OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

1

Overview of **PERS**

Employer Reporting Guide

This guide explains the PERS system, the three PERS plans, and the benefits the plans provide.

Employer Service Center

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Revised January 2023

Introduction

The Oregon Public Employees Retirement System (PERS) was established in 1946 for public employees in Oregon. About 900 state agencies, public schools, community colleges, and local governments (cities, counties, and special districts) participate in PERS, which covers about 95% of public employees in Oregon — more than 390,000 people.

The system gives PERS retirees a pension and an extra investment account called an Individual Account Program (IAP) account. The pension provides monthly payments for life, and the IAP provides disbursements until it is spent. For both programs, retirees have the option to take their IAP benefits as a lump sum and reinvest it however they choose.

This guide explains the three PERS plans, how they work, and the benefits they provide.

To read definitions of any of the terms in this guide, refer to the employer reporting quick reference, "Glossary."

How PERS works

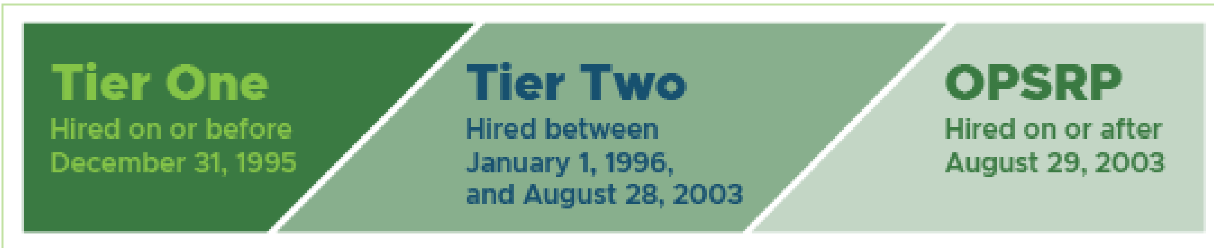
The benefits provided by PERS, the system, are decided by the Oregon Legislature. The program is funded by employers, interest earned on the invested funds, and small contributions from members who earn over a certain amount. The funds are collected by PERS, the agency, managed by Oregon State Treasury, and invested by the Oregon Investment Council.

Watch the video "How Does PERS Work?" to understand how these entities work together to manage PERS.

Pension plans

PERS administers three pension plans: Tier One, Tier Two (both detailed in Oregon Revised Statute Chapter 238) and the Oregon Public Service Retirement Plan (OPSRP) (detailed in ORS Chapter 238A). Tier One and Tier Two are both closed to new members; all new employees are eligible to become members of OPSRP.

The plan a member is in is determined by their hire date.



Whichever plan a member is in, they remain in that plan unless they lose membership or withdraw from PERS. Even if they retire and then return to work for a PERS-participating employer, they stay in their original plan. If an employee moves to a different PERS-participating employer, they remain in their plan and continue to build their benefits.

Learn more: PERS plan definitions.

Tier One

Tier One is the oldest and most generous PERS plan. Tier One retirees receive a pension, IAP, a member account, and a variable account (optional). Tier One retirees generally earn more benefits than Tier Two or OPSRP (see the Benefit Component Comparisons Chart).

Tier Two

Tier Two was created by the Oregon Legislature to be less costly for employers than the Tier One plan. However, over time, it didn't reduce costs enough. The high cost of Tier One/Tier Two benefits means employers pay a higher contribution rate for their Tier One and Tier Two employees than their OPSRP employees.

OPSRP

In 2003, the Oregon Legislature gave PERS a major overhaul and created a third tier, the Oregon Public Service Retirement Plan. Over time, as more people retire under the OPSRP plan and fewer retire under Tier One/Tier Two, employers' PERS costs will go down.

Legislation

Since OPSRP was created, the Oregon Legislature has continued to adjust it to control the cost for employers. In 2019, the Legislature passed Senate Bill (SB) 1049, which adjusted all PERS plans to slow the increase in employer contribution rates. To learn about the programs implemented because of SB 1049, read the Senate Bill 1049 Information and Implementation for PERS Employers webpage.

