

Legislative Concept regarding the Optional Retirement Plan (ORP)

Staff Report:

Since the Optional Retirement Plan (ORP) for unclassified employees was implemented in 1996, experience with the authorizing statute has illustrated that linking plan guidelines to those of the Public Employees Retirement System (PERS) should be reconsidered to provide the full advantages of ORP participation to employees who elect the ORP and to the universities that sponsor the ORP.

Background:

The ORP was created by the 1995 Legislature and began accepting participants in January 1996. As written in Oregon Revised Statute 243.800(9), the employer contribution rate for the ORP is linked to the employer contribution rate of PERS. In recent years, the PERS rate has risen dramatically and, due to the infusion of \$2.0 billion in Pension Refinance Bond revenue into the PERS fund, the rate dropped dramatically. Neither circumstance was anticipated at the time the ORP was adopted, and the plain language of the statute inadequately addresses the complexities of funding and management policies of the state retirement plan linked to the ORP.

Current Status:

OUS representatives and other stakeholders are currently exploring a number of possible options to modify the process by which the ORP employer contribution rate is determined, while still preserving the three principal goals of the ORP: that it be competitive in the national marketplace in relation to other such ORPs; that it is sustainable within the OUS Budget; and that it be reasonably stable over time for the participants. The work group will continue to develop a consensus option during the spring, for submission to the Department of Administrative Services (DAS).

Staff Recommendation:

Staff recommends the Board vote to approve the submission of a placeholder for a legislative concept that would include language currently being developed to amend ORS 243.800(9). Submission of the placeholder to DAS is due April 15, 2004.