OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

EMPLOYER NEWS

DECEMBER 2023

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Changes to PERS from 2023 legislative session

The 2023 Oregon Legislative Session, ended June 25, 2023, resulted in several minor changes to PERS policies. Many of the changes go into effect on January 1, 2024.

If your organization will need to change how or what you report to PERS, the Employer Service Center will notify you by email this month.

In the meantime, check the Enacted 2023 PERS Legislation webpage for summaries of the following bills.

Bills that affect Police and Fire classification

Senate Bill (SB) 951: Categorizes certified probation officers employed by the State Board of Parole and Post-Prison Supervision as "police officers" for PERS purposes.

House Bill (HB) 2054: Categorizes deputy district attorneys as "police officers" for PERS purposes (not including elected district attorneys).

HB 2283: Makes several technical fixes to PERS.

Bills that affect School Employee classification

HB 2740: Modifies how employment hours are calculated for academic employees of community colleges and public universities for PERS purposes.

Bills that affect working retirees

HB 2296: Extends the sunset of the SB 1049 (2019) work-after-retirement provisions (originally ending in 2024) for 10 years.

HB 3485: Amends provisions related to administration of the Oregon State Fire Marshal.

For schools

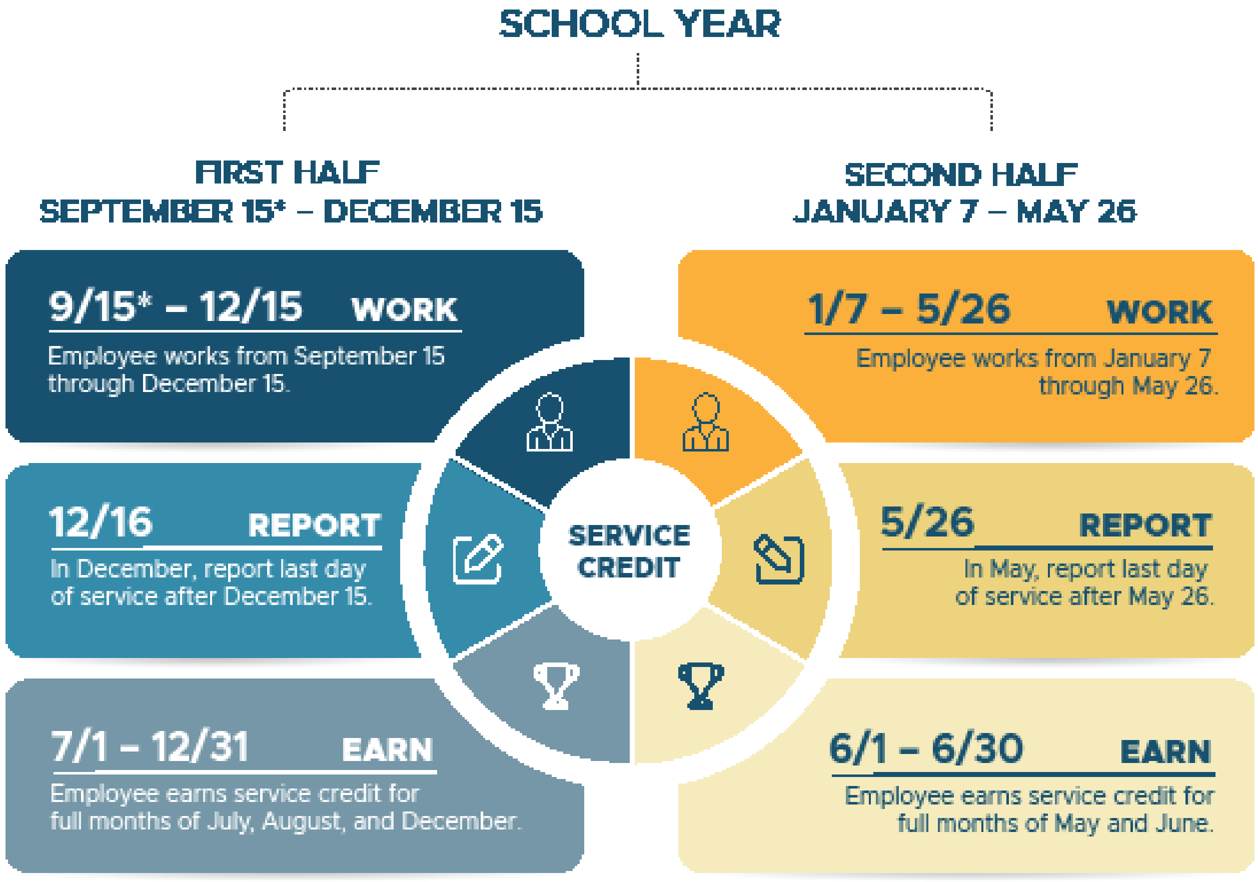
Receiving service credit for summer months

