

Oregon Education Association: What is PERS?

PERS is the retirement system for Oregon teachers, firefighters, nurses and other public employees. We work hard and are proud of our public service. Even though many of us earn less than we would in the private sector, we believe in serving our communities.

Over many decades, our unions have negotiated with our employers for secure retirements, and we've often given up raises and other benefits to ensure we'll be able to retire with dignity.

- The average pension benefit is about \$2,500 a month.
- After the 2003 PERS reforms, more than 50% of the public workforce are now in the reduced level PERS benefit known as Tier 3 or "OPSRP."
- Current employees are not the cause of the state's financial woes, and further reductions to their benefits will not solve the problem.

Unfortunately, some lawmakers and special interest groups continue to blame teachers and firefighters for Oregon's budget problems. The Oregon Education Association will continue to stand up for our members and defend against these unfair attacks.

Why do I keep hearing about PERS and what is the "unfunded liability?"

At the end of 2007, the PERS system was fully funded. But the 2008 Great Recession hammered the PERS retirement fund, just as it impacted everyone's investments. The result is that PERS now has a \$22 billion "unfunded liability" - a gap between what is projected to be in the PERS fund and what the state has promised to pay public employees over the course of their retirement.

The existing unfunded liability comes from an old system that no longer exists. The challenge is paying down the existing \$22 billion unfunded liability created by the Great Recession.

Has anything been done to fix this?

Yes. Oregon's public employees have already shouldered a major responsibility in making the system more financially sustainable.

The legislature has already enacted several reforms to make the PERS system more resilient and affordable moving forward. For example, the legislature reduced benefits and financial obligations to workers hired after 2003. As a result of these and other cost-saving measures, the unfunded liability will soon begin to shrink, and future economic downturns will not be as damaging.

Some lawmakers have suggested retroactive changes to the PERS system. In the 2016 *Moro v. Oregon* case, the Oregon Supreme Court ruled that the legislature cannot make changes to benefits that were already earned and promised. OEA will always defend educators' hard-earned benefits that enable Oregon's schools to recruit and retain the best and brightest to serve our students.

The legislature must find a way to finish closing the gap while protecting our students, seniors, people with disabilities and everyone who relies on our state’s public services. Current employees are not the cause of the unfunded liability, and further reductions to their benefits will not solve the problem.

What are the tiers of benefits? What do they mean?

Today there are several tiers of benefits. The majority of employees working today (anyone hired after 2003) have a Tier 3 or “OPSRP” retirement benefit.

PERS benefit component comparisons

The primary components and differences among the PERS Tier One and Tier Two programs, the Oregon Public Service Retirement Plan (OPSRP) Pension Program, and the Individual Account Program (IAP) are shown below. Tier One covers members hired before January 1, 1996; Tier Two covers members hired between January 1, 1996, and August 28, 2003; and OPSRP covers members hired after August 28, 2003. The IAP is an account-based benefit that includes all member contributions (6% of covered salary) plus annual earnings and losses, made on and after January 1, 2004.

	Tier One Pension	Tier Two Pension	OPSRP Pension	IAP
Normal retirement age	58 (or 30 yrs) P&F: age 55 or 50 w/25 yrs	60 (or 30 yrs) P&F: age 55 or 50 w/25 yrs	65 (58 w/30 yrs) P&F: age 60 or 53 w/25 yrs	Members retire from IAP when they retire from Tier One, Tier Two, or OPSRP
Early retirement	55 (50 for P&F)	55 (50 for P&F)	55, if vested (50 w/ 5 years of continuous service in a P&F position immediately preceding effective retirement date)	Members retire from IAP when they retire from Tier One, Tier Two, or OPSRP
Regular account earnings	Guaranteed assumed rate annually (currently 7.2%)	No guarantee; market returns	N/A; no member account	No guarantee; Target-Date Fund returns
Variable account earnings	Market returns on 100% global equity portfolio	Market returns on 100% global equity portfolio	N/A; no member account	N/A
Retirement calculation methods	Money Match, Full Formula, or Formula + Annuity (if eligible)	Money Match or Full Formula	Formula	Various account pay-outs or rollover
Full Formula benefit factor	1.67% general; 2.00% P&F	1.67% general; 2.00% P&F	1.50% general; 1.80% P&F	N/A
Formula + Annuity benefit factor	1.00% general; 1.35% P&F	N/A	N/A	N/A
Oregon state income tax remedy	If eligible, higher of 9.89% on service time before Oct. 1, 1991, or 4% or less based on total service time. Payable to benefit recipients who pay Oregon state income tax because they reside in Oregon.	No tax remedy provided	No tax remedy provided	No tax remedy provided
Lump-sum vacation payout				
Included in covered salary (6%)	Yes	Yes	No	Yes for Tier One and Tier Two; no for OPSRP
Included in FAS	Yes	No	No	N/A
Unused sick leave included in FAS	Yes, if employer participates in the sick leave program	Yes, if employer participates in the sick leave program	No	N/A
6% contribution included in FAS	Yes	Yes	If reported as salary	N/A
Vesting	Active member in each of 5 calendar years	Active member in each of 5 calendar years	5 calendar years w/ at least 600 hours qualifying service or normal retirement age	Immediate
COLA (after retirement)	Up to 2% annually for service on or before October 1, 2013, and a blended COLA for subsequent service			N/A; no COLA provided

P&F = police and firefighters; FAS = final average salary; COLA = cost-of-living adjustment; N/A = not applicable

Additional information here: <https://www.oregon.gov/pers/Documents/General-Information/PERS-by-the-Numbers.pdf>