Individual Account Program (IAP)

The IAP is another source of income for retirees. After an employee completes their first six months of work, 6% of their monthly salary is placed into their IAP account (a 401(a) account). Some employers pay that 6% for their employees, and others deduct it from their employees' paychecks.

Like a 401(k), the money is invested and earns gains or losses over time. Retirees can choose how they would like to receive their IAP account balance when they retire.

Learn more: What is the IAP?

Vesting in the IAP

New employees become vested in their IAP as soon as they establish IAP membership (i.e., after their six-month membership wait time). Vesting in optional employer accounts may have different rules.

Employee Pension Stability Account (EPSA)

Introduced in 2020, the EPSA is a way to help reduce employers' rising contribution rates and give employees a way to contribute to their pension costs. Employees who earn over a certain amount per month have a percentage of their 6% IAP contribution redirected into their EPSA. When they retire, that money is used to help fund their pension.

Learn more: EPSA Overview

Voluntary contributions

Members who earn enough to be making an EPSA contribution can choose to make an additional, after-tax contribution into their IAP that is equal to the exact amount being redirected into their EPSA: 2.5% for Tier One and Tier Two, 0.75% for OPSRP. This option is called a "voluntary contribution," and it allows members to continue contributing a full 6% of salary into their IAP account. Employees can begin making voluntary contributions by choosing the option in the Online Member Services (OMS) online tool.

PERS charges employers for the voluntary contributions. It is up to you to withdraw that amount from your employees' paychecks to reimburse your organization.

Learn more: How to Manage an Employee's Voluntary Contribution

Other accounts

Tier One/Tier Two member accounts

Before the IAP began in 2004, members contributed to individual member accounts that were used to fund pension benefits. Members stopped contributing to these accounts in 2004, but PERS continues to credit earnings and losses to previously existing accounts until the member withdraws, elects a one-time transfer, or retires. For Tier One members, these regular member accounts earn a guaranteed rate of interest set by the PERS Board (currently 6.9%). Tier Two members, on the other hand, do not receive a guaranteed earnings rate but instead receive actual investment returns on their member accounts.

A member account is sometimes referred to as a "tier account."

Variable Annuity Program

Before the IAP began, PERS offered the Variable Annuity Program for Tier One and Tier Two members. The last date members could contribute to the Variable Annuity Program was December 31, 2003. However, PERS continues to credit earnings and losses to previously existing accounts until the member withdraws, elects a one-time transfer, or retires. PERS-participating judges who were sitting on the bench June 30, 2003, can continue to participate in the Variable Annuity Program.

A Variable Annuity Program account is sometimes referred to as a "variable account."

Oregon Savings Growth Plan

The Oregon Savings Growth Plan (OSGP) is an optional 457(b) deferred-compensation plan that enables public employees to set aside a portion of their salary on a pre- or post-tax basis throughout their entire career.

PERS offers the program through a third party (Voya), so there is no reporting involved.

Paying for PERS

Your contribution rate

Employers pay a percentage of their employees' "subject salaries" to PERS to pay for their employees' future retirements. This percentage rate is called your "contribution rate." It is calculated by PERS actuaries using sophisticated financial modeling techniques that ensure that each employer is paying the right amount to keep the system financially healthy. Contribution rates are updated every two years.

Employers enter their employees' wages into an online tool called Employer Data Exchange (EDX). EDX multiplies your employees' wages by your contribution rate to calculate what you owe.

You can find your contribution rate on the PERS Contribution Rates webpage.

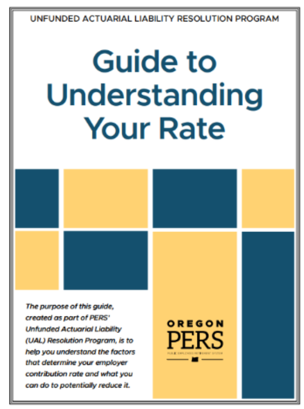
***Subject salary** is salary that qualifies to earn PERS benefits (e.g., a full-time employee's wages).*

An employee's subject salary may not match the salary they see on their W-2 or final paystub.

