSGP rules, as presented.”
2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: Update the rules to reflect changes to federal law and proposed improvements in the program.

If the Board does not adopt: Staff would return with rule modifications that more closely fit the Board’s policy direction if the Board determines that a change is warranted.

B.3. Attachment 1 - OAR 459-050-0076, *In-Plan Roth Conversion*

B.3. Attachment 2 - OAR 459-050-0120, *Self-Directed Brokerage Option*