



Lane County Board of Commissioners

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Mr. Michael Pittman, Chair
PERS Board of Directors
Public Employees Retirement System
P.O. Box 23700
Tigard, OR 97281

Dear Mr. Pittman:

Lane County appreciates the opportunity to share our thoughts with the PERS Board regarding the issues faced in implementing the section of HB2189 that mandates IAP contributions on Lump Sum Payments. Lane County staff has met with PERS staff and other stakeholders to understand the effect of this legislation on PERS, on employers, and on PERS participants, and to brainstorm options for the administrative challenges we all face in trying to implement this change.

The language in this bill directs PERS to collect 6% IAP contributions from current Lump Sum payments, as well as from Lump Sum Payments from January 1, 2004, forward. Lump sum payments include such earnings as Retroactive Pay due to settlement of labor contracts; payments for Compensatory Time that employees have elected to take instead of Overtime Pay; possible sell-back of Vacation Time; and any allowable payment for Vacation Time or Sick Time at time of termination/retirement, etc. Even if employers could have sent the IAP contributions on these earnings to PERS at the time the legislation was passed, PERS' reporting system was unable to accept these contributions until May 1, 2006.

Trying to now collect the 6% IAP contributions that should have been withheld over a two and one-half year period from employees, as well as retirees, terminated employees, and deceased employees, will require an inordinate amount of administrative time for employers who, like Lane County, do not pick up the employee's 6% IAP contribution.

Almost 900 of our current and former employees are subject to these retroactive contributions on Lump sum Payments. Almost 200 are no longer employed by Lane County. The total amount Lane County would be expected to collect is over \$200,000. We would need to collect between \$1 and \$3900 from these current and former employees, with the average contribution being \$225. Even current employees would have difficulty paying this amount from one paycheck, so Lane County would be faced with negotiating and monitoring individual re-payment agreements with most of the persons affected by this change.

Therefore, Lane County supports Option 2 contained in the PERS staff memo on this subject. This option would allow the 6% IAP contribution to be paid from the Contingency Reserve for all employees who received Lump Sum Payments during this period, whether the employer picks up the 6% contribution, or the employee contributes the 6% payment. Of the four options described in the Board Memo, we believe that this is the most equitable solution for all employers and PERS participants. We would also support Option 3 that would allow only those employers who do not pick up the employees' 6% contribution to be reimbursed from the Contingency Reserve. Both of these solutions require significantly less administrative time to implement than the other two options.

We also agree with PERS' staff analysis of the ability to use the Contingency Reserve for this purpose. The legislature passed a retroactive rule that was not anticipated, and it could not be implemented for almost an additional year due to PERS reporting restrictions. Since the Contingency Reserve is not included in calculating Employer Rates, using a portion of the reserve will not affect those rates, nor will it affect earnings available for distribution to participant accounts. The potential \$3.82M cost to the Reserve is a very small portion of the \$250M+ in the Contingency Reserve, and does not affect the separate Rate Guarantee Reserve that supports Tier I Fixed Accounts.

Director Paul Cleary and other members of PERS staff have been very helpful in this evaluation, both in their research and clarification of the issues, as well as the time they devoted to several meetings with representatives of both employers and employee groups. This is yet another good example of the positive results of involving all stakeholders in trying to find the best solutions under sometimes difficult operational constraints.

Sincerely,

Bill Dwyer, Chair
Board of Lane County Commissioners