



OREGON PERS INDIVIDUAL ACCOUNT PROGRAM

TYPE OF PLAN: Mandatory Defined Contribution Plan

YEAR EFFECTIVE: 2003

WORKERS COVERED: All state employees hired after August 29, 2003 are in both a defined benefit plan and a defined contribution Individual Account Program (IAP). Active members hired prior to that date kept their previous defined benefit plan, but paid their future contributions into an IAP account.

ACTIVE PARTICIPANTS: 198,700 (as of 2008).

CONTRIBUTION RATE: Members contribute 6 percent of salary to their IAP account and do not contribute to the defined benefit plan. Some employers, including the state, pick up the 6 percent contribution as a result of contract negotiations. The State contributes 8.05 percent to the defined benefit plan for members hired after August 29, 2003 and 10.73 percent for members hired earlier.

VESTING SCHEDULE: State contributions to the defined benefit plan are fully vested after five years of service or attainment of the normal retirement age.

INVESTMENT OPTIONS: Oregon workers do not make their own investment decisions under the IAP. All IAP assets are managed centrally by the Oregon Investment Council, which allocates its portfolio among a mix of stocks, fixed-income securities, and other investments.

ORIGIN OF PLAN: In 2003, Oregon became the second state to introduce a mandatory retirement plan that combines a defined benefit pension with a defined contribution element. The switch was part of a broad reform of the state's pension system intended to reduce costs by slowing the growth of future liabilities. This desire was partly motivated by a state budget deficit related to the 2001-2002 economic slump and partly by the design of the existing defined benefit plan, which resulted in benefits that replaced up to 100 percent of earnings for some employees.

During the reform debate, there were two competing bills. The first called for a switch to a defined contribution plan only, the second for a combined plan. Republicans generally preferred the former, while Democrats favored the latter. The defined contribution plan was passed by the Republican-controlled House, but was defeated in the Senate, which was evenly divided between the two parties. The House and Senate then both passed the combined plan bill, which was supported by Democratic Governor Ted Kulongoski.

LEARN MORE

- Oregon Public Employees Retirement System. Online at: <http://www.oregon.gov/PERS>.
- Arleen Jacobius. 2003. "Oregon Legislature Mulling New Pension Plan to Cut State's Deficit." *Pensions and Investments* (April 14).
- Judy Ward. 2007. "The Oregon Trail." *PlanSponsor* (February).