

2003 PERS Reform

The key 2003 PERS Reform components enacted by the Oregon legislature are listed below. The *Strunk* case, heard by the Oregon Supreme Court, voided some Reform provisions (as noted below).

The Oregon Supreme Court ruled that the cost-of-living-adjustment (COLA) freeze enacted by the 2003 legislature to recover overpayments from earnings crediting in 1999 was invalid. As a result of 2003 legislation, PERS temporarily suspended the COLA for all Tier One members who retired with an effective date on or after April 1, 2000, and before April 1, 2004, under the Money Match calculation.

The court also determined that PERS must annually credit the assumed rate, currently 8 percent, to Tier One member regular accounts. PERS credited 0 (zero) percent to Tier One regular accounts in 2003 based on legislation passed that year.

Reform Legislation Key Provisions

House Bill 2001

- Tier One regular accounts will be credited with 8 percent earnings (no more, no less) until the Tier One assumed rate deficit has been eliminated; and the Tier One reserve account is fully funded in each of the last three years.
Unaffected by *Strunk*.

House Bill 2003

- Earnings may not be credited to Tier One regular accounts in any year in which there is a deficit, and no earnings may be credited that would result in a deficit.
Voided by *Strunk*.
- For Tier One members who retire on or after April 1, 2000 and before April 1, 2004, under Money Match, PERS will adjust the annual cost-of-living allowance (COLA) as though 11.33 percent was credited for 1999 (instead of 20 percent). Members receive the fixed allowance (with no additional COLA) until the revised allowance (with COLA) provides a higher benefit.
Voided by *Strunk*.
- Redirect 6 percent member contributions to Individual Account Program (IAP).
Affirmed by *Strunk*.

House Bill 2004

- Directed that PERS must use new actuarial equivalency factor (AEF) tables as of July 1, 2003. The PERS Board must adopt AEFs every two years that “must use the best actuarial information on mortality available at the time.”
Affirmed by *Strunk*.

House Bill 2020

- Established a successor retirement plan, the Oregon Public Service Retirement Plan (OPSRP), that consists of a defined benefit program (the Pension Program) and a defined contribution portion (the Individual Account Program or IAP). The IAP account also applies to existing PERS members. As of January 1, 2004, PERS member contributions were placed into the IAP. PERS members retained their PERS accounts but no new contributions have been added.
Unaffected by *Strunk*.