School employees who do not work in June, July, and/or August can still receive PERS service credit for those months. Here's how it works:

Credit for June: School employees who work January 7 through May 26 receive service credit for June of that year. To ensure they get credit, do not terminate or place an employee on leave until **after May 26**.

Credit for July and August: School employees who work September 15* through December 15 receive service credit for July and August of that year. To ensure they get credit, do not terminate or place an employee on leave until **after December 15**.

Note: If employee takes a leave without pay (LWOP) of 11+ working days in a month, employee does not receive service credit for that month nor for the summer month or months they would have earned.



Example

A university closes for business during winter break. The last day it is open for business in 2023 is Friday, December 15. Iman Employee is terminating employment on December 31, 2023, prior to her January 1 retirement. For Iman Employee to receive service credit for the summer months of July and August, the employer reporter will need to adjust the reported last day of service from December 15 to December 16.

*September 26 for higher education employees.

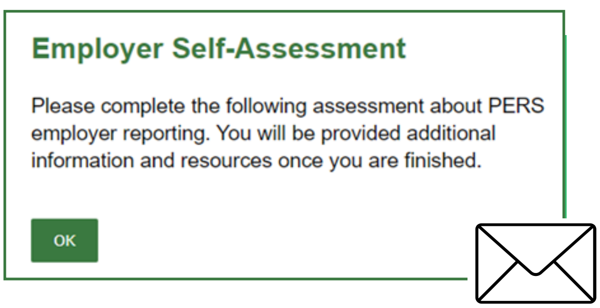
For employer reporters

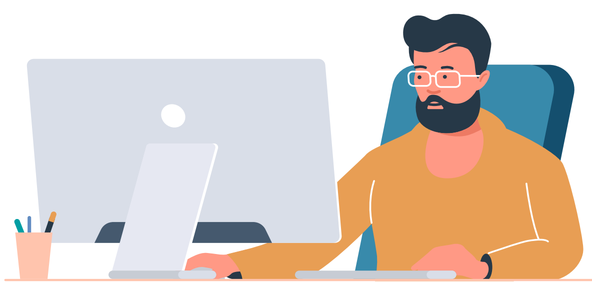
What is the PERS Risk Assessment Team survey?

Every month, the PERS Risk Assessment Team surveys a random selection of 25 employers. The purpose of the survey is to assess how well you understand proper reporting practices, which are vital to ensuring accuracy and minimizing employer risk.

The team uses your responses to identify areas in which the Employer Service Center needs to provide additional employer training or assistance.

The survey is delivered in an email from PERS.employer.risk.assessment@pers.oregon.gov.





For employer reporters

Contribution start date for employees hired in December

2024						JULY
S	M	T	W	T	F	S
30	CSD	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3
4	5	6	7	8	9	10

Employees hired into a qualifying position between December 2 and 31, 2023 (and meet wait-time requirements), will all complete their six-month wait time on **June 30, 2024**. Their contribution start date (CSD) will be **July 1, 2024**.

Note: Employees hired on December 1, 2023, will have a CSD of June 1, 2024.

