



PERS TIER 1 AND TIER 2 DEATH BENEFIT – ISSUE STATEMENT

WHAT IS A TIER1/TIER 2 PERS DEATH BENEFIT?

Upon the death of a non-retired Tier 1 or Tier 2 PERS member, their beneficiary receives a lump-sum refund of the Tier 1 or Tier 2 member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the Tier 1 or Tier 2 account balance, provided one or more of the following conditions are met:

- Member is an active or inactive member of the system and dies as a result of injury sustained while employed in a PERS-covered job; or
- member dies within 120 days after termination of PERS covered employment.

WHY IS A LEGISLATIVE FIX NEEDED?

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The new plan created the Individual Account Program or IAP. Beginning January 1, 2004, all PERS member contributions go into the IAP. PERS' members retain their existing PERS member accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

When the PERS reform changes were enacted, the Tier 1 and Tier 2 death benefit provisions were not changed to take into account the fact that all future Tier 1 or Tier 2 PERS member contributions would be redirected into the IAP. Since this was not changed, the amount of the Tier 1 or Tier 2 PERS member accounts do not reflect the actual Tier 1 or Tier 2 PERS member contributions since those contributions are now going into the IAP and have been since 2004.

The impact of this on Tier 1 or Tier 2 PERS members is significant since the employer is no longer required to match the entire amount of contributions a Tier 1 or Tier 2 PERS member has made. This is resulting in the beneficiaries of Tier 1 or Tier 2 PERS members receiving a death benefit amount that is significantly lower than originally anticipated by those members. It is believe this is an unintended consequence of the 2004 reform Legislation and was not intended by the Legislature.

HOW WILL A BILL CORRECT THE BENEFIT OWED TO PERS MEMBERS?

HB2417 corrects the unintended consequence of the death benefit employer match by providing a lifetime benefit to the spouse of the deceased Tier 1 or Tier 2 member. While members will not receive the exact benefit they may have anticipated, the result will be closer to the original expected benefit.