***Non-subject salary** is salary that does not qualify to earn benefits (e.g., a retirement-incentive payment). You only pay your contribution rate on subject salary.*

The PERS Payment Categories Chart lists different types of salary (e.g., lump sums, bonuses, back pay, payment from a settlement) and whether each type is considered subject salary or non-subject salary. You only pay your contribution rate on subject salary.

To understand how your rate is calculated and how you can affect it, read *Guide to Understanding Your Rate*.



Your invoice

On the 5th and 20th of each month (or prior business day if either date falls on a weekend or holiday), EDX creates your invoice, called a "remittance statement." EDX generates remittance statements even if no wage and contribution or other invoices exist.

EDX calculates your invoice using the information you enter into EDX. It takes each employee's wages, PERS plan, job class, subject salary qualification, and job status and calculates an amount due based on your contribution rate. You then pay your invoice through a system called Automated Clearing House (ACH).

The timeliness and accuracy of the information you enter into EDX is crucial. Reporting late or incorrectly (and not fixing mistakes promptly) costs your organization money and time.

To understand your statement and how to pay your invoice, read employer reporting guide 26 *Understanding Your Statement* and 27 *Paying Your Invoice*.

Job classifications

Not only do you pay a different rate for employees in Tier One/Tier Two and OPSRP, but you also pay a different rate for certain job classes of employees. Within each PERS plan, members are assigned one of eight job classifications, listed in the employer reporting quick reference, "Job Class Codes."

The Police & Fire job class provides benefits that the other classes don't receive, so employers pay a higher contribution rate for Police & Fire employees than other classifications of employees.

Unlike an employees' membership plan, which remains the same, an employee's job class changes based on the job they are doing. For example, if a police officer stops police work and becomes a teacher, her new position will have a 09 – School job class instead of 02 – Police & Fire job class.

If she retires after moving positions, she will retire under the rules of the School job class, outlined on the Benefit Component Comparisons Chart. However, her overall benefits will be calculated based on the class she was in at the time the benefit was earned.

PERS membership

Qualifying for membership

To become a PERS member, an employee must complete a “trial period” of employment that satisfies these rules:

- Six months of uninterrupted service (i.e., no break in service for 30 or more consecutive working days).
- The employee is still working for the same employer at the end of the six-month period.
- The employee is still working for the same employer on the day after the six-month period ends.

Vesting

To vest their PERS membership, an employee must work for five years in a PERS-qualifying position for at least 600 hours per year. The years do not need to be consecutive, but the employee cannot have a gap in qualifying employment of more than five years. Once a member is vested, the only way they can lose their PERS membership is if they withdraw that membership.

All current members of Tier One and Tier Two are already vested because they have worked at least five years.

An OPSRP member becomes vested in OPSRP when one of the following occurs:

- The member completes at least 600 hours of service in each of five calendar years.
- The member reaches normal retirement age (for a list of normal retirement ages for each job class, see the “Retirement Benefits” section in this guide).

Maintaining membership

To maintain membership in PERS, an employee needs to work in a “qualifying” position (i.e., more than 600 hours/year) and not lose nor withdraw their membership.

Membership in PERS is portable, meaning a member who leaves one PERS-participating employer to work for another PERS-participating employer retains their membership.

Only a non-vested PERS member can lose their membership, but any non-retired member who is no longer working for a PERS-participating employer can choose to withdraw their membership.

Tier One/Tier Two loss of membership

All Tier One and Tier Two members are vested and, therefore, cannot lose their membership.

OPSRP loss of membership

If an OPSRP employee leaves PERS-covered employment without being vested and does not return to covered employment within five years, they will lose their PERS membership. They will receive the money in their IAP and Employee Pension Stability

Account (EPSA), but they will not receive a pension when they retire. If a person who has gone into loss of membership enters PERS-covered employment later, they may establish a new membership after a six-month trial period.

Tier One/Tier Two withdrawal

A Tier One or Tier Two employee who is no longer employed by a PERS-participating employer may choose to "withdraw" their PERS membership. If they qualify to withdraw, they will receive the money from their invested accounts (IAP, EPSA, Tier One or Tier Two account, and variable account, if they have one). They will not receive the value of their pension. Basically, they're accepting their member account balance now in lieu of a future pension benefit.

