

# Retirement Options Tier One & Tier Two Employees

## Public Employees Retirement System (PERS) & Optional Retirement Plan (ORP)



### Retirement Options Comparison – Tier One & Tier Two Employees

Explore the unique features of the Optional Retirement Plan (ORP) and the Public Employees Retirement System (PERS) for employees hired prior to August 29, 2003.

#### Disclaimer – Please read carefully

This Guide provides an overview of PERS/OPSRP and the ORP. The descriptions of OPSRP and PERS in this Guide are based on Oregon Public Universities Retirement Plans' understanding of applicable legislation, as amended and as affected by judicial decisions, as of the date of this guide. In addition, PERS regularly adopts administrative rules to implement legislative and operational changes. The descriptions of OPSRP and PERS are therefore subject to modification and/or clarification by new legislation, court decisions, and PERS' administrative rulemaking.

This material is intended to assist in the administration of the plan, and it includes a summary of common ORP Plan provisions. To obtain additional information, contact your campus benefits office for assistance with questions, transactions, or circumstances that are not included in the guide.

## Retirement Options Tier One & Tier Two Employees

### **Public Employees Retirement System (PERS) & Optional Retirement Plan (ORP)**

In case of conflict between this Guide and the official plan documents of the ORP and Oregon state law regulating PERS/OPSRP, the official plan documents, Oregon state law, and federal regulations will govern. A copy of the ORP plan document is available through your campus benefits office upon request or on the OPURP website.

# Retirement Options Tier One & Tier Two Employees

## Public Employees Retirement System (PERS) & Optional Retirement Plan (ORP)

### Retirement Option Comparison – Tier One & Tier Two Employees

Explore the unique features of the Optional Retirement Plan (ORP) and the Public Employees Retirement System (PERS) for employees hired prior to August 29, 2003.

The Optional Retirement Plan (ORP) and Public Employees Retirement System (PERS) are each intended to provide you income during your retirement years. These plans share a number of common attributes, but differ in important aspects. This guide provides an overview of the key features of PERS and the ORP.

**Tier One:** If you were hired into a qualifying position before January 1, 1996, you are a Tier One employee.

**Tier Two:** If you were hired into a qualifying position on or after January 1, 1996, and before August 29, 2003, you are a Tier Two employee.

The following section compares the PERS and ORP plan provisions that apply to Tier One and Tier Two employees.

If you are an ORP/OPSRP Tier Three employee, your benefits are described in the Retirement Option Comparison brochure for ORP/OPSRP Tier Three Employees (ORP Guide #4).

#### **OPSRP (Oregon Public Service Retirement Plan)**

If you were hired in a qualifying position on or after August 29, 2003 and before July 1, 2014, and have never worked for another Oregon PERS employer, you are an OPSRP or ORP Tier Three employee.

# Retirement Options Tier One & Tier Two Employees

## Public Employees Retirement System (PERS) & Optional Retirement Plan (ORP)

### Comparing Your Retirement Options – Tier One & Tier Two

<u>Attributes</u>	<u>PERS</u>	<u>ORP</u>
<b>Who is Eligible?</b>	<p>Academic and administrative unclassified employees of Oregon Public Universities (including EOU, OIT, OSU, PSU, SOU, UO, WOU) who meet both of the following criteria:</p> <ul style="list-style-type: none"> <li>• Have completed a waiting period of six full calendar months of employment in a qualifying position; and</li> <li>• Hold a qualifying position or series of positions that total 600 hours in a year.</li> </ul>	<p>Academic and administrative unclassified employees of Oregon Public Universities (including EOU, OIT, OSU, PSU, SOU, UO, WOU) who meet both of the following criteria:</p> <ul style="list-style-type: none"> <li>• Have completed a waiting period of six full calendar months of employment in a qualifying position; and</li> <li>• Hold a qualifying position, or series of positions, that total 600 hours in a year.</li> </ul> <p>Qualifying positions generally include:</p> <ul style="list-style-type: none"> <li>• In a twelve (12) month fixed-term appointment of at least 0.3 full-time equivalent (FTE);</li> <li>• In a nine (9) month fixed-term appointment of at least 0.4 FTE; or</li> <li>• In a more than nine (9) month and less than twelve (12) month fixed-term appointment, or in a non-fixed-term appointment, in which the Employee performs 50 or more hours of service during each of such six (6) full calendar months</li> </ul> <p>In the event an Employee who is not appointed to a 9-month 0.4 FTE or a 12-month 0.3 FTE does not work a full 50 hours due to an Employer’s or a Participating Employer’s temporary closure, the hours that the Eligible Employee would have worked but for the closure are counted as time served.</p>
<b>When Participation Begins</b>	First of the month following six full calendar months of employment in a qualifying position.	First of the month following six full calendar months of employment in a qualifying position.
<b>Employer Contributions</b>	Employer Contributions made by Oregon Public Universities Retirement Plans in 2020 are based on a percentage of the first \$285,000 of annual salary (calendar year). The salary limit is adjusted as the cost of living increases.	Employer Contributions made by Oregon Public Universities Retirement Plans in 2020 are based on a percentage of the first \$285,000 of annual salary (calendar year). The salary limit is adjusted as the cost of living increases.

