

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



EMPLOYER NEWS

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Preview of Paid Leave Oregon and PERS reporting — part two

The [September 2022 edition of Employer News](#) included an article previewing the Paid Leave Oregon program and how to report to PERS the benefits employees will receive under the program. Since then, PERS has received questions regarding employer and employee payments **to the Paid Leave Oregon** program and how those payments will be treated for PERS purposes.

The Paid Leave Oregon program is funded by payments into the program by employers and employees. (Note that the program refers to these payments as “contributions”; remember that these are separate and distinct from PERS contributions.) Beginning with January 1, 2023, paychecks, employers and employees together will contribute up to 1% of an employee’s salary to the program. As explained in the [Paid Leave Oregon FAQ](#), the 1% contribution will be portioned as follows.

Employer portion: 40% The employer’s portion of the contributions will be treated like a payroll tax and reported through the combined payroll report form. This amount is paid solely by the employer and is **not subject salary** for PERS purposes.

Employee portion: 60% Employee contributions are paid as a deduction from an employee’s gross wages. Since gross wages are already reported as subject salary, this contribution is **not reported as subject salary** for PERS purposes.

Employer pick-up option

Employers will have the option to “pick up” their employee’s portion of the Paid Leave Oregon contribution. This means that the employer would pay the employee’s portion of this insurance premium on behalf of the employee.

- For Tier One/Tier Two members, the amount the employer is “picking up” and paying on behalf of the employee is **non-subject salary** because it is specifically excluded by statute.
- For OPSRP members, the amount the employer is “picking up” and paying on behalf of the employee would be reported as **subject salary**. This would be reported to PERS in addition to reporting the member’s gross salary.

See the table on the next page for a quick visual reference of contributions to the Paid Leave Oregon program.

Continued



Contributions to Paid Leave Oregon program

Type of contribution	Paid by	Report to PERS as subject salary?	Notes
Employer contribution	Employer	No	This payment to the Employment Department is similar to general employer contribution obligations paid to PERS to fund retirement benefits. Paid through combined payroll report form.
Employee contribution	Employee	No	This is paid as a deduction from the employee's gross wages. Gross wages were already reported as subject salary, so the contribution is not reported to PERS.
Employee contribution	Employer (pick-up)	Tier One/Two: No OPSRP: Yes	Employer is paying insurance premium on behalf of the employee. <ul style="list-style-type: none"> ▪ Tier One/Tier Two: Non-subject salary because Oregon Revised Statute (ORS) 258.005(26)(c)(B) specifically excludes. ▪ OPSRP: Subject salary because ORS 238A.005(17)(c) does not specifically exclude.

New 2023 Salary Limit and Member Redirect rates coming in January

Every January, PERS updates the Salary Limit and Member Redirect threshold rates to keep pace with the cost of living. The rate adjustments are based on the [Consumer Price Index](#) (CPI) for the West Region set by the U.S. Bureau of Labor Statistics for the previous year.

When PERS receives the 2022 CPI rates and calculates the new 2023 salary limit and Member Redirect threshold, the Employer Service Center will inform you through a NewsBite email.

Member Redirect

The Member Redirect program funds PERS members' Employee Pension Stability Accounts (EPSA) by "redirecting" a portion of their 6% Individual Account Program (IAP) contribution into their EPSA. Only members who earn above the monthly Member Redirect threshold have funds automatically redirected into their EPSA.

The 2022 Member Redirect monthly salary threshold of \$3,333 will update on January 1, 2023. The PERS system processes redirects automatically, so no action is needed from employers.

Continued

The percent of the IAP contribution that is redirected into each employee's EPSA will remain the same:

- Tier One and Tier Two: 2.5%
- OPSRP: 0.75%

The Member Redirect offset rate for the 2023-25 biennium is already set and will not change.

- Tier One and Tier Two: 2.40%
- OPSRP: 0.65%

[Learn more](#)

For information about Member Redirect and EPSAs, read the [EPSA Overview webpage](#).

Salary Limit

Salary Limit sets a cap on the amount of subject salary used for PERS benefit calculations and contributions. The current annual limit is \$210,582.

Subject salary is used to determine:

- Member IAP contributions.
- Employer contributions.
- The final average salary (FAS) used in calculating retirement benefits under formula methods.

Salary Limit limits the annual salary amount that PERS uses to calculate an employee's PERS benefits — it does not limit an employee's actual salary.

[Learn more](#)

Visit the [Salary Limit section of the SB 1049 webpage](#).

Employer Incentive Fund update for year-end 2022



Cycle One of the Employer Incentive Fund program will close on March 31, 2023. PERS will provide matching funds to all employers on the Cycle One waitlist who make their full deposit by March 31. (Any employers who miss this deadline will forfeit their matching funds.)



As of October 31, 2022, PERS has distributed \$29,577,546 from EIF to match 20 employers on the waitlist. Approved EIF matches totaling \$6,394,879 remain to be distributed to the final 24 employers on the list.

If you have been approved for a match, Actuarial Services has already reached out to you. If you have questions, email the actuarial team at actuarial.services@pers.oregon.gov.

