



Oregon

Kate Brown, Governor

Public Employees Retirement System

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March 28, 2022

TO: Members of the PERS Board

FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section

SUBJECT: Adoption of Salary and Contribution Limits Rules:
 OAR 459-005-0525, *Ceiling on Compensation for Purposes of Contributions and Benefits*
 OAR 459-005-0545, *Annual Addition Limitation*
 OAR 459-017-0060, *Reemployment of Retired Members*
 OAR 459-080-0400, *Employee Pension Stability Account (EPSA)*
 OAR 459-080-0500, *Limitation on Contributions*

OVERVIEW

- Action: Adopt the Salary and Contribution Limits rules.
- Reason: Update rules to reflect the 2022 Internal Revenue Code (IRC), Social Security, salary limit, and monthly salary threshold for the Employee Pension Stability Account (EPSA).
- Policy Issue: None identified.

BACKGROUND

The Internal Revenue Service revises various dollar limits annually based on cost-of-living adjustments. These revisions are used throughout the PERS plan's statutes and rules, but revisions to the limits must be adopted by the legislature or PERS Board to be effective.

The proposed rule modifications to OAR 459-005-0545 and 459-080-0500 incorporate these federal adjustments for calendar year 2022 and are necessary to ensure compliance with the federal limits on the amount of contributions. In addition, the proposed modifications to OAR 459-017-0060 adopt the 2022 Social Security earnings limitations.

Also, under ORS 238.005, 238A.005 and 238A.330, as amended by SB 1049 (2019), on January 1 of each year, the PERS Board shall adjust the overall salary limit, and the salary threshold for Employee Pension Stability Account (EPSA) contributions to reflect cost of living increases from the previous year, based on the Consumer Price Index (CPI) for All Urban Consumers, West Region (All Items), as published by the Bureau of Labor Statistics of the United States Department of Labor. As of December 2021, this CPI was 6.4%. The amendments to OAR 459-005-0525 update the 2022 calendar year salary limit to \$210,582.

For the monthly threshold for contributions to the EPSA, HB 2906 (2021) provides that, if the monthly salary of an IAP member does not exceed \$3,333, the PERS Board shall credit all employee contributions made by the member to the employee account and credit no employee contributions made by the member to the EPSA. The amendments to OAR 459-080-0400 update

the monthly threshold for contributions to the EPSA to \$3,333 for calendar year 2022. This amount will be adjusted annually by the same CPI as the annual salary limit.

SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

No modifications were made to the rules.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on February 22, 2022, at 2:00 p.m. No members of the public attended. The public comment period ended March 7, 2022, 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, statute requires the PERS Board to update its rules to reflect revisions by the IRS and Social Security Administration and to update its rules to reflect cost of living increases from the previous year for salary limit and EPSA contributions salary threshold.

Benefit: Clarifies the limits for contributions and benefits under federal law for calendar year 2022 and clarifies salary limit and EPSA contributions salary threshold for calendar year 2022.

Cost: There are no discrete costs attributable to the rules.

RULEMAKING TIMELINE

January 28, 2022	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
January 31, 2022	PERS Board notified that staff began the rulemaking process.
February 1, 2022	Secretary of State published the Notice in the Oregon Administrative Rules Database. Notice sent to employers, legislators, and interested parties. Public comment period began.
February 22, 2022	Rulemaking hearing held remotely at 2:00 p.m.
March 1, 2022	Public comment period ended at 5:00 p.m.
March 28, 2022	Board may adopt the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the Salary and Contribution Limits rules, as presented.”

2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.5. Attachment 1 - 459-005-0525, *Ceiling on Compensation for Purposes of Contributions and Benefits*

B.5. Attachment 2 - 459-005-0545, *Annual Addition Limitation*

B.5. Attachment 3 - 459-017-0060, *Reemployment of Retired Members*

B.5. Attachment 4 - 459-080-0400, *Employee Pension Stability Account (EPSA)*

B.5. Attachment 5 - 459-080-0500, *Limitation on Contributions*