



What you need to know about Senate Bill 1049 as a PERS employer reporter

Details are updated as PERS implements SB 1049. Find the latest information for PERS-participating employers on <https://www.oregon.gov/pers/EMP/Pages/SB1049.aspx>.

Contact your Employer Service Center (ESC) representative with any questions: <https://www.oregon.gov/pers/EMP/Pages/ESC-Representatives.aspx>

This information simplifies some of the changes under SB 1049 and may not reflect all situations. Information is subject to change. Published March 2020.

WORK AFTER RETIREMENT CHANGES (Effective January 1, 2020)

If you choose to hire (or continue employing) any PERS service retiree during 2020 through 2024, most of those retirees (see exception for early retirees below) can work an unlimited number of hours in those calendar years while continuing to receive their PERS pension benefit. **Contact your ESC representative for questions about wage codes, invoicing, and employer reporting.**

It is up to you, as the employer, whether or not to hire a PERS retiree, and, if you do hire them, how many hours they can work. **PERS is not involved in the hiring decisions between retirees and employers.**

Early retirees: Employees who retired early can work unlimited hours only after they have had a **complete break in all employment with any PERS-participating employer for at least six months** (including temporary work and work under the existing Work After Retirement limits). If the early retiree has not had a complete break from all PERS-participating employment for at least six months from their effective retirement date, the 1,039-hour limitation (Tier One/Tier Two members) or 600-hour limitation (OPSRP members) applies. Full details and decision flowcharts are available for members and employers on the PERS website.

Disability retirees: SB 1049 does not affect disability retirements.

Learn more: <https://www.oregon.gov/pers/RET/Pages/SB1049-Changes-Work-After-Retirement.aspx>

NEW SALARY LIMIT (Effective January 1, 2020)

Starting January 1, 2020, SB 1049 changed the definition of “salary” for PERS purposes and created a new \$195,000* limitation on subject salary. The limit impacts what PERS considers “subject salary” paid **after** January 1, 2020, but **does not impact salary paid before that date.**

PERS subject salary is used to determine member Individual Account Program (IAP) contributions, employer contributions to fund the pension program, and the Final Average Salary (FAS) used in calculating retirement benefits under formula methods.

**The limit is indexed annually to the Consumer Price Index (CPI) [All Urban Consumers, West Region].*

Learn more: Illustrative examples to help members understand how they may or may not be affected by the salary limit are available at:

<https://www.oregon.gov/pers/MEM/Pages/SB-1049-Changes-Salary-Limit.aspx>

Subject and non-subject salary: Review the annual salary limits and information about payment categories to confirm what is considered subject and non-subject salary at:
<https://www.oregon.gov/pers/EMP/Pages/Employer-Tools.aspx>

Partial years: If you have an employee who works fewer than 12 months during a calendar year, their salary limit will be prorated based on the number of months they are employed in an active, qualifying position that year. For example, if a member terminates on August 3, 2020, after working prior to 2020, they would have **eight months** of “active membership” for 2020. Their 2020 partial year limit would be:

$$(8 \div 12) \times \$195,000 = \$130,000 \text{ partial year limit}$$

IAP MEMBER REDIRECT *(Effective July 1, 2020)*

New Employee Pension Stability Account: Starting July 1, 2020, for all currently employed Tier One/Tier Two and OPSRP members earning more than \$2,500 a month, a portion of their 6% IAP contributions will be redirected to an “Employee Pension Stability Account” (EPSA). The member’s EPSA will be used to pay for part of their future pension benefit.

Tier One/Tier Two members (hired before August 29, 2003)

- 2.5% of salary that is currently contributed to the IAP (paid by either the member or the employer) will start going into the member’s EPSA. The remaining 3.5% of salary will continue to go to the member’s existing IAP account.
- Members will have the option to make an additional after-tax contribution (to be deducted by their employer) of 2.5% of salary into their IAP, to continue to have a full 6% contribution to their IAP account. More details will be shared.

Oregon Public Service Retirement Plan (OPSRP) members (hired after August 28, 2003)

- 0.75% of salary that is currently contributed to the IAP (paid by the member or the employer) will start going into the member’s EPSA. The remaining 5.25% of salary will continue to go into the member’s existing IAP account.
- Members will have the option to make an additional after-tax contribution (to be deducted by their employer) of 0.75% of salary into their IAP, to continue to have a full 6% contribution to their IAP account. More details will be shared.

Employers will continue to report 6% subject salary contributions under current practices. PERS will send more information to members and employers once we have upgraded our technology and put “voluntary contributions” in place.

More information: Visit the PERS SB 1049 webpage for members at:
<https://www.oregon.gov/pers/MEM/Pages/SB1049.aspx>

IAP MEMBER CHOICE *(Effective January 1, 2021)*

In September 2020, members will be able to make an election to invest their IAP balance in an IAP Target-Date Fund that better reflects their retirement savings goals, rather than the default account, based on their age. Elections made in September 2020 will go into effect as of January 1, 2021.

Learn more: <https://www.oregon.gov/pers/Pages/Financials/IAP-Target-Date-Funds.aspx>.

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