# Retirement Options Tier One & Tier Two Employees

This limit does not apply if you were a PERS member before December 31, 1995.

The Employer Contribution sufficient to fund pensions for Tier One and Tier Two members is periodically established by PERS, and is subject to change.

The Employer Contributions for Tier One and Tier Two members are subject to change, based on the rates periodically established by PERS.

From July 1, 2019 until June 30, 2021, the Employer Contribution rate is 27.20%.

<u>Attributes</u>	<u>PERS</u>	<u>ORP</u>
<b>Employee Contributions</b>	<p>Currently, your university pays the Employee Contribution on behalf of most employees.</p> <p>Employee Contributions are 6% of annual salary based on the first \$285,000 of annual salary in 2020. This limit does not apply if you were a PERS member before December 31, 1995.</p> <p>Employee Contributions are paid to the IAP Employee Account. Total Employer and Employee Contributions to the IAP are limited to a maximum of \$57,000 in 2020.</p> <p>All limits are as of the 2020 plan year, and are indexed annually by the IRS.</p>	<p>Currently, your university pays the Employee Contribution on behalf of most employees.</p> <p>Employee Contributions are 6% of annual salary based on the first \$285,000 of annual salary in 2020.</p> <p>Total Employer and Employee Contributions may not exceed \$57,000 in 2020.</p> <p>All limits are as of the 2020 plan year, and are indexed annually by the IRS.</p>
<b>Rollovers</b>	<ul style="list-style-type: none"> <li>• Not accepted by the pension plan.</li> <li>• Rollovers are not accepted by the IAP.</li> </ul>	<p>Accepts rollover contributions, subject to ORP Fund Sponsor restrictions, from:</p> <ul style="list-style-type: none"> <li>• PERS member or IAP accounts</li> <li>• Other employers' qualified retirement plans</li> <li>• Governmental IRC 457(b) plans, including the OSGP</li> <li>• IRC 403(b) TSA plans</li> <li>• Individual Retirement Accounts (IRA) – if funds are from a previous employer's qualified plan.</li> </ul>
<b>Plan and Plan Accounts</b>	<p>Separate plans are maintained for each PERS member:</p> <ul style="list-style-type: none"> <li>• Pension: Employer Contributions, plus Member Regular and Variable Accounts accumulated prior to January 1, 2004, fund your "defined benefit" pension.</li> <li>• IAP: Beginning January 1, 2004, Employee Contributions fund an Individual Account Program (IAP) Employee Account</li> </ul>	<p>Your ORP Provider establishes an account to receive your:</p> <ul style="list-style-type: none"> <li>• Employer Contributions</li> <li>• Employee Contributions</li> </ul> <p>You invest your Employer and Employee Contributions in mutual funds and/or annuities offered by your ORP provider.</p>

