



# Oregon

Theodore R. Kulongoski, Governor

Testimony of  
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Before the  
**Joint Ways & Means**  
**Subcommittee on General Government**  
**Thursday, April 24, 2003**

On  
**HB 2004-B**

HB 2004-B directs the PERS Board to conduct a “look back” test when paying benefits to those who retire on July 1, 2003 and thereafter. Page 3, lines 2-6 indicates that the test will be conducted using a member account balance that “shall include all employee contributions made by or on behalf of the member as of June 30, 2003.”

PERS staff in light of the present language of the bill has reviewed the treatment of June 2003 member contributions, contribution reporting errors, as well as service time purchases, and we wish to inform the committee of how we plan to administer the implementation of this bill to ensure we are conforming to legislative intent.

Regarding contributions for the month of June 2003, we will be posting those to member accounts “as of June 30, 2003” though the employer may not actually remit such contributions until late in the following month. In determining which contributions are attributable to June 2003, we will rely upon existing statute defining salary. ORS 238.200(2) states “Salary shall be considered earned in the month in which it is paid. The date inscribed on the pay check or warrant shall be considered as the pay date, regardless of when the salary is actually delivered to the member.

Regarding contribution errors, we will rely on existing statute to guide treatment of those funds. ORS 238.005(20)(b)(C) in defining salary indicates that salary includes “Retroactive payments made to an employee to correct a clerical error or pursuant to an award by a court or by order of or a conciliation agreement with an administration agency charged with enforcing federal or state law protecting the employee’s rights to employment or wages, which shall be allocated to and deemed paid in the periods in which the work was done or in which it would have been done.” As an example, if PERS is informed by an employer that a contribution amount that was due to have been paid in June 2003 was not paid due to a clerical error, PERS will accept the late contribution and include it with the account balance “as of June 30, 2003” even though the contribution has been paid after that date.

We plan to approach the treatment of service time purchases in the most simple and direct manner. If a service time purchase was not executed by a member prior to June 30,

2003, either because the member did not choose to execute his or her right to make such a purchase, or because the member was not then eligible to make such a purchase, PERS will not include the purchase dollars in the member account “as of June 30, 2003.” As an example, if a member retiring on July 1, 2003 submits a check to PERS to pay for a service time purchase by June 30, 2003, we will include those funds in the June 30, 2003 account balance, even if we do not actually process and post that payment for some days thereafter. By contrast, if a member retiring on January 1, 2004 makes a service time purchase, while the service time would be included in any look back calculation, the purchase dollars would not be included in the member account “as of June 30, 2003.”

I would be happy to answer any questions you may have regarding our proposed methodology for the treatment of these three issues.