

Employer Announcement 83

Statutory Amendments and Clarification on Final Average Salary (FAS) for OPSRP

Final Average Salary (FAS) is a major component in the calculation of an OPSRP retiree's monthly pension. FAS for OPSRP Pension benefit calculation is the greater of 1) the high three contiguous years of salary anywhere in the OPSRP member's PERS employment history or 2) one-third of the last 36 months of salary paid prior to the member's effective date of retirement.

The OPSRP FAS calculation has been affected by recent legislative activity and a PERS policy decision.

SB 862 was passed in the fall 2013 special legislative session and took effect October 2013. SB 862 excludes from OPSRP FAS any payment that is 1) attributable to salary increases occurring in the last 36 months of membership before retirement if the payment is made to pay for insurance coverage previously paid for by the employer (i.e., to offset the loss of medical insurance premiums previously paid by the employer and not offered to all employees or all members of a specific class of employee) and 2) not offered to all employees or all members of a specific class of employees. This restriction is designed to prevent an artificial increase, or spike, in salary relating to insurance coverage (as described in SB 862) to inflate the salary used in FAS calculations; however, the payment is still considered subject salary and included for purposes of calculating contributions.

ORS 238A.130(2)(a) directs that any salary paid in or for the calendar month of separation from employment shall be included for the purposes of calculating FAS. PERS administration of this statutory provision and an agency policy relating to payments made after a member's separation allows salary paid within 31 days after a member's separation to be considered as subject salary for contributions and possibly included in the FAS calculation used to determine the member's retirement benefit.

EDX, the PERS Internet-based reporting system, does not refer to the term "separation" and is programmed to recognize the terms "last day of service" or "termination." For PERS purposes, the last day of service is the last day the member was in an active service position, either working or on paid leave with an employer. Last day of service is distinguished from termination. Termination for PERS' purposes means the end of an employer-employee relationship. PERS recently made a policy decision clarifying that for FAS purposes, salary paid to a member within 31 days of the last day of service will be included in the FAS calculation and subject for contributions. Salary paid more than 31 days after the last day of service will be excluded from the FAS calculation and may only be considered for contributions under certain circumstances.

Please contact your ESC Account Team representative if you have further questions on this subject.