## Comparing Your Retirement Options – Tier One & Tier Two

<u>Attributes</u>	<u>PERS</u>	<u>ORP</u>
<b>Investment Options</b>	All investments for the pension and IAP plans are selected and managed by the Oregon Investment Council.	You choose from a variety of investments through one of the ORP Providers.  ORP Providers include Fidelity Investments and TIAA.
<b>Investment Income</b>	<ul style="list-style-type: none"> <li>• Tier One members may receive the higher of actual earnings or the PERS assumed earnings rate on Employee Regular Accounts in the years that Regular Accounts are funded.</li> <li>• Tier Two members receive the actual investment returns on their Employee Regular Accounts.</li> <li>• Tier One and Tier Two members receive actual investment returns on their Variable Account until retirement or One Time Transfer to the Employee Regular Account.</li> <li>• Tier One and Tier Two members receive investment returns credited to the IAP Employee Account.</li> </ul>	Actual investment returns are credited by each mutual fund or annuity selected by the participant. These may include a fixed annuity with guaranteed investment returns.
<b>When You Can Change Investment Options</b>	<ul style="list-style-type: none"> <li>• One-Time Variable Transfer allows you to make a one-time, irrevocable transfer of funds from the Variable Account to the Regular Account at age 50 or after 25 years of service, if you qualify.</li> <li>• No other changes required or permitted.</li> </ul>	<ul style="list-style-type: none"> <li>• You may change your ORP Provider for future contributions once per calendar year. ORP Change Forms are available from your campus benefits offices to change future contributions.</li> <li>• You may change funds or transfer balances among funds by contacting your ORP Provider at any time, subject to any restrictions or fees required by the ORP providers.</li> </ul>
<b>Vesting</b>		
<b>Employer Contributions and Earnings</b>	<p><b>PERS Pension</b> 100% vested after making contributions in each of five calendar years, or on reaching age 65 while an Oregon Public University Employee</p>	100% vested after receiving contributions in each of 5 years, or if you are age 50 or older while an Oregon Public University employee.
<b>Employee and Rollover Contributions and Earnings</b>	<p><b>IAP Employee Account</b> 100% vested immediately.</p>	100% vested immediately.

# Retirement Options Tier One & Tier Two Employees

## Public Employees Retirement System (PERS) & Optional Retirement Plan (ORP)

### Comparing Your Retirement Options – Tier One & Tier Two

<u>Attributes</u>	<u>PERS</u>	<u>ORP</u>
<b>When Retirement Benefits are Available</b>	<p><b>PERS Pension</b></p> <ul style="list-style-type: none"> <li>• Normal retirement age 58 for Tier One members.</li> <li>• Normal retirement age 60 for Tier Two members.</li> <li>• 30 years or more of qualifying service for Tier One and Tier Two members.</li> </ul> <p><b>IAP</b> Employee Account is available on termination.</p>	Termination of employment, retirement, death, disability or plan termination.
<b>Early Retirement</b>	Tier One and Tier Two members may retire any time after reaching age 55. If you have fewer than 30 years of service, benefits will be reduced compared to Normal Retirement benefits.	Benefits become available when you leave your Oregon Public University employment.
<b>If You Leave Your Job with Oregon Public Universities Before Retirement</b>	<p><b>If vested:</b> You may leave your member Regular and Variable Account balances accumulated prior to January 1, 2004, in the PERS pension plan until retirement.</p> <p><b>Or</b> You may withdraw your Employee Regular and Variable Accounts but you forfeit your pension.</p> <p>If not vested: You may withdraw your Member Regular and Variable Accounts. You forfeit the pension.</p> <p><b>Or</b> If you leave your Member Regular and Variable Accounts you accumulated prior to January 1, 2004, with PERS, they will continue to receive investment earnings for five years. After five years, those accounts stop receiving investment earnings.</p> <p><b>IAP:</b> You may withdraw your IAP Employee Account after leaving all PERS/OPSRP eligible service. Investment earnings accrue on your IAP account until withdrawn.</p> <p>Contact PERS for information about “withdraw one/withdraw all” rules before withdrawing any account.</p>	<p><b>If vested:</b> You may leave your Employer and Employee Accounts in the ORP until retirement. Both accounts are affected by investment performance.</p> <p><b>Or</b> You may withdraw the value of your Employee Account and the value of your Employer Account, including investment performance.</p> <p><b>If not vested:</b> You may withdraw your Employee Account balance only. You forfeit your Employer Account.</p> <p><b>Or</b> If you leave your Employee Account balance in the ORP, it is eligible for investment earnings until withdrawn. You forfeit your Employer Account.</p>



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### Comparing Your Retirement Options – Tier One & Tier Two