A member's withdrawal does not affect their former employers financially.

Learn more: Your employees can read detailed information about withdrawal on the Withdrawal/Inactive Member Information webpage.

OPSRP withdrawal

An OPSRP member who is no longer employed by a PERS-participating employer may choose to withdraw the member contributions and earnings that have accumulated in their IAP and EPSA, if they meet certain conditions. Doing so completely cancels their membership in OPSRP/PERS and they will not receive a pension when they retire. They are accepting their IAP and EPSA account balances now in lieu of a future pension benefit.

A member's withdrawal does not affect their former employers financially.

Learn more: For detailed information about withdrawing from PERS, read the OPSRP Withdrawals webpage.

Member annual statements

Every spring, PERS mails annual statements to all active PERS members and inactive members who still have a PERS account. The statements list the member's service time, IAP account balance, and EPSA account balance.

2021 TIER TWO PENSION INFORMATION

This is the first part of your retirement benefit. You can produce a pension benefit estimate for a future retirement date on Online Member Services (OMS), located on the PERS website.

REGULAR ACCOUNT	
Account balance December 31, 2020:	$67,222.10
2021 earnings rate:	20.14%
Earnings for 2021:	$13,538.53
Account balance December 31, 2021:	$80,760.63

VARIABLE ACCOUNT

You did not participate in the Variable Account as of December 31, 2021.

Your 2021 Tier Balance: $80,760.63

YEARS OF SERVICE	
2021 service credit:	1 year
Total service credit:	22 years, 10 months

POLICE OFFICER & FIREFIGHTER UNIT ACCOUNT	
Account balance December 31, 2020:	$441.73
Unit contributions in 2021:	$102.24
2021 earnings rate:	20.14%
Earnings for 2021:	$109.56
Account balance December 31, 2021:	**$653.53**

Excerpt from sample member annual statement

Online Member Services (OMS) tool

PERS members can view their account information anytime using the OMS tool. You can direct members to the What Is OMS? webpage to read what active, inactive, and retired members can do in OMS.

Divorce

When an employee gets divorced, this can affect their future PERS benefit. Advise your employees who get divorced to send a certified copy of their divorce decree to PERS Divorce Unit along with their full name, address, daytime telephone number, and Social Security number. They can mail or fax their request to:

Oregon PERS/Divorce Unit
PO Box 23700
Tigard OR 97281-3700
Fax: 503-598-0561

They may also want to change their beneficiary of record by completing a new Designation of Beneficiary form if their divorce decree allows.

Death and beneficiaries

A portion of some members' PERS benefits can be left to a beneficiary when they die. How much can be left and to whom it can be left varies based on PERS plan, whether someone passes before or after retirement, and the beneficiary choices they make.

Learn more

Tier One and Tier Two members

OPSRP members

Retirement benefits

On average, a PERS pension can pay up to about 45%* of what a member was earning while working.

In general, how much monthly pension members receive when they retire depends on:

- How long they worked in a qualifying position (called “service time”), not including months for which they did not receive service credit (see Service Credit on the next page).
- Their job classification (e.g., Police & Fire, General Service, and School employees receive slightly different benefits).
- Their plan (Tier One, Tier Two, or OPSRP).
- What they were paid in their last 36 months or three highest-paying years (called “final average salary” (FAS)).
- Whether they retire early or at normal retirement age.
- If their employer participates in the Unused Sick Leave Program, which entitles Tier One and Tier Two employees to apply a portion of their unused sick leave to their pension benefit payment.
- The legislation in effect when they retire.

**PERS by the Numbers*, updated yearly, runs a salary replacement ratio study, which finds what percent of their former salaries retirees are receiving in their monthly pension payments. Based on the 2022 *PERS by the Numbers*, the 2021 “average replacement ratio based on final average salary” was 44%.

Retirement eligibility

PERS members qualify for retirement based on their age, PERS plan, and job class, as shown in the table below.

Note: Some employees who have been working in a PERS-qualifying position for more than 25 or 30 years can qualify for normal retirement based on service time, regardless of their age. The table below provides ages for employees whose public-service career will be shorter than that.