Cycle Two

Any funds left over after Cycle One closes will remain in the EIF account for a future phase. EIF will continue to receive proceeds from state sports betting, so PERS plans to do a second cycle when the fund reaches at least \$25 million. This is predicted to occur in the 2025-27 biennium.

Controlling your rate: the hidden costs of ‘pension spiking’



When an employee inflates their salary in the three years preceding retirement to increase their final average salary (FAS) and, thus, their pension, this is called “pension spiking.” It is most often done by working extra overtime or paying an employee significantly large payments and reporting them as regular wages.

It is a rare practice, but if it happens in your organization, it can have a detrimental impact on your budgetary health and contribution rate.

How to control pension spiking

Employers have two main levers they can use to control increases in their contribution rates: side accounts and payroll. PERS’ actuaries anticipate a 3.4% increase in payroll every year, so if your organization’s payroll increases more than that, you may need to take action to control your payroll costs.

1 Average overtime (affects OPSRP members only)

“Average overtime” is an estimate of the number of overtime hours a position might be expected to work in a calendar year. It is determined at the class or position level, not on an individual employee level.

The average overtime rate puts a limit on how much of an OPSRP employee’s reported overtime can be applied toward their FAS. When an OPSRP member works more overtime hours than the average overtime rate assigned by their employer, the salary earned in excess of the average overtime cap is excluded from their FAS.

It does not affect how much overtime an OPSRP member can work or how much the person is paid for overtime.

To learn more about determining and assigning average overtime, read employer reporting guide 17, “[Reporting or Changing ‘Average Overtime.’](#)”

2 Vigilance

While compensation can increase in the final years of employment through promotions or earned overtime, a sudden increase in voluntary overtime or significant payments should raise a red flag. If a manager in your organization suspects that an employee is working extra hours to try to increase their PERS retirement benefits, consider mitigating the situation.



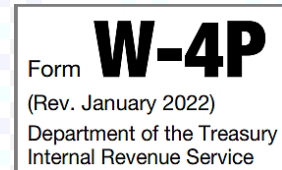
For your employees

Revised W-4P retirement tax form

PERS members who are nearing retirement and preparing their PERS retirement applications need to be aware of a change to a tax form called the W-4P.

Retirees use this form to declare tax withholdings from pension and annuity payments.

The IRS revised its W-4P tax form in January 2022, and PERS began accepting the new form on November 1. Members should use the PERS 2022 W-4P form for their membership type:



- [Tier One/Tier Two form.](#)
- [OPSRP form.](#)

Contribution start date for employees hired in December

Employees who are hired into a qualifying position between December 2 and 31, 2022, and meet wait-time requirements (below), will complete their six-month waiting time on June 30, 2023. Their contribution start date (CSD) will be July 1, 2023. After that date, new qualifying employees will begin making 6% contributions into their Individual Account Program (IAP) accounts and you will be invoiced for contributions on their wages.

Note: Employees hired on December 1, 2022, will have a CSD of June 1, 2023.

Wait-time requirements

- Work for six months in a qualifying position (established by a “qualifying” hire intent or working more than 600 hours in a calendar year).
- Work for one employer with no break in service longer than 31 days over the six-month trial period.
- Still be employed the day before and day of the CSD.

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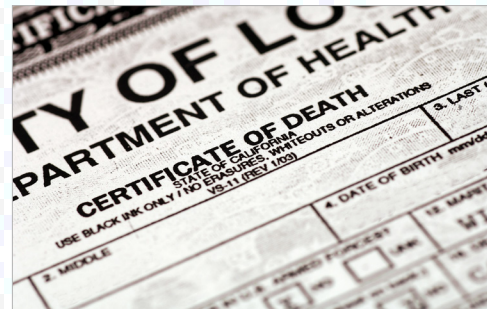
							1 CSD
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Reporting an employee death

When an employee dies before retirement, the employee's family and employer must follow a few important steps to report the death. This ensures that the employee's account is updated and beneficiary benefits can begin, if applicable.

Steps

- 1 As soon as possible, the employee's death should be reported to PERS by either the employee's family, a representative of the employee's family, or the employer. (A family member or representative can call PERS Member Services at 888-320-7377.)
- 2 The family member or rep will need to provide Member Services with a photocopy of the death certificate and contact information for next of kin.
- 3 The family member or rep should call the member's employer (e.g., their manager or HR representative) to inform them of their employee's death.
- 4 The member's employer contacts their PERS account representative to inform them of the death. If the member's employer is the first party to report the employee's death, they will need to provide contact information for next of kin (i.e., step 2).
- 5 The member's employer goes into EDX and reports the employee's final wages.
- 6 The member's employer then reports the death (instructions below). This also closes out the employment segment.



Filling in the Detail 1 record

To report an employee's death, create a new Demographics and Adjustment Report (or edit an existing one) and add a Detail 1 Member Demographics record with a status code of 10 - Deceased.

This record does double duty by posting a death status on the account and terminating the open employment segment.

For instructions, read employer reporting guide 15, "[Reporting a Termination or Death.](#)"