

PERS pick-up buyout proposal FAQ*

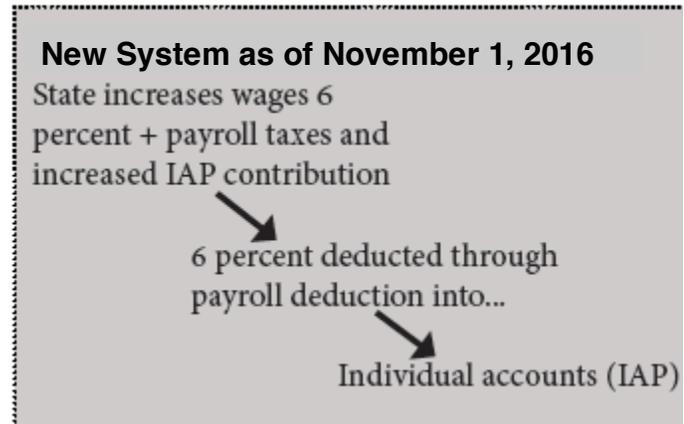
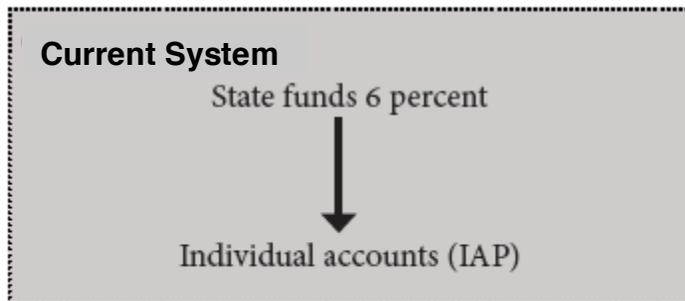
10.14.2016 version

What is the 6 percent pickup and how did it come to be?

Prior to 1979, state workers paid 6 percent of our wages towards PERS. In 1979, during bargaining, we accepted a proposal from the State to pay the 6 percent into our PERS accounts, which increased member take-home pay even though wage rates remained the same because members no longer had to pay the 6 percent out-of-pocket.

What did we ratify in our new contract?

Rather than the state continuing to “pick up” the 6 percent by paying it directly into our PERS Individual Account Program (IAP), beginning November 1, 2016, these funds will be transferred back to the employee’s pay and then transferred, as a pre-tax deduction, into the employee’s PERS IAP. Any additional payroll tax, and increased PERS contribution, incurred as a result of the “buy back” will be covered by an additional .95 percent paid by the state into the employee’s pay. While this will increase employee’s base wages by 6.95 percent, the intent of the buyout is to be zero cost to employees.



How does this benefit us?

There are a number of ways this will be in our best interests. First, it will be an additional benefit for OPSRP members (those hired on or after August 29, 2003, also known as Tier 3), as it will translate into a higher final average, which is used in calculating retirement benefits. Currently, Tier 1 and 2 members already have the 6 percent pick-up counted toward their final average salary, but OPSRP members do not.

In addition, pay and benefits that are based on your wage rate will increase; this includes IAP contributions, overtime, out-of-class and lead differentials, vacation payouts, and Social Security calculations. For example, if you work overtime or have a pay differential based on a percentage of salary, this will put more money in your pocket.

Previous attempts to end the 6 percent pick-up would have resulted in an equivalent pay cut for all PERS members; this issue was a central cause of the 1995 strike by state and higher education workers in Oregon. Because we prevailed in limiting the recently passed PERS COLA cap in court, there have already been proposals to end the 6 percent pick up in a way that would not hold us harmless, but would instead entail some sort of pay cut (e.g. legislation allowing for negotiations over splitting the pick-up, or eliminating it altogether at our own expense).

Does this mean a pay increase for me?

No. There would basically be no change in your take home pay. It will, however, increase your IAP contributions, overtime pay, any differentials based on a percentage of salary, vacation payouts, and Social Security.

If this doesn't put more money in my pocket, why do it?

Besides the fact that the current system suppresses retirement income for OPSRP members, the Bargaining Team made this proposal as a defensive measure aimed at protecting member retirement for the future.

Will the PERS buy back impact my ability to qualify for public assistance or increase garnishments or other payments I am required to make?

It's not possible to speak to all circumstances. If you are impacted by an income-based benefit or payment plan, you'll need to consult with whoever oversees your benefits or payments. Be sure to tell them this is a "pre-tax retirement benefit."

Is this a new idea?

No. The idea of buying out the 6 percent has been discussed at bargaining tables and in the legislature for years. Many unions, including our fellow members at Portland Public Schools and most firefighter and law enforcement bargaining units, have already adopted a buyout because they saw it as being in their best interests. Our bargaining team believes this is the best way to secure our retirement.

Why now?

This concept is a carry-forward from previous bargaining sessions and the current Bargaining Team recognized the time was right for winning this proposal. At the Bargaining Conference held on Sunday, January 25, 2015, this proposal was brought forward to the assembled delegates. The delegates in attendance understood the importance and supported moving this forward. Maintaining a secure retirement has remained a high priority when our members fill out bargaining surveys.

Timing is critical as we face huge attacks on Unions and public workers. These attacks are focused on collection of dues, the right to collectively bargain and the ability to have a secure retirement.

How will it work?

See chart above. Under the 2017-19 collective bargaining agreement, our salaries are increased by 6.95% and we start paying the 6% IAP contribution effective November 1, 2016.

How will this impact my union dues and other payroll differentials?

Any deduction based on a percentage of your wages will be impacted. On the income side, overtime, wage-based differentials, and vacation payouts will benefit. For example, if you make \$40,000 a year and receive a 5% pay differential, your differential will be calculated off of a 6.95% higher base wage resulting in an \$11.58/month increase before taxes. Under the same \$40,000 a year scenario, every hour of overtime will increase by \$2.01 before taxes. Similarly, dues will go up a small amount: for every additional \$100/month you earn, your dues will go up \$1.70. For example, if you make \$40,000 a year, your dues will go up \$3.94 per month.

Would I be able to pay that money into a 401k of my choice or use it otherwise?

No. By law, the 6 percent must be paid into your IAP account either by the employee or the employer.

How will this impact my income taxes?

While the funds are part of your income, they are not reported in Gross Income for tax purposes. The deduction is handled on a “pre-tax” basis just as your portion of your insurance premium is handled; therefore, the 6.95% pay increase will have a negligible impact on your income taxes.

For information on PERS, there is a wealth of information on the PERS website, including the following benefit comparison chart:

http://apps.pers.state.or.us/pers238/a-z_project_chapter_238.htm

****APPLIES ONLY TO PARTICIPATING MEMBERS OF PERS***

Unless an employee has established PERS eligibility based on previous employment, a State employee must complete six months of service for the State uninterrupted by 30 or more consecutive working days and must continue to be employed by the State on the first of the month following the end of the six-month period, which is the date that eligibility begins. Employees who are not participating members of PERS do not pay the 6% IAP contribution and so will not receive the 6.95% increase in base pay. The 6.95% increase in base pay will go into effect as soon as the employee becomes a participating member of PERS.

This FAQ was updated November 15, 2016, and will continue to be updated as more information is available.