Job class	Retirement age			PERS service time
	Tier One	Tier Two	OPSRP	
General Service and School	58	60	65	Less than 30 years
Police & Fire	55	55	60*	Less than 25 years

*Employee must have held the position of police officer or firefighter continuously for five or more years immediately before the effective date of retirement to qualify for normal retirement at this age.

Service credit

Members earn service credit by working in a qualifying position. To earn service credit for a month, a member must work (or receive paid time off) for more than half the working days of that month. To earn service credit for a year, a member must have 12 months of service credit (see exceptions for academic employees below).

Leaves of absences and non-qualifying positions do not earn service credit. Certain Tier One and Tier Two members, however, may be eligible to purchase periods of service credit.

Learn more on the Tier One/Tier Two Purchases webpage.

Academic employees

School

School employees receive a year of a service credit even if they don't work in the summer. Read Creditable Service for School Employees.

Community college

Community college academic employees who work 0.375 full-time equivalent (FTE) hours on a 12-month basis or 0.5 FTE on a nine-month basis will be considered to have performed 600 hours of service in the calendar year for all purposes.

Qualification upon separation

An employee who separates from employment after working in a position or positions in which they worked less than a full calendar year and performed less than 600 hours of service during that year can still satisfy the 600-hour rule.

For purposes of determining qualification upon separation from employment (but for no other purpose), employers should consider the position qualified up to the date of separation if the employee (1) would have completed 600 or more hours of service had they worked the full calendar year in the same position or positions and (2) performed 600 or more hours of service in the previous calendar year.

PERS Health Insurance Program (PHIP)

As your employees near retirement, they may wonder how they will cover their healthcare expenses after they retire. One option they may not be aware of is the PERS Health Insurance Program (PHIP).

PHIP is available to PERS retirees plus their spouses and dependents who meet eligibility requirements. It offers two kinds of plans: Medicare and non-Medicare. It also offers dental plans.

Benefits

PHIP provides extra benefits that are not available in other retiree plans. PHIP's Medicare plans include:

- A choice of one of five medical plans.
- A Part D prescription drug plan.
- Hearing benefit.
- Vision benefit.
- Free basic gym membership.

PHIP's non-Medicare plans offer:

- A choice of one of two medical plans.
- Option to choose a high-deductible plan.
- Alternative care (i.e., chiropractic and acupuncture).
- Vision benefits.
- The option for a Health Savings Account (HSA) that rolls over from one year to the next. (Retirees must be enrolled in a PHIP high-deductible health plan to have this option.)

Subsidies

The Retiree Health Insurance Account (RHIA) and Retiree Health Insurance Premium Account (RHIPA) rates that you pay (rolled into your contribution rate) cover subsidies to help your retirees afford PHIP.

RHIA subsidy: PHIP offers a $60 premium subsidy for Tier One and Tier Two retirees enrolled in a PHIP Medicare plan.

RHIPA subsidy: For state retirees who are not yet eligible for Medicare, a premium subsidy may be available based on state of Oregon qualifying service time. For longer-term employees, this RHIPA subsidy can be worth several hundred dollars a month.

Learn more

For more information on benefits, eligibility, enrollment, premiums subsidies, and plan rates, visit pershealth.com or call PERS Health at 800-768-7377.

Learn more about PERS benefits

PERS offers education sessions for members who are new to PERS and those who are within three years of retirement. To help employees sign up for a class, direct them to the appropriate webpage below.

Tier One/Tier Two Education Presentations

OPSRP Education Presentations

PERS privacy practices

ORS 192.502 provides criteria that must be met before PERS can release information to persons seeking public records. PERS cannot release personal information if doing so will constitute an unreasonable invasion of privacy unless the public interest, by clear and convincing evidence, requires disclosure in a particular instance.

Policies on the most frequently requested records are:

Beneficiary information — Information cannot be released over the telephone. PERS requires a written inquiry from the member.

List of employees approaching retirement eligibility — For confidentiality reasons, PERS cannot provide such lists of employees.

Benefit estimate request — PERS cannot prepare a retirement benefit estimate except at the member's request, nor can PERS provide anyone else with a member's benefit estimate without a written release from that member.

Mailing list — PERS does not provide mailing lists.