<u>Attributes</u>	<u>PERS</u>	<u>ORP</u>
<b>Minimum Required Distribution</b>	Generally, Internal Revenue Code requires you to begin receiving benefits by April 1 of the year following the calendar year in which you retire or reach age 70 ½, whichever is later.	Generally, benefit payments may begin any time after becoming eligible, and on or before April 1 of the calendar year following the latter of the calendar year the Participant a) attains age 70 ½ or b) retires and terminates employment.
<b>How Benefits are Determined at Retirement</b>	<p>Your retirement benefit is the combination of your Pension and your Individual Account Program account balance.</p> <p>Pension Benefits are calculated as the greater of the following:</p> <p><b>Full Formula:</b> Benefit is 1.67% of your Final Average Salary (FAS), multiplied by your years and months of qualified service. FAS is the greater of these amounts, divided by 36 months:</p> <ul style="list-style-type: none"> <li>• Your last 36 months of salary; or</li> <li>• Your highest three calendar year salaries during your career in PERS-covered employment.</li> </ul> <p><b>Money Match:</b> Benefits are equal to the value of your Member Account (pension, not IAP), including investment earnings, plus a matching amount from the Employer Contributions. The monthly benefit is based on this sum and your estimated life expectancy. <i>This method is available only to employees who established member accounts prior to January 1, 2004.</i></p> <p><b>Formula Plus Annuity:</b> Benefit is 1% of your Final Average Monthly Salary times your years of qualified service plus the value of your Member Account (pension, not IAP), adjusted for your life expectancy. <i>This method is available only to members who made contributions before April 21, 1981.</i></p> <p><b>IAP benefits</b> are the total of your IAP accounts.</p>	Your retirement benefits are equal to the value of your Employee Account and, if vested, the value of your Employer Account.



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### Comparing Your Retirement Options – Tier One & Two

<u>Attributes</u>	<u>PERS</u>	<u>ORP</u>
<b>How Benefits are Paid at Retirement</b>	<p>PERS Pension provides a variety of payment options including life annuity, joint and survivor option and lump sum payments.</p> <p>IAP payment options include lump sum distributions and equal installments over 5, 10, 15, or 20 years.</p>	Provides a variety of payment options, including lump sum payment, of Employee and vested Employer Accounts.
<b>Minimum Benefit</b>	Tier One and Tier Two members receive \$100 per month at age 65 for a member with at least 15 years of service.	No minimum benefit.
<b>Disability Benefit</b>	<p>Tier One and Tier Two members' disability benefit is based on service you would have earned had you worked to normal retirement age.</p> <p>You must have 10 years of qualifying service to be eligible for disability benefits, or your disability must be caused by your PERS-covered employment.</p>	100% of your Employee Account balance and the Employer Account balance as of the date of disability.
<b>Death Benefit: If You Die While Employed</b>	<p><b>PERS Pension</b> Tier One and Tier Two Members: 100% of value of your Member Account at time of death is paid to your beneficiary(ies). If you die while in active service or on approved leave of absence, your beneficiary receives a matching employer death benefit. Your survivor may choose:</p> <ul style="list-style-type: none"> <li>• Total distribution</li> <li>• Straight life annuity</li> <li>• Partial distribution plus pension</li> </ul> <p><b>IAP</b> Your account balance is paid to your beneficiary as a lump sum distribution.</p>	100% of value of your Employee Account and Employer Account balance at time of death is paid to your beneficiary(ies).
<b>Survivor Benefit: If you Die After Retirement</b>	Benefit is determined by payment option you selected at the time you retired.	100% of value of your Employee Account and Employer Account balance at time of death is paid to your beneficiary(ies).

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### Comparing Your Retirement Options – Tier One & Tier Two

<u>Attributes</u>	<u>PERS</u>	<u>ORP</u>
<b>Loans</b>	Not Available	Not Available
<b>Retiree Health Care</b>	<p>Coverage to age 65 in a PERS or Public Employees' Benefit Board (PEBB) group health and dental insurance plan, if eligible.</p> <p>With 8 years of PERS membership, a portion of the monthly premium is credited toward Medicare-supplement insurance if insured with PERS Health Coverage.</p>	<p>PEBB-sponsored retiree health care benefits are currently available for pre-Medicare retirees to age 65.</p> <p>Note: If you also have a PERS account balance and are eligible to receive PERS retirement benefits, you may be eligible for PERS Retiree Health Care Benefits.</p>
<b>Cost of Living Adjustment (COLA) After Retirement</b>	Contact PERS directly for information.	No cost of living adjustment; accounts receive investment earnings until withdrawn.