Wait time requirements

New employees establish membership in PERS after meeting these requirements:

1. **Work for six months** in a qualifying position (established by a “qualifying” hire intent or working more than 600 hours/calendar year).
2. **Work for one employer** with no break longer than 30 consecutive working days. (A leave taken during wait time could extend the wait time by the length of the leave.)
3. **Still be employed** with the same employer on the day before the CSD, on the CSD, and on first calendar day of the month after the CSD.

For employer reporters

New 2024 Salary Limit and Member Redirect rates coming in January

Every January, PERS updates the Salary Limit and Member Redirect threshold rates to keep pace with the cost of living. The rate adjustments are based on the Consumer Price Index (CPI) for the West Region set by the U.S. Bureau of Labor Statistics for the previous year.

The Employer Service Center will inform you of the new Salary Limit and Member Redirect threshold rates in the January *Employer News*.

Member Redirect

For information about Member Redirect and Employer Pension Stability Accounts (EPSA), read the employers' Member Redirect webpage and the Employee Pension Stability Account webpage.

Salary Limit

Visit the employers' Salary Limit webpage.

About the Employee Pension Stability Account

The Employee Pension Stability Account (EPSA) is an extra account required for some PERS members. EPSAs are a product of the Member Redirect program, which was established by Senate Bill 1049 (2019) to help control rising employer rates. The program gives employers a "member redirect offset," shown on their actuarial valuation (valuations are provided on the PERS website).

How it works

The purpose of an employee's EPSA is to help fund their pension when they retire, thus reducing the employer's responsibility in funding the employee's pension.

The account is funded by redirecting a portion of an employee's 6%-of-salary Individual Account Program (IAP) contribution into their EPSA. The redirect occurs automatically in compliance with these rules:

- The employee must earn equal to or above the monthly salary threshold in effect for that calendar year. The threshold is provided on the employers' Member Redirect webpage.
- The percent redirected depends on the employee's PERS plan:
  - Tier One and Tier Two: 2.5% of gross salary is deposited into the employee's EPSA; 3.5% is deposited into the member's IAP account.
  - OPSRP: 0.75% is deposited into the employee's EPSA; 5.25% is deposited into the member's IAP account.

Member Redirect is only in effect when the PERS system is less than 90% funded. You can find PERS funded status in the annual report *PERS by the Numbers* in the "System Funding Level and Status" section.

Employees can make up the redirected amount by making "voluntary contributions."

For finance professionals

Controlling your rate: the hidden costs of 'pension spiking'

When an employee inflates their salary in the three years preceding retirement to increase their final average salary (FAS) and, thus, their pension, this is called "pension spiking." It is most often done by working extra overtime or paying an employee significantly large payments and reporting them as regular wages.

It is a rare practice, but if it happens in your organization, it can have a detrimental impact on your budgetary health and contribution rate.

How to control pension spiking

Employers have two main levers they can use to control increases in their contribution rates: **side accounts** and **payroll**. PERS' actuaries anticipate a 3.4% increase in payroll every year, so if your organization's payroll increases more than that, you may need to take action to control your payroll costs.

1. Average overtime (affects OPSRP members only)

"Average overtime" is an estimate of the number of overtime hours a position might be expected to work in a calendar year. It is determined at the class or position level, not on an individual employee level. You choose a position's average overtime on a Detail 1 – Member Demographics record.

The average overtime rate puts a limit on how much of an OPSRP employee's reported overtime can be applied toward their final average salary (FAS). When an OPSRP member works more hours than the average overtime number assigned by their employer, the salary earned over the average overtime cap is excluded from their FAS.

It does **not** affect how much overtime an OPSRP member can work or how much the person is paid for overtime.

To learn more, read employer reporting guide 18, *Reporting or Changing 'Average Overtime*.'

2. Vigilance

While compensation can increase in the final years of employment through promotions or earned overtime, a sudden increase in voluntary overtime or significant payments should raise a red flag. If a manager in your organization suspects that an employee is working extra hours to try to increase their PERS retirement benefits, consider